



**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017, 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, 2018 and 2017 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***

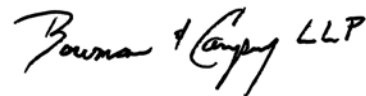
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements and are presented 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 24, 2019 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 24, 2019

**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, 2018 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated June 24, 2019.

**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 24, 2019

# 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, 2018, 2017 and 2016. 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, 2018, 2017 and 2016.

Comparative Statements Of Net Position				2018 to 2017 Change	
	12/31/2018	12/31/2017	12/31/2016	Change \$	Change %
<b>Assets:</b>					
Cash And Cash Equivalents	\$ 15,358,373	\$ 12,347,490	\$ 19,176,956	\$ 3,010,883	24.4%
Investments	5,488,692	5,518,700	7,570,521	(30,008)	-0.5%
Contributions And Other Receivables	771,929	1,366,160	2,430,111	(594,231)	-43.5%
Excess Insurance Receivable	-	34,267	499,315	(34,267)	-100.0%
Investment In Joint Venture	1,443,967	1,233,770	1,154,084	210,197	17.0%
Other Assets	210,425	161,590	161,691	48,835	30.2%
<b>Total Assets</b>	<b>23,273,386</b>	<b>20,661,977</b>	<b>30,992,678</b>	<b>2,611,409</b>	<b>12.6%</b>
<b>Liabilities, Reserves &amp; Net Position</b>					
<b>Liabilities &amp; Reserves:</b>					
Accrued Expenses	161,167	84,534	35,335	76,633	90.7%
Return of Surplus Payable	4,039,030	4,140,132	96,124	(101,102)	-2.4%
Loss Reserves	2,520,000	3,550,000	2,890,000	(1,030,000)	-29.0%
<b>Total Liabilities &amp; Reserves</b>	<b>6,720,197</b>	<b>7,774,666</b>	<b>3,021,459</b>	<b>(1,054,469)</b>	<b>-13.6%</b>
<b>Net Position - Unrestricted</b>	<b>\$ 16,553,189</b>	<b>\$ 12,887,311</b>	<b>\$ 27,971,219</b>	<b>\$ 3,665,878</b>	<b>28.4%</b>



## Financial Highlights Continued

Comparative Statements Of Revenues, Expenses, And Changes In Net Position					
	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>2018 to 2017 Change</u> <u>Change \$</u>	<u>Change %</u>
Operating Revenues:					
Regular Contributions & Other Income	<u>\$ 44,731,491</u>	<u>\$ 43,504,141</u>	<u>\$ 40,223,960</u>	<u>\$ 1,227,350</u>	<u>2.8%</u>
Operating Expenses:					
Provision for Claims and Claims Expense	31,278,331	33,146,897	26,543,125	(1,868,566)	-5.6%
Insurance Premiums	4,351,904	4,326,019	3,811,637	25,885	0.6%
Administrative and Operating	<u>2,509,112</u>	<u>2,539,612</u>	<u>1,918,891</u>	<u>(30,500)</u>	<u>-1.2%</u>
Total Operating Expenses	<u>38,139,347</u>	<u>40,012,528</u>	<u>32,273,653</u>	<u>(1,873,181)</u>	<u>-4.7%</u>
Total Operating Income	6,592,144	3,491,613	7,950,307	3,100,531	88.8%
Non-Operating Revenues (Expenses):					
Investment Income	306,958	195,008	205,647	111,950	57.4%
Municipal Reinsurance Health Insurance Fund Dividend	397,254	1,287,547	901,582	(890,293)	-69.1%
Change In Investment In Joint Venture	<u>210,197</u>	<u>79,686</u>	<u>220,011</u>	<u>130,511</u>	<u>163.8%</u>
Excess Of Revenues	7,506,553	5,053,854	9,277,547	2,452,699	48.5%
Transfer To Coastal HIF And SHIF	-	(11,342,687)	(29,937,040)	11,342,687	100.0%
Return Of Surplus	<u>(3,840,675)</u>	<u>(8,795,075)</u>	<u>(1,919,662)</u>	<u>4,954,400</u>	<u>56.3%</u>
Change In Net Position	<u>\$ 3,665,878</u>	<u>\$(15,083,908)</u>	<u>\$(22,579,155)</u>	<u>\$ 18,749,786</u>	<u>-124.3%</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 and 2016, the Fund transferred additional assets to the newly formed Health Insurance Funds.

The Fund's total assets as of December 31, 2018 were \$23,273,386 and total liabilities and reserves were \$6,720,197 resulting in a surplus in unrestricted net position of \$16,553,189.

The Fund's operating revenues were \$44,731,491 during the year. Claims expenses represented \$31,278,331 in health benefit costs. Reinsurance premiums were composed of \$1,057,612 being incurred by the Municipal Reinsurance Health Insurance Fund and \$3,294,292 of Medical, RX and Dental Premiums. During the reporting period, administrative and operating costs were \$2,509,112.

The value of the Fund's share of the Municipal Reinsurance Health Insurance Fund (MRHIF) was \$1,443,967. The Fund also received a dividend distribution from MRHIF for \$397,254.

Investment income was \$306,958 due to Fund's active pursuit of 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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash And Equivalents	\$ 15,358,373	\$ 12,347,490
Investments	5,488,692	5,518,700
Contributions Receivable	771,929	1,340,817
Refund Receivable	23,088	25,343
Claim Advances	144,040	144,040
Accrued Interest Receivable	43,297	17,550
Excess Insurance Receivable	-	34,267
Investment In Joint Venture	1,443,967	1,233,770
	<hr/>	<hr/>
Total Assets	23,273,386	20,661,977
	<hr/>	<hr/>
<u>LIABILITIES AND RESERVES</u>		
Liabilities:		
Claims Payable	22,053	-
Accrued Expenses	13,284	12,384
Due To The Southern Coastal Regional Benefits Fund	125,830	72,150
Return Of Surplus Payable	4,039,030	4,140,132
	<hr/>	<hr/>
Total Liabilities	4,200,197	4,224,666
	<hr/>	<hr/>
Reserves:		
Actuarial Liability	2,520,000	3,550,000
	<hr/>	<hr/>
Total Liabilities And Reserves	6,720,197	7,774,666
	<hr/>	<hr/>
<u>NET POSITION</u>		
Unrestricted	\$ 16,553,189	\$ 12,887,311
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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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Regular Contributions	\$ 44,412,466	\$ 43,211,706
Employee Contributions	319,025	292,435
	<hr/>	<hr/>
Total Operating Revenue	44,731,491	43,504,141
	<hr/>	<hr/>
Operating Expenses:		
Provision For Claims And Claims Adjustment Expenses	31,278,331	33,146,897
Insurance Premiums	4,351,904	4,326,019
Affordable Care Act Taxes	-	9,160
Administration	2,509,112	2,530,452
	<hr/>	<hr/>
Total Operating Expenses	38,139,347	40,012,528
	<hr/>	<hr/>
Operating Income	6,592,144	3,491,613
Non-Operating Revenue:		
Investment Income	306,958	195,008
Municipal Reinsurance Health		
Insurance Fund Dividend	397,254	1,287,547
Change In Investment In Joint Venture	210,197	79,686
	<hr/>	<hr/>
Change In Net Position	7,506,553	5,053,854
Net Position, Beginning	12,887,311	27,971,219
Transfer To Coastal HIF And SHIF	-	(11,342,687)
Return Of Surplus	(3,840,675)	(8,795,075)
	<hr/>	<hr/>
Net Position, Ending	\$ 16,553,189	\$ 12,887,311
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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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Receipts From Regular Contributions	\$ 44,981,354	\$ 43,792,203
Receipts From Employee Contributions	319,025	292,435.00
Payments For Health Benefits Claims	(32,249,756)	(32,018,112)
Payments For Insurance Premiums	(4,351,904)	(4,326,019)
Payments For Affordable Care Act Taxes	-	(9,160)
Payments To Professionals And Administrative Expenses	(2,508,212)	(2,553,403)
Net Cash Flows Provided By Operating Activities	<u>6,190,507</u>	<u>5,177,944</u>
Cash Flows From Investing Activities:		
Redemption Of Investments	3,550,000	4,025,000
Purchase Of Investments	(3,530,084)	(1,995,780)
Investment Income	688,557	1,505,257
Net Cash Flows Provided By Investing Activities	<u>708,473</u>	<u>3,534,477</u>
Cash Flows From Noncapital Financing Activities:		
Due To/From The Southern Coastal Regional Benefits Fund	53,680	551,867
Transfer To Coastal HIF And SHIF	-	(11,342,687)
Return of Surplus	(3,941,777)	(4,751,067)
Net Cash Flows Used In Noncapital Financing Activities:	<u>(3,888,097)</u>	<u>(15,541,887)</u>
Net Increase (Decrease) Cash And Cash Equivalents	3,010,883	(6,829,466)
Cash And Cash Equivalents, Beginning	<u>12,347,490</u>	<u>19,176,956</u>
Cash And Cash Equivalents, Ending	<u>\$ 15,358,373</u>	<u>\$ 12,347,490</u>
Reconciliation Of Operating Income To		
Cash Flows From Operating Activities:		
Operating Income	\$ 6,592,144	\$ 3,491,613
Adjustments to Reconcile Operating Income to Net		
Cash Flows Provided By Operating Activities:		
Changes In Assets and Liabilities:		
Decrease (Increase) in Assets:		
Contributions Receivable	568,888	580,497
Excess Insurance Receivable	34,267	465,048
Refunds Receivable	2,255	3,737
Increase (Decrease) in Liabilities:		
Accrued Expenses	900	(22,951)
Actuarial Liability	(1,030,000)	660,000
Claims Payable	22,053	-
Total Adjustments	<u>(401,637)</u>	<u>1,686,331</u>
Net Cash Flows Provided By Operating Activities	<u>\$ 6,190,507</u>	<u>\$ 5,177,944</u>
Supplemental Disclosure - Noncash Activity:		
Change In Unrealized Gain (Loss) On Investments Included In Investment Income	<u>\$ (20,239)</u>	<u>\$ (10,037)</u>
Change In Investment In Joint Venture	<u>\$ 210,197</u>	<u>\$ 79,686</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 N.J.S.A. 40A:10-36 et. seq. and N.J.A.C. 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 2018, the following municipalities and governmental entities were members of the Fund:

Barrington Borough	Lawnside 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
Haddon Heights Borough		

**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 2018 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. \$350,000	Specific limit - applies per enrolled participant per reinsurance policy year.
B. \$33,405,900	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. \$350,000	Specific limit - applies per enrolled participant per reinsurance policy year.
B. \$9,494,950	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 2018 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, 2018 to December 31, 2018.
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, 2018.

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 2018 and 2017 amounted to \$0 and \$648,265, 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 \$14,431,850 as of December 31, 2018, \$802,505 was insured while \$13,629,345 was collateralized under GUDPA.

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.

**New Jersey Cash Management Fund**

During the 2018 year, the Fund participated in the New Jersey Cash Management Fund. The Cash Management Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund's participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At December 31, 2018, the Fund's deposits with the New Jersey Cash Management Fund was \$1,513,316.

**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 US Treasury/Agency Securities and Other Government Obligations of \$5,488,692 and \$5,518,700 as of December 31, 2018 and 2017, 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 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, 2018 and 2017, 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>2018</u>	<u>2017</u>
<u>US Treasury/Agency Securities</u>					
United States Treasury Note	0.625%	04/30/18	AAA		\$ 1,271,749
United States Treasury Note	1.625%	08/31/19	AAA	\$ 1,266,662	
United States Treasury Note	2.750%	02/15/19	AAA	1,000,440	
United States Treasury Bill	2.700%	01/31/19	AAA	1,255,110	
				3,522,212	1,271,749
<u>Other Government Obligations</u>					
FHLMC	1.600%	09/28/20	N/A	1,966,480	1,973,020
FNMA	8.750%	02/08/18	N/A		2,273,931
				1,966,480	4,246,951
				\$ 5,488,692	\$ 5,518,700

**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, 2018 and 2017:

US Treasury/Agency Securities and Other Government Obligations of \$5,488,692 and \$5,518,700 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 2018 and 2017 for all open fund years net of excess insurance recoveries:

	<u>2018</u>	<u>2017</u>
Total unpaid claims and claim adjustment expenses all fund years - Beginning	<u>\$ 3,550,000</u>	<u>\$ 2,890,000</u>
Incurring claims and claim adjustment expenses:		
Provision for insured events of current fund year	32,120,586	34,273,325
Changes in provision for insured insured events of prior fund years	<u>(842,255)</u>	<u>(1,126,428)</u>
Total incurred claims and claim adjustment expenses all fund years	<u>31,278,331</u>	<u>33,146,897</u>
Payments (Net of Refunds):		
Attributable to insured events of current fund year	29,650,586	30,546,174
Attributable to insured events of prior fund years	<u>2,657,745</u>	<u>1,940,723</u>
Total payments all fund years	<u>32,308,331</u>	<u>32,486,897</u>
Total unpaid claims and claim adjustment expenses all fund years - Ending	<u><u>\$ 2,520,000</u></u>	<u><u>\$ 3,550,000</u></u>

**Note 7: TRANSFER OF 2016 FUND PERIOD SURPLUS**

The Executive Committee approved the closing of the 2016 Fund year and the transfer of the 2016 Fund year balances as of May 31, 2018 resulting in a transfer of surplus in the amount of \$4,156,604 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 (MRHIF). 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, 2018 and 2017, the Fund's share of net position in the Municipal Reinsurance Health Insurance Fund was \$1,443,967 and \$1,233,770, respectively.

**Selected Financial Information**

Selected, summarized financial information for the Municipal Reinsurance Health Insurance Fund as of December 31, 2018 is as follows:

Total Assets	<u><u>\$ 23,292,034</u></u>
Total Liabilities	<u><u>\$ 7,081,829</u></u>
Net Position	<u><u>\$ 16,210,205</u></u>
Total Revenues	<u><u>\$ 15,410,936</u></u>
Total Expenses	<u><u>\$ 7,677,855</u></u>
Change in Net Position	<u><u>\$ 3,492,345</u></u>
Return of Surplus	<u><u>\$ 4,240,736</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 MRHIF. Excess insurance premiums paid to MRHIF for the years ended December 31, 2018 and 2017 were \$1,057,612 and \$1,193,454, respectively.

**Note 10: RETURN OF SURPLUS**

The Executive Committee approved a surplus distributions in the amount of \$3,840,675 and \$8,795,075 for the years ended December 31, 2018 and 2017, respectively. The surplus distributions were 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.

During 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	<u>\$ 11,342,687</u>	<u>\$ 7,639,738</u>	<u>\$ 3,702,949</u>
<u>NET POSITION</u>			
Unrestricted	<u><u>\$ 11,342,687</u></u>	<u><u>\$ 7,639,738</u></u>	<u><u>\$ 3,702,949</u></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
RECONCILIATION OF HEALTH CLAIMS LIABILITIES BY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Medical</u>	<u>Prescription</u>	<u>Dental</u>	<u>Total</u>
Total unpaid claims and claim adjustment expenses - Beginning	\$ 2,569,551	\$ 803,052	\$ 177,397	\$ 3,550,000
Incurred claims and claims adjustment expenses:				
Provision for insured events of current fund year	24,679,367	6,346,506	1,094,713	32,120,586
Changes in provision for insured events of prior fund years	46,004	(857,211)	(31,048)	(842,255)
Total incurred claims and claims adjustment expenses all fund years	24,725,371	5,489,295	1,063,665	31,278,331
Payments (Net of Refunds):				
Attributable to insured events of current fund year	22,619,781	6,031,284	999,521	29,650,586
Attributable to insured events of prior fund years	3,083,595	(476,623)	50,773	2,657,745
Total payments all fund years	25,703,376	5,554,661	1,050,294	32,308,331
Total unpaid claims and claim adjustment expenses - Ending	\$ 1,591,546	\$ 737,686	\$ 190,768	\$ 2,520,000

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION  
AS OF DECEMBER 31, 2018

	FUND YEAR ENDED DECEMBER 31									
	<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>	<u>2018</u>
Net Earned Required Contribution and Investment Revenue:										
Earned	\$ 46,123,183	\$ 80,603,423	\$ 130,655,892	\$158,140,660	\$144,783,694	\$ 146,037,928	\$ 191,292,886	\$ 40,474,306	\$ 43,787,935	\$ 44,773,211
Ceded	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	4,351,904
	<u>\$ 43,645,961</u>	<u>\$ 76,125,574</u>	<u>\$ 123,683,490</u>	<u>\$150,700,892</u>	<u>\$136,983,716</u>	<u>\$ 137,677,826</u>	<u>\$ 182,678,437</u>	<u>\$ 36,677,723</u>	<u>\$ 39,461,916</u>	<u>\$ 40,421,307</u>
Unallocated Expenses	<u>\$ 4,221,755</u>	<u>\$ 7,429,868</u>	<u>\$ 11,921,926</u>	<u>\$ 12,621,569</u>	<u>\$ 10,243,944</u>	<u>\$ 11,229,040</u>	<u>\$ 13,143,749</u>	<u>\$ 2,344,196</u>	<u>\$ 2,499,873</u>	<u>\$ 2,503,591</u>
Estimated Claims and Expenses, End of Policy Year:										
Incurred	\$ 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	\$ 32,120,586
Ceded	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	<u>37,760,964</u>	<u>67,333,219</u>	<u>109,881,262</u>	<u>139,396,963</u>	<u>117,647,039</u>	<u>118,001,046</u>	<u>157,818,656</u>	<u>31,319,828</u>	<u>34,273,325</u>	<u>32,120,586</u>
Paid (Cumulative) as of:										
End of Policy Year	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	29,650,586
One Year Later	36,744,904	65,089,041	110,406,024	135,506,187	114,667,885	114,093,338	156,245,871	30,694,620	33,514,510	
Two Years Later (A)	36,850,491	65,021,162	110,255,800	135,450,187	114,730,291	114,301,478	156,259,894	30,676,206		
Reestimated Incurred Claims and Expenses:										
End of Policy Year	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	32,120,586
One Year Later	36,764,964	65,114,041	110,406,024	135,506,187	115,113,449	114,352,714	152,918,143	30,168,388	33,564,510	
Two Years Later (A)	36,850,491	65,021,162	110,255,800	135,450,187	114,730,291	114,301,478	156,159,894	30,034,948		
Increase (Decrease) in Estimated Incurred Claims and Expenses from End of Policy Year	<u>\$ (910,473)</u>	<u>\$ (2,312,057)</u>	<u>\$ 374,538</u>	<u>\$ (3,946,776)</u>	<u>\$ (2,916,748)</u>	<u>\$ (3,699,568)</u>	<u>\$ (1,658,762)</u>	<u>\$ (1,284,880)</u>	<u>\$ (708,815)</u>	<u>\$ -</u>

(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, 2018

		Fund Years		
	<u>Total</u>	<u>2018</u>	<u>2017</u>	<u>Closed Years</u>
<u>ASSETS</u>				
Cash And Equivalents	\$ 15,358,373	\$ 7,703,283	\$ 3,356,886	\$ 4,298,204
Investments	5,488,692			5,488,692
Contributions Receivable	771,929	692,309	79,620	
Refund Receivable	23,088	23,088		
Claim Advances	144,040			144,040
Accrued Interest Receivable	43,297	9,617	11,027	22,653
Total Assets	21,829,419	8,428,297	3,447,533	9,953,589
<u>LIABILITIES AND RESERVES</u>				
Liabilities:				
Accrued Expenses	13,284	13,284		
Due To The Southern Coastal Regional Benefits Fund	125,830	125,830		
Claims Payable	22,053	22,053		
Return of Surplus Payable	4,039,030			4,039,030
Total Liabilities	4,200,197	161,167	-	4,039,030
Reserves:				
Actuarial Liability	2,520,000	2,470,000	50,000	-
Total Liabilities and Reserves	6,720,197	2,631,167	50,000	4,039,030
<u>NET POSITION</u>				
Unrestricted	\$ 15,109,222	\$ 5,797,130	\$ 3,397,533	\$ 5,914,559

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2018

		Fund Years		
	<u>Total</u>	<u>2018</u>	<u>2017</u>	<u>Closed Years</u>
Operating Revenues:				
Regular Contributions	\$ 44,412,466	\$ 44,412,466		
Employee Contributions	319,025	310,490		\$ 8,535
Total Operating Revenue	44,731,491	44,722,956	-	8,535
Operating Expenses:				
Provision for Claims and				
Claims Adjustment Expenses (Recoveries)	31,278,331	32,120,586	\$ (708,815)	(133,440)
Insurance Premiums	4,351,904	4,351,904		
Administration	2,509,112	2,503,591	521	5,000
Total Operating Expenses	38,139,347	38,976,081	(708,294)	(128,440)
Operating Income	6,592,144	5,746,875	708,294	136,975
Non-Operating Revenue:				
Investment Income	306,958	50,255	79,013	177,690
Municipal Reinsurance Health				
Insurance Fund Dividend	397,254		187,054	210,200
Total Non-Operating Revenue	704,212	50,255	266,067	387,890
Change In Net Position	7,296,356	5,797,130	974,361	524,865
Net Position, Beginning	11,653,541		2,423,172	9,230,369
Return Of Surplus	(3,840,675)			(3,840,675)
Net Position, Ending	\$ 15,109,222	\$ 5,797,130	\$ 3,397,533	\$ 5,914,559

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
STATEMENT OF CASH FLOWS - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Fund Years			
	<u>Total</u>	<u>2018</u>	<u>2017</u>	<u>Closed Years</u>
Cash Flows From Operating Activities:				
Receipts From Regular Contributions	\$ 44,981,354	\$ 43,720,157	\$ 1,048,603	\$ 212,594
Receipts From Employee Contributions	319,025	310,490		8,535
(Payments) Recoveries For Health Benefits Claims	(32,249,756)	(29,651,621)	(2,643,218)	45,083
Payments For Insurance Premiums	(4,351,904)	(4,351,904)		
Payments To Professionals And Administrative Expenses	(2,508,212)	(2,490,307)	(12,905)	(5,000)
Net Cash Flows Provided By (Used In) Operating Activities	6,190,507	7,536,815	(1,607,520)	261,212
Cash Flows From Investing Activities:				
Redemption Of Investments	3,550,000			3,550,000
Purchase Of Investments	(3,530,084)			(3,530,084)
Investment Income	688,557	40,638	258,072	389,847
Net Cash Flows Provided By Investing Activities	708,473	40,638	258,072	409,763
Cash Flows From Noncapital Financing Activities:				
Due To/From The Southern Coastal Regional Benefits Fund	53,680	125,830	(72,150)	
Return of Surplus	(3,941,777)			(3,941,777)
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	(3,888,097)	125,830	(72,150)	(3,941,777)
Net Increase (Decrease) In Cash And Cash Equivalents	3,010,883	7,703,283	(1,421,598)	(3,270,802)
Cash and Cash Equivalents, Beginning	12,347,490	-	4,778,484	7,569,006
Cash And Cash Equivalents, Ending	\$ 15,358,373	\$ 7,703,283	\$ 3,356,886	\$ 4,298,204



SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
COMBINING STATEMENT OF CASH FLOWS - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2018

		Fund Years		
	<u>Total</u>	<u>2018</u>	<u>2017</u>	<u>Closed Years</u>
Reconciliation Of Operating Income To				
Cash Flows From Operating Activities:				
Operating Income	\$ 6,592,144	\$ 5,746,875	\$ 708,294	\$ 136,975
Adjustments to Reconcile Operating Income to Net				
Cash Provided By (Used In) Operating Activities				
Changes in Assets and Liabilities:				
Decrease (Increase) in Assets:				
Contributions Receivable	568,888	(692,309)	1,048,603	212,594
Excess Insurance Receivable	34,267		29,775	4,492
Refunds Receivable	2,255	(23,088)	25,343	
Increase (Decrease) in Liabilities:				
Claims Payable	22,053	22,053		
Accrued Administrative Expenses	900	13,284	(12,384)	
Actuarial Liabilities	(1,030,000)	2,470,000	(3,407,151)	(92,849)
Total Adjustments	(401,637)	1,789,940	(2,315,814)	124,237
Net Cash Flows Provided By (Used In) Operating Activities	\$ 6,190,507	\$ 7,536,815	\$ (1,607,520)	\$ 261,212

**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>2018</u>	<u>2017</u>
Total Assets – Comparative Statements of Net Position	\$ 23,273,386	\$ 20,661,977
Less Investment in Joint Venture	<u>1,443,967</u>	<u>1,233,770</u>
Total Assets – Statutory Basis	<u><u>\$ 21,829,419</u></u>	<u><u>\$ 19,428,207</u></u>
Net Position – Comparative Statements of Net Position	\$ 16,553,189	\$ 12,887,311
Less Investment in Joint Venture	<u>1,443,967</u>	<u>1,233,770</u>
Net Position – Statutory Basis	<u><u>\$ 15,109,222</u></u>	<u><u>\$ 11,653,541</u></u>
Change in Net Positon - Comparative Statements of Revenues, Expenses and Changes in Net Position	\$ 7,506,553	\$ 5,053,854
Less Change in Investment in Joint Venture	<u>210,197</u>	<u>79,686</u>
Change in Net Position – Statutory Basis	<u><u>\$ 7,296,356</u></u>	<u><u>\$ 4,974,168</u></u>

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
SUPPLEMENTARY INFORMATION  
STATEMENT OF FUND YEAR 2018 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS  
FOR THE PERIOD JANUARY 1, 2018 TO DECEMBER 31, 2018

	<u>Medical*</u>	<u>Dental</u>	<u>Prescription</u>	<u>Contingency</u>	<u>Reinsurance</u>	<u>Administrative</u>	<u>Total</u>
Income:							
Regular Contributions	\$ 31,760,806	\$ 1,226,022	\$ 7,425,929	\$ 993	\$ 1,048,649	\$ 2,950,067	\$ 44,412,466
Employee Contributions	310,490						310,490
Investment Income	42,903	1,316	4,538		7	1,491	50,255
Total Income	32,114,199	1,227,338	7,430,467	993	1,048,656	2,951,558	44,773,211
Incurring Liabilities:							
Claims Paid (Net of Refunds)	22,619,781	999,521	6,031,284				29,650,586
Actuarial Liability	2,059,586	95,192	315,222				2,470,000
Insurance Premiums	3,289,276	5,016			1,057,612		4,351,904
Administrative Expenses						2,503,591	2,503,591
Total Liabilities	27,968,643	1,099,729	6,346,506		1,057,612	2,503,591	38,976,081
Net Position (Deficit)	\$ 4,145,556	\$ 127,609	\$ 1,083,961	\$ 993	\$ (8,956)	\$ 447,967	\$ 5,797,130

\*Includes Retirees and COBRA

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, 2018

	<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
Municipal Reinsurance Health Insurance Fund Dividend	187,054					187,054
Investment Income	49,081	2,900	44,749		10	96,740
Total Income	28,661,840	1,222,766	10,193,330	1,188,422	2,521,577	43,787,935
Incurred Liabilities:						
Claims Paid (Net of Refunds)	25,886,362	1,006,476	6,775,586			33,668,424
Excess Insurance Recoveries	(153,914)					(153,914)
Actuarial Liability	(468,040)	95,576	422,464			50,000
Insurance Premiums	3,126,578	5,987		1,193,454		4,326,019
Affordable Care Act Taxes					9,160	9,160
Administrative Expenses					2,490,713	2,490,713
Total Liabilities	28,390,986	1,108,039	7,198,050	1,193,454	2,499,873.00	40,390,402
Net Position (Deficit)	\$ 270,854	\$ 114,727	\$ 2,995,280	\$ (5,032)	\$ 21,704	\$ 3,397,533

\*Includes Retirees and COBRA

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
SUPPLEMENTARY INFORMATION  
STATEMENT OF FUND YEAR 2018 EXPENSE ANALYSIS - STATUTORY BASIS  
FOR THE PERIOD JANUARY 1, 2018 TO DECEMBER 31, 2018

	<u>Paid</u>	<u>Accrued Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 309,514		\$ 309,514
Program Manager	993,737		993,737
Third Party Administrators:			
Medical	1,011,314		1,011,314
Dental	63,593		63,593
Actuary	22,440		22,440
Treasurer	14,567		14,567
Attorney	22,924		22,924
Auditor		\$ 12,504	12,504
Director Fee	11,700		11,700
Patient - Center Outcomes Research Fee	10,342		10,342
Miscellaneous Expenses	30,176	780	30,956
Total Administrative Expenses	<u>\$ 2,490,307</u>	<u>\$ 13,284</u>	<u>\$ 2,503,591</u>

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, 2018

	<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	12,250		12,250
Director Fee	13,050		13,050
Miscellaneous Expenses	41,794		41,794
	<hr/>		
Total Administrative Expenses	\$ 2,490,714	-	\$ 2,490,714
	<hr/>		

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CASH, CASH EQUIVALENTS AND INVESTMENTS - STATUTORY BASIS  
AS OF DECEMBER 31, 2018

<u>Description</u>	<u>Amount</u>
<u>Cash and Cash Equivalents</u>	
Cash Accounts	
State Street Bank	
NJ Cash Management Fund	\$ 1,513,315
TD Wealth Management	
Money Market Investment Account	40,285
Investors Bank	
Investment Account	12,219
Parke Bank	
Investment Account	7,083,085
Republic Bank	
Investment Account	1,464,317
Administrative Expense Account	23,218
General Account	2,146,903
Ocean First Bank	
Investment Account	<u>3,075,031</u>
Total Cash and Cash Equivalents	<u>15,358,373</u>
<u>Investments</u>	
TD Wealth Management	
Investment Account	<u>5,488,692</u>
Total Cash, Cash Equivalents and Investments per Schedule A	
Statement of Net Position--Statutory Basis	<u>\$ 20,847,065</u>
Total Cash and Cash Equivalents and Investments by Fund Year:	
2018	\$ 7,703,283
2017	3,356,886
Closed Years	<u>9,786,896</u>
	<u>\$ 20,847,065</u>

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**



## **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**

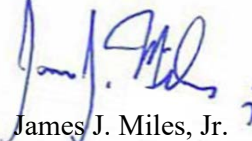
This section identifies the status of prior year audit findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

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



James J. Miles, Jr.