



**REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**



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 Audit of the Financial Statements

Opinion

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

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, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (Cont'd)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

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

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 is the responsibility of management and, 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.

Required Supplementary Information (Cont'd)

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.

Supplementary 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Fund's 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,



Bowman & Company LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
June 27, 2022

**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, 2021 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 27, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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 financial statements. 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,



Bowman & Company LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
June 27, 2022

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, 2021, 2020, and 2019. 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, 2021, 2020, and 2019.

Comparative Statements Of Net Position			<u>2021 to 2020 Change</u>	
	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	
				<u>Change \$</u> <u>Change %</u>
Assets:				
Cash And Cash Equivalents	\$ 15,469,515	\$ 18,677,831	\$ 19,329,377	\$ (3,208,316) -17.2%
Investments	-	-	1,999,820	- 0.0%
Contributions And Other Receivables	1,115,699	951,141	958,322	164,558 17.3%
Excess Insurance Receivable	484,560	430,499	146,194	54,061 12.6%
Investment In Joint Venture	680,376	1,151,724	1,224,148	(471,348) -40.9%
Other Assets	889,553	628,076	33,779	261,477 41.6%
Total Assets	<u>18,639,703</u>	<u>21,839,271</u>	<u>23,691,640</u>	<u>(3,199,568)</u> <u>-14.7%</u>
Liabilities, Reserves & Net Position				
Liabilities & Reserves:				
Accrued Expenses	27,778	335,926	367,018	(308,148) -91.7%
Return of Surplus Payable	6,186,231	6,098,259	5,326,422	87,972 1.4%
Loss Reserves	3,442,882	2,490,000	2,544,000	952,882 38.3%
Total Liabilities & Reserves	<u>9,656,891</u>	<u>8,924,185</u>	<u>8,237,440</u>	<u>732,706</u> <u>8.2%</u>
Net Position - Unrestricted	<u>\$ 8,982,812</u>	<u>\$ 12,915,086</u>	<u>\$ 15,454,200</u>	<u>\$ (3,932,274)</u> <u>-30.4%</u>

Financial Highlights Continued

Comparative Statements Of Revenues, Expenses, And Changes In Net Position					
	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>2021 to 2020 Change</u> <u>Change \$</u>	<u>Change %</u>
Operating Revenues:					
Regular Contributions & Other Income	<u>\$ 43,842,639</u>	<u>\$ 41,201,221</u>	<u>\$ 43,415,226</u>	<u>\$ 2,641,418</u>	<u>6.4%</u>
Operating Expenses:					
Provision for Claims and Claims Expense	37,587,450	31,739,411	32,947,949	5,848,039	18.4%
Insurance Premiums	4,720,358	4,084,118	5,651,794	636,240	15.6%
Affordable Care Act Taxes	-	-	15	-	0.0%
Administrative and Operating	<u>2,554,950</u>	<u>2,563,371</u>	<u>2,555,494</u>	<u>(8,421)</u>	<u>-0.3%</u>
Total Operating Expenses	<u>44,862,758</u>	<u>38,386,900</u>	<u>41,155,252</u>	<u>6,475,858</u>	<u>16.9%</u>
Total Operating Income (Loss)	<u>(1,020,119)</u>	<u>2,814,321</u>	<u>2,259,974</u>	<u>(3,834,440)</u>	<u>-136.2%</u>
Non-Operating Revenues (Expenses):					
Investment Income	92,341	178,314	462,477	(85,973)	-48.2%
Municipal Reinsurance Health Insurance Fund Dividend	352,053	517,797	477,999	(165,744)	-32.0%
Change In Investment In Joint Venture	<u>(471,348)</u>	<u>(72,424)</u>	<u>(219,819)</u>	<u>(398,924)</u>	<u>-550.8%</u>
Excess (Deficit) Of Revenues	<u>(1,047,073)</u>	<u>3,438,008</u>	<u>2,980,631</u>	<u>(4,485,081)</u>	<u>-130.5%</u>
Return Of Surplus	<u>(2,885,201)</u>	<u>(5,977,122)</u>	<u>(4,079,620)</u>	<u>3,091,921</u>	<u>51.7%</u>
Change In Net Position	<u>\$ (3,932,274)</u>	<u>\$ (2,539,114)</u>	<u>\$ (1,098,989)</u>	<u>\$ (1,393,160)</u>	<u>-54.9%</u>

On August 1, 1992, the Southern New Jersey Regional Employee Benefits Fund (the "Fund") was formed as a purchasing group, and became a member of the Bergen Municipal Employee Benefits Fund on September 1, 1992. In 1995, the Fund became an independent health 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.

The Fund's total assets as of December 31, 2021 were \$18,639,703 and total liabilities and reserves were \$9,656,891 resulting in a surplus in unrestricted net position of \$8,982,812.

The Fund's operating revenues were \$43,842,639 during the year. Claims expenses represented \$37,587,450 in health benefit costs. Total insurance premiums of \$4,720,358 were composed of \$680,376 being incurred from the Municipal Reinsurance Health Insurance Fund and \$4,039,982 of Medical, RX, and Dental premiums. During the reporting period, administrative and operating costs were \$2,554,950.

The value of the Fund's share of the Municipal Reinsurance Health Insurance Fund (MRHIF) was \$680,376. The Fund also received a dividend distribution from MRHIF for \$352,053.

Investment income was \$92,341 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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash And Equivalents	\$ 15,469,515	\$ 18,677,831
Contributions Receivable	1,115,699	433,344
Refund Receivable	889,447	628,076
Dividend Receivable	-	517,797
Excess Insurance Receivable	484,560	430,499
Prepaid Insurance Premiums	106	-
Investment In Joint Venture	<u>680,376</u>	<u>1,151,724</u>
Total Assets	<u>18,639,703</u>	<u>21,839,271</u>
 <u>LIABILITIES AND RESERVES</u>		
Liabilities:		
Accrued Insurance Premiums	-	283,346
Accrued Expenses	27,778	52,580
Return Of Surplus Payable	<u>6,186,231</u>	<u>6,098,259</u>
Total Liabilities	<u>6,214,009</u>	<u>6,434,185</u>
Reserves:		
Actuarial Liability	<u>3,442,882</u>	<u>2,490,000</u>
Total Liabilities And Reserves	<u>9,656,891</u>	<u>8,924,185</u>
 <u>NET POSITION</u>		
Unrestricted	<u>\$ 8,982,812</u>	<u>\$ 12,915,086</u>

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Regular Contributions	\$ 43,529,521	\$ 40,916,532
Employee Contributions	<u>313,118</u>	<u>284,689</u>
Total Operating Revenue	<u>43,842,639</u>	<u>41,201,221</u>
Operating Expenses:		
Provision For Claims And Claims Adjustment Expenses	37,587,450	31,739,411
Insurance Premiums	4,720,358	4,084,118
Administration	<u>2,554,950</u>	<u>2,563,371</u>
Total Operating Expenses	<u>44,862,758</u>	<u>38,386,900</u>
Operating Income (Loss)	(1,020,119)	2,814,321
Non-Operating Revenue (Expense):		
Investment Income	92,341	178,314
Municipal Reinsurance Health		
Insurance Fund Dividend	352,053	517,797
Change In Investment In Joint Venture	<u>(471,348)</u>	<u>(72,424)</u>
Change In Net Position	(1,047,073)	3,438,008
Net Position, Beginning	12,915,086	15,454,200
Return Of Surplus	<u>(2,885,201)</u>	<u>(5,977,122)</u>
Net Position, Ending	<u>\$ 8,982,812</u>	<u>\$ 12,915,086</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Receipts From Regular Contributions	\$ 42,847,166	\$ 41,441,510
Receipts From Employee Contributions	313,118	284,689
Payments For Health Benefits Claims	(36,432,203)	(33,198,107)
Payments For Insurance Premiums	(5,003,810)	(4,133,790)
Payments To Professionals And Administrative Expenses	(2,579,752)	(2,544,791)
Net Cash Flows Provided By (Used In) Operating Activities	<u>(855,481)</u>	<u>1,849,511</u>
Cash Flows From Investing Activities:		
Redemption Of Investments	-	2,000,000
Investment Income	444,394	704,228
Net Cash Flows Provided By Investing Activities	<u>444,394</u>	<u>2,704,228</u>
Cash Flows Used In Noncapital Financing Activities:		
Return of Surplus	(2,797,229)	(5,205,285)
Net Decrease Cash And Cash Equivalents	(3,208,316)	(651,546)
Cash And Cash Equivalents, Beginning	<u>18,677,831</u>	<u>19,329,377</u>
Cash And Cash Equivalents, Ending	<u><u>\$ 15,469,515</u></u>	<u><u>\$ 18,677,831</u></u>
Reconciliation Of Operating Income (Loss) To		
Cash Flows From Operating Activities:		
Operating Income (Loss)	\$ (1,020,119)	\$ 2,814,321
Adjustments to Reconcile Operating Income (Loss) to Net		
Cash Flows Provided By (Used In) Operating Activities:		
Changes In Assets and Liabilities:		
Decrease (Increase) in Assets:		
Contributions Receivable	(682,355)	524,978
Excess Insurance Receivable	(54,061)	(284,305)
Refunds Receivable	(261,371)	(602,594)
Dividend Receivable	517,797	(517,797)
Prepaid Insurance Premiums	(106)	-
Increase (Decrease) in Liabilities:		
Accrued Expenses	(24,802)	18,580
Accrued Excess Insurance Premium	(283,346)	(49,672)
Actuarial Liability	952,882	(54,000)
Total Adjustments	<u>164,638</u>	<u>(964,810)</u>
Net Cash Flows Provided By (Used In) Operating Activities	<u><u>\$ (855,481)</u></u>	<u><u>\$ 1,849,511</u></u>
Supplemental Disclosure - Noncash Activity:		
Change In Unrealized Gain (Loss) On Investments Included In		
Investment Income	<u>\$ -</u>	<u>\$ (4,040)</u>
Change In Investment In Joint Venture	<u><u>\$ (471,348)</u></u>	<u><u>\$ (72,424)</u></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 2021, 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 Borough	Mt. Ephraim Borough	Westville Borough
Gloucester City	Mt. Holly MUA	Willingboro Township
Gloucester Township	North Hanover Township	Winslow Township
Haddonfield Borough	Palmyra Borough	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 2021 were as follows:

HEALTH INSURANCE COVERAGE

Medical and Prescription:

<u>Limits</u>	<u>Description</u>
I. <u>Fund's Self-Insured Retained Limit of Liability (S.I.R.)</u>	
A. \$400,000	Specific limit - applies per enrolled participant per reinsurance policy year.
II. <u>Excess Insurers' Limit of Liability</u>	
A. Unlimited	Reimbursement in excess of the Fund's specific 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.

Health Insurance Coverage Notes:

1. "Health Insurance" means health insurance as defined pursuant to N.J.S.A. 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 2021 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, 2021 to December 31, 2021.
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.

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

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. 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.

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.

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 statements 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 governmental units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of the Fund of which the local unit is a part or within which the Fund is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

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.

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

Claims Funding

The Fund is on a claim payment reimbursement basis with AETNA, AmeriHealth, Evernorth Health Inc. (Formerly 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, 2021 and 2020.

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.

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

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

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 2021 and 2020 amounted to \$976,447 and \$54,063, 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.

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.

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

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.

Of the Fund's bank balance of \$15,495,987 as of December 31, 2021, \$836,750 was insured while \$14,659,237 was collateralized under GUDPA.

Of the Fund's bank balance of \$18,841,663 as of December 31, 2020, \$1,007,509 was insured while \$17,834,154 was collateralized under GUDPA.

New Jersey Cash Management Fund

During 2021 and 2020, 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, 2021 and 2020, the Fund's deposits with the New Jersey Cash Management Fund were \$54,677 and \$54,655, respectively.

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

Note 4: 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 2021 and 2020 for all open fund years net of excess insurance recoveries:

	<u>2021</u>	<u>2020</u>
Total unpaid claims and claim adjustment expenses all fund years - Beginning	<u>\$ 2,490,000</u>	<u>\$ 2,544,000</u>
Incurring claims and claim adjustment expenses:		
Provision for insured events of current fund year	36,942,692	32,864,742
Changes in provision for insured insured events of prior fund years	<u>644,758</u>	<u>(1,125,331)</u>
Total incurred claims and claim adjustment expenses all fund years	<u>37,587,450</u>	<u>31,739,411</u>
Payments (Net of Refunds):		
Attributable to insured events of current fund year	33,706,067	30,805,796
Attributable to insured events of prior fund years	<u>2,928,501</u>	<u>987,615</u>
Total payments all fund years	<u>36,634,568</u>	<u>31,793,411</u>
Total unpaid claims and claim adjustment expenses all fund years - Ending	<u><u>\$ 3,442,882</u></u>	<u><u>\$ 2,490,000</u></u>

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.

Note 6: TRANSFER OF 2019 FUND PERIOD SURPLUS

The Executive Committee approved the closing of the 2019 Fund year and the transfer of the 2019 Fund year balances as of July 31, 2021 resulting in a transfer of surplus in the amount of \$4,270,512 to the closed years account.

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

Note 7: 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, 2021 and 2020, the Fund's share of net position in the Municipal Reinsurance Health Insurance Fund was \$680,376 and \$1,151,724, respectively.

Selected Financial Information

Selected, summarized financial information for the Municipal Reinsurance Health Insurance Fund as of December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Total Assets	<u>\$ 31,621,075</u>	<u>\$ 30,695,482</u>
Total Liabilities	<u>\$ 21,933,191</u>	<u>\$ 13,618,863</u>
Net Position	<u>\$ 9,687,884</u>	<u>\$ 17,076,619</u>
Total Revenues	<u>\$ 17,087,032</u>	<u>\$ 15,360,074</u>
Total Expenses	<u>\$ 19,975,765</u>	<u>\$ 8,101,147</u>
Change in Net Position	<u>\$ (7,388,733)</u>	<u>\$ 1,971,863</u>
Return of Surplus	<u>\$ 4,500,000</u>	<u>\$ 5,500,000</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 8: RELATED PARTY TRANSACTIONS

As disclosed in Note 7, 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, 2021 and 2020 were \$680,376 and \$830,794, respectively.

Note 9: RETURN OF SURPLUS

The Executive Committee approved a surplus distribution in the amount of \$2,885,201 and \$5,977,122 for the years ended December 31, 2021 and 2020, respectively. The surplus distributions were payable from the Closed Fund Years Account.

Note 10: SUBSEQUENT EVENTS

Claims

Due to a processing slow down for medical claims, the Fund will hold larger IBNR reserves for the first half of 2022 or until claims processing returns to its historical turnaround time.

Membership

The Township of West Deptford will join the Fund effective July, 1, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
RECONCILIATION OF HEALTH CLAIMS LIABILITIES BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Medical</u>	<u>Prescription</u>	<u>Dental</u>	<u>Total</u>
Total unpaid claims and claim adjustment expenses - Beginning	<u>\$ 2,203,000</u>	<u>\$ 224,000</u>	<u>\$ 63,000</u>	<u>\$ 2,490,000</u>
Incurring claims and claims adjustment expenses:				
Provision for insured events of current fund year	29,834,517	5,982,460	1,125,715	36,942,692
Changes in provision for insured events of prior fund years	<u>844,823</u>	<u>(209,113)</u>	<u>9,048</u>	<u>644,758</u>
Total incurred claims and claims adjustment expenses all fund years	<u>30,679,340</u>	<u>5,773,347</u>	<u>1,134,763</u>	<u>37,587,450</u>
Payments (Net of Refunds):				
Attributable to insured events of current fund year	26,955,070	5,705,235	1,045,762	33,706,067
Attributable to insured events of prior fund years	<u>2,841,566</u>	<u>14,887</u>	<u>72,048</u>	<u>2,928,501</u>
Total payments all fund years	<u>29,796,636</u>	<u>5,720,122</u>	<u>1,117,810</u>	<u>36,634,568</u>
Total unpaid claims and claim adjustment expenses - Ending	<u>\$ 3,085,704</u>	<u>\$ 277,225</u>	<u>\$ 79,953</u>	<u>\$ 3,442,882</u>

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF DECEMBER 31, 2021

	FUND YEAR ENDED DECEMBER 31									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Net Earned Required Contribution and Investment Revenue:										
Earned	\$ 158,140,660	\$ 144,783,694	\$ 146,037,928	\$ 191,292,886	\$ 40,474,306	\$ 44,358,579	\$ 45,533,189	\$ 43,592,081	\$ 41,237,274	\$ 43,792,223
Ceded	7,439,768	7,799,978	8,360,102	8,614,449	3,796,583	4,326,019	5,328,682	4,675,017	4,084,118	4,720,358
	<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>\$ 40,032,560</u>	<u>\$ 40,204,507</u>	<u>\$ 38,917,064</u>	<u>\$ 37,153,156</u>	<u>\$ 39,071,865</u>
Unallocated Expenses	<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>\$ 2,503,877</u>	<u>\$ 2,530,622</u>	<u>\$ 2,558,798</u>	<u>\$ 2,591,614</u>
Estimated Claims and Expenses, End of Policy Year:										
Incurred	\$ 143,052,125	\$ 118,838,393	\$ 118,914,108	\$ 160,492,670	\$ 31,498,870	\$ 34,417,494	\$ 32,120,586	\$ 33,297,805	\$ 33,295,796	\$ 37,148,949
Ceded	3,655,162	1,191,354	913,062	2,674,014	179,042	144,169		146,194	431,054	206,257
Net Incurred	<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>	<u>33,151,611</u>	<u>32,864,742</u>	<u>36,942,692</u>
Paid (Cumulative) as of:										
End of Policy Year	128,428,741	107,297,041	106,675,236	144,852,046	28,708,870	30,960,343	29,650,586	30,791,245	30,805,796	33,706,067
One Year Later	135,506,187	114,667,885	114,093,338	156,245,871	30,694,620	33,514,510	31,815,573	32,736,244	33,612,230	
Two Years Later (A)	135,450,187	114,730,291	114,301,478	156,259,894	30,676,206	33,628,421	31,834,635	32,912,374		
Reestimated Incurred Claims and Expenses:										
End of Policy Year	139,396,963	117,647,039	118,001,046	157,818,656	31,319,828	34,273,325	32,120,586	33,151,611	32,864,742	36,942,692
One Year Later	135,506,187	115,113,449	114,352,714	152,918,143	30,168,388	33,564,510	31,853,013	32,044,657	33,333,298	
Two Years Later (A)	135,450,187	114,730,291	114,301,478	156,159,894	30,034,948	33,628,422	31,885,499	32,044,729		
Increase (Decrease) in Estimated Incurred Claims and Expenses from End of Policy Year	<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>\$ (644,903)</u>	<u>\$ (235,087)</u>	<u>\$ (1,106,882)</u>	<u>\$ 468,556</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, 2021

		Fund Years		
	<u>Total</u>	<u>2021</u>	<u>2020</u>	<u>Closed Years</u>
<u>ASSETS</u>				
Cash And Equivalents	\$ 15,469,515	\$ 934,699	\$ 960,091	\$ 13,574,725
Contributions Receivable	1,115,699	977,710	8,651	129,338
Refund Receivable	889,447	889,447		
Accrued Interest Receivable	-		60	(60)
Excess Insurance Receivable	484,560	206,257	278,932	(629)
Prepaid Insurance Premiums	106	106		
Total Assets	<u>\$ 17,959,327</u>	<u>\$ 3,008,219</u>	<u>\$ 1,247,734</u>	<u>\$ 13,703,374</u>
<u>LIABILITIES AND RESERVES</u>				
Liabilities:				
Accrued Expenses	\$ 27,778	\$ 27,778		
Return of Surplus Payable	6,186,231			\$ 6,186,231
Total Liabilities	<u>6,214,009</u>	<u>27,778</u>	<u>-</u>	<u>6,186,231</u>
Reserves:				
Actuarial Liability	3,442,882	3,442,882	-	-
Total Liabilities and Reserves	<u>9,656,891</u>	<u>3,470,660</u>		<u>6,186,231</u>
<u>NET POSITION (DEFICIT)</u>				
Unrestricted	<u>\$ 8,302,436</u>	<u>\$ (462,441)</u>	<u>\$ 1,247,734</u>	<u>\$ 7,517,143</u>

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Fund Years			
	<u>Total</u>	<u>2021</u>	<u>2020</u>	<u>Closed Years</u>
Operating Revenues:				
Regular Contributions	\$ 43,529,521	\$ 43,467,437		\$ 62,084
Employee Contributions	313,118	313,118		
Total Operating Revenue	43,842,639	43,780,555	-	62,084
Operating Expenses:				
Provision for Claims and				
Claims Adjustment Expenses	37,587,450	36,942,692	\$ 468,556	176,202
Insurance Premiums	4,720,358	4,720,358		
Administration	2,554,950	2,591,614	(29,167)	(7,497)
Total Operating Expenses	44,862,758	44,254,664	439,389	168,705
Operating Loss	(1,020,119)	(474,109)	(439,389)	(106,621)
Non-Operating Revenue:				
Investment Income	92,341	11,668	9,404	71,269
Municipal Reinsurance Health				
Insurance Fund Dividend	352,053			352,053
Total Non-Operating Revenue	444,394	11,668	9,404	423,322
Change In Net Position	(575,725)	(462,441)	(429,985)	316,701
Net Position, Beginning	11,763,362	-	1,677,719	10,085,643
Return Of Surplus	(2,885,201)			(2,885,201)
Net Position (Deficit), Ending	\$ 8,302,436	\$ (462,441)	\$ 1,247,734	\$ 7,517,143

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
STATEMENT OF CASH FLOWS - STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Fund Years			
	<u>Total</u>	<u>2021</u>	<u>2020</u>	<u>Closed Years</u>
Cash Flows From Operating Activities:				
Receipts From Regular Contributions	\$ 42,847,166	\$ 42,489,727	\$ 295,355	\$ 62,084
Receipts From Employee Contributions	313,118	313,118		
(Payments) Recoveries For Health Benefits Claims	(36,432,203)	(34,595,514)	(2,178,358)	341,669
Payments For Insurance Premiums	(5,003,810)	(4,720,464)	(283,346)	
Payments To Professionals And Administrative Expenses	(2,579,752)	(2,563,836)	(14,852)	(1,064)
Net Cash Flows Provided By (Used In) Operating Activities	(855,481)	923,031	(2,181,201)	402,689
Cash Flows From Investing Activities:				
Investment Income	444,394	11,668	9,404	423,322
Net Cash Flows Provided By Investing Activities	444,394	11,668	9,404	423,322
Cash Flows From Noncapital Financing Activities:				
Return of Surplus	(2,797,229)			(2,797,229)
Net Cash Flows Used In Noncapital Financing Activities	(2,797,229)	-	-	(2,797,229)
Net Increase (Decrease) In Cash And Cash Equivalents	(3,208,316)	934,699	(2,171,797)	(1,971,218)
Cash and Cash Equivalents, Beginning	18,677,831	-	3,131,888	15,545,943
Cash And Cash Equivalents, Ending	\$ 15,469,515	\$ 934,699	\$ 960,091	\$ 13,574,725

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
COMBINING STATEMENT OF CASH FLOWS (CONT'D) - STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Fund Years			
	<u>Total</u>	<u>2021</u>	<u>2020</u>	<u>Closed Years</u>
Reconciliation Of Operating Loss To				
Cash Flows From Operating Activities:				
Operating Loss	\$ (1,020,119)	\$ (474,109)	\$ (439,389)	\$ (106,621)
Adjustments to Reconcile Operating Loss to Net				
Cash Provided By (Used In) Operating Activities				
Changes in Assets and Liabilities:				
Decrease (Increase) in Assets:				
Contributions Receivable	(682,355)	(977,710)	295,355	
Excess Insurance Receivable	(54,061)	(206,257)	152,122	74
Refunds Receivable	(261,371)	(889,447)	628,076	
Dividend Receivable	517,797			517,797
Prepaid Insurance Premiums	(106)	(106)		
Increase (Decrease) in Liabilities:				
Accrued Administrative Expenses	(24,802)	27,778	(44,019)	(8,561)
Accrued Excess Insurance Premium	(283,346)		(283,346)	
Actuarial Liabilities	952,882	3,442,882	(2,490,000)	
Total Adjustments	164,638	1,397,140	(1,741,812)	509,310
Net Cash Flows Provided By (Used In) Operating Activities	\$ (855,481)	\$ 923,031	\$ (2,181,201)	\$ 402,689

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>2021</u>	<u>2020</u>
Total Assets – Comparative Statements of Net Position	\$ 18,639,597	\$ 21,839,271
Less Investment in Joint Venture	<u>680,376</u>	<u>1,151,724</u>
Total Assets – Statutory Basis	<u><u>\$ 17,959,221</u></u>	<u><u>\$ 20,687,547</u></u>
Net Position – Comparative Statements of Net Position	\$ 8,982,812	\$ 12,915,086
Less Investment in Joint Venture	<u>680,376</u>	<u>1,151,724</u>
Net Position – Statutory Basis	<u><u>\$ 8,302,436</u></u>	<u><u>\$ 11,763,362</u></u>
Change in Net Positon - Comparative Statements of Revenues, Expenses, and Changes in Net Position	\$ (1,047,073)	\$ 3,438,008
Less Change in Investment in Joint Venture	<u>(471,348)</u>	<u>(72,424)</u>
Change in Net Position – Statutory Basis	<u><u>\$ (575,725)</u></u>	<u><u>\$ 3,510,432</u></u>

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2021 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS
FOR THE PERIOD JANUARY 1, 2021 TO DECEMBER 31, 2021

	<u>Medical*</u>	<u>Dental</u>	<u>Prescription</u>	<u>Reinsurance</u>	<u>Administrative</u>	<u>Total</u>
Income:						
Regular Contributions	\$ 32,310,773	\$ 1,066,197	\$ 6,707,004	\$ 687,170	\$ 2,696,293	\$ 43,467,437
Employee Contributions	313,118					313,118
Investment Income	11,586	23	10		49	11,668
	<hr/>					
Total Income	32,635,477	1,066,220	6,707,014	687,170	2,696,342	43,792,223
	<hr/>					
Incurred Liabilities:						
Claims Paid (Net of Refunds)	26,955,070	1,045,762	5,705,235			33,706,067
Excess Insurance Recoveries	(206,257)					(206,257)
Actuarial Liability	3,085,704	79,953	277,225			3,442,882
Insurance Premiums	4,037,091	2,891		680,376		4,720,358
Administrative Expenses					2,591,614	2,591,614
	<hr/>					
Total Liabilities	33,871,608	1,128,606	5,982,460	680,376	2,591,614	44,254,664
	<hr/>					
Net Position (Deficit)	\$ (1,236,131)	\$ (62,386)	\$ 724,554	\$ 6,794	\$ 104,728	\$ (462,441)
	<hr/>					

*Includes Retirees and COBRA

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2020 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS
FOR THE PERIOD JANUARY 1, 2020 TO DECEMBER 31, 2021

	<u>Medical*</u>	<u>Dental</u>	<u>Prescription</u>	<u>Contingency</u>	<u>Reinsurance</u>	<u>Administrative</u>	<u>Total</u>
Income:							
Regular Contributions	\$ 28,426,707	\$ 1,210,957	\$ 7,278,756	\$ 466,448	\$ 824,973	\$ 2,708,691	\$ 40,916,532
Employee Contributions	284,689						284,689
Investment Income	12,192	2,333	2,778		4,520	906	22,729
Total Income	28,723,588	1,213,290	7,281,534	466,448	829,493	2,709,597	41,223,950
Incurred Liabilities:							
Claims Paid (Net of Refunds)	26,400,441	932,103	6,279,686				33,612,230
Excess Insurance Recoveries	(278,932)						(278,932)
Actuarial Liability	(287,000)	63,000	224,000				-
Insurance Premiums	3,250,506	2,818			830,794		4,084,118
Administrative Expenses						2,558,798	2,558,798
Total Liabilities	29,085,015	997,921	6,503,686	-	830,794	2,558,798.00	39,976,214
Net Position (Deficit)	\$ (361,427)	\$ 215,369	\$ 777,848	\$ 466,448	\$ (1,301)	\$ 150,799	\$ 1,247,736

*Includes Retirees and COBRA

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2021 EXPENSE ANALYSIS - STATUTORY BASIS
FOR THE PERIOD JANUARY 1, 2021 TO DECEMBER 31, 2021

	<u>Paid</u>	<u>Accrued Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 359,943		\$ 359,943
Program Manager	1,132,079		1,132,079
Third Party Administrators:			
Medical	919,048		919,048
Dental	68,537		68,537
Actuary	11,000		11,000
Treasurer	15,312		15,312
Attorney	21,728		21,728
Auditor	-	\$ 18,996	18,996
Director Fee	11,850		11,850
Patient - Center Outcomes Research Fee	11,183		11,183
Miscellaneous Expenses	13,156	8,782	21,938
	<hr/>		
Total Administrative Expenses	\$ 2,563,836	\$ 27,778	\$ 2,591,614
	<hr/>		

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2020 EXPENSE ANALYSIS - STATUTORY BASIS
FOR THE PERIOD JANUARY 1, 2020 TO DECEMBER 31, 2021

	<u>Paid</u>	<u>Accrued Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 328,660		\$ 328,660
Program Manager	1,045,972		1,045,972
Third Party Administrators:			
Medical	983,054		983,054
Dental	67,439		67,439
Actuary	25,500		25,500
Treasurer	15,320		15,320
Attorney	21,302		21,302
Auditor	19,400		19,400
Data Analysis	7,495		7,495
Director Fee	11,100		11,100
Patient - Center Outcomes Research Fee	10,657		10,657
Miscellaneous Expenses	22,899		22,899
	<hr/>		
Total Administrative Expenses	\$ 2,558,798	-	\$ 2,558,798
	<hr/>		

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CASH AND CASH EQUIVALENTS - STATUTORY BASIS
AS OF DECEMBER 31, 2021

<u>Description</u>	<u>Amount</u>
<u>Cash and Cash Equivalents</u>	
Cash Accounts	
State Street Bank	
NJ Cash Management Fund	\$ 54,678
TD Wealth Management	
Money Market Investment Account	5,171
Investors Bank	
Investment Account	2,345
Parke Bank	
Investment Account	4,267,812
Republic Bank	
Investment Account	5,157,132
Administrative Expense Account	49,915
General Account	5,598,842
Ocean First Bank	
Investment Account	79,233
William Penn Bank	
Money Market Deposit Account	<u>254,387</u>
Total Cash and Cash Equivalents per Schedule A	
Statement of Net Position--Statutory Basis	<u><u>\$ 15,469,515</u></u>
Total Cash and Cash Equivalents by Fund Year:	
2021	\$ 934,699
2020	960,091
Closed Years	<u>13,574,725</u>
	<u><u>\$ 15,469,515</u></u>

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, and contracts related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* 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.

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
& Consultants

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

James J. Miles, Jr.
Certified Public Accountant