



**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

SOUTHERN NEW JERSEY  
REGIONAL EMPLOYEE BENEFITS FUND

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Southern New Jersey Regional Employee Benefits Fund  
9 Campus Drive  
Suite 216  
Parsippany, NJ 07054

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Southern New Jersey Regional Employee Benefits Fund (the "Fund") as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Fund's basic 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 an opinion on these financial statements based on our audits. We conducted our audits 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 and in compliance with audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund as of December 31, 2017 and 2016 and the changes in its financial position and its cash flows for the years then ended, in conformity 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's discussion and analysis and other required supplementary information listed in the table of contents be presented to supplement the basic 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 basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements and are presented for purposes of additional analysis. The accompanying supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate 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 and other 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, in all material respects, in relation to the basic financial statements as a whole.

Board of Commissioners  
Southern New Jersey Regional Employee Benefits Fund

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2018 on our consideration of the Fund's internal control over financial reporting and 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 the 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 Fund's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

Bowman & Company LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
June 25, 2018

**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**

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Southern New Jersey Regional Employee Benefits Fund  
9 Campus Drive  
Suite 216  
Parsippany, NJ 07054

We have audited, in accordance with the 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, and in compliance with audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Southern New Jersey Regional Employee Benefits Fund (the "Fund"), as of December 31, 2017 and for the year then ended, and the related notes to the financial statements, which collective comprise the Fund's basic financial statements, and have issued our report thereon dated June 25, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Fund'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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 Fund'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 over financial reporting 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 significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider 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 Fund's 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, and audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**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 and the audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Respectfully Submitted,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

Bowman & Company LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
June 25, 2018

# SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND

## Management's Discussion and Analysis - Unaudited

This section of the annual financial report of the Southern New Jersey Regional Employee Benefits Fund (the "Fund") presents a discussion and analysis of the financial performance of the Fund for the years ended December 31, 2017, 2016 and 2015. Please read it in conjunction with the basic financial statements that follow this section.

### Overview of Basic Financial Statements

The Fund's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises where applicable. The primary purpose of the Fund is to provide health coverage for municipalities that are members of the Fund. The Fund maintains separate enterprise funds by incurred years and line of coverage. The basic financial statements are presented on an accrual basis of accounting. The three basic financial statements presented are as follows:

**Comparative Statements of Net Position** – This statement presents information reflecting the Fund's assets, liabilities and reserves, and net position. Net position represents the amount of total assets less total liabilities and reserves.

**Comparative Statements of Revenues, Expenses, and Changes in Net Position** – This statement reflects the Fund's operating revenues and expenses, as well as non-operating items during the reporting period. The change in net position for an enterprise fund is similar to net profit or loss for any other insurance company.

**Comparative Statements of Cash Flows** – The comparative statements of cash flows is presented on the direct method of reporting, which reflects cash flows from operating, investing and noncapital financing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the year.

### Financial Highlights

The following tables summarize the net position and results of operations for the Fund as of and for the years ended December 31, 2017, 2016 and 2015.

Comparative Statements Of Net Position				2017 to 2016 Change	
	12/31/2017	12/31/2016	12/31/2015	Change \$	Change %
<b>Assets:</b>					
Cash And Cash Equivalents	\$ 12,347,490	\$ 19,176,956	\$ 47,697,477	\$ (6,829,466)	-35.6%
Investments	5,518,700	7,570,521	12,139,552	(2,051,821)	-27.1%
Contributions And Other Receivables	1,366,160	2,430,111	5,631,768	(1,063,951)	-43.8%
Excess Insurance Receivable	34,267	499,315	2,966,214	(465,048)	-93.1%
Investment In Joint Venture	1,233,770	1,154,084	4,279,357	79,686	6.9%
Other Assets	161,590	161,691	164,089	(101)	-0.1%
<b>Total Assets</b>	<b>20,661,977</b>	<b>30,992,678</b>	<b>72,878,457</b>	<b>(10,330,701)</b>	<b>-33.3%</b>
<b>Liabilities, Reserves &amp; Net Position</b>					
<b>Liabilities &amp; Reserves:</b>					
Accrued Expenses	84,534	35,335	6,418,828	49,199	139.2%
Return of Surplus Payable	4,140,132	96,124	9,255	4,044,008	4207.1%
Loss Reserves	3,550,000	2,890,000	15,900,000	660,000	22.8%
<b>Total Liabilities &amp; Reserves</b>	<b>7,774,666</b>	<b>3,021,459</b>	<b>22,328,083</b>	<b>4,753,207</b>	<b>157.3%</b>
<b>Net Position - Unrestricted</b>	<b>\$ 12,887,311</b>	<b>\$ 27,971,219</b>	<b>\$ 50,550,374</b>	<b>\$ (15,083,908)</b>	<b>-53.9%</b>



## Financial Highlights Continued

Comparative Statements Of Revenues, Expenses, And Changes In Net Position					
	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>2017 to 2016 Change</u> <u>Change \$</u>	<u>Change %</u>
Operating Revenues:					
Regular Contributions & Other Income	<u>\$ 43,504,141</u>	<u>\$ 40,223,960</u>	<u>\$190,862,138</u>	<u>\$ 3,280,181</u>	<u>8.2%</u>
Operating Expenses:					
Provision for Claims and Claims Expense	33,146,897	26,543,125	153,780,171	6,603,772	24.9%
Insurance Premiums	4,326,019	3,811,637	10,823,921	514,382	13.5%
Administrative and Operating	<u>2,539,612</u>	<u>1,918,891</u>	<u>14,481,523</u>	<u>620,721</u>	<u>32.3%</u>
Total Operating Expenses	<u>40,012,528</u>	<u>32,273,653</u>	<u>179,085,615</u>	<u>7,738,875</u>	<u>24.0%</u>
Total Operating Income	3,491,613	7,950,307	11,776,523	(4,458,694)	-56.1%
Non-Operating Revenues (Expenses):					
Investment Income	195,008	205,647	128,558	(10,639)	-5.2%
Municipal Reinsurance Health Insurance Fund Dividend	1,287,547	901,582	1,718,364	385,965	42.8%
Change In Investment In Joint Venture	<u>79,686</u>	<u>220,011</u>	<u>(407,944)</u>	<u>(140,325)</u>	<u>-63.8%</u>
Excess Of Revenues	5,053,854	9,277,547	13,215,501	(4,223,693)	-45.5%
Transfer To Coastal HIF And SHIF	(11,342,687)	(29,937,040)		18,594,353	62.1%
Return Of Surplus	<u>(8,795,075)</u>	<u>(1,919,662)</u>	<u>(1,171,553)</u>	<u>(6,875,413)</u>	<u>-358.2%</u>
Change In Net Position	<u><u>\$(15,083,908)</u></u>	<u><u>\$(22,579,155)</u></u>	<u><u>\$ 12,043,948</u></u>	<u><u>\$ 7,495,247</u></u>	<u><u>-33.2%</u></u>

On January 1, 2016, the Fund transferred assets and liabilities to form the Southern Coastal Regional Employee Benefits Fund and Schools Health Insurance Fund pursuant to NJSA 40A:10-36 et. seq. and NJAC 11:15-3 when the Fund received approval from the New Jersey Department of Banking and Insurance. During 2017, the Fund transferred additional assets to the newly formed Health Insurance Funds.

Net position decreased by \$15,083,908 from 2016 to 2017 or 53.9%. The net reduction was primarily related to the spinning transfer of \$11,342,687 of 2015 Fund Year surplus to the Southern Coastal Regional Employee Benefits Fund and Schools Health Insurance Fund which were created last year. Comparatively, net position had decreased by \$22,579,155 from 2015 to 2016 or 44.7%. The Fund recognized a 33.3% decrease in its assets and 157.3% increase in liabilities from 2016 to 2017. Comparatively, the Fund recognized a 57.5% decrease in its assets and a 86.5% decrease in liabilities from 2015 to 2016.

During 2017, operating revenues increased \$3,280,181 or 8.2%, claims expense increased by 24.9%, reinsurance premiums increased by 13.5%, and administrative and operating costs increased by 32.3 %. Comparatively, revenues significantly decreased during 2016 due to the restructuring of the Fund. Operating revenues decreased \$150,638,178 or 78.9% including the reduction of 52 members. Due to the decrease in membership, claims expense decreased by 82.7%, reinsurance premiums decreased by 64.8%, administrative and operating costs decreased by 86.7%.

The value of the Fund's share of the Municipal Reinsurance Health Insurance Fund (MRHIF) increased by \$79,686.

Investment income decreased by 5.2% due to unrealized losses related to market volatility. The Fund actively pursues higher interest rates from area financial institutions.

## **Economic Conditions**

The Fund continues to be affected by inflation of health benefit costs. The Fund's strategy is to continue to attempt to moderate such increases by leveraging purchasing power with other Funds, using one of the largest and most effective medical networks in the nation, and assisting members with plan design and labor negotiation efforts.

## **Contacting the Fund's Management**

This financial report is designed to provide the Southern New Jersey Regional Employee Benefits Fund members and the Department of Banking and Insurance of the State of New Jersey with a general overview of the Fund's finances and to demonstrate the Fund's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Executive Director of the Southern New Jersey Regional Employee Benefits Fund office located at 9 Campus Drive, Suite 216, Parsippany, New Jersey 07054 or by phone at (201) 881-7632.

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
COMPARATIVE STATEMENTS OF NET POSITION  
AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash And Equivalents	\$ 12,347,490	\$ 19,176,956
Investments	5,518,700	7,570,521
Contributions Receivable	1,340,817	1,921,314
Refund Receivable	25,343	29,080
Due From The Southern Coastal Regional Benefits Fund		479,717
Claim Advances	144,040	144,040
Accrued Interest Receivable	17,550	17,651
Excess Insurance Receivable	34,267	499,315
Investment In Joint Venture	1,233,770	1,154,084
	<hr/>	<hr/>
Total Assets	20,661,977	30,992,678
	<hr/>	<hr/>
<u>LIABILITIES AND RESERVES</u>		
Liabilities:		
Accrued Expenses	12,384	35,335
Due To The Southern Coastal Regional Benefits Fund	72,150	
Return Of Surplus Payable	4,140,132	96,124
	<hr/>	<hr/>
Total Liabilities	4,224,666	131,459
	<hr/>	<hr/>
Reserves:		
Actuarial Liability	3,550,000	2,890,000
	<hr/>	<hr/>
Total Liabilities And Reserves	7,774,666	3,021,459
	<hr/>	<hr/>
<u>NET POSITION</u>		
Unrestricted	\$ 12,887,311	\$ 27,971,219
	<hr/>	<hr/>

The Accompanying Notes To Financial Statements Are An Integral Part Of This Statement.

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Regular Contributions	\$ 43,211,706	\$ 39,809,448
Employee Contributions	<u>292,435</u>	<u>414,512</u>
Total Operating Revenue	<u>43,504,141</u>	<u>40,223,960</u>
Operating Expenses:		
Provision For Claims And Claims Adjustment Expenses	33,146,897	26,543,125
Insurance Premiums	4,326,019	3,811,637
State Health Benefits Program Surcharge Premiums		
Affordable Care Act Taxes	9,160	109,512
Administration	<u>2,530,452</u>	<u>1,809,379</u>
Total Operating Expenses	<u>40,012,528</u>	<u>32,273,653</u>
Operating Income	3,491,613	7,950,307
Non-Operating Revenue (Expense):		
Investment Income	195,008	205,647
Municipal Reinsurance Health		
Insurance Fund Dividend	1,287,547	901,582
Change In Investment In Joint Venture	<u>79,686</u>	<u>220,011</u>
Change In Net Position	5,053,854	9,277,547
Net Position, Beginning	27,971,219	50,550,374
Transfer To Coastal HIF And SHIF	(11,342,687)	(29,937,040)
Return Of Surplus	<u>(8,795,075)</u>	<u>(1,919,662)</u>
Net Position, Ending	<u>\$ 12,887,311</u>	<u>\$ 27,971,219</u>

The Accompanying Notes To Financial Statements Are An Integral Part Of This Statement.

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Receipts From Regular Contributions	\$ 43,792,203	\$ 43,410,708
Receipts From Employee Contributions	292,435	414,512.00
Payments For Health Benefits Claims	(32,018,112)	(37,049,321)
Payments For Insurance Premiums	(4,326,019)	(9,565,482)
Payments For Affordable Care Act Taxes	(9,160)	(109,512)
Payments To Professionals And Administrative Expenses	(2,553,403)	(1,322,138)
Net Cash Flows Provided By (Used In) Operating Activities	<u>5,177,944</u>	<u>(4,221,233)</u>
Cash Flows From Investing Activities:		
Redemption Of Investments	4,025,000	7,580,000
Purchase Of Investments	(1,995,780)	(3,005,069)
Investment Income	1,505,257	1,103,727
Net Cash Flows Provided By Investing Activities	<u>3,534,477</u>	<u>5,678,658</u>
Cash Flows From Noncapital Financing Activities:		
Due To/From The Southern Coastal Regional Benefits Fund	551,867	(479,717)
Transfer To Coastal HIF And SHIF	(11,342,687)	(27,665,436)
Return of Surplus	(4,751,067)	(1,832,793)
Net Cash Flows Used In Noncapital Financing Activities:	<u>(15,541,887)</u>	<u>(29,977,946)</u>
Net Decrease Cash And Cash Equivalents	(6,829,466)	(28,520,521)
Cash And Cash Equivalents, Beginning	<u>19,176,956</u>	<u>47,697,477</u>
Cash And Cash Equivalents, Ending	<u>\$ 12,347,490</u>	<u>\$ 19,176,956</u>
Reconciliation Of Operating Income To		
Cash Flows From Operating Activities:		
Operating Income	\$ 3,491,613	\$ 7,950,307
Adjustments to Reconcile Operating Income to Net		
Cash Flows Provided By (Used In) Operating Activities:		
Changes In Assets and Liabilities:		
Decrease (Increase) in Assets:		
Contributions Receivable	580,497	3,601,260
Excess Insurance Receivable	465,048	2,466,899
Refunds Receivable	3,737	36,905
Increase (Decrease) in Liabilities:		
Accrued Expenses	(22,951)	487,241
Accrued Excess Insurance Premium		(5,753,845)
Actuarial Liability	660,000	(13,010,000)
Total Adjustments	<u>1,686,331</u>	<u>(12,171,540)</u>
Net Cash Flows Provided By (Used In) Operating Activities	<u>\$ 5,177,944</u>	<u>\$ (4,221,233)</u>
Supplemental Disclosure - Noncash Activity:		
Change In Unrealized Gain (Loss) On Investments Included In Investment Income	<u>\$ (10,037)</u>	<u>\$ 15,989</u>
Change In Investment In Joint Venture	<u>\$ 79,686</u>	<u>\$ 220,011</u>

The Accompanying Notes To Financial Statements Are An Integral Part Of This Statement.

**SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1: ORGANIZATION AND DESCRIPTION OF THE FUND**

The Southern New Jersey Regional Employee Benefits Fund (the "Fund") was formed as a purchasing group effective August 1, 1992 and became a member of the Bergen Municipal Employee Benefits Fund (B-Med) as of September 1, 1992. In 1995, the Fund became an independent health insurance joint insurance fund pursuant to NJSA 40A:10-36 et. seq. and NJAC 11:15-3 when the Fund received approval from the New Jersey Department of Banking and Insurance. The Fund is operated in accordance with regulations of the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Fund was established for the purpose of containing medical costs.

During the Fund's initial period, any local unit that was a member of the Camden County Municipal Joint Insurance Fund, the Professional Municipal Management Joint Insurance Fund or the Burlington County Municipal Joint Insurance Fund could become a part of the Fund's initial application. Thereafter, the Commissioners/Executive Committee of the Fund may approve subsequent membership by a two-thirds vote of the full-authorized membership or may terminate any member by a majority vote, after proper notice has been given.

All members' assessments, including a reserve for contingencies, are based on annual actuarial assumptions determined by the Fund's Actuary and on monthly and quarterly adjustments determined by the Fund's Actuary and Program Manager based on actual loss experience. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

The Fund offers the following coverages to its members:

Medical  
Dental  
Prescription

The Fund provides coverage on a self-insured basis and secures reinsurance in a form and an amount from an insurance company acceptable to the Commissioner of Insurance.

During the year 2017, the following municipalities and governmental entities were members of the Fund:

Barrington Borough	Haddon Heights Borough	Paulsboro Borough
Bellmawr Borough	Lindenwold Borough	Pennsauken Township
Berlin Township	Lumberton Township	Pine Hill Borough
Bordentown Township	Magnolia Borough	Pitman Borough
Brooklawn Borough	Mantua Township	Runnemede Borough
Camden Cnty Soc Serv	Maple Shade Township	Somerdale Borough
Chesilhurst Borough	Medford Lakes Borough	Waterford Township
Franklin Township	Merchantville Borough	Wenonah Borough
Gibbsboro Bourough	Mt. Ephraim Borough	Westville Borough
Gloucester City	Mt. Holly MUA	Willingboro Township
Haddonfield Borough	North Hanover Township	Winslow Fire District #1

**SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1: ORGANIZATION AND DESCRIPTION OF THE FUND (CONT'D)**

The limits of liability under the various coverages for 2017 were as follows:

**HEALTH INSURANCE COVERAGE**

**Medical and Prescription:**

<u>Limits</u>	<u>Description</u>
<b><u>I. Fund's Self-Insured Retained Limit of Liability (S.I.R.)</u></b>	
A. \$325,000	Specific limit - applies per enrolled participant per reinsurance policy year.
B. \$32,788,800	Aggregate limit of liability (Attachment is based on the aggregate factors multiplied by the Participant Census)
<b><u>II. Excess Insurers' Limit of Liability</u></b>	
A. Unlimited	Reimbursement in excess of the Fund's specific S.I.R.
B. \$10,000,000	Reimbursement in excess of the Fund's aggregate S.I.R.

**Prescription Enrollees Without Medical Coverage:**

<u>Limits</u>	<u>Description</u>
<b><u>I. Fund's Self-Insured Retained Limit of Liability (S.I.R.)</u></b>	
A. \$325,000	Specific limit - applies per enrolled participant per reinsurance policy year.
B. \$10,724,208	Aggregate limit of liability (Attachment is based on the aggregate factors multiplied by the Participant Census)
<b><u>II. Excess Insurers' Limit of Liability</u></b>	
A. \$1,000,000	Reimbursement in excess of the Fund's specific S.I.R.
B. \$2,000,000	Reimbursement in excess of the Fund's aggregate S.I.R.

**Dental Aggregate Retention:** None – Self-insured with risk retained by the Fund.

Medical, Prescription, and Prescription coverage without Medical coverage retentions will vary with census and can also vary depending upon the allocation of claims.

**SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1: ORGANIZATION AND DESCRIPTION OF THE FUND (CONT'D)**

**Health Insurance Coverage Notes:**

1. "Health Insurance" means health insurance as defined pursuant to NJSA 17B:17-4 or service benefits as provided by health service corporations, hospital service corporations or medical service corporations authorized to do business in the state.
2. "Incurred Claims" means claims, which occur during a Fund year, including claims paid during a later period. The exact definition of "Incurred Claims" or any similar term is the definition used in the excess insurance policy purchased by the Fund.
3. The Fund's reinsurance agreement for the year 2017 was with the Municipal Reinsurance Health Insurance Fund (the "MRHIF"). The agreement is on a 12/24 month exposure period covering claims incurred during the twelve-month policy period January 1, 2017 to December 31, 2017.
4. Open enrollment for participating employees is offered during the months of May and November.
5. Medical coverage consists of each participating municipality's individual medical benefits plan, the HMO option on a group basis or the PPO option in accordance with a plan on file with the Department of Insurance.
6. Medicare provides secondary coverage for eligible active employees and primary coverage for eligible Medicare participants.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the more significant policies followed by the Southern New Jersey Regional Employee Benefits Fund:

**Component Unit**

In evaluating how to define the Fund for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34* and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the primary entity's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the primary entity.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the primary entity.



**SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Component Unit (Cont'd)**

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the primary entity is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary entity could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Fund has no component units and is not includable in any other reporting entity.

**Basis of Presentation, Fund Accounting**

The financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

**Revenues - Exchange and Non-Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Member Assessments are recognized as revenue at the time of assessment.

**Expenses** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments, which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

**SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash, Cash Equivalents and Investments (Cont'd)**

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Additionally, the Fund has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

**Valuation of Investments**

Among the Fund's investment objectives are preservation of principal, diversification, and maximization of interest yield. The Fund invests in government securities with the intent of holding them until maturity. Investments are reported at fair value based on quoted market prices. Realized and unrealized gains and losses on investments are recognized as a component of investment income.

**Revenue Recognition**

Members were assessed monthly contributions based on a pro rata amount of the current estimates of projected losses, administrative expenses, the cost of reinsurance, and contingency fund needs for the year. Pass-through costs regarding HMO premiums were billed directly to the members who incurred the charges.

**Interest Income Allocation**

Interest income was allocated based on the ratio of monthly average invested cash balances by line of coverage to the total amount invested applied to interest income credited for the month.

**Additional Assessments and Dividend Credits (Refunds)**

Members are subject to additional assessments if the regular contributions (premiums) collected in a fiscal year are not sufficient to cover all claims and expenses. Should premiums collected exceed claims and expenses, members may accrue a dividend credit subject to the discretion of the Executive Committee of the Fund and approval by the Department of Banking and Insurance. Dividends approved by the Executive Committee are shown in the financial statements as reserved Net Position pending State approval. Each member shares in these charges and credits based upon its participation in the various coverages provided. Refunds shall be declared not later than 180 days after the end of a fiscal year unless otherwise extended by the Commissioner of the Department of Banking and Insurance.

**SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Claims Funding**

The Fund is on a claim payment reimbursement basis with AETNA, Amerihealth, Express Scripts, Inc. and Delta Dental (the third party administrators). During the course of each month, the third party administrators pay respective plan benefit obligations, including medical services and capitation and incentives, prescription and dental. Upon payment of plan benefit obligations, requests for funding are transmitted to the fund Treasurer who then wire transfers an amount equal to the paid obligations to the respective third party administrator.

**Actuarial Liability**

In order to recognize unpaid losses, a reserve is calculated by the Fund's actuary.

Liabilities for unpaid losses represent the estimated liability on claims reported to the Fund plus reserves for claims incurred but not yet reported. The liabilities for claims are evaluated using Fund and industry data, case basis evaluations and other statistical analyses, and represent estimates of the ultimate net cost of all losses incurred through December 31, 2017.

These liabilities are subject to variability between estimated ultimate losses determined as described and the actual experience as it emerges, including the impact of future changes in claim severity, frequency, and other factors. Management believes that the liabilities for unpaid claims are adequate. The estimates are continually reviewed and as adjustments to these liabilities become necessary, such adjustments are reflected in current operations.

**Reinsurance**

The Fund seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to the Municipal Reinsurance Health Insurance Fund ("MRHIF") under excess coverage insurance contracts. Although the MRHIF is liable to the Fund for the amounts reinsured, the Fund remains liable to its insureds for the full amount of the policies written whether or not the MRHIF meets its obligations to the Fund. Failure of the MRHIF to honor its obligations could result in losses to the Fund.

Losses ceded to reinsurers during the years 2017 and 2016 amounted to \$648,265 and \$740,664, respectively.

**Administrative Expenses**

Administrative expenses are comprised mainly of compensation for services rendered by servicing organizations and appointed officials pursuant to written fee guidelines submitted and approved by a majority of the Commissioners/Executive Committee. In instances where invoices have not been submitted for specific periods, the maximum allowable contract amount has been accrued.

**SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Net Position**

In accordance with the provisions of the Governmental Accounting Standards Board Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", the Fund has classified its net position as unrestricted. This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets" and includes net position that may be allocated for specific purposes by the Commissioners.

**Income Taxes**

The Fund is exempt from income taxes under Section 115 of the Internal Revenue Code.

**Operating and Non-Operating Revenues and Expenses**

Operating revenues include all revenues derived from member contributions. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities and positive changes in the Fund's investment in joint ventures.

Operating expenses include expenses associated with the fund operations, including claims expense, insurance and administrative expenses. Non-operating expenses include negative changes in the Fund's investment in joint ventures.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the Fund's deposits might not be recovered. Although the Fund does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Fund in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Fund relative to the happening of a future condition. If the Fund had any such funds, they would be shown as Uninsured and Uncollateralized.

**SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 3: CASH AND CASH EQUIVALENTS (CONT'D)**

Of the Fund's bank balance of \$12,912,703 as of December 31, 2017, \$537,447 was insured while \$12,375,256 was collateralized under GUDPA.

Of the Fund's bank balance of \$19,196,204 as of December 31, 2016, \$612,602 was insured while \$18,583,602 was collateralized under GUDPA.

**Note 4: INVESTMENTS**

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fund, and are held by either the counterparty or the counterparty's trust department or agent but not in the Fund's name. All of the Fund's investments in Certificates of Deposits, US Treasury/Agency Securities and Other Government Obligations of \$5,518,700 and \$7,570,521 as of December 31, 2017 and 2016, respectively, were held by either the counterparty or counterparty's trust department or agent, but not in the Fund's name.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To limit risk, the Fund's investment policy provides that no investment or deposit shall have a maturity longer than five (5) years from date of purchase.

**Credit Risk**

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Fund may purchase such as Treasury securities in order to limit the exposure of governmental units to credit risk. The Fund has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk**

The Fund does not place a limit on the amount that may be invested in any one issuer. All of the Fund's investments are in Certificates of Deposits, US Treasury/Agency Securities and Other Government Obligations.

**SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 4: INVESTMENTS (CONT'D)**

**Concentration of Credit Risk (Cont'd)**

As of December 31, 2017 and 2016, the Fund had the following investments and maturities:

	Interest		Credit	Market Value	
<u>Investment</u>	<u>Rate</u>	<u>Maturity</u>	<u>Rating</u>	<u>2017</u>	<u>2016</u>
<u>US Treasury/Agency Securities</u>					
United States Treasury Notes	0.625%	04/30/18	AAA	\$ 1,271,749	\$ 1,269,059
<u>Other Government Obligations</u>					
FHLB	0.875%	03/10/17	N/A		3,001,170
FHLB	1.000%	06/21/17	N/A		1,026,589
FHLMC	1.600%	09/28/20	N/A	1,973,020	
FNMA	8.750%	02/08/18	N/A	2,273,931	2,273,703
				4,246,951	6,301,462
				\$ 5,518,700	\$ 7,570,521

**Fair Value Measurements of Investments**

The Fund categorizes its fair value disclosures within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted process in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Fund has the following recurring fair value measurements as of December 31, 2017 and 2016:

Certificates of Deposits, US Treasury/Agency Securities and Other Government Obligations of \$5,518,700 and \$7,570,521 are valued using quoted market prices for identical assets (Level 1 inputs).

**Note 5: LOSS FUND CONTINGENCY ACCOUNT**

Upon recommendation of the Fund's Administrator, the Fund Commissioners agreed to establish a loss fund contingency account. This fund account provides additional assurance that any variances from the expected losses promulgated by the Actuary will be covered without seeking additional assessments. Annual assessments or transfers into this account cannot exceed 2.5% of the Fund's current fiscal year earned income with an aggregate cap of 10% unless approved by the Commissioner of the Department of Insurance.

**SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 6: CHANGES IN UNPAID CLAIMS LIABILITIES**

As discussed in Note 2, the Fund establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related allocated claim adjustment expenses.

The following represents changes in those aggregate undiscounted reported and unreported liabilities for the Fund during 2017 and 2016 for all open fund years net of excess insurance recoveries:

	<u>2017</u>	<u>2016</u>
Total unpaid claims and claim adjustment expenses all fund years - Beginning	<u>\$ 2,890,000</u>	<u>\$ 15,900,000</u>
Incurring claims and claim adjustment expenses:		
Provision for insured events of current fund year	34,273,325	31,319,828
Changes in provision for insured insured events of prior fund years	<u>(1,126,428)</u>	<u>(4,776,703)</u>
Total incurred claims and claim adjustment expenses all fund years	<u>33,146,897</u>	<u>26,543,125</u>
Payments (Net of Refunds):		
Attributable to insured events of current fund year	30,546,174	28,708,870
Attributable to insured events of prior fund years	<u>1,940,723</u>	<u>10,844,255</u>
Total payments all fund years	<u>32,486,897</u>	<u>39,553,125</u>
Total unpaid claims and claim adjustment expenses all fund years - Ending	<u><u>\$ 3,550,000</u></u>	<u><u>\$ 2,890,000</u></u>

**Note 7: TRANSFER OF 2015 FUND PERIOD SURPLUS**

The Executive Committee approved the closing of the 2015 Fund year and the transfer of the 2015 Fund year balances as of May 31, 2017 resulting in a transfer of surplus in the amount of \$12,831,825 to the closed years account.

**SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 8: MUNICIPAL REINSURANCE HEALTH INSURANCE FUND**

Effective January 1, 1999, the Fund became a member of the Municipal Reinsurance Health Insurance Fund. The MRHIF is a risk-sharing public entity risk pool that is a self-administered group of joint insurance funds established for the purpose of providing excess health insurance coverage to participating members. Each member appoints an official to represent their respective joint insurance fund for the purpose of creating a governing body from which officers for the MRHIF are elected.

As a member of the MRHIF the Fund could be subject to supplemental assessments in the event of deficiencies. If the assets of the MRHIF were to be exhausted, members would become jointly and severely liable for the MRHIF's liabilities.

The MRHIF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment relates to the total assessment of the membership for that fund year.

**Equity Interest**

As of December 31, 2017 and 2016, the Fund's share of net position in the Municipal Reinsurance Health Insurance Fund was \$1,233,770 and \$1,154,084, respectively.

**Selected Financial Information**

Selected, summarized financial information for the Municipal Reinsurance Health Insurance Fund as of December 31, 2017 is as follows:

Total Assets	<u><u>\$ 24,181,693</u></u>
Total Liabilities	<u><u>\$ 7,763,833</u></u>
Net Position	<u><u>\$ 16,417,860</u></u>
Total Revenues	<u><u>\$ 13,697,416</u></u>
Total Expenses	<u><u>\$ 9,512,768</u></u>
Change in Net Position	<u><u>\$ 497,230</u></u>
Return of Surplus	<u><u>\$ 3,687,418</u></u>

Financial statements for the Municipal Reinsurance Health Insurance Fund are available at the office of the Fund's Executive Director:

PERMA  
9 Campus Drive, Suite 216  
Parsippany, NJ 07054  
201-881-7632



**SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 9: RELATED PARTY TRANSACTIONS**

As disclosed in note 8, the Fund is a member of the Municipal Reinsurance Health Insurance Fund and accordingly has an ownership interest in those Funds. Excess insurance premiums paid to those funds for the years ended December 31, 2017 and 2016 were \$1,193,454 and \$1,235,111, respectively.

**Note 10: RETURN OF SURPLUS**

The Executive Committee approved a surplus distribution in the amount of \$8,795,075 and \$1,919,662 for the years ended December 31, 2017 and 2016, respectively. The surplus distribution was payable from the Closed Fund Years Account.

**Note 11: REORGANIZATION AND ALLOCATION OF NET POSITION**

Effective January 1, 2016, certain members of the fund transferred their equity interest in the Southern New Jersey Regional Employee Benefits Fund to form two new health insurance funds consisting of the Schools Health Insurance Fund and the Southern Coastal Regional Employee Benefits Fund.

As of December 31, 2017, the net decrease to the Fund's assets and net position resulting from the transfer from the closed-year account was as follows:

	<u>Total</u>	<u>Schools Health Insurance Fund</u>	<u>Southern Coastal Regional Employee Benefits Fund</u>
<u>ASSETS</u>			
Cash and Investments	\$ 11,342,687	\$ 7,639,738	\$ 3,702,949
<u>NET POSITION</u>			
Unrestricted	<u>\$ 11,342,687</u>	<u>\$ 7,639,738</u>	<u>\$ 3,702,949</u>

**SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 11: REORGANIZATION AND ALLOCATION OF NET POSITION (CONT'D)**

As of December 31, 2016, the net decrease to the Fund's assets, liabilities and net position resulting from the transfer from the closed-year account was as follows:

	<u>Total</u>	<u>Schools Health Insurance Fund</u>	<u>Southern Coastal Regional Employee Benefits Fund</u>
<b><u>ASSETS</u></b>			
Cash and Investments	\$ 27,665,436	\$ 21,489,874	\$ 6,175,562
Investment in Joint Venture	3,345,283	2,742,107	603,176
Receivables	<u>43,209</u>	<u>7,343</u>	<u>35,866</u>
Total Assets	<u>31,053,928</u>	<u>24,239,324</u>	<u>6,814,604</u>
<b><u>LIABILITIES</u></b>			
Accrued Expenses	<u>1,116,888</u>	<u>1,057,908</u>	<u>58,980</u>
<b><u>NET POSITION</u></b>			
Unrestricted	<u>\$ 29,937,040</u>	<u>\$ 23,181,416</u>	<u>\$ 6,755,624</u>

**Note 12: SUBSEQUENT EVENTS**

Subsequent to year-end, the following entities have joined the Fund:

- Lawnside Borough (Effective 2/1/18)

## **REQUIRED SUPPLEMENTARY INFORMATION**

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
RECONCILIATION OF HEALTH CLAIMS LIABILITIES BY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Medical</u>	<u>Prescription</u>	<u>Dental</u>	<u>Total</u>
Total unpaid claims and claim adjustment expenses - Beginning	\$ 2,327,591	\$ 480,588	\$ 81,821	\$ 2,890,000
Incurred claims and claims adjustment expenses:				
Provision for insured events of current fund year	25,577,014	7,645,032	1,051,279	34,273,325
Changes in provision for insured events of prior fund years	(514,625)	(648,606)	36,803	(1,126,428)
Total incurred claims and claims adjustment expenses all fund years	25,062,389	6,996,426	1,088,082	33,146,897
Payments (Net of Refunds):				
Attributable to insured events of current fund year	22,367,903	7,222,568	955,703	30,546,174
Attributable to insured events of prior fund years	2,452,526	(548,606)	36,803	1,940,723
Total payments all fund years	24,820,429	6,673,962	992,506	32,486,897
Total unpaid claims and claim adjustment expenses - Ending	\$ 2,569,551	\$ 803,052	\$ 177,397	\$ 3,550,000

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION  
AS OF DECEMBER 31, 2017

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
FUND YEAR ENDED DECEMBER 31										
Net Earned Required Contribution and Investment Revenue:										
Earned	\$ 29,485,844	\$ 46,123,183	\$ 80,603,423	\$ 130,655,892	\$ 158,140,660	\$ 144,793,694	\$ 146,037,928	\$ 191,292,886	\$ 40,465,771	\$ 43,521,867
Ceded	1,765,428	2,477,222	4,477,849	6,972,402	7,439,768	7,799,978	8,360,102	8,614,449	3,796,583	4,326,019
	27,720,416	43,645,961	76,125,574	123,683,490	150,700,892	136,983,716	137,677,826	182,678,437	36,669,188	39,195,848
Unallocated Expenses	2,660,050	4,221,755	7,429,868	11,921,926	12,621,569	10,243,944	11,229,040	13,143,749	2,344,196	2,499,351
Estimated Claims and Expenses, End of Policy Year:										
Incurred	23,559,101	38,133,509	68,344,435	111,255,708	143,052,125	118,838,393	118,914,108	160,492,670	31,498,870	34,417,494
Ceded	477,055	372,545	1,011,216	1,374,446	3,655,162	1,191,354	913,062	2,674,014	179,042	144,169
Net Incurred	23,082,046	37,760,964	67,333,219	109,881,262	139,396,963	117,647,039	118,001,046	157,818,656	31,319,828	34,273,325
Paid (Cumulative) as of:										
End of Policy Year	21,224,046	34,307,374	62,032,990	109,881,262	128,428,741	107,297,041	106,675,236	144,852,046	28,708,870	30,960,343
One Year Later	22,531,541	36,744,904	65,089,041	110,406,024	135,506,187	114,667,885	114,093,338	156,245,871	30,694,620	
Two Years Later (A)	22,560,815	36,850,491	65,021,162	110,255,800	135,450,187	114,730,291	114,301,478	156,259,894		
Reestimated Incurred Claims and Expenses:										
End of Policy Year	23,082,046	37,760,964	67,333,219	109,881,262	139,396,963	117,647,039	118,001,046	157,818,656	31,319,828	34,273,325
One Year Later	22,541,541	36,764,964	65,114,041	110,406,024	135,506,187	115,113,449	114,352,714	152,918,143	30,168,388	
Two Years Later (A)	22,560,815	36,850,491	65,021,162	110,255,800	135,450,187	114,730,291	114,301,478	156,159,894		
Increase (Decrease) in Estimated Incurred Claims and Expenses from End of Policy Year	\$ (521,231)	\$ (910,473)	\$ (2,312,057)	\$ 374,538	\$ (3,946,776)	\$ (2,916,748)	\$ (3,699,568)	\$ (1,658,762)	\$ (1,151,440)	\$ -

(A) At the end of the Second Fund Year the residual Fund Year Surplus or Deficit is transferred to the Closed Fund Year Account. Accordingly, residual data is not available to track activity after the second year.

## **SUPPLEMENTARY INFORMATION**

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
STATEMENT OF NET POSITION - STATUTORY BASIS  
AS OF DECEMBER 31, 2017

	<u>Total</u>	<u>2017</u>	<u>2016</u>	<u>Closed Years</u>
<u>ASSETS</u>				
Cash And Equivalents	\$ 12,347,490	\$ 4,778,484	\$ 4,099,516	\$ 3,469,490
Investments	5,518,700			5,518,700
Contributions Receivable	1,340,817	1,128,223	142,148	70,446
Refund Receivable	25,343	25,343		
Claim Advances	144,040			144,040
Accrued Interest Receivable	17,550	3,032	3,297	11,221
Excess Insurance Receivable	34,267	29,775	4,492	
	<hr/>			
Total Assets	19,428,207	5,964,857	4,249,453	9,213,897
	<hr/>			
<u>LIABILITIES AND RESERVES</u>				
Liabilities:				
Accrued Expenses	12,384	12,384		
Due To The Southern Coastal Regional Benefits Fund	72,150	72,150		
Return of Surplus Payable	4,140,132			\$ 4,140,132
	<hr/>			
Total Liabilities	4,224,666	84,534	-	4,140,132
	<hr/>			
Reserves:				
Actuarial Liability	3,550,000	3,457,151	\$ 92,849	-
	<hr/>			
Total Liabilities and Reserves	7,774,666	3,541,685	92,849	4,140,132
	<hr/>			
<u>NET POSITION</u>				
Unrestricted	\$ 11,653,541	\$ 2,423,172	\$ 4,156,604	\$ 5,073,765
	<hr/> <hr/>			

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>SOUTHERN NEW JERSEY REGIONAL</u>			
	<u>Total</u>	<u>2017</u>	<u>2016</u>	<u>Closed Years</u>
Operating Revenues:				
Regular Contributions	\$ 43,211,706	\$ 43,211,706		
Employee Contributions	292,435	292,435		
Total Operating Revenue	43,504,141	43,504,141	-	-
Operating Expenses:				
Provision for Claims and				
Claims Adjustment Expenses (Recoveries)	33,146,897	34,273,325	\$ (1,151,440)	\$ 25,012
Insurance Premiums	4,326,019	4,326,019		
Affordable Care Act Taxes	9,160	9,160		
Administration	2,530,452	2,490,191	(23,459)	63,720
Total Operating Expenses	40,012,528	41,098,695	(1,174,899)	88,732
Operating Income (Loss)	3,491,613	2,405,446	1,174,899	(88,732)
Non-Operating Revenue:				
Investment Income	195,008	17,726	32,401	144,881
Municipal Reinsurance Health				
Insurance Fund Dividend	1,287,547		177,824	1,109,723
Total Non-Operating Revenue	1,482,555	17,726	210,225	1,254,604
Change In Net Position	4,974,168	2,423,172	1,385,124	1,165,872
Net Position, Beginning	26,817,135		2,771,480	24,045,655
Transfer To Coastal HIF And SHIF	(11,342,687)			(11,342,687)
Return Of Surplus	(8,795,075)			(8,795,075)
Net Position, Ending	\$ 11,653,541	\$ 2,423,172	\$ 4,156,604	\$ 5,073,765



SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
STATEMENT OF CASH FLOWS - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Total</u>	<u>2017</u>	<u>2016</u>	<u>Closed Years</u>
Cash Flows From Operating Activities:				
Receipts From Regular Contributions	\$ 43,792,203	\$ 42,083,483	\$ 1,524,872	\$ 183,848
Receipts From Employee Contributions	292,435	292,435		
(Payments) Recoveries For Health Benefits Claims	(32,018,112)	(30,871,292)	(1,342,081)	195,261
Payments For Insurance Premiums	(4,326,019)	(4,326,019)		
Payments For Affordable Care Act Taxes	(9,160)	(9,160)		
Payments To Professionals And Administrative Expenses	(2,553,403)	(2,477,807)	3,162	(78,758)
Net Cash Flows Provided By Operating Activities	5,177,944	4,691,640	185,953	300,351
Cash Flows From Investing Activities:				
Redemption Of Investments	4,025,000			4,025,000
Purchase Of Investments	(1,995,780)			(1,995,780)
Investment Income	1,505,257	14,694	208,371	1,282,192
Net Cash Flows Provided By Investing Activities	3,534,477	14,694	208,371	3,311,412
Cash Flows From Noncapital Financing Activities:				
Due To/From The Southern Coastal Regional Benefits Fund	551,867	72,150		479,717
Transfer To Coastal HIF And SHIF	(11,342,687)			(11,342,687)
Return of Surplus	(4,751,067)			(4,751,067)
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	(15,541,887)	72,150	-	(15,614,037)
Net Increase (Decrease) In Cash And Cash Equivalents	(6,829,466)	4,778,484	394,324	(12,002,274)
Cash and Cash Equivalents, Beginning	19,176,956	-	3,705,192	15,471,764
Cash And Cash Equivalents, Ending	\$ 12,347,490	\$ 4,778,484	\$ 4,099,516	\$ 3,469,490

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
COMBINING STATEMENT OF CASH FLOWS - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Total</u>	<u>2017</u>	<u>2016</u>	<u>Closed Years</u>
Reconciliation Of Operating Income (Loss) To				
Cash Flows From Operating Activities:				
Operating Income (Loss)	\$ 3,491,613	\$ 2,405,446	\$ 1,174,899	\$ (88,732)
Adjustments to Reconcile Operating Income (Loss) to Net				
Cash Provided By Operating Activities				
Changes in Assets and Liabilities:				
Decrease (Increase) in Assets:				
Contributions Receivable	580,497	(1,128,223)	1,524,872	183,848
Excess Insurance Receivable	465,048	(29,775)	174,550	320,273
Refunds Receivable	3,737	(25,343)	29,080	
Increase (Decrease) in Liabilities:				
Accrued Administrative Expenses	(22,951)	12,384	(20,297)	(15,038)
Actuarial Liabilities	660,000	3,457,151	(2,697,151)	(100,000)
Total Adjustments	1,686,331	2,286,194	(988,946)	389,083
Net Cash Flows Provided By Operating Activities	\$ 5,177,944	\$ 4,691,640	\$ 185,953	\$ 300,351

**SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO SUPPLEMENTARY INFORMATION – STATUTORY BASIS**

Note 1: **RELATIONSHIP WITH BASIC FINANCIAL STATEMENTS**

The information in the Southern New Jersey Regional Employee Benefits Fund (the “Fund”)'s basic financial statements, Exhibits A-1 through A-3, differs from the accompanying Supplementary Information required by the Division of Banking and Insurance. The Supplementary Information does not reflect the Fund's Investments in Joint Ventures as follows:

	<u>2017</u>	<u>2016</u>
Total Assets – Comparative Statements of Net Position	\$ 20,661,977	\$ 30,992,678
Less Investment in Joint Venture	<u>1,233,770</u>	<u>1,154,084</u>
Total Assets – Statutory Basis	<u><u>\$ 19,428,207</u></u>	<u><u>\$ 29,838,594</u></u>
Net Position – Comparative Statements of Net Position	\$ 12,887,311	\$ 27,971,219
Less Investment in Joint Venture	<u>1,233,770</u>	<u>1,154,084</u>
Net Position – Statutory Basis	<u><u>\$ 11,653,541</u></u>	<u><u>\$ 26,817,135</u></u>
Change in Net Positon - Comparative Statements of Revenues, Expenses and Changes in Net Position	\$ 5,053,854	\$ 9,277,547
Less Change in Investment in Joint Venture	<u>79,686</u>	<u>220,011</u>
Change in Net Position – Statutory Basis	<u><u>\$ 4,974,168</u></u>	<u><u>\$ 9,057,536</u></u>

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
 SUPPLEMENTARY INFORMATION  
 STATEMENT OF FUND YEAR 2017 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS  
 FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2017

	<u>Medical*</u>	<u>Dental</u>	<u>Prescription</u>	<u>Reinsurance</u>	<u>Administrative</u>	<u>Total</u>
Income:						
Regular Contributions	\$ 28,133,270	\$ 1,219,866	\$ 10,148,581	\$ 1,188,422	\$ 2,521,567	\$ 43,211,706
Employee Contributions	292,435					292,435
Investment Income	10,052	599	7,065		10	17,726
Total Income	28,435,757	1,220,465	10,155,646	1,188,422	2,521,577	43,521,867
Incurred Liabilities:						
Claims Paid (Net of Refunds)	22,782,072	955,703	7,222,568			30,960,343
Excess Insurance Recoveries	(144,169)					(144,169)
Actuarial Liability	2,939,111	95,576	422,464			3,457,151
Insurance Premiums	3,126,578	5,987		1,193,454		4,326,019
Affordable Care Act Taxes					9,160	9,160
Administrative Expenses					2,490,191	2,490,191
Total Liabilities	28,703,592	1,057,266	7,645,032	1,193,454	2,499,351	41,098,695
Net Position (Deficit)	\$ (267,835)	\$ 163,199	\$ 2,510,614	\$ (5,032)	\$ 22,226	\$ 2,423,172

\*Includes Retirees and COBRA

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
 SUPPLEMENTARY INFORMATION  
 STATEMENT OF FUND YEAR 2016 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS  
 FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2017

	<u>Medical*</u>	<u>Dental</u>	<u>Prescription</u>	<u>Reinsurance</u>	<u>Administrative</u>	<u>Total</u>
Income:						
Regular Contributions	\$ 25,630,962	\$ 1,063,876	\$ 9,377,816	\$ 1,227,450	\$ 2,533,673	\$ 39,833,777
Employee Contributions	414,512					414,512
Municipal Reinsurance Health	177,824					177,824
Insurance Fund Dividend	16,302	5,446	15,290		2,620	39,658
Investment Income						
Total Income	26,239,600	1,069,322	9,393,106	1,227,450	2,536,293	40,465,771
Incurred Liabilities:						
Claims Paid (Net of Refunds)	22,723,101	1,024,802	6,946,717			30,694,620
Excess Insurance Recoveries	(619,081)					(619,081)
Actuarial Liability	(369,560)	81,821	380,588			92,849
Insurance Premiums	2,555,013	6,459		1,235,111		3,796,583
Affordable Care Act Taxes					109,512	109,512
Administrative Expenses					2,234,684	2,234,684
Total Liabilities	24,289,473	1,113,082	7,327,305	1,235,111	2,344,196.00	36,309,167
Net Position (Deficit)	\$ 1,950,127	\$ (43,760)	\$ 2,065,801	\$ (7,661)	\$ 192,097	\$ 4,156,604

\*Includes Retirees and COBRA

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
SUPPLEMENTARY INFORMATION  
STATEMENT OF FUND YEAR 2017 EXPENSE ANALYSIS - STATUTORY BASIS  
FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2017

	<u>Paid</u>	<u>Accrued Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 292,453		\$ 292,453
Program Manager	963,034		963,034
Third Party Administrators:			
Medical	1,050,414		1,050,414
Dental	59,935		59,935
Actuary	22,440		22,440
Treasurer	14,280		14,280
Attorney	21,064		21,064
Auditor		\$ 12,252	12,252
Director Fee	13,050		13,050
Miscellaneous Expenses	41,137	132	41,269
	<hr/>		
Total Administrative Expenses	\$ 2,477,807	\$ 12,384	\$ 2,490,191
	<hr/>		

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
SUPPLEMENTARY INFORMATION  
STATEMENT OF FUND YEAR 2016 EXPENSE ANALYSIS - STATUTORY BASIS  
FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2017

	<u>Paid</u>	<u>Accrued Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 262,917		\$ 262,917
Program Manager	813,529		813,529
Third Party Administrators:			
Medical	914,663		914,663
Dental	55,272		55,272
Actuary	22,000		22,000
Treasurer	14,000		14,000
Attorney	20,625		20,625
Auditor	12,000		12,000
Data Analysis	7,965		7,965
Director Fee	13,005		13,005
Patient - Center Outcomes Research Fee	54,975		54,975
Wellness	954		954
Miscellaneous Expenses	42,779		42,779
	<hr/>		
Total Administrative Expenses	\$ 2,234,684	-	\$ 2,234,684
	<hr/>		

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS - STATUTORY BASIS  
AS OF DECEMBER 31, 2017

<u>Description</u>	<u>Amount</u>
<u>Cash and Cash Equivalents</u>	
Cash Accounts	
TD Wealth Management	
Money Market Investment Account	\$ 19,953
Investors Bank	
Investment Account	12,022
Parke Bank	
Investment Account	5,471
Republic Bank	
Investment Account	5,534,895
Fund Year Account	3,688,033
Expense Imprest Account	40,796
Ocean First Bank	
Investment Account	<u>3,046,320</u>
Total Cash and Cash Equivalents	<u>12,347,490</u>
<u>Investments</u>	
TD Wealth Management	
Investment Account	<u>5,518,700</u>
Total Cash, Cash Equivalents and Investments per Schedule A	
Statement of Net Position--Statutory Basis	<u><u>\$ 17,866,190</u></u>
Total Cash and Cash Equivalents and Investments by Fund Year:	
2017	\$ 4,778,484
2016	4,099,516
Closed Years	<u>8,988,190</u>
	<u><u>\$ 17,866,190</u></u>



**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

## **SCHEDULE OF FINANCIAL STATEMENT FINDINGS**

None

## **SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AS PREPARED BY MANAGEMENT**

This section identifies the status of prior year audit findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

There were no findings in the prior year.

## **APPRECIATION**

We express our appreciation for the assistance provided to us during our audit.

Respectfully submitted,  
BOWMAN & COMPANY LLP  
Certified Public Accountants

A handwritten signature in black ink, appearing to read 'J. Miles, Jr.', enclosed within a circular stamp or seal.

James J. Miles, Jr.

