

**MIDDLE-BROOK REGIONAL HEALTH COMMISSION
COUNTY OF SOMERSET
NEW JERSEY**

**REPORT ON
EXAMINATION OF ACCOUNTS
FOR THE YEAR 2019**

**SAMUEL KLEIN AND COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS**

MIDDLE-BROOK REGIONAL HEALTH COMMISSION

TABLE OF CONTENTS

DECEMBER 31, 2019

	<u>Page</u>
<u>Part I</u>	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-7
<u>Financial Statements</u>	
Statement of Net Position	A 8
Statement of Support, Revenue, Expenditures and Changes in Net Position	B 9
Statement of Cash Flows	C 10
Notes to Financial Statements	11-20
<u>Supplementary Information</u>	
Schedule of Revenues – Budget and Actual	1 21
Schedule of Expenditures – Budget and Actual	2 22
Schedule of Cash Receipts and Disbursements	3 23
Schedule of Accounts Receivable	4 24
Schedule of Accounts Payable	5 25
<u>Part II</u>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26-27
Roster of Officials	28
General Comments and Recommendations	29-30

PART I
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS
NOTES TO FINANCIAL STATEMENTS
AND SUPPLEMENTARY EXHIBITS
YEAR ENDED DECEMBER 31, 2019

SAMUEL KLEIN AND COMPANY, LLP

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INDEPENDENT AUDITOR'S REPORT

The Honorable President and Representatives
Middle- Brook Regional Health Commission
County of Somerset
Green Brook, New Jersey 08812

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Middle- Brook Regional Health Commission in the County of Somerset, State of New Jersey, as of and for the year ended December 31, 2019 and the related Notes to Financial Statements, which collectively comprise the Commission's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Middle-Brook Regional Health Commission, and the results of its operations and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis pages 4 through 7, pension information pages 14 through 19 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Middle-Brook Regional Health Commission's basic financial statements. The information included in the supplementary information and is not a required part of the financial statements.

The supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information are fairly stated in all material respects, in relation to the financial statements as a whole.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2021, on our consideration of the Middle - Brook Regional Health Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Middle-Brook Regional Health Commission's internal control over financial reporting and compliance.



WALTER RYGLICKI, CPA, RMA, PSA



SAMUEL KLEIN AND COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Freehold, New Jersey
July 7, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Middle-Brook Regional Health Commission annual financial report, the management of the Commission provides narrative discussion and analysis of the financial activities of the Commission for the audit year ending December 31, 2019.

The Commission's financial performance is discussed and analyzed within the context of the accompanying financial statements and notes following this section.

Discussion of Financial Statements Included in Annual Audit

The Commission prepares and presents its financial statements on several different bases, because of accounting requirements and for internal use purposes.

The first set of statements, which consist of the Statement of Net Position, Statement of Support, Revenue, Expenditures and Change in Net Position, and the Statement of Cash Flows is prepared on the accrual basis and is in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities. These statements are the official financial statements of the Middle-Brook Regional Health Commission.

After the first set of statements and the "Notes to the Financial Statements" that follow is the second set of statements. These statements are considered "Supplementary Information".

The Commission has historically presented its financial statements on a "GAAP Basis", and continues to do so because it relates more fairly to the annual budget for the same period. The annual budget records all cash disbursements, accounts payable and accrued expenses as charges against the adopted appropriation.

Contained in the supplementary information are schedules that report the Schedules of Operating Revenues and Expenditures Compared to Budget. This schedule compares the "Budget" revenues and expenses to "Actual" revenues and expenses. This includes operating revenues and expenses, and depreciation is not reported as an expense in these statements. On the "GAAP" based and "Modified GAAP" based, depreciation expense is reported.

The Budget to Actual schedule is a very important schedule to the Commission management staff, because it is how we measure our financial performance, particularly as it compares to the approved and adopted annual budget and how it relates to the operational performance.

For the purpose of the Management Discussion and Analysis, the ensuing discussion will review the financial statements of the Middle-Brook Regional Health Commission, those prepared on an accrual basis and in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities. This is the first set of statements included in the annual audit report.

**Middlesex–Brook Regional
Health Regional Commission**

Statement of Net Position

The Commission's total assets decreased \$6,916.26 mostly due to a decrease in unrestricted cash from the prior year and Deferred Outflows of Resources. Total liabilities increased \$5,969.68, mostly due to a decrease in Deferred Inflows of Resources. Assets exceeded liabilities by \$ 296,326.22, compared to 2018 unaudited statements where the assets exceeded liabilities by \$317,245.19.

The Commission's net position of \$296,326.22 is comprised of the following:

Unrestricted:

1. Undesignated Net Position of \$296,326.22 represents the portion available to maintain the Commission's continuing obligations to the residents of the participating Municipalities and its creditors.

	<u>Year Ended</u>	
	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Total Unrestricted Assets	<u>\$ 529,537.25</u>	<u>\$ 536,453.51</u>
Total Assets	<u>\$ 529,537.25</u>	<u>\$ 536,453.51</u>
Deferred Outflows - Pension	<u>\$ 151,187.00</u>	<u>\$ 185,054.00</u>
Total Current Liabilities Payable from Current Assets	<u>\$ 42,297.03</u>	<u>\$ 36,327.32</u>
Total Liabilities	<u>\$ 42,297.03</u>	<u>\$ 36,327.32</u>
Deferred Inflows -Pension	<u>\$ 342,101.00</u>	<u>\$ 367,935.00</u>
Net Position	<u>\$ 296,326.22</u>	<u>\$ 317,245.19</u>

Comparative Statement of Support, Revenue, Expenditures and Change in Net Position

There was an increase to Operating Revenues of the Commission.

Total Operating Expenses were increased

Total Operating Revenues less Total Operating Expenses produced a Loss of \$20,918.97.

Net Position as of December 31, 2019 decreased \$ 20,918.97 from a surplus of \$317,245.19 to a surplus of \$296,326.22.

	<u>Year Ended</u> <u>Dec. 31, 2019</u>
Total Operating Revenues	\$ 287,724.86
Operating Expenses	<u>308,853.86</u>
Operating Gain (Loss)	(21,129.00)
Nonoperating Revenue (Expenses)	<u>210.03</u>
Change (Decrease) in Net Position	(20,918.97)
Net Position, Beginning	<u>317,245.19</u>
Net Position, Ending	<u><u>\$ 296,326.22</u></u>

Governing Body

The Commission consists of eight (8) representatives. The Representatives are appointed by the governing bodies of each participating municipality.

The Commission Representatives are:

Greg Riley, President
Jon Fourre, Vice President
Kathleen Bolmer, Representative
Arleen Lin, Representative

Laura Burger, Representative
Julia Gunther, Representative
Ronald Jubin, Representative
Jean Mazet, Representative

Mission Statement

Mission:

"The Middle-Brook Regional Health Commission is dedicated to improve the health of our community and environment through the use of prevention services, health promotion and protection strategies."

Vision Statement:

Motto is healthy people and places ... a healthy community.

Funding of Infrastructure and Debt Management

The Commission is currently debt free.

Auditors

The Commission Auditor is Walter Ryglicki, CPA, RMA of Samuel Klein and Company, LLP. Audits can be obtained by contacting the Township of Green Brook, Department of Health.

MIDDLE-BROOK
REGIONAL HEALTH COMMISSION

STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit A

	<u>Unrestricted Balance Dec. 31, 2019</u>
<u>ASSETS</u>	
Cash	\$ 501,810.25
Accounts Receivable	27,727.00
	<hr/>
Total Assets	\$ 529,537.25
	<hr/>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension (Note 6)	\$ 151,187.00
	<hr/>
<u>LIABILITIES</u>	
Accounts Payable	\$ 42,297.03
	<hr/>
Total Liabilities	\$ 42,297.03
	<hr/>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension (Note 6)	\$ 342,101.00
	<hr/>
<u>NET POSITION</u>	
Unrestricted (Deficit)	\$ 296,326.22
	<hr/>

See accompanying notes to financial statements.

MIDDLE-BROOK
REGIONAL HEALTH COMMISSION

STATEMENT OF SUPPORT, REVENUE, EXPENDITURES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit B

	<u>Unrestricted Balance Dec.31 ,2019</u>
<u>Support and Revenue</u>	
Support:	
Municipal Agreements:	
Bound Brook	\$ 2,822.50
Green Brook	83,766.00
South Bound Brook	62,227.00
Warren	24,453.00
Watchung	102,914.00
Radon Sales	1,500.00
Tanning Inspections	800.00
Lead Cases	1,000.00
Health Insurances -Employee Share	8,242.36
	<u>287,724.86</u>
Total Support	<u>287,724.86</u>
Revenue:	
NonBudgeted Revenue	<u>210.03</u>
Total Revenue	<u>210.03</u>
Total Support and Revenue	<u>287,934.89</u>
<u>Expenditures</u>	
Commission Expenses Operating	<u>308,853.86</u>
Total Expenditures	<u>308,853.86</u>
Excess/(Deficit) of Support and Revenue Over/(Under) Expenditures	(20,918.97)
Net Position, Beginning of the Year (Unaudited)	<u>317,245.19</u>
Net Position, End of the Year	<u>\$ 296,326.22</u>

See accompanying notes to financial statements.

MIDDLE-BROOK
REGIONAL HEALTH COMMISSION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit C

Unrestricted
Balance
Dec. 31, 2019

Cash Flows from Operating Activities:	
Increase (Decrease) in Net Position	\$ (20,918.97)
Adjustment to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:	
(Increase) Decrease in Operating Assets:	
Accounts Receivable	(2,822.50)
Deferred Outflows	33,867.00
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	5,969.71
Deferred Inflows	<u>(25,834.00)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(9,738.76)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(9,738.76)
Beginning Cash and Cash Equivalents (Unaudited)	<u>511,549.01</u>
Ending Cash and Cash Equivalents	<u><u>\$ 501,810.25</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**MIDDLE-BROOK
REGIONAL HEALTH COMMISSION**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

1. REPORTING ENTITY

The Middle-Brook Health Commission (the "Commission") held its organizational meeting on January 29, 1970. The Commission was comprised of representatives of the Boards of Health of each Municipality represented. Commission representatives are from Bound Brook, Green Brook, Middlesex and South Bound Brook. As of February 28, 2019, Bound Brook elected to remove itself from the commission. The purpose for which the Commission was formed was to consolidate Public Health policies and activities in each of the municipalities. Funds, to be provided by the municipalities, based on a proposed budget for the first year of operations were offered by the consulting health officer. Proposed by-laws were offered and adopted by the representatives from each Board of Health. After the date of organization the Township of Warren elected to join the commission.

The Commission operates as an association of boards of health pursuant to an act of the Legislature of the State of New Jersey. A regional health commission arranges annually with each participating board of health the nature and amount of public health services to be furnished and the sum to be paid for such services. It reports annually to each participating board of health and to the State Department of Health.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Middle-Brook Regional Health Commission is presented to assist in understanding the Commission's financial statements. The financial statements and notes are representations of the Commission's management, who is responsible for their integrity and objectivity.

A. Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

B. Accounting

In order to insure observance of limitations and restrictions placed on the use of the resources available to the Commission, the accounts are maintained in accordance with the principles of governmental entities accounting. This is the procedure by which various resources are classified for accounting and reporting purposes into accounts associated with specific activities or objectives. Each account is a separate accounting entity with a self-balancing set of accounts for recording assets, liabilities, net position and changes in net position. In preparing the financial statements, net position with similar characteristics have been grouped together. The basic funds utilized by the Commission are as follows:

Unrestricted - This account represents resources obtained from municipal appropriations, contributions, gifts, dues, fees and fines and income from investments that can be used currently for the general purposes of the Commission and which the Board of Representatives has discretionary control.

Restricted - Grant Activity - This account represents resources, mainly from grants or contracts, that can be used currently, but only for the operating purposes specified by state statute, grant agreement or donor.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Accounting (Continued)

Capital Assets - Title for all capital assets is retained by the Commission and is required to be reported in the Commission's Statement of Capital Assets. Accordingly, no capital assets have been recorded in these financial statements.

C. Recent Accounting Pronouncements Not Yet Effective

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, "Leases". The object of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract and is effective for reporting periods beginning after December 15, 2019. The Commission is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2018, the Governmental Accounting Standards Board issued GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods *Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively. The Commission is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2019, the Governmental Accounting Standards Board issued GASB Statement No. 91, "Conduit Debt Obligations". The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Commission is currently reviewing what effect, if any, this Statement might have on future financial statements.

In January 2020, the Governmental Accounting Standards Board issued GASB Statement No. 92, "Omnibus 2020". The primary objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and adoption of certain GASB statements and is effective for reporting periods beginning after June 15, 2020. The Commission is currently reviewing what effect, if any, this Statement might have on future financial statements.

In March 2020, the Governmental Accounting Standards Board issued GASB Statement No. 93, "Replacement of Interbank Offered Rates". The primary objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR) and is effective for reporting periods beginning after June 15, 2020. The Commission is currently reviewing what effect, if any, this Statement might have on future financial statements.

3. CASH AND CASH EQUIVALENTS

A. Deposits

Deposits are stated at cost and are comprised of the following as of December 31, 2019:

	<u>Unrestricted</u>
Demand Accounts	\$ 504,037.40
Less: Outstanding Checks	<u>2,227.15</u>
	<u>\$ 501,810.25</u>
Checking	\$ 360,285.69
Savings	58,194.14
Money Market	<u>83,330.42</u>
	<u>\$ 501,810.25</u>

All amounts were allowable under New Jersey Statutes and are deemed cash and cash equivalents. The amount of the Commission's Cash and Cash Equivalents on deposit as of December 31, 2019 was \$504,037.40.

B. Risk Category

All of the accounts were covered by either FDIC or GUDPA insurance. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 by amended Statement No. 40. There were no securities categorized as Investments as defined by GASB Statement No. 3.

4. CONTRIBUTED FACILITIES

The facilities from which the Commission operates, land and buildings, are recorded in the name of the Township of Green Brook in accordance with N.J.S.A. 40:54-24. The use of these facilities are provided at no cost, and therefore, is not reflected in the accompanying financial statements.

5. NET POSITION

Unrestricted - The total balance for Unrestricted Account at December 31, 2019 is a deficit of \$295,326.22.

6. PENSION PLANS

Description of Plan

All required employees of the Commission are covered by the Public Employees' Retirement System which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the system will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System.

Public Employees' Retirement System (PERS)

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

6. PENSION PLANS (Continued)

Funding Policy - The contribution policy is set by New Jersey Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates was 7.50% of employees' base wages. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities total proportionate share of the net pension liability that is associated with the local participating employer.

Contributions Required to be Made

Employee contributions were 7.50% effective July 1, 2018 of the employee's base wages. Employer's contributions are actuarially determined annually by the Division of Pensions. Contributions to the plan were as follows:

<u>December 31,</u>	<u>Employer Share</u>	<u>Employees' Share</u>
2019	\$ 34,804.00	\$ 19,451.27

The Commission serves as a lead entity for the purpose of processing for the pension payments to the State of New Jersey and contributes the employer's share on behalf of the Commission.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees' Retirement System (PERS)

The information for PERS was abstracted from State of New Jersey Public Employees' Retirement System Schedules of Employer Allocations and Schedules of Pension Amounts by Employer as of June 30, 2019 and June 30, 2018 Independent Auditor's Report dated June 5, 2020 and May 15, 2019.

At December 31 2019, the Commission reported a liability of \$644,712.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 (the *Measurement Date*), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating Commissions, actuarially determined.

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
District Proportionate Share	0.0035780616%	0.0035495948%
Difference - Increase/(Decrease)	0.0000284668%	

6. **PENSION PLANS (Continued)**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees' Retirement System (PERS)

For the year ended December 31, 2019, the Commission recognized pension income of \$8,033.00. At December 31, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Change in Assumption	\$ 64,377.00	\$ 223,778.00
Difference Between Expected and Actual Experience	11,572.00	2,848.00
Changes in Proportion	40,434.00	105,298.00
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		10,177.00
District Contributions Subsequent to the Measurement Date	<u>34,804.00</u>	
Total	<u>\$ 151,187.00</u>	<u>\$ 342,101.00</u>

The reported as deferred outflows of resources related to pensions resulting from the Commission contributions subsequent to the measurement date (i.e. for the year ending December 31, 2019, the plan measurement date is June 30, 2019) will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2020	\$ (1,862)
2021	(6,039)
2022	(5,393)
2023	(2,532)
2024	(260)

Additional Information:

Collective balances are as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Collective Deferred Outflows of Resources	\$ 3,149,522,616	\$ 4,684,852,302
Collective Deferred Inflows of Resources	7,645,087,574	7,646,736,226
Collective Net Pension Liability	18,143,832,135	19,689,501,539
Collective Total Pension Expenses	974,471,686	1,099,708,157

6. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation rate	2.75 Percent
Price	3.25 Percent
Wage	
Salary Increases:	
Through 2026	2.00-6.00 Percent (based on service)
Thereafter	3.00-7.00 Percent (based on service)
Investment Rate of Return	7.00 Percent

Mortality Rates

Preretirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for male and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

6. *PENSION PLANS (Continued)*

Public Employees' Retirement System (PERS) (Continued)

Long-Term Rate of Return (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00 %	4.67 %
Cash Equivalents	5.00	2.00
U.S. Treasuries	5.00	2.68
Investment Grade Credit	10.00	4.25
High Yield	2.00	5.37
Private Credit	6.00	7.92
Real Assets	2.50	9.31
Real Estate	7.50	8.33
US Equity	28.00	8.26
Non-U.S. Developed Markets Equity	12.50	9.00
Emerging Markets Equity	6.50	11.37

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 100% of actuarially determined contributions for the local employer. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

6. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Discount Rate (Continued)

Sensitivity of The Collective Net Pension Liability to Changes in the Discount Rate.

The following presents the collective net pension liability of the participating employers as of (*measurement dates*) June 30, 2019 and June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	June 30, 2019		
	1% Decrease	At Current Discount Rate	1% Increase
	▾ <u>5.28%</u>	▾ <u>6.28%</u>	▾ <u>7.28%</u>
District's Proportionate Share of the Pension Liability	\$ 32,436,909	\$30,429,109	\$23,681,403
	June 30, 2018		
	1% Decrease	At Current Discount Rate	1% Increase
	▾ <u>4.66%</u>	▾ <u>5.66%</u>	▾ <u>6.66%</u>
District's Proportionate Share of the Pension Liability	\$ 40,790,699	\$32,440,904	\$25,435,960

Pension Plan Fiduciary Net Position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

7. COMPENSATED ABSENCES

At present, the Commission's personnel guidelines and union contracts provide the amounts allowable for accrued sick pay and unused vacation time with no compensation upon separation for any reason.

8. POSTEMPLOYMENT HEALTH BENEFITS (OPEB)

The Commission does not provide for Post-Retirement Health Benefits for its employees and therefore, GASB # 75 related to Other Post-Retirement Health Benefits OPEB does not apply.

9. CONTINGENT LIABILITIES

A. Grants

The Commission participates in a state aid program which is governed by various rules and regulations of the grantor agencies; therefore to the extent that the Commission has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at December 31, 2019 may be impaired. In the opinion of Commission management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore no provisions have been recorded in the accompanying statutory basis financial statements for such contingencies.

B. Litigation

The Commission's Director did not indicate any litigation, claims, or contingent liabilities that would have a material adverse impact on the Commission's financial position.

10. RISK MANAGEMENT

Insurance for vehicles and workers compensation and employer's liability is provided for under the Suburban Municipal Joint Insurance Fund under an agreement the Borough of Watchung.

11. SUBSEQUENT EVENTS

The Middle-Brook Regional Health Commission has evaluated subsequent events that occurred after the balance sheet date but before July 7, 2021 and it was determined that the following item required disclosure:

On March 16, 2020, the Commission closed its offices to the public, while continuing to work remotely to safeguard its patrons, employees and the communities from the COVID-19 pandemic.

On July 13, 2020, the Commission opened to the public in accordance with local, state, and federal health safety guidelines and regulations.

MIDDLE-BROOK
REGIONAL HEALTH COMMISSION

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
UNRESTRICTED FUND

Schedule 1

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
<u>Support and Revenue</u>			
<u>Municipal Agreements:</u>			
Bound Brook	\$ 16,935.00	\$ 2,822.50	\$ (14,112.50)
Green Brook	83,766.00	83,766.00	-
South Bound Brook	62,227.00	62,227.00	-
Warren	124,453.00	124,453.00	-
Watchung	102,914.00	102,914.00	-
Medicare Reimbursement	600.00		(600.00)
Radon Sales	750.00	1,500.00	750.00
Tanning Inspections	600.00	800.00	200.00
Lead Cases	1,500.00	1,000.00	(500.00)
Health Insurances Employee Share	20,262.00	8,242.36	(12,019.64)
Miscellaneous Revenue	210.03	210.03	210.03
	<u>414,007.00</u>	<u>387,934.89</u>	<u>(26,072.11)</u>
 Commission Contribution to Support Revenues	 <u>23,214.00</u>	 <u>23,214.00</u>	 <u>0.00</u>
	<u>\$ 437,221.00</u>	<u>\$ 411,148.89</u>	<u>\$ (26,072.11)</u>
 <u>Analysis of Miscellaneous Revenue</u>			
Interest on Deposits		<u>\$ 210.03</u>	

MIDDLE-BROOK
REGIONAL HEALTH COMMISSION

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
UNRESTRICTED FUND

Schedule 2

	<u>Budget</u>	<u>Expended</u>	<u>Unexpended Balance or (Excess Expenditures)</u>
Salaries and Wages	\$ 263,349.00	\$ 264,633.04	\$ (1,284.04)
Other Expenses:			
Clinics	225.00		225.00
Dues/Licenses	1,600.00	1,180.00	420.00
Supplies	1,000.00	2,316.78	(1,316.78)
Supplies - Radon Grant		1,500.00	(1,500.00)
Postage	250.00	100.00	150.00
Maintenance	350.00	226.86	123.14
Education	1,500.00	1,004.00	496.00
Travel/Expenses	5,500.00	2,429.35	3,070.65
Telephone	6,200.00	6,509.65	(309.65)
Computers	500.00		500.00
Payroll	2,800.00	2,769.33	30.67
Joint Insurance Fund	8,000.00		8,000.00
Insurance Reserve	4,000.00	746.60	3,253.40
Medical Insurance	71,947.00	71,947.00	-
Social Security	16,328.00		16,328.00
Medicare	3,819.00		3,819.00
Disability	1,967.00		1,967.00
PERS	35,307.00	34,804.00	503.00
Pension Expense		8,033.00	(8,033.00)
Secretary Services	1,000.00		1,000.00
Contracted Services-VNA/WHCC/MD	8,579.00	5,954.25	2,624.75
Health Education	3,000.00		3,000.00
Audit		4,700.00	(4,700.00)
	<u>437,221.00</u>	<u>408,853.86</u>	<u>28,367.14</u>

Below

Cash Disbursed	\$ 366,556.83
Accounts Payable	<u>42,297.03</u>
	<u>\$ 408,853.86</u>

MIDDLE-BROOK
REGIONAL HEALTH COMMISSION

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Schedule 3

	<u>Unrestricted</u>
Balance December 31, 2018 (Unaudited)	\$ 511,549.01
Increased by Receipts:	
Municipal Agreements	\$ 373,360.00
Other Anticipated Revenue	11,542.36
Miscellaneous Revenue Not Anticipated	210.03
	<u>385,112.39</u>
	896,661.40
Decreased by Disbursements:	
Budget Expenditures	358,523.83
Accounts Payable	36,327.32
	<u>394,851.15</u>
Balance December 31, 2019	<u>\$ 501,810.25</u>

MIDDLE-BROOK
REGIONAL HEALTH COMMISSION

SCHEDULE OF ACCOUNTS RECEIVABLE
UNRESTRICTED FUND

Schedule 4

Balance December 31, 2018 (Unaudited)	\$ 24,904.50
Increased by:	
Anticipated Municipal Agreements	<u>\$ 376,182.50</u>
	401,087.00
Decreased by:	
Collections	<u>373,360.00</u>
Balance December 31, 2019	<u><u>\$ 27,727.00</u></u>
 <u>Analysis as of December 31, 2019</u>	
Bound Brook - 2018	\$ 24,904.50
Bound Brook - 1st Quarter of 2019	<u>2,822.50</u>
	<u><u>\$ 27,727.00</u></u>

MIDDLE-BROOK
REGIONAL HEALTH COMMISSION

SCHEDULE OF ACCOUNTS PAYABLE
UNRESTRICTED FUND

Schedule 5

	<u>Total</u>
Balance December 31, 2018	\$ 36,327.32
Increased by:	
Accruals	<u>42,297.03</u>
	78,624.35
Decreased by:	
Payments	<u>36,327.32</u>
Balance December 31, 2019 (Per List on File)	<u><u>\$ 42,297.03</u></u>

PART II

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING**

ROSTER OF OFFICIALS

GENERAL COMMENTS, FINDINGS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2019

SAMUEL KLEIN AND COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable President and Representatives
of the Middle-Brook Regional Health Commission
County of Somerset
Green brook, New Jersey 08812

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the financial statements and fund information of the Middle-Brook Regional Health Commission in the County of Somerset, State of New Jersey, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Middle-Brook Regional Health Commission's basic financial statements, and have issued our report thereon dated July 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Middle-Brook Regional Health Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Middle-Brook Regional Health Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Middle-Brook Regional Health Commission's internal control.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



WALTER RYGLICKI, CPA, RMA, PSA



SAMUEL KLEIN AND COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Freehold, New Jersey
July 7, 2021

MIDDLE-BROOK REGIONAL HEALTH COMMISSION

COUNTY OF SOMERSET, NEW JERSEY

ROSTER OF OFFICIALS

AT DECEMBER 31, 2019

Board Members

Greg Riley, President

Jon Fourre, Vice President

Jean Mazet, Representative

Kathleen Bolmer, Representative

Arleen Lin, Representative

Laura Burger, Representative

Julia Gunther, Representative

Ronald Jubin, Representative

Municipality

Warren

Green Brook

Green Brook

South Bound Brook

South Bound Brook

Warren

Watchung

Watchung

Other Officials

Jean Mazet, Treasurer

Kevin G. Sumner, Secretary

COMMENTS

Contracts and Agreements Required to be Advertised for (N.J.S.A. 40A:11-4)

N.J.S.A. 40A:11-4a states "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

It is pointed out that the Representatives of the Commission have the responsibility of determining whether the expenditures in any category will exceed the threshold set for the fiscal year and, where question arises as to whether any contract or agreement might result in violation of the statute, the opinion of the Commission Director should be sought before a commitment is made.

The bidding threshold was the sum of \$44,000.00.

Notwithstanding N.J.S.A. 40A:11-3a, P.L. 2005, Chapter 51 and N.J.S.A. 19:44A-20.5, known as the "Pay-to-Play Law" provides that a municipality is prohibited from executing any contract in excess of \$17,500.00, on or after January 1, 2006, to a business entity that made certain reportable contributions to any municipal committee of a political party if a member of that party is in office as a member of the governing body of the municipality when the contract is awarded unless proposals or qualifications are solicited through a fair and open process.

It is further noted that contracts between \$17,500.00 and the municipal bidding threshold, known as "window contracts", can be issued by resolution of the governing body without competitive bidding if a non-fair and open process is implemented which prohibits reportable contributions by the business entity.

The minutes indicate that bids were requested by public advertising.

The minutes indicate that resolutions authorized the awarding of contracts or agreements for professional services in accordance with the provisions of N.J.S. 19:44A-20.5.

Purchasing

Our test of purchasing procedures revealed no exceptions.

Bank Accounts

It was noted that the Commission used several bank accounts to conduct its fiscal affairs. We are suggesting that the Commission consider reviewing the number of bank accounts that it will need in the conducting its' fiscal affairs.

Corrective Action Plan

In accordance with the requirements of the General Accounting Office a corrective action plan must be prepared by the Commission.

A Corrective Action Plan for the year 2019 was not required in accordance with the aforementioned regulations.

RECOMMENDATIONS

NONE

The foregoing comments are not of sufficient materiality whereby they would affect our ability to express an opinion on the financial statements taken as a whole.

We shall be pleased to confer with the Commission on questions that might arise with respect to any matters in this report.

We desire to express our appreciation for the assistance and courtesies rendered by the Commission's officials and employees during the course of the examination.

Respectfully submitted,



SAMUEL KLEIN AND COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS



Walter Ryglicki, CPA, RMA

Freehold, New Jersey
July 7, 2021