

**CENTRAL NEW JERSEY REGIONAL  
EMPLOYEE BENEFITS FUND**

**Financial Statements**

**For the year ended December 31, 2016**

**(With Independent Auditor's Report thereon)**

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# CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND

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## INDEPENDENT AUDITOR'S REPORT

To the Administrative Committee of  
Central New Jersey Regional Employee Benefits Fund

### Report on the Financial Statements

We have audited the accompanying financial statements of the Central New Jersey Regional Employee Benefits Fund ("Fund"), which comprise of the statement of net position as of December 31, 2016, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

### 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2016 and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9-12 is 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 purposes of forming opinions on the financial statements that collectively comprise the Central New Jersey Regional Employee Benefits Fund's basic financial statements taken as a whole. The information included in the supplementary schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The 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 directory to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central New Jersey Regional Employee Benefits Fund's basic financial statements. The accompanying comparative totals for December 31, 2015 are presented for purposes of additional analysis and are not a required part of the financial statements. The comparative totals have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2017, 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.

**HOLMAN FRENIA ALLISON, P.C.**

*Certified Public Accountants*

Toms River, New Jersey

May 1, 2017

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**REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Administrative Committee of  
Central New Jersey Regional Employee Benefits Fund:

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 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 Central New Jersey Regional Employee Benefits Fund (“Fund”), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Central New Jersey Regional Employee Benefits Fund’s basic financial statements, and have issued our report thereon dated May 1, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Central New Jersey Regional Employee Benefits 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central New Jersey Regional Employee Benefits Fund’s internal control. Accordingly, we do not express an opinion on the effectiveness of Central New Jersey Regional Employee Benefits 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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Central New Jersey Regional Employee Benefits Fund's financial statements are free from 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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

Toms River, New Jersey  
May 1, 2017

**REQUIRED SUPPLEMENTARY INFORMATION - PART 1**

Management's Discussion and Analysis

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# CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND

## MANAGEMENT DISCUSSION AND ANALYSIS

### UNAUDITED

This section of the annual financial report of the Fund presents a discussion and analysis of the financial performance of the Fund for the year ended December 31, 2016 and 2015. Please read it in conjunction with the basic financial statements that follow this section.

#### **Overview of Basic Financial Statements**

The Fund's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises where cable. The primary purpose of the Fund was to provide medical and other health coverage for municipalities and board of educations 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:

Statement of Net Position – This statement presents information reflecting the Fund's assets, liabilities, deferred outflows and inflows of resources, and net position. Net position represents the amount of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources.

Statement of Revenue, 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.

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

#### **Financial Highlights**

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

# CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND

## MANAGEMENT DISCUSSION AND ANALYSIS

### UNAUDITED

December 31, 2016 and 2015

	2016	2015	Increase/ (Decrease)	Percent Change
<b>ASSETS:</b>				
Cash and Cash Equivalents, Investments	\$ 23,168,481	\$ 18,183,464	\$ 4,985,017	27.42%
Assessments Receivable	959,756	1,975,792	(1,016,036)	-51.42%
Excess Insurance Receivable	146,387	658,701	(512,314)	-77.78%
Investment in Joint Venture	2,544,626	2,270,008	274,618	12.10%
Other	36,777	26,086	10,691	40.98%
<b>Total Assets</b>	<b>26,856,027</b>	<b>23,114,051</b>	<b>3,741,976</b>	<b>16.19%</b>
<b>LIABILITIES:</b>				
Accounts Payable, Accrued Expenses, and Prepaid Contributions	171,342	13,061	158,281	1211.86%
IBNR Reserves	2,760,000	2,895,395	(135,395)	-4.68%
<b>Total Liabilities &amp; Reserves</b>	<b>2,931,342</b>	<b>2,908,456</b>	<b>22,886</b>	<b>0.79%</b>
<b>UNRESTRICTED NET POSITION</b>	<b>\$ 23,924,685</b>	<b>\$ 20,205,595</b>	<b>\$ 3,719,090</b>	<b>18.41%</b>

### SUMMARY OF STATEMENT OF NET POSITION

December 31, 2015 and 2014

	2015	2014	Increase/ (Decrease)	Percent Change
<b>ASSETS:</b>				
Cash and Cash Equivalents, Investments	\$ 18,183,464	\$ 14,262,978	\$ 3,920,486	27.49%
Assessments Receivable	1,975,792	972,367	1,003,425	103.19%
Excess Insurance Receivable	658,701	1,163,492	(504,791)	-43.39%
Investment in Joint Venture	2,270,008	2,535,083	(265,075)	-10.46%
Other	26,086	32,836	(6,750)	-20.56%
<b>Total Assets</b>	<b>23,114,051</b>	<b>18,966,756</b>	<b>4,147,295</b>	<b>21.87%</b>
<b>LIABILITIES:</b>				
Accounts Payable, Accrued Expenses, and Prepaid Contributions	13,061	56,951	(43,890)	-77.07%
IBNR Reserves	2,895,395	3,067,308	(171,913)	-5.60%
<b>Total Liabilities &amp; Reserves</b>	<b>2,908,456</b>	<b>3,124,259</b>	<b>(215,803)</b>	<b>-6.91%</b>
<b>UNRESTRICTED NET POSITION</b>	<b>\$ 20,205,595</b>	<b>\$ 15,842,497</b>	<b>\$ 4,363,098</b>	<b>27.54%</b>

# CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND

## MANAGEMENT DISCUSSION AND ANALYSIS

### UNAUDITED

#### SUMMARY OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN NET POSITION

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Operating Revenues:				
Assessments and Other Income	\$ 37,610,001	\$ 39,371,986	\$ (1,761,985)	-4.48%
Expenses:				
Claims- Net of Claims Adjustments	28,560,651	29,093,063	(532,412)	-1.83%
Premium Expenses	2,500,491	2,643,609	(143,118)	-5.41%
Administrative & Executive	1,962,612	1,942,666	19,946	1.03%
Total Expenses	<u>33,023,754</u>	<u>33,679,338</u>	<u>(655,584)</u>	-1.95%
Operating Income	<u>4,586,247</u>	<u>5,692,648</u>	<u>(1,106,401)</u>	-19.44%
Nonoperating Revenue/(Expenses):				
Investment in Joint Venture	274,618	(265,075)	539,693	203.60%
Dividend & Interest Income	358,225	435,525	(77,300)	-17.75%
Dividend Paid	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>-</u>	0.00%
Increase/(Decrease) in Net Position	<u>\$ 3,719,090</u>	<u>\$ 4,363,098</u>	<u>\$ (644,008)</u>	-14.76%

#### SUMMARY OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN NET POSITION

For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Operating Revenues:				
Assessments and Other Income	\$ 39,371,986	\$ 38,071,631	\$ 1,300,355	3.42%
Expenses:				
Claims- Net of Claims Adjustments	29,093,063	28,723,712	369,351	1.29%
Premium Expenses	2,643,609	2,410,524	233,085	9.67%
Administrative & Executive	1,942,666	1,869,755	72,911	3.90%
Total Expenses	<u>33,679,338</u>	<u>33,003,991</u>	<u>675,347</u>	2.05%
Operating Income	<u>5,692,648</u>	<u>5,067,640</u>	<u>625,008</u>	12.33%
Nonoperating Revenue/(Expenses):				
Investment in Joint Venture	(265,075)	(8,508)	(256,567)	-3015.60%
Dividend & Interest Income	435,525	747,726	(312,201)	-41.75%
Dividend Paid	<u>(1,500,000)</u>	<u>(750,000)</u>	<u>(750,000)</u>	100.00%
Increase/(Decrease) in Net Position	<u>\$ 4,363,098</u>	<u>\$ 5,056,858</u>	<u>\$ (693,760)</u>	-13.72%

# CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND

## MANAGEMENT DISCUSSION AND ANALYSIS

### UNAUDITED

Total assets increased by 16.19% and net position increased by 18.41%. This is a result of a decrease in total expenses of 1.95% and is comparable to the prior year's net position increase of 27.54%.

The "Joint Venture" asset represents the value of the Fund's share of the Municipal Reinsurance Health Insurance Fund of which it is a member. Its share increased in accordance with an increase in the net position for that entity.

Claims expense decreased by 1.83%, which is in line with the Fund's actuarial projection. During the year, general and administrative operating costs increased by 1.03% as such items increase as the Fund's membership increases.

Interest income decreased indicating a decline in interest rate environment during this reporting period. During 2016 the Municipal Reinsurance Health Insurance Fund paid a dividend to the member HIFs and the Fund's share of the dividend was \$271,010.

The Fund declared a dividend of \$1,500,000 in 2016. The Fund established a minimum surplus objective of two (2) months of estimated claims.

### **Economic Conditions**

The CJREBF continues to be affected by inflation of health benefit costs. It's strategy is to continue to attempt to moderate such increases by leveraging purchasing power with other Funds, using a medical network with a strong regional presence, considering supplementing the existing network, and assisting members with plan design and labor negotiation efforts.



**FINANCIAL SECTION**

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**BASIC FINANCIAL STATEMENTS**

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**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**  
**(With comparative totals for December 31, 2015)**

ASSETS	2016	(Memorandum Only) 2015
Cash and Cash Equivalents	\$ 14,614,534	\$ 14,316,107
Investments	8,553,947	3,867,357
Assessments Receivable	959,756	1,975,792
Excess Insurance Receivable	146,387	658,701
Interest Receivable	13,268	3,753
Other Assets	23,509	22,333
Investment in Joint Ventures (Note 7)	2,544,626	2,270,008
Total Assets	<u>26,856,027</u>	<u>23,114,051</u>
 LIABILITIES		
Accounts Payable	169,493	104
Accrued Expenses	1,849	12,957
IBNR Reserves (Note 3)	2,760,000	2,895,395
Total Liabilities	<u>2,931,342</u>	<u>2,908,456</u>
 NET POSITION		
Net Position	<u>23,924,685</u>	<u>20,205,595</u>
Total Net Position	<u>\$ 23,924,685</u>	<u>\$ 20,205,595</u>

The accompanying Notes to the Financial Statements are an integral part of this Statement.

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**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(With comparative totals for December 31, 2015)**

	2016	(Memorandum Only) 2015
Operating Revenues:		
Assessments	<u>\$ 37,610,001</u>	<u>\$ 39,371,986</u>
Total Operating Revenues	<u>37,610,001</u>	<u>39,371,986</u>
Expenses:		
Claims - Net of Claims Adjustments	28,560,651	29,093,063
Premium Expenses	2,500,491	2,643,609
Contractual Expenses	699,068	775,901
Professional Contractual Expenses	1,168,830	1,136,942
Miscellaneous Expenses	<u>94,714</u>	<u>29,823</u>
Total Expenses	<u>33,023,754</u>	<u>33,679,338</u>
Operating Income	<u>4,586,247</u>	<u>5,692,648</u>
Nonoperating Revenue/(Expenses):		
Gain/(Loss) on Investments	99,299	(7,941)
Dividend Income	258,926	443,466
Investment in Joint Venture	274,618	(265,075)
Dividend Paid	<u>(1,500,000)</u>	<u>(1,500,000)</u>
Total Nonoperating Revenue/(Expenses)	<u>(867,157)</u>	<u>(1,329,550)</u>
Change in Net Position	3,719,090	4,363,098
Net Position, Beginning of Year	<u>20,205,595</u>	<u>15,842,497</u>
Net Position, End of Year	<u>\$ 23,924,685</u>	<u>\$ 20,205,595</u>

The accompanying Notes to the Financial Statements are an integral part of this Statement.

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**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(With comparative totals for December 31, 2015)**

	2016	(Memorandum Only) 2015
Cash Flows From Operating Activities:		
Cash Received From Members	\$ 38,745,920	\$ 38,698,991
Cash Paid for Claims, Premiums & Services	<u>(32,776,554)</u>	<u>(33,714,030)</u>
Net Cash Provided by Operating Activities	<u>5,969,366</u>	<u>4,984,961</u>
Cash Flows From Financing Activities:		
Interest Received	89,783	(7,941)
Dividend Income	258,926	443,466
Dividend Paid	<u>(1,333,058)</u>	<u>(1,500,000)</u>
Net Cash Used by Financing Activities	<u>(984,349)</u>	<u>(1,064,475)</u>
Cash Flows From Investing Activities:		
Net Proceeds from/(Purchases of) Investments	<u>(4,686,590)</u>	<u>(2,856,147)</u>
Net Cash (Used)/Provided by Investing Activities	<u>(4,686,590)</u>	<u>(2,856,147)</u>
Net Increase in Cash and Cash Equivalents	298,427	1,064,339
Cash and Cash Equivalents at Beginning of Period	<u>14,316,107</u>	<u>13,251,768</u>
Cash and Cash Equivalents at End of Period	<u>\$ 14,614,534</u>	<u>\$ 14,316,107</u>

**RECONCILIATION OF OPERATING INCOME/(LOSS) TO CASH PROVIDED/(USED)**  
**BY OPERATING ACTIVITIES:**

Operating Income	\$ 4,586,247	\$ 5,692,648
Working Capital Changes Which Provided/(Used) Cash:		
Assessment Receivable	1,016,036	(1,003,894)
Excess Insurance Receivable	512,314	504,791
Other Assets	(1,176)	6,576
Accrued Expenses	(11,108)	13,102
IBNR Reserves	(135,394)	(171,884)
Surplus Return Reserve	-	(18,059)
Contribution Receivable	-	469
Accounts Payable	<u>2,447</u>	<u>(38,788)</u>
Net Cash Provided by Operating Activities	<u>\$ 5,969,366</u>	<u>\$ 4,984,961</u>

The accompanying Notes to the Financial Statements are an integral part of this Statement.

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**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 1: Summary of Significant Accounting Policies**

The accompanying financial statements of the Central New Jersey Regional Employee Benefits Fund have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements present the financial position of the Fund, the results of operations of the Fund, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2016, and for the year then ended.

**A. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Proprietary 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.

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

**B. Cash and Cash Equivalents**

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 government 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.

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. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 1: Summary of Significant Accounting Policies (continued)**

**B. Cash and Cash Equivalents (continued)**

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.

**C. 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. Realized and unrealized gains and losses on investments are recognized as a component of investment income.

**D. Income Taxes**

The Fund is a tax-exempt organization and is not subject to either federal or state income taxes.

**E. Assessments**

The assessments of the participating members are determined and certified by the actuary and approved by a majority vote of the Fund Commissioners.

**F. Unpaid Claims Liabilities**

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are reflected in reserves and cumulative expenses in the periods being reported upon as described and the actual experience as it emerges, including the impact of future changes in claim severity and frequency and other factors. Adjustments to claims liabilities are charged or credited to operations in the periods in which they are made.

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 1: Summary of Significant Accounting Policies (continued)**

**G. Organization**

The Fund consists of a 31 membership group as of December 31, 2016. Each municipality assigns a commissioner to the Fund. An executive committee is elected consisting of 6 commissioners and 1 alternate. The commissioners elect the officers: a chairperson and a secretary for 1-year terms.

**H. Reinsurance**

The Fund uses reinsurance agreements to reduce its exposure to large losses on certain types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks reinsured.

**I. 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 Board.

**J. Component Unit**

Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, provide guidance that all entities associated with a primary government are potential component units, and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39.

In addition, GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. In addition, GASB Statement No. 61 clarifies the manner in which component units are presented, whether discretely presented, blended, or included in the fiduciary fund financial statements.

As of December 31, 2016, it has been determined by the Fund that no component unit exists. In addition, the Fund is not includable in any other reporting entity on the basis of such criteria.

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 1: Summary of Significant Accounting Policies (continued)**

**K. Fair Value Measurement**

The Fund categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level II – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the Fund may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The following methods and assumptions were used by the Fund in estimating the fair value of its financial instruments:

*Government Backed Securities* – Valued at the net asset value of the security held by the Fund at year end.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table in Note 6 sets forth by level, within the fair value hierarchy, the Fund's assets at fair value as of December 31, 2016.

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 1: Summary of Significant Accounting Policies (continued)**

**L. Memorandum Totals**

Overviews are captioned ‘Memorandum Only’ to indicate that they are presented only to facilitate analysis. The total amounts do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Interfund eliminations are not made in the aggregation of this information. The information is not comparable to consolidated information.

**M. Subsequent Events**

Central New Jersey Regional Employee Benefits Fund has evaluated subsequent events occurring after December 31, 2016 through the date of May 1, 2017, which is the date the financial statements were available to be issued.

**Note 2: Nature of Operations**

The Fund was created in February, 1992 in accordance with P.L. 1983, C. 372, entitled “An act concerning joint insurance funds for local units of governments, and supplementing Chapter 10 of Title 40A of the New Jersey statutes.” The Fund is a self-administered group of municipalities established for the purpose of providing self-funded employee benefits for the member municipalities. The following coverages are offered by the Fund to its members at the choice of the individual member unit:

- |            |                 |
|------------|-----------------|
| a) Medical | c) Vision       |
| b) Dental  | d) Prescription |

A participating municipality may be terminated by a majority vote of the Fund Commissioners or a two-thirds vote of the Executive Committee for nonpayment of assessments or continued noncompliance after written notice to comply with the bylaws or other obligations. Termination may occur only after proper notice has been given, in accordance with the Fund’s bylaws. A participating member may withdraw before the end of its membership by giving proper notices and following required procedures at least sixty (60) days before the date of withdrawal.

The Executive Director/Administrator is responsible for the overall administration of the Fund. Fees paid to the Executive Director/Administrator encompass all administrative duties, which are performed at the Executive Director/Administrator’s office. Accordingly, the Fund does not maintain any fixed assets or incur any employee payroll expense.

**Note 3: Claims Liabilities - IBNR Reserves**

In order to recognize unpaid losses, as discussed in the Summary of Significant Accounting Policies, a reserve is calculated and certified by the Fund’s actuary, Actuarial Solutions, LLC.

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 4: Reinsurance Receivable**

The Fund also maintains contracts for excess insurance, covering losses in excess of an amount established between the Fund and the insurers up to the limits of coverage set forth in the contracts on a specific occurrence, per accident or annual aggregate basis. The estimated reinsurance receivables on the unpaid claims are:

	Fund Year 2016	Fund Year 2015	Closed Year	Total
Specific	\$ 62,930	\$ 83,457	\$ -	\$ 146,387

A contingent liability exists with respect to reinsurance, which would become an actual liability in the event the reinsuring company might be unable to meet their obligations to the Fund under existing reinsurance agreements.

**Note 5: Cash and Cash Equivalents**

The Fund is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2016, and reported at fair value are as follows:

<u>Type</u>	<u>Carrying Value</u>
<b>Deposits:</b>	
Demand Deposits	\$ 11,151,978
New Jersey Cash Management	3,462,556
Total Deposits	\$ 14,614,534
<b>Reconciliation of Statement of Comparative Balance Sheets:</b>	
Fund Year:	
2016	\$ 4,303,704
2015	2,653,338
Closed Year	7,657,492
Total	\$ 14,614,534



**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 5: Cash and Cash Equivalents (continued)**

**Custodial Credit Risk**

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.

As of December 31, 2016, the Fund's bank balance of \$13,777,393 was insured or collateralized as follows:

Insured	\$	250,000
Collateralized in the Fund's Name		
Under GUDPA		10,064,837
Collateralized not in the Fund's Name		
(New Jersey Cash Management)		3,462,556
Total	\$	13,777,393

**Note 6: Investments**

**A. Custodial Credit Risk**

For an investment, custodial credit risk is a 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 are held in the name of the Fund and are collateralized by GUDPA.

**B. Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Fund has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 6: Investments (continued)**

**C. Investment Credit Risk**

- 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 federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Fund or bonds or other obligations of the local unit or units within which the Fund is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Fund;
- Local Governments investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities with certain limitations.

The following table sets forth by level, within the value hierarchy, the Fund’s assets at fair value at December 31, 2016.

	<i>Assets at Fair Value as of December 31, 2016</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Fixed Income Securities:				
Government Backed Securities	\$ 8,553,947	\$ -	\$ -	\$8,553,947
Total assets at fair value	\$ 8,553,947	\$ -	\$ -	\$8,553,947

**Note 7: Membership in Joint Health Insurance Fund**

In 1999, the Fund became a member of the Municipal Reinsurance Health Insurance Fund (the “MRHIF”). The MRHIF is a risk-sharing public entity risk pool that is a self-administered group of joint health insurance funds established for the purpose of assuming and discharging the liabilities associated with loss reserves of participating members. The transfer of these loss reserves to the MRHIF results in the closing of those fund years and the un-encumbering of the retained earnings

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 7: Membership in Joint Health Insurance Fund (continued)**

related to those closed fund years. Each member appoints an official to represent their respective joint health 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 members 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 severally 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 related to the total assessment of the membership for that fund year.

At December 31, 2016 and 2015, the MRHIF carried surplus balances of \$12,220,630 and \$9,707,027, respectively. The Fund's equity interest in the MRHIF equates to \$2,544,626 and \$2,270,008, respectively. Dividends on this surplus have not been declared and this investment is being carried as other assets on the financial statements of the Fund.

**Note 8: Dividend Distribution Payable**

On July 20, 2016, the Fund's Executive Committee authorized a \$1,500,000 dividend from the Closed Fund Year.

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**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

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**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
BALANCE SHEET  
DECEMBER 31, 2016 - CLOSED YEARS**

ASSETS	GENERAL AND ADMINISTRATIVE FUND
Cash and Cash Equivalents	\$ 7,657,492
Investments	4,481,963
Interest Receivable	<u>4,717</u>
Total Assets	<u><u>\$ 12,144,172</u></u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>	
Surplus Return Reserve	<u>\$ 166,942</u>
Total Liabilities	<u>166,942</u>
Fund Balance	<u>11,977,230</u>
Total Liabilities, Reserves and Fund Balance	<u><u>\$ 12,144,172</u></u>

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
BALANCE SHEET  
DECEMBER 31, 2016 - FUND YEAR 2015**

ASSETS	MEDICAL FUND	PRESCRIPTIONS FUND	DENTAL FUND	VISION FUND	CONTINGENCY FUND	REINSURANCE FUND	GENERAL AND ADMINISTRATIVE FUND	(MEMORANDUM ONLY) COMBINED TOTAL
Cash and Cash Equivalents	\$ 2,939,883	\$ (359,727)	\$ 99,460	\$ 6,842	\$ 38,575	\$ 17,869	\$ (89,564)	\$ 2,653,338
Investments	1,720,726	(210,550)	58,214	4,004	22,578	10,458	(52,421)	1,553,009
Excess Insurance Receivable	83,457	-	-	-	-	-	-	83,457
Interest Receivable	5,001	-	166	7	42	(36)	-	5,180
<b>Total Assets</b>	<b>\$ 4,749,067</b>	<b>\$ (570,277)</b>	<b>\$ 157,840</b>	<b>\$ 10,853</b>	<b>\$ 61,195</b>	<b>\$ 28,291</b>	<b>\$ (141,985)</b>	<b>\$ 4,294,984</b>

**LIABILITIES, RESERVES & FUND BALANCE**

IBNR Reserves (Note 3)	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Total Liabilities	10,000	-	-	-	-	-	-	10,000
Fund/(Deficit) Balance	4,739,067	(570,277)	157,840	10,853	61,195	28,291	(141,985)	4,284,984
Total Liabilities, Reserves and Fund Balance	\$ 4,749,067	\$ (570,277)	\$ 157,840	\$ 10,853	\$ 61,195	\$ 28,291	\$ (141,985)	\$ 4,294,984



**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
BALANCE SHEET  
DECEMBER 31, 2016 - FUND YEAR 2016**

ASSETS	MEDICAL FUND	PRESCRIPTIONS FUND	DENTAL FUND	VISION FUND	LAKEWOOD MEDICAL FUND	LAKEWOOD PRESCRIPTIONS FUND	CONTINGENCY FUND	REINSURANCE FUND	GENERAL AND ADMINISTRATIVE FUND	(MEMORANDUM ONLY) COMBINED TOTAL
Cash and Cash Equivalents	\$ 2,229,228	\$ 997,187	\$ 160,591	\$ 4,313	\$ 568,834	\$ 322,883	\$ 4,573	\$ 25,685	\$ (9,590)	\$ 4,303,704
Investments	1,615,372	348,614	93,183	2,514	75,713	446,213	2,673	16,864	(82,171)	2,518,975
Assessment Receivable	528,003	352,197	39,619	208	-	-	210	42,515	(2,996)	959,756
Excess Insurance Receivable	53,064	-	-	-	9,866	-	-	-	-	62,930
Interest Receivable	2,115	223	70	3	136	575	4	245	-	3,371
Other Assets	23,507	-	-	-	-	-	-	-	-	23,507
<b>Total Assets</b>	<b>\$ 4,451,289</b>	<b>\$ 1,698,221</b>	<b>\$ 293,463</b>	<b>\$ 7,038</b>	<b>\$ 654,549</b>	<b>\$ 769,671</b>	<b>\$ 7,460</b>	<b>\$ 85,309</b>	<b>\$ (94,757)</b>	<b>\$ 7,872,243</b>
<b>LIABILITIES, RESERVES &amp; FUND BALANCE</b>										
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,551	\$ 2,551
Accrued Expenses	-	-	-	-	-	-	-	-	1,849	1,849
IBNR Reserves (Note 3)	1,616,919	375,825	117,256	-	512,988	127,012	-	-	-	2,750,000
<b>Total Liabilities</b>	<b>1,616,919</b>	<b>375,825</b>	<b>117,256</b>	<b>-</b>	<b>512,988</b>	<b>127,012</b>	<b>-</b>	<b>-</b>	<b>4,400</b>	<b>2,754,400</b>
Fund/(Deficit) Balance	2,834,370	1,322,396	176,207	7,038	141,561	642,659	7,460	85,309	(99,157)	5,117,843
<b>Total Liabilities, Reserves and Fund Balance</b>	<b>\$ 4,451,289</b>	<b>\$ 1,698,221</b>	<b>\$ 293,463</b>	<b>\$ 7,038</b>	<b>\$ 654,549</b>	<b>\$ 769,671</b>	<b>\$ 7,460</b>	<b>\$ 85,309</b>	<b>\$ (94,757)</b>	<b>\$ 7,872,243</b>

SCHEDULE 4

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2016 - CLOSED YEARS**

	GENERAL AND ADMINISTRATIVE FUND
Revenues:	
Contribution Adjustments	<u>\$ (1,960)</u>
Total Revenues	<u>(1,960)</u>
Expenses:	
Claims - Net of Claims Adjustments	(21,267)
Miscellaneous Expense Adjustment	(1,960)
Medicare Advantage	<u>62,560</u>
Total Expenses	<u>39,333</u>
Excess/(Deficit) of Revenues over Expenses	<u>(41,293)</u>
Other Financing Sources/(Uses):	
Gain on Investments	62,510
Dividend Income	172,579
Closing of Fund Year 2014	4,987,276
Dividend Paid	<u>(1,500,000)</u>
Total Other Financing Sources/(Uses)	<u>3,722,365</u>
Excess/(Deficit) of Revenues & Other Financing Sources Over Expenses and Other Financing Uses	3,681,072
Fund Balance Beginning of Year	<u>8,296,158</u>
Fund Balance/(Deficit) End of Year	<u><u>\$ 11,977,230</u></u>

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2016 - FUND YEAR 2015**

	MEDICAL FUND	PRESCRIPTIONS FUND	DENTAL FUND	VISION FUND	LAKEWOOD MEDICAL FUND	LAKEWOOD PRESCRIPTION FUND	CONTINGENCY FUND	REINSURANCE FUND	GENERAL & ADMINISTRATIVE FUND	(MEMORANDUM ONLY) COMBINED TOTAL
Revenues:										
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-	-	-	-	-	-
Expenses:										
Claim Adjustments	52,165	(439,986)	54,230	-	-	-	-	-	-	(333,591)
Premiums	67,884	-	-	-	-	-	-	-	-	67,884
Wellness Adjustment	-	-	-	-	-	-	-	-	(11,108)	(11,108)
Miscellaneous	-	-	-	-	-	-	-	-	656	656
Total Claims Expenses	120,049	(439,986)	54,230	-	-	-	-	-	(10,452)	(276,159)
Excess/(Deficit) of Revenues Over Expenses	(120,049)	439,986	(54,230)	-	-	-	-	-	10,452	276,159
Other Financing Sources/(Uses):										
Transfer to Current Year	-	-	-	-	(723,281)	(41,499)	-	-	-	(764,780)
Dividend Income	86,347	-	1,287	-	-	-	-	-	-	86,347
Interest Income	33,462	-	-	54	-	-	303	1	-	35,107
Total Other Financing Sources/(Uses)	119,809	-	1,287	54	(723,281)	(41,499)	303	1	-	(643,326)
Excess of Revenue Over Expenses and Adjustments	(240)	439,986	(52,943)	54	(723,281)	(41,499)	303	1	10,452	(367,167)
Fund Balance Beginning of Year	4,739,307	(1,010,263)	210,783	10,799	723,281	41,499	60,892	28,290	(152,437)	4,652,151
Fund Balance/(Deficit) End of Year	\$ 4,739,067	\$ (570,277)	\$ 157,840	\$ 10,853	\$ -	\$ -	\$ 61,195	\$ 28,291	\$ (141,985)	\$ 4,284,984

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2016 - FUND YEAR 2016**

	MEDICAL FUND	PRESCRIPTIONS FUND	DENTAL FUND	VISION FUND	LAKewood MEDICAL FUND	LAKewood PRESCRIPTIONS FUND	CONTINGENCY FUND	REINSURANCE FUND	GENERAL AND ADMINISTRATIVE FUND	(MEMORANDUM ONLY) COMBINED TOTAL
Revenues:										
Assessments	\$ 14,156,680	\$ 8,958,282	\$ 1,558,091	\$ 7,038	\$ 6,357,612	\$ 3,083,338	\$ 7,460	\$ 1,670,153	\$ 1,813,307	\$ 37,611,961
Total Revenues	14,156,680	8,958,282	1,558,091	7,038	6,357,612	3,083,338	7,460	1,670,153	1,813,307	37,611,961
Expenses:										
Claims - Net of Claims Adjustments	10,474,907	7,636,398	1,381,834	-	6,939,740	2,482,630	-	-	-	28,915,509
HMO-PPO Premiums	847,722	-	-	-	-	-	-	-	-	847,722
Claims Administrator	-	-	-	-	-	-	-	-	710,176	710,176
Program Manager	-	-	-	-	-	-	-	-	693,246	693,246
Reinsurance	-	-	-	-	-	-	-	1,584,885	-	1,584,885
Executive Director	-	-	-	-	-	-	-	-	283,269	283,269
Professional Services	-	-	-	-	-	-	-	-	106,104	106,104
Affordable Care Act Tax	-	-	-	-	-	-	-	-	86,211	86,211
Miscellaneous	-	-	-	-	-	-	-	-	33,458	33,458
Total Claims Expenses	11,322,629	7,636,398	1,381,834	-	6,939,740	2,482,630	-	1,584,885	1,912,464	33,260,580
Excess/(Deficit) of Revenues Over Expenses	2,834,051	1,321,884	176,257	7,038	(582,128)	600,708	7,460	85,268	(99,157)	4,351,381
Other Financing Sources/(Uses):										
Transfer from Prior Year	-	-	-	-	723,281	41,499	-	-	-	764,780
Interest Income	319	512	(50)	-	408	452	-	41	-	1,682
Total Other Financing Sources/(Uses)	319	512	(50)	-	723,689	41,951	-	41	-	766,462
Excess of Revenue Over Expenses and Adjustments	2,834,370	1,322,396	176,207	7,038	141,561	642,659	7,460	85,309	(99,157)	5,117,843
Fund Balance/(Deficit) End of Year	\$ 2,834,370	\$ 1,322,396	\$ 176,207	\$ 7,038	\$ 141,561	\$ 642,659	\$ 7,460	\$ 85,309	\$ (99,157)	\$ 5,117,843

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016 - CLOSED YEARS**

Cash Flows From Operating Activities:		
Cash Received/(Paid) for Claims, Premiums & Services	\$	<u>385,184</u>
Net Cash Provided by Operating Activities		<u>385,184</u>
Cash Flows From Financing Activities:		
Interest Received		61,342
Dividend Income		172,579
Dividend Paid		<u>(1,333,058)</u>
Net Cash Used by Financing Activities		<u>(1,099,137)</u>
Cash Flows From Investing Activities:		
Proceeds from Investments		<u>(614,606)</u>
Net Cash Used by Investing Activities		<u>(614,606)</u>
Net Decrease in Cash		<u>(1,328,559)</u>
Cash at Beginning of Period - Closed Year	\$	4,426,298
Cash at Beginning of Period - 2014 Fund Year		<u>4,559,753</u>
		8,986,051
Cash at End of Period	\$	<u><u>7,657,492</u></u>

**RECONCILIATION OF REVENUES IN EXCESS OF EXPENSES TO CASH PROVIDED  
BY OPERATING ACTIVITIES:**

Excess/(Deficit) of Revenues Over Expenses and Adjustment Working Capital	\$	(41,293)
Changes Which Provided/(Used) Cash:		
Excess Insurance Receivable		479,651
IBNR Reserves		<u>(53,174)</u>
Net Cash Provided by Operating Activities	\$	<u><u>385,184</u></u>

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**  
**SCHEDULE OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016 - FUND YEAR 2015**

Cash Flows From Operating Activities:	
Cash Received From Members	\$ 2,093,715
Cash Received/(Paid) for Claims, Premiums & Services	<u>(2,569,122)</u>
Net Cash Used by Operating Activities	<u>(475,407)</u>
Cash Flows From Financing Activities:	
Transfer to Current Year	(764,780)
Interest Received	30,131
Dividend Income	<u>86,347</u>
Net Cash Used by Financing Activities	<u>(648,302)</u>
Cash Flows From Investing Activities:	
Proceeds from Investments	<u>(1,553,009)</u>
Net Cash Used by Investing Activities	<u>(1,553,009)</u>
Net Decrease in Cash	(2,676,718)
Cash at Beginning of Period	<u>5,330,056</u>
Cash at End of Period	<u><u>\$ 2,653,338</u></u>

**RECONCILIATION OF REVENUES IN EXCESS OF REVENUES TO CASH USED**  
**BY OPERATING ACTIVITIES:**

Revenues in Excess of Expenses	\$ 276,159
Working Capital Changes Which Provided/(Used) Cash:	
Assessment Receivable	1,975,792
IBNR Reserves	(2,832,220)
Excess Insurance Receivable	95,593
Other Assets	22,330
Accrued Expenses	(12,957)
Accounts Payable	<u>(104)</u>
Net Cash Used by Operating Activities	<u><u>\$ (475,407)</u></u>

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016 - FUND YEAR 2016**

Cash Flows From Operating Activities:	
Cash Received From Members	\$ 36,652,205
Cash Paid for Claims, Premiums and Services	<u>(30,592,617)</u>
Net Cash Provided by Operating Activities	<u>6,059,588</u>
Cash Flows From Financing Activities:	
Transfer from Prior Year	764,780
Interest Received	<u>(1,689)</u>
Net Cash Provided by Financing Activities	<u>763,091</u>
Cash Flows From Investing Activities:	
Proceeds from Investments	<u>(2,518,975)</u>
Net Cash Used by Investing Activities	<u>(2,518,975)</u>
Net Increase in Cash	<u>4,303,704</u>
Cash at End of Period	<u><u>\$ 4,303,704</u></u>

**RECONCILIATION OF REVENUES IN EXCESS OF REVENUES TO CASH PROVIDED  
BY OPERATING ACTIVITIES:**

Revenues in Excess of Expenses	\$ 4,351,381
Working Capital Changes Which Provided/(Used) Cash:	
Assessment Receivable	(959,756)
Excess Insurance Receivable	(62,930)
Other Assets	(23,507)
Accrued Expenses	1,849
IBNR Reserves	2,750,000
Accounts Payable	<u>2,551</u>
Net Cash Provided by Operating Activities	<u><u>\$ 6,059,588</u></u>

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
RECONCILIATION OF CLAIMS LIABILITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	MEDICAL FUND	PRESCRIPTIONS FUND	DENTAL FUND	CLOSED YEARS	(MEMORANDUM ONLY) COMBINED TOTAL
Unpaid Claims at December 31, 2015	\$ 2,358,571	\$ 424,562	\$ 112,262	\$ -	\$ 2,895,395
Adjustments to Incurred Claims from Prior Period	52,165	(439,986)	54,230	(21,267)	(354,858)
Incurred Claims for Current Period	17,414,647	10,119,028	1,381,834	-	28,915,509
<b>Total Incurred Claims</b>	<b>17,466,812</b>	<b>9,679,042</b>	<b>1,436,064</b>	<b>(21,267)</b>	<b>28,560,651</b>
Payment:					
Claims Attributable to the Prior Periods	2,400,736	(15,424)	166,492	(21,267)	2,530,537
Claims Attributable to the Current Period	15,284,740	9,616,191	1,264,578	-	26,165,509
<b>Total Payments</b>	<b>17,685,476</b>	<b>9,600,767</b>	<b>1,431,070</b>	<b>(21,267)</b>	<b>28,696,046</b>
Incurred But Not Reported Related to Fund Year 2015	10,000	-	-	-	10,000
Incurred But Not Reported Related to Fund Year 2016	2,129,907	502,837	117,256	-	2,750,000
<b>Total Incurred But Not Reported at December 31, 2016</b>	<b>\$ 2,139,907</b>	<b>\$ 502,837</b>	<b>\$ 117,256</b>	<b>\$ -</b>	<b>\$ 2,760,000</b>



**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
NUMBER OF COVERED INDIVIDUALS BY MEMBER  
FOR FUND YEARS 2016, 2015, 2014**

LINE OF COVERAGE	FUND YEAR 2016	FUND YEAR 2015	FUND YEAR 2014
Medical	1,536	1,562	1,494
Dental	1,688	1,536	1,440
Prescription	2,015	2,169	1,864
Vision	84	87	147

**CLAIMS DEVELOPMENT INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	FUND YEAR 2016	FUND YEAR 2015
Net Earned Required Contribution & Investment Revenue (Cumulative)	<u>\$ 37,613,643</u>	<u>\$ 39,368,740</u>
Unallocated Expenses (Cumulative)	<u>1,912,464</u>	<u>1,940,827</u>
Estimated Incurred Claims & Expense, (Net of Reinsurance) End of Policy Period	<u>31,348,116</u>	<u>32,775,762</u>
Paid/(Cumulative) as of December 31, 2015	<u>28,598,116</u>	<u>2,933,542</u>
Re-estimated Incurred Claims & Expenses (Cumulative)/(Net of Reinsurance)	<u>31,348,116</u>	<u>32,775,762</u>
Increase/(Decrease) in Estimated Incurred Claims	<u>\$ -</u>	<u>\$ -</u>

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Board of Commissioners  
Central New Jersey Regional Employee Benefits Fund  
Parsippany, New Jersey 07054

Dear Commissioners:

In connection with our audit of the basic financial statements of the Central New Jersey Regional Employee Benefits Fund for the year ended December 31, 2016, we found no matters of noncompliance relating to the operations of the Fund and the system of internal accounting control.

#### **General Comments and Recommendations**

None

#### **Acknowledgment**

We would like to acknowledge the courtesy and assistance extended to us by the officials of the Fund during our audit. Should you have any questions concerning the matters presented herein, we shall be pleased to discuss them with you at your convenience.

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

May 1, 2017  
Toms River, New Jersey