

Report of Audit

on the

Financial Statements

of the

*Middle Brook Regional
Health Commission*

for the

*Year Ended
December 31, 2022*

MIDDLE BROOK REGIONAL HEALTH COMMISSION

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SUPLEE, CLOONEY & COMPANY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Middle Brook Regional Health Commission
111 Greenbrook Road
Green Brook, New Jersey 08812

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the Middle Brook Regional Health Commission (the "Commission"), which comprises the balance sheet as of December 31, 2022 and the related statements of revenue, expenses and changes in net assets, and cash flow for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Middle Brook Regional Health Commission as of December 31, 2022, and the changes in its net position and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Notes 7 and 8 to the Financial Statements, management has not adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Accounting principles generally accepted in the United States of America require that a liability and related expense be recorded for pension and other postemployment benefits, which would decrease net position, increase liabilities, and increase expenses in the financial statements. The amount by which this departure would affect net position, liabilities, and expenses in the financial statements has not been determined.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial statements section of our report. We are required to be independent of the Middle Brook Regional Health Commission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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Responsibilities of Management for the Financial Statements

The Commission's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Middle Brook Regional Health Commission's financial statements. The accompanying supplementary information schedule and the schedule of expenditures of state awards, as required by the State of New Jersey *OMB Circular 15-08* "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2023 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Middle Brook Regional Health Commission's internal control over financial reporting and compliance.

June 1, 2023





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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**

To the Board of Trustees
Middle Brook Regional Health Commission
111 Greenbrook Road
Green Brook, New Jersey 08812

We have audited the financial statements of Middle Brook Regional Health Commission as of and for the year ended December 31, 2022 and have issued our report thereon dated June 1, 2023. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Middle Brook Regional Health Commission's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Middle Brook Regional Health Commission's internal control over financial reporting.

A deficiency in internal control 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* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Middle Brook Regional Health Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 1, 2023



EXHIBIT "A"

MIDDLE BROOK REGIONAL HEALTH COMMISSION

BALANCE SHEET
DECEMBER 31, 2022

A S S E T S

Current Assets:

Cash and Cash Equivalents	\$	731,206
Accounts Receivable		<u>27,727</u>

<u>Total Current Assets</u>		<u>758,933</u>
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<u>TOTAL ASSETS</u>	\$	<u>758,933</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$	<u>45,211</u>
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<u>Total Current Liabilities</u>		<u>45,211</u>
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<u>TOTAL LIABILITIES</u>	\$	<u>45,211</u>
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Net Assets:

Unrestricted		<u>713,722</u>
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<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$	<u>758,933</u>
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The accompanying Notes are an integral part of these financial statements.

EXHIBIT "B"

MIDDLE BROOK REGIONAL HEALTH COMMISSIONSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022Support:

Member Assessments:		
Bridgewater	\$	111,180
Green Brook		103,339
Warren		153,552
Watchung		126,989
Government Grants		<u>362,469</u>
	<u>Total Support</u>	<u>\$ 857,529</u>

Revenue:

Other	\$	216
		<u>216</u>
	<u>Total Revenue</u>	<u>216</u>
	<u>Total Support and Revenue</u>	<u>\$ 857,745</u>

Expenses:

Salary & Wages	\$	457,900
Payroll Taxes		32,886
Pensions		35,132
Outside Contract Services		21,856
Insurance		76,767
Program Equipment		23,133
Supplies		17,539
Clinical Services		2,575
Information Technology		13,427
Audit Fee		5,000
Telephone		3,840
Memberships, Dues and Licenses		2,120
Conference, Convention, Meeting		592
Travel		2,162
Vehicle Maintenance		261
Staff Development/ Education		326
Printing and Postage		913
Books, Subscriptions, Reference		1,433
Other Costs		<u>1,097</u>
	<u>Total Expenses</u>	<u>\$ 698,959</u>

Increase (Decrease) in Net Assets	\$	158,786
Net Assets, Beginning of Year-Restated		<u>554,936</u>
Net Assets, End of Year	<u>\$</u>	<u>713,722</u>

The accompanying Notes are an integral part of these financial statements.

MIDDLE BROOK REGIONAL HEALTH COMMISSIONSTATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022OPERATING ACTIVITIES

Increase in Net Assets	\$ 158,786
Add (Deduct) Changes in Non-Cash Working Capital	
Accounts Receivables	23,000
Accounts Payable	(6,714)
	<hr/>
Net Cash Provided (Used) by Operating Activities	<hr/> 175,072
Net Increase in Cash and Cash Equivalents	175,072
Cash and Cash Equivalents - Beginning of Year	<hr/> 556,134
Cash and Cash Equivalents - End of Year	<hr/> <u>\$ 731,206</u>

The accompanying Notes are an integral part of these financial statements.

MIDDLE BROOK REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

Nature of Activities

Middle Brook Regional Health Commission (the "Commission") was organized in 1970 in Somerset County New Jersey. The Commission is currently made up of four municipalities, Green Brook, Warren, Watchung, and Bridgewater, each with its own Board of Health. Each town appoints two members to serve on the Commission where broader public health concerns affecting all four municipalities are addressed. The Commission operates as an association of boards of health pursuant to an act of the Legislature of the State of New Jersey

The mission is to improve the health of our community and environment through the use of prevention services, health promotion and protection strategies. The Commission is pleased to have been providing residents and business owners with a variety of quality public health programs and services for over 50 years to help improve the health status of the communities we serve.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Commission prepares its financial statements in accordance with generally accepted accounting principles in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Commission considers all monies in banks and highly liquid investments with maturity dates of less than three months to be cash equivalents.

Accounts Receivable

The Commission considers all receivables to be fully collectible: no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Income Tax Status

No provision for income taxes has been made as the Commission is exempt from Federal and State Income Taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MIDDLE BROOK REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(2) CASH AND CASH EQUIVALENTS

The cash and cash equivalents of the Commission at December 31, were as follows:

Checking Accounts	\$ 529,672
Savings Account	100,743
Money Market	<u>100,791</u>
Total	<u>\$ 731,206</u>

The Commission maintains its accounts in several banks. Balances on deposit are insured by the Federal Deposit Insurance Corporation in the amount of \$250,000 in each bank depository

(3) CONCENTRATION OF CREDIT RISK

The Commission maintains its cash in one bank account, which at times, may exceed federally insured limits, currently \$250,000. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Commission has not experienced any losses in such accounts. The Commission believes it is not exposed to any significant credit risk on its cash accounts.

(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 the facilities is provided at no cost, and therefore it is not reflected in the accompanying financial statements.

(5) ACCOUNTS RECEIVABLE

As of December 31, other receivables are comprised of the following:

Borough of Bound Brook	<u>\$ 27,727</u>
	<u>\$ 27,727</u>

(6) UNRESTRICTED NET ASSETS

Unrestricted net assets are comprised of the following:

General Operating Net Assets	<u>\$ 713,722</u>
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MIDDLE BROOK REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(7) ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS - GASB 68

Public Employees Retirement System (PERS)

The Commission employees participate in the Public Employee's Retirement System (PERS) of New Jersey, a multi-employer cost sharing plan. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the plan. The plan does not maintain separate records for each member in the state and, therefore, the actuarial data for the Commission is not available.

The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries. The plan is a cost sharing multiple employers defined benefit plan and as such does not maintain separate records for each Commission in the state and, therefore, separate actual data for the Commission is not available. The division of pensions issues publicly available financial reports for each of the plans that include all financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions.

Covered employees are required by State Statute to contribute a certain percentage of their salary to the plan. In addition, the PERS may bill the Commission annually at an actuarially determinable rate for its required contribution. The employee rate for the period under audit was 7.50%.

The contribution requirements of plan members and the Commission are established and may be amended by the PERS Board of Trustees. The Commission was required to contribute to the plan \$35,132 for the year ended December 31, 2022.

Under GAAP, the Commission is required to recognize a pension liability in Statements of Revenues, Expenses, Changes in Net Assets (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability is required to be displayed by GASB 68 as a separate line item in the Unrestricted Net Liabilities area of the balance sheet. This liability is not reflected in the financial statements of the Commission.

Actuarial information required by GASB 68 is not included in this report.

MIDDLE BROOK REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(8) POST-RETIREMENT HEALTH BENEFITS

The Commission provides post-retirement health benefits to employees.

Plan Description. The Commission contributes to the State Health Benefits Program (SHBP) a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to eligible retirees and their covered dependents. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP.

That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions>.

Funding Policy. Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Commission on a monthly basis. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The Commission's contributions to SHBP for the years ended December 31, 2022 were \$76,767 which equaled the required contributions for each year.

Under GAAP, the Commission is required to recognize a liability for post-retirement health benefits in the Statements of Revenues, Expenses, Changes in Net Assets (balance sheets) and Notes to the Financial Statements in accordance with GASB 75. The liability is required to be displayed by GASB 75 as a separate line item in the Unrestricted Net Liabilities area of the balance sheet. This liability is not reflected in the financial statements of the Commission.

Actuarial information required by GASB 75 is not included in this report.

MIDDLE BROOK REGIONAL HEALTH COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(9) SUBSEQUENT EVENTS

The Middle Brook Regional Health Commission has evaluated subsequent events occurring after the financial statement date through June 1, 2023, which is the date the financial statements were available to be issued. Based on this evaluation, the Commission has determined that no subsequent events have occurred which require disclosure in the financial statements.

(10) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

In the opinion of management, claims, lawsuits, commitments and contingencies incidental to the business of the Commission have been adequately provided for in the financial statements.

The Commission receives a substantial amount of its support from state and local government. A significant reduction in the level of this support, if this would occur, would have an effect on the Commission's programs and activities.

State and federal grants require the fulfillment of certain conditions as set forth in the grant agreement or contract. Failure to fulfill the conditions could result in the return of the funds to the grantor; however, the management of the Commission deems such a possibility remote.

MIDDLE BROOK REGIONAL HEALTH COMMISSION

SCHEDULE OF LOCAL PAYMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

<u>MUNICIPALITY</u>	<u>LOCAL PAYMENT</u>	<u>LOCAL PAYMENT RATIO*</u>
Bridgewater	\$ 111,180	22.46%
Green Brook	103,339	20.87%
Warren	153,552	31.02%
Watchung	126,989	25.65%
	<hr/>	<hr/>
	\$ 495,060	100%
	<hr/>	<hr/>

*Ratio is based on Historical Payments

MIDDLE BROOK REGIONAL HEALTH COMMISSION

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2022

STATE GRANTOR/PROGRAM TITLE	GRANT AWARD NUMBER	GRANT PERIOD FROM	GRANT PERIOD TO	GRANT AWARD	FISCAL YEAR EXPENDITURES	CUMULATIVE EXPENDITURES
New Jersey Department of Health Strengthening Local Public Health Capacity Program 2022 Strengthening Local Public Health Capacity Program 2023	OLPH22PHC047	7/1/2021	6/30/2022	\$ 291,042	\$ 173,703	\$ 237,527
	OLPH23PHC034	7/1/2022	6/30/2023	274,735	124,389	124,389
				<u>565,777</u>	<u>298,092</u>	<u>361,916</u>
COVID-19 Vaccine Supplemental Funding	OLPH22VSF061	7/1/2021	6/30/2023	100,000	35,699	44,677
				<u>100,000</u>	<u>35,699</u>	<u>44,677</u>
			\$ <u>665,777</u>	\$ <u>333,791</u>	\$ <u>406,593</u>	

