

**SOUTHERN NEW JERSEY REGIONAL
EMPLOYEE BENEFITS FUND
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

SOUTHERN NEW JERSEY REGIONAL
EMPLOYEE BENEFITS FUND

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Southern New Jersey Regional Employee Benefits Fund (the "Fund") as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Southern New Jersey Regional Employee Benefits Fund as of December 31, 2015 and 2014 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 10, effective January 1, 2016, certain members of the fund transferred their equity interest in the Southern New Jersey Regional Employee Benefits Fund to form two new health insurance funds consisting of the Schools Health Insurance Fund and the Southern Coastal Regional Employee Benefits Fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southern New Jersey Regional Employee Benefits 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 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 July 25, 2016 on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fund's internal control over financial reporting and compliance.

"

Respectfully Submitted,



Bowman & Company LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
July 25, 2016

**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 and for the year ended December 31, 2015, and the related notes to the financial statements, which collective comprise the Fund's basic financial statements, and have issued our report thereon dated July 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 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 the Fund’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards, 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

Woodbury, New Jersey
July 25, 2016

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND

Management's 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 years ended December 31, 2015, 2014 and 2013. 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 net position. Net position represents the amount of total assets less total liabilities.

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 statement 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, 2015, 2014 and 2013.

Comparative Statements of Net Position				<u>2015 to 2014 Change</u>	
	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>	<u>Change \$</u>	<u>Change %</u>
Assets:					
Cash	\$ 47,697,477	\$ 42,938,681	\$ 28,663,425	\$ 4,758,796	11.1%
Investments	12,139,552	6,106,862	5,362,734	6,032,690	98.8%
Contributions and Refunds	5,631,768	1,363,374	893,403	4,268,394	313.1%
Supplemental Assessment Receivable		8,170	2,746,920	(8,170)	-100.0%
Excess Insurance Receivable	2,966,214	1,443,646	1,506,202	1,522,568	105.5%
Investment in Joint Venture	4,279,357	4,687,301	4,499,242	(407,944)	-8.7%
Other Assets	164,089	153,842	522,845	10,247	6.7%
Total Assets	72,878,457	56,701,876	44,194,771	16,176,581	28.5%
Liabilities & Net Position					
Liabilities:					
Claims Payable	-	-	873,144	-	
Accrued Expenses	6,418,828	6,329,049	3,793,994	89,779	1.4%
Return of Surplus Payable	9,255	95,026	1,400,826	(85,771)	-90.3%
Loss Reserves	15,900,000	11,771,375	10,399,998	4,128,625	35.1%
Total Liabilities	22,328,083	18,195,450	16,467,962	4,132,633	22.7%
Net Position - Unrestricted	\$ 50,550,374	\$ 38,506,426	\$ 27,726,809	\$ 12,043,948	31.3%

Comparative Statements of Revenues, Expenses, and Changes in Net Position				<u>2015 to 2014 Change</u>	
	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>	<u>Change \$</u>	<u>Change %</u>
Operating Revenues:					
Regular Contributions & Other	\$ 190,862,138	\$ 145,369,472	\$ 143,110,986	\$ 45,492,666	31.3%
Expenses and Cumulative Adjustments:					
Claims Benefits - Net	153,780,171	115,371,962	113,656,039	38,408,209	33.3%
Insurance Premiums	10,823,921	8,269,920	8,033,294	2,554,001	30.9%
Administrative	14,481,523	11,361,209	10,340,054	3,120,314	27.5%
Total Expenses and Cumulative Adjustments	179,085,615	135,003,091	132,029,387	44,082,524	32.7%
Total Operating Income	11,776,523	10,366,381	11,081,599	1,410,142	13.6%
Non-Operating Revenues (Expenses):					
Investment Income	128,558	53,387	39,205	75,171	140.8%
Municipal Reinsurance Health Insurance Fund Dividend	1,718,364	1,925,365	2,161,920	(207,001)	-10.8%
Change in Investment in Joint	(407,944)	188,059	376,591	(596,003)	-316.9%
Excess of Revenues	13,215,501	12,533,192	13,659,315	682,309	5.4%
Return of Surplus	(1,171,553)	(1,753,575)	(1,626,352)	582,022	33.2%
Change In Net Position	\$ 12,043,948	\$ 10,779,617	\$ 12,032,963	\$ 1,264,331	11.7%

Financial Highlights Continued

Net position increased by \$12,043,948 from 2014 to 2015 or 31.3%. Comparatively, net position had increased by \$10,779,617 from 2013 to 2014 or 38.9%. The Fund recognized a 28.5% increase in its assets and a 22.7% increase in liabilities from 2014 to 2015. Comparatively, the Fund recognized a 28.3% increase in its assets and a 10.5% increase in liabilities from 2013 to 2014.

Revenues and Operating expenses for 2015 increased significantly over 2014 due to growth in the fund. Operating revenues increased \$45,492,666 or 31.3% including the net addition of 6 members representing 1,719 lives. Claims expense increased by 33.3% due to increased membership and the inflation of health benefit costs. Reinsurance premiums increased by 30.9% as a result of increased membership resulting in greater exposure and a higher percentage of claims cost being incurred by the Municipal Reinsurance Health Insurance Fund. During the year, professional and administrative operating costs increased by 27.5% due to additional costs attributed to the Affordable Care Act and the addition of new members.

The value of the Fund's share of the Municipal Reinsurance Health Insurance Fund (MRHIF) decreased by 8.7% primarily related to a \$1,718,364 distribution from MRHIF.

Investment income increased by 36.2% due to increased invested revenues and the 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. 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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash	\$ 47,697,477	\$ 42,938,681
Investments	12,139,552	6,106,862
Contributions Receivable	5,565,783	1,329,763
Supplemental Assessments Receivable		8,170
Refund Receivable	65,985	33,611
Claim Advances	144,040	144,040
Accrued Interest Receivable	20,049	9,802
Excess Insurance Receivable	2,966,214	1,443,646
Investment in Joint Venture	4,279,357	4,687,301
	<u>72,878,457</u>	<u>56,701,876</u>
Total Assets		
<u>LIABILITIES AND RESERVES</u>		
Liabilities:		
Accrued Insurance Premiums	5,753,845	6,030,697
Accrued Expenses	664,983	298,352
Return of Surplus Payable	9,255	95,026
	<u>6,428,083</u>	<u>6,424,075</u>
Total Liabilities		
Reserves:		
Actuarial Liability	15,900,000	11,771,375
	<u>22,328,083</u>	<u>18,195,450</u>
Total Liabilities and Reserves		
<u>NET POSITION</u>		
Unrestricted	<u>\$ 50,550,374</u>	<u>\$ 38,506,426</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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Regular Contributions	\$ 190,862,138	\$ 145,369,472
Operating Expenses:		
Provision for Claims and Claims Adjustment Expenses	153,780,171	115,371,962
Reinsurance	8,597,404	5,856,325
State Health Benefits Program Surcharge Premiums	2,226,517	2,413,595
Affordable Care Act Taxes	1,172,600	1,326,969
Administration	13,308,923	10,034,240
Total Operating Expenses	<u>179,085,615</u>	<u>135,003,091</u>
Operating Income	11,776,523	10,366,381
Non-Operating Revenue:		
Investment Income	128,558	53,387
Municipal Reinsurance Health Insurance Fund Dividend	1,718,364	1,925,365
Change in Investment in Joint Venture	<u>(407,944)</u>	<u>188,059</u>
Change in Net Position	13,215,501	12,533,192
Net Position Beginning of Year	38,506,426	27,726,809
Return of Surplus	<u>(1,171,553)</u>	<u>(1,753,575)</u>
Net Position, End of Year	<u>\$ 50,550,374</u>	<u>\$ 38,506,426</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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows Provided By Operating Activities:		
Receipts from Regular Contributions	\$ 186,634,288	\$ 146,145,171
Payments for Health Benefits Claims	(151,206,488)	(114,573,186)
Payments for Insurance Premiums	(11,100,773)	(5,856,325)
Payments to Professionals and Administrative Expenses	<u>(14,114,892)</u>	<u>(11,239,749)</u>
Net Cash Provided By Operating Activities	<u>10,212,135</u>	<u>14,475,911</u>
Cash Flows Provided By (Used In) Investing Activities:		
Redemption of Investments	(11,153,957)	4,852,443
Purchase of Investments	5,100,000	(5,608,480)
Investment Income	<u>1,857,942</u>	<u>1,988,066</u>
Net Cash Provided By (Used In) Investing Activities	<u>(4,196,015)</u>	<u>1,232,029</u>
Cash Flows Provided By Noncapital Financing Activities:		
Return of Surplus	<u>(1,257,324)</u>	<u>(1,432,684)</u>
Net Increase in Cash	4,758,796	14,275,256
Cash and Cash Equivalents, Beginning of Year	<u>42,938,681</u>	<u>28,663,425</u>
Cash and Cash Equivalents, End of Year	<u>\$ 47,697,477</u>	<u>\$ 42,938,681</u>
<u>Reconciliation of Operating Income to</u> <u>Net Cash Provided By Operating Activities</u>		
Operating Income	<u>\$ 11,776,523</u>	<u>\$ 10,366,381</u>
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities		
Changes in Assets and Liabilities:		
Decrease (Increase) in Assets:		
Contributions Receivable	(4,236,020)	775,699
Supplemental Assessments Receivable	8,170	
Excess Insurance Receivable	(1,522,568)	62,556
Refunds Receivable	(32,374)	237,987
Increase (Decrease) in Liabilities:		
Accrued Administrative Expenses	366,631	121,460
Accrued Excess Insurance Premium	(276,852)	2,413,595
Actuarial Liability	4,128,625	1,371,377
Claims Payable		<u>(873,144)</u>
Total Adjustments	<u>(1,564,388)</u>	<u>4,109,530</u>
Net Cash Provided By Operating Activities	<u>\$ 10,212,135</u>	<u>\$ 14,475,911</u>
Supplemental Disclosure - Noncash Activity:		
Change in Investment in Joint Venture	<u>\$ (407,944)</u>	<u>\$ 188,059</u>
Surplus Distributions Applied to Supplemental Assessment Receivable	<u>\$ -</u>	<u>\$ 1,626,691</u>

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

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

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

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

During the Fund's initial period, any local unit which 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.

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

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

During the year 2015, the following municipalities, governmental entities and school districts were members of the Fund:

<u>Municipalities and Governmental Entities</u>	<u>Municipalities and Governmental Entities (Cont'd)</u>	<u>School Districts (Cont'd)</u>
Barrington Borough	Wenonah Borough	Gateway Regional
Bellmawr Borough	Westville Borough	Hardyston Township
Bordentown Township	Willingboro Township	Hopewell
Brooklawn Borough	Winslow Fire District #1	Leap Academy Charter School
Camden Cnty Soc Serv	Woodstown Borough	Logan Township
Chesilhurst Borough		Lower Alloways Creek
Franklin Township	<u>School Districts</u>	Lower Cape May Regional
Gibbsboro Bourough	Alexandria Township	Mantua Township
Gloucester City	Bellmawr Public School District	Medford
Haddonfield Borough	Berlin Borough	Medford Lakes
Haddon Heights	Black Horse Pike Regional	Millville
Lindenwold Borough	Bridgeton	Millville Public Charter School
Lumberton Township	Bridgeton Public Charter School	Moorestown Township
Magnolia Borough	Buena Regional BOE	Mt. Holly Township
Medford Lakes Borough	Burlington City BOE	Mt. Laurel Township
Merchantville Borough	Burlington Township BOE	Rancocas Valley Regional
Middle Township	Byram Township	Riverside Township
Millville Library	Cinnaminson Township	South Harrison Township
Mt. Ephraim Borough	Clayton	Southampton Township
Mt. Holly MUA	Clearview Township	Swedesboro-Woolwich
North Hanover Township	Collingswood	Tabernacle
Paulsboro Borough	Commercial Township	Upper Deerfield
Pennsauken Township	Cumberland County Technical	Upper Pittsgrove
Pine Hill Borough	Cumberland Regional	Vineland Public Charter School
Pitman Borough	Delsea Regional	West Deptford
Riverside Township	Educational Information & Res	Woodbury Heights
Runnemede Borough	Florence	Woodstown-Pilesgrove
Somerdale Borough	Frankford Township	West Cape May

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 2015 were as follows:

HEALTH INSURANCE COVERAGE

Limits

Description

I. **Fund's Self-Insured Retained Limit of Liability (S.I.R.)**

- | | |
|--------------------------------------|--|
| A. \$300,000 | Specific limit - applies per enrolled participant per reinsurance policy year. |
| B. Southern New Jersey \$207,419,580 | Aggregate limit of liability (Attachment is based on the aggregate factors multiplied by the Participant Census) |

II. **Excess Insurers' Limit of Liability**

- | | |
|-----------------|--|
| A. \$9,700,000 | Reimbursement in excess of the Fund's specific S.I.R. |
| B. \$10,000,000 | Reimbursement in excess of the Fund's aggregate S.I.R. |

Health Insurance Coverage Notes:

1. "Health Insurance" means health insurance as defined pursuant to NJSA 17B:17-4 or service benefits as provided by health service corporations, hospital service corporations or medical service corporations authorized to do business in the state.
2. "Incurred Claims" means claims, which occur during a Fund year, including claims paid during a later period. The exact definition of "Incurred Claims" or any similar term is the definition used in the excess insurance policy purchased by the Fund.
3. The Fund's reinsurance agreement for the year 2015 was with the Municipal Reinsurance Health Insurance Fund. The agreement is on a 12/24 month exposure period covering claims incurred during the twelve month policy period January 1, 2015 to December 31, 2015.
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 by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. 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.

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

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

Basis of Accounting (Cont'd)

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

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

Cash, Cash Equivalents and Investments

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

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

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

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

Valuation of Investments

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

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition

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

Interest Income Allocation

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

Additional Assessments and Dividend Credits (Refunds)

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

Payment of refunds shall be made as follows:

At least 50% - not later than 210 days after the fiscal year end or 30 days after the extension period granted above, whichever is later.

Remainder - not later than 270 days after the fiscal year end or 90 days after the extension period granted above, whichever is later.

Claims Funding

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

Actuarial Liability

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

Liabilities for unpaid losses represent the estimated liability on claims reported to the Fund plus reserves for claims incurred but not yet reported. The liabilities for claims are evaluated using Fund and industry data, case basis evaluations and other statistical analyses, and represent estimates of the ultimate net cost of all losses incurred through December 31, 2015.

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

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

Actuarial Liability (Cont'd)

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 and frequency and other factors. Management believes that the liabilities for unpaid claims are adequate. The estimates are continually reviewed and as adjustments to these liabilities become necessary, such adjustments are reflected in current operations.

Reinsurance

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

Losses ceded to reinsurers during the years 2015 and 2014 amounted to \$2,980,074 and \$1,045,906, 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.

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

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

Use of Estimates

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

Note 3: **CASH AND CASH EQUIVALENTS**

Custodial Credit Risk Related to Deposits

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

Of the Fund's bank balance of \$51,474,868 as of December 31, 2015, \$766,534 was insured while \$50,708,334 was collateralized under GUDPA.

Of the Fund's bank balance of \$43,047,583 as of December 31, 2014, \$270,689 was insured while \$42,776,894 was collateralized under GUDPA.

Note 4: **INVESTMENTS**

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fund, and are held by either the counterparty or the counterparty's trust department or agent but not in the Fund's name. Of the Fund's \$12,139,552 and \$6,106,862 in investments at December 31, 2015 and 2014, respectively are New Jersey Municipal Bonds, US Treasury/Agency Securities and Other Government Obligations. \$12,139,552 and \$6,106,862 investments at December 31, 2015 and 2014, respectively were held by either the counterparty or counterparty's trust department or agent, but not in the Fund's name.

Interest Rate Risk

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

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

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

Credit Risk

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

Concentration of Credit Risk

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

As of December 31, 2015 and 2014, the Fund had the following investments and maturities:

<u>Investment</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Credit Rating</u>	<u>Market Value</u>	
				<u>2015</u>	<u>2014</u>
<u>Certificate of Deposit</u>					
Boardwalk Bank	0.600%	07/30/16		\$ 4,000,000	\$ -
<u>New Jersey Municipal Bonds</u>					
Pennsauken Twp, NJ	2.500%	08/15/15	Aa3	-	253,188
<u>US Treasury/Agency Securities</u>					
United States Treasury Notes	0.250%	05/15/16	AAA	294,835	
United States Treasury Notes	1.000%	10/31/16	AAA	275,569	
United States Treasury Notes	0.625%	04/30/18	AAA	271,505	3,000,750
				841,909	3,000,750
<u>Other Government Obligations</u>					
FHLB	1.000%	03/11/16	N/A	1,001,290	1,006,610
FHLB	0.875%	03/10/17	N/A	2,998,410	998,330
FHLB	1.000%	06/21/17	N/A	1,024,662	100,159
FHLMC	0.800%	07/28/17	N/A	2,000,000	
FNMA	8.750%	02/08/18	N/A	273,281	747,825
				7,297,643	2,852,924
				\$ 12,139,552	\$ 6,106,862

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

Note 5: **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 2015 and 2014 for all open fund years net of excess insurance recoveries:

	<u>2015</u>	<u>2014</u>
Total unpaid claims and claim adjustment expenses all fund years - beginning of year	\$ 11,771,375	\$ 10,399,998
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fund year	157,818,656	118,001,046
Changes in provision for insured insured events of prior fund years	<u>(4,038,485)</u>	<u>(2,629,082)</u>
Total incurred claims and claim adjustment expenses all fund years	<u>165,551,546</u>	<u>125,771,962</u>
Payments:		
Claims and claim adjustment expenses:		
Attributable to insured events of current fund year	142,178,032	106,675,236
Attributable to insured events of prior fund years	<u>7,473,514</u>	<u>7,325,351</u>
Total payments all fund periods	<u>149,651,546</u>	<u>114,000,587</u>
Total unpaid claims and claim adjustment expenses all fund years - end of year	<u>\$ 15,900,000</u>	<u>\$ 11,771,375</u>

Note 6: **STATE HEALTH BENEFITS PLAN SURCHARGE**

Chapter 8, Public Law 1993, provides for insurers of school districts that do not participate in the State Health Benefits Plan (SHBP) to pay an annual surcharge to the program. The surcharge is determined by the State Treasurer and is based on a percentage of the total claims paid for the coverage of employees of the nonparticipating school districts. The surcharge is to compensate the SHBP for the excess cost of the health coverage of the school district's eligible retirees (25 or more years of credited service in a State-administered pension fund, or retired on disability with fewer years of service), who are covered in the SHBP.

Every November 1, a survey is sent to each nonparticipating school district requesting the name and address of their health benefits insurance carrier. A response is required by the end of November. The SHBP sends a surcharge payment request form on December 1 to the insurance carrier. The insurance carrier will complete the surcharge form and forward the form and payment to the SHBP by December 31. The surcharge form includes information such as adjustments from prior year payment, total claims paid, the surcharge rate and the amount to be remitted. For the years ended December 31, 2015 and 2014, the Fund recorded insurance expense of \$3,041,006 and \$2,488,723, respectively, for State Health Benefits Program premium surcharges.

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

Note 7: **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 8: **TRANSFER OF 2013 FUND PERIOD SURPLUS**

The Executive Committee approved the closing of the 2013 Fund year and the transfer of the 2013 Fund year balances as of May 31, 2015 resulting in a transfer of surplus in the amount of \$11,615,759 to the closed years account.

Note 9: **MUNICIPAL REINSURANCE HEALTH INSURANCE FUND**

Effective January 1, 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 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.

Selected, summarized financial information for the Municipal Reinsurance Health Insurance Fund as of December 31, 2015 is as follows:

Total Assets	<u><u>\$ 16,510,603</u></u>
Total Liabilities	<u><u>\$ 6,803,574</u></u>
Net Position	<u><u>\$ 9,707,029</u></u>
Total Revenues	<u><u>\$ 11,054,121</u></u>
Total Expenses	<u><u>\$ 9,092,417</u></u>
Change in Net Position	<u><u>\$ 1,961,704</u></u>
Return of Surplus	<u><u>\$ 2,931,960</u></u>

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

Note 9: **MUNICIPAL REINSURANCE HEALTH INSURANCE FUND (CONT'D)**

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

Note 10: **RELATED PARTY TRANSACTIONS**

As disclosed in note 9, the Fund is a member of the Municipal Reinsurance Health Insurance Fund and accordingly has an ownership interest in those Funds. Excess insurance premiums paid to those funds for the years ended December 31, 2015 and 2014 were \$6,608,306 and \$5,108,562, respectively.

Note 11: **SUBSEQUENT EVENTS**

Reorganization:

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

The net decrease to the Fund's assets, liabilities and net position resulting from the transfers was as follows:

	<u>Total</u>	<u>Schools Health Fund</u>	<u>Southern Coastal Regional Employees Benefits Fund</u>
<u>ASSETS</u>			
Cash and Investments	\$ 25,176,416	\$ 19,768,025	\$ 5,408,391
Receivables	43,209	7,343	35,866
Total Assets	25,219,625	19,775,368	5,444,257
<u>LIABILITIES</u>			
Accrued Expenses	1,116,888	1,057,908	58,980
<u>NET POSITION</u>			
Unrestricted	\$ 24,102,737	\$ 18,717,460	\$ 5,385,277

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF DECEMBER 31, 2015

	FUND YEAR ENDED DECEMBER 31									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net Earned Required Contribution and Investment Revenue:										
Earned	\$ 17,706,860	\$ 21,648,583	\$ 29,485,844	\$ 46,123,183	\$ 80,603,423	\$ 130,655,892	\$ 158,140,660	\$ 144,783,694	\$ 145,415,579	\$ 190,885,699
Ceded	939,156	1,080,495	1,765,428	2,477,222	4,477,849	6,972,402	7,439,768	7,799,978	8,345,048	8,614,449
	<u>16,767,704</u>	<u>20,568,088</u>	<u>27,720,416</u>	<u>43,645,961</u>	<u>76,125,574</u>	<u>123,683,490</u>	<u>150,700,892</u>	<u>136,983,716</u>	<u>137,070,531</u>	<u>182,271,250</u>
Unallocated Expenses	1,751,104	2,044,077	2,660,050	4,221,755	7,429,868	11,921,926	12,621,569	10,243,944	11,418,380	13,293,661
Estimated Claims and Expenses, End of Policy Year:										
Incurred	15,432,574	17,336,463	23,559,101	38,133,509	68,344,435	111,255,708	143,052,125	118,838,393	118,914,108	160,492,670
Ceded	134,671	177,080	477,055	372,545	1,011,216	1,374,446	3,655,162	1,191,354	913,062	2,674,014
Net Incurred	<u>15,297,903</u>	<u>17,159,383</u>	<u>23,082,046</u>	<u>37,760,964</u>	<u>67,333,219</u>	<u>109,881,262</u>	<u>139,396,963</u>	<u>117,647,039</u>	<u>118,001,046</u>	<u>157,818,656</u>
Paid (Cumulative) as of:										
End of Policy Year	14,011,903	15,546,383	21,224,046	34,307,374	62,032,990	109,881,262	128,428,741	107,297,041	106,675,236	144,852,046
One Year Later	14,862,164	16,708,257	22,531,541	36,744,904	65,089,041	110,406,024	135,506,187	114,667,885	114,093,338	
Two Years Later (A)	14,749,819	16,838,372	22,560,815	36,850,491	65,021,162	110,255,800	135,450,187	114,730,291		
Reestimated Incurred Claims and Expenses:										
End of Policy Year	15,297,903	17,159,383	23,082,046	37,760,964	67,333,219	109,881,262	139,396,963	117,647,039	118,001,046	157,818,656
One Year Later	14,862,164	16,708,257	22,541,541	36,764,964	65,114,041	110,406,024	135,506,187	115,113,449	114,352,714	
Two Years Later (A)	14,749,819	16,838,372	22,560,815	36,850,491	65,021,162	110,255,800	135,450,187	114,730,291		
Increase (Decrease) in Estimated Incurred Claims and Expenses from End of Policy Year	<u>\$ (548,084)</u>	<u>\$ (321,011)</u>	<u>\$ (521,231)</u>	<u>\$ (910,473)</u>	<u>\$ (2,312,057)</u>	<u>\$ 374,538</u>	<u>\$ (3,946,776)</u>	<u>\$ (2,916,748)</u>	<u>\$ (3,648,332)</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
COMBINING STATEMENT OF NET POSITION - STATUTORY BASIS
AS OF DECEMBER 31, 2015

	<u>Total</u>	<u>2015</u>	<u>2014</u>	<u>Closed Years</u>
<u>ASSETS</u>				
Cash	\$ 47,697,477	\$ 17,882,366	\$ 4,146,414	\$ 25,668,697
Investments	12,139,552			12,139,552
Contributions Receivable	5,565,783	5,518,808		46,975
Refund Receivable	65,985	65,985		
Claim Advances	144,040			144,040
Accrued Interest Receivable	20,049	6,235	4,336	9,478
Excess Insurance Receivable	2,966,214	2,550,466	411,680	4,068
	<hr/>			
Total Assets	<u>\$ 68,599,100</u>	<u>\$ 26,023,860</u>	<u>\$ 4,562,430</u>	<u>\$ 38,012,810</u>
<u>LIABILITIES AND RESERVES</u>				
Liabilities:				
Accrued Insurance Premiums	\$ 5,753,845	\$ 2,569,240	\$ 2,146,000	\$ 1,038,605
Accrued Expenses	664,983	396,903	189,797	78,283
Return of Surplus Payable	9,255			9,255
	<hr/>			
Total Liabilities	<u>6,428,083</u>	<u>2,966,143</u>	<u>2,335,797</u>	<u>1,126,143</u>
Reserves:				
Actuarial Liability	<u>15,900,000</u>	<u>15,640,624</u>	<u>259,376</u>	<u>-</u>
	<hr/>			
Total Liabilities and Reserves	<u>22,328,083</u>	<u>18,606,767</u>	<u>2,595,173</u>	<u>1,126,143</u>
<u>NET POSITION</u>				
Unrestricted	<u>\$ 46,271,017</u>	<u>\$ 7,417,093</u>	<u>\$ 1,967,257</u>	<u>\$ 36,886,667</u>

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>SOUTHERN NEW JERSEY REGIONAL</u>			
	<u>Total</u>	<u>2015</u>	<u>2014</u>	<u>Closed Years</u>
Operating Revenues:				
Regular Contributions	\$ 190,862,138	\$ 190,856,041	\$ 8,256	\$ (2,159)
Operating Expenses:				
Provision for Claims and				
Claims Adjustment Expenses	153,780,171	157,818,656	(3,648,332)	(390,153)
Reinsurance	8,597,404	8,614,449		(17,045)
State Health Benefits				
Program Surcharge Premiums	2,226,517	2,569,240	(342,723)	
Affordable Care Act Taxes	1,172,600	1,172,600		
Administration	13,308,923	13,293,661	15,262	
Total Operating Expenses	<u>179,085,615</u>	<u>183,468,606</u>	<u>(3,975,793)</u>	<u>(407,198)</u>
Operating Income	<u>11,776,523</u>	<u>7,387,435</u>	<u>3,984,049</u>	<u>405,039</u>
Non-Operating Revenue:				
Investment Income	128,558	29,658	32,193	66,707
Municipal Reinsurance Health				
Insurance Fund Dividend	1,718,364		1,083,811	634,553
Total Non-Operating Revenue	<u>1,846,922</u>	<u>29,658</u>	<u>1,116,004</u>	<u>701,260</u>
Change in Net Position	13,623,445	7,417,093	5,100,053	1,106,299
Net Position, Beginning of Year	33,819,125		7,634,174	26,184,951
Transfer to Closed Years	-		(10,766,970)	10,766,970
Return of Surplus	<u>(1,171,553)</u>			<u>(1,171,553)</u>
Net Position, End of Year	<u>\$ 46,271,017</u>	<u>\$ 7,417,093</u>	<u>\$ 1,967,257</u>	<u>\$ 36,886,667</u>

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
COMBINING STATEMENT OF CASH FLOWS - STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Total</u>	<u>2015</u>	<u>2014</u>	<u>Closed Years</u>
Cash Flows Provided By (Used In) Operating Activities:				
Receipts from Regular Contributions	\$ 186,634,288	\$ 185,337,233	\$ 1,300,639	\$ (3,584)
Payments for / Net Recoveries of Health Benefits Claims	(151,206,488)	(144,794,483)	(6,894,324)	482,319
Payments for Insurance Premiums	(11,100,773)	(8,614,449)		(2,486,324)
Payments to Professionals and Supplies	(14,114,892)	(14,069,358)	(123,817)	78,283
Net Cash Provided By (Used In) Operating Activities	<u>10,212,135</u>	<u>17,858,943</u>	<u>(5,717,502)</u>	<u>(1,929,306)</u>
Cash Flows Provided by (Used In) Investing Activities:				
Redemption of Investments	(11,153,957)			(11,153,957)
Purchase of Investments	5,100,000			5,100,000
Investment Income	1,857,942	23,423	1,117,599	716,920
Net Cash Provided By (Used In) Investing Activities	<u>(4,196,015)</u>	<u>23,423</u>	<u>1,117,599</u>	<u>(5,337,037)</u>
Cash Flows Provided By (Used In) Noncapital Activities				
Financing Activities:				
Interyear Transfers	-		(10,766,970)	10,766,970
Return of Surplus	(1,257,324)			(1,257,324)
Net Cash Flows Provided By (Used In) Noncapital Activities	<u>(1,257,324)</u>		<u>(10,766,970)</u>	<u>9,509,646</u>
Net Increase (Decrease) in Cash	4,758,796	17,882,366	(15,366,873)	2,243,303
Cash and Cash Equivalents, Beginning of Year	<u>42,938,681</u>		<u>19,513,287</u>	<u>23,425,394</u>
Cash and Cash Equivalents, End of Year	<u>\$ 47,697,477</u>	<u>\$ 17,882,366</u>	<u>\$ 4,146,414</u>	<u>\$ 25,668,697</u>

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
COMBINING STATEMENT OF CASH FLOWS - STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Total</u>	<u>2015</u>	<u>2014</u>	<u>Closed Years</u>
<u>Reconciliation of Operating Results to</u>				
<u>Net Cash Provided By (Used In) Operating Activities</u>				
Operating Income	\$ 11,776,523	\$ 7,387,435	\$ 3,984,049	\$ 405,039
Adjustments to Reconcile Operating Income to Net				
Cash Provided By (Used In) Operating Activities				
Changes in Assets and Liabilities:				
Decrease (Increase) in Assets:				
Contributions Receivable	(4,236,020)	(5,518,808)	1,292,383	(9,595)
Supplemental Assessments Receivable	8,170			8,170
Excess Insurance Receivable	(1,522,568)	(2,550,466)	490,167	537,731
Refunds Receivable	(32,374)	(65,985)	33,611	
Increase (Decrease) in Liabilities:				
Accrued Administrative Expenses	366,631	396,903	(108,555)	78,283
Accrued Excess Insurance Premium	(276,852)	2,569,240	(342,723)	(2,503,369)
Actuarial Liabilities	4,128,625	15,640,624	(11,066,434)	(445,565)
Total Adjustments	(1,564,388)	10,471,508	(9,701,551)	(2,334,345)
Net Cash Provided By (Used In) Operating Activities	\$ 10,212,135	\$ 17,858,943	\$ (5,717,502)	\$ (1,929,306)

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

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

The information in the Fund's basic financial statements, Exhibits A-1 through A-3, differ from the accompanying Supplementary schedules required by the Division of Banking and Insurance. The Supplementary schedules do not reflect the Fund's Investment in Joint Venture as follows:

	<u>2015</u>	<u>2014</u>
Total Assets – Statement of Net Position	\$ 72,878,457	\$ 56,701,876
Less Investment in Joint Venture	<u>4,279,357</u>	<u>4,687,301</u>
Total Assets – Statutory Basis	<u><u>\$ 68,599,100</u></u>	<u><u>\$ 52,014,575</u></u>
Net Position – Statement of Net Position	\$ 50,550,374	\$ 38,506,426
Less Investment in Joint Venture	<u>4,279,357</u>	<u>4,687,301</u>
Net Position – Statutory Basis	<u><u>\$ 46,271,017</u></u>	<u><u>\$ 33,819,125</u></u>
Change in Net Position - Statement of Revenues, Expenses and Changes in Net Position	\$ 13,215,501	\$ 12,533,192
Less Change in Investment in Joint Venture	<u>(407,944)</u>	<u>188,059</u>
Change in Net Position – Statutory Basis	<u><u>\$ 13,623,445</u></u>	<u><u>\$ 12,345,133</u></u>

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2015 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS
FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2015

	<u>Medical*</u>	<u>Prescription</u>	<u>Dental</u>	<u>Reinsurance</u>	<u>Contingency</u>	<u>Administrative</u>	<u>Total</u>
Income:							
Regular Contributions	\$ 143,754,545	\$ 18,856,158	\$ 2,877,045	\$ 7,372,643	\$ 98,352	\$ 17,897,298	\$ 190,856,041
Investment Income	24,380	508	231	1,019	298	3,222	29,658
Total Income	143,778,925	18,856,666	2,877,276	7,373,662	98,650	17,900,520	190,885,699
Incurred Liabilities:							
Claims Paid (Net of Refunds)	125,550,229	16,843,684	2,458,133				144,852,046
Excess Insurance Recoveries	(2,674,014)						(2,674,014)
Actuarial Liability (Net of Recoverables)	14,513,325	883,501	243,798				15,640,624
Insurance Premiums	2,569,240		48,850	8,565,599			11,183,689
Administrative Expenses						13,293,661	13,293,661
Total Liabilities	139,958,780	17,727,185	2,750,781	8,565,599	-	13,293,661	182,296,006
Net Position (Deficit), December 31, 2015	\$ 3,820,145	\$ 1,129,481	\$ 126,495	\$ (1,191,937)	\$ 98,650	\$ 4,606,859	\$ 8,589,693

*Includes Retirees and COBRA

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2014 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS
FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2015

	<u>Medical*</u>	<u>Prescription</u>	<u>Dental</u>	<u>Reinsurance</u>	<u>Contingency</u>	<u>Administrative</u>	<u>Total</u>
Income:							
Regular Contributions	\$ 113,374,328	\$ 11,747,241	\$ 2,818,741	\$ 6,345,410	\$ 459,362	\$ 10,632,646	\$ 145,377,728
Investment Income	35,708	4,762	863	2,990	1,186	598	46,107
Municipal Reinsurance Health Insurance Fund Dividend	1,083,811						1,083,811
Total Income	114,493,847	11,752,003	2,819,604	6,348,400	460,548	10,633,244	146,507,646
Incurred Liabilities:							
Claims Paid (Net of Refunds)	103,293,692	9,239,764	2,770,869				115,304,325
Excess Insurance Recoveries	(1,210,987)						(1,210,987)
Actuarial Liability	259,376						259,376
Insurance Premiums	2,146,000		37,319	5,819,006			8,002,325
Affordable Care Act Taxes						1,326,969	1,326,969
Administrative Expenses						10,091,411	10,091,411
Total Liabilities	104,488,081	9,239,764	2,808,188	5,819,006	-	11,418,380	133,773,419
Net Position (Deficit), December 31, 2015	\$ 10,005,766	\$ 2,512,239	\$ 11,416	\$ 529,394	\$ 460,548	\$ (785,136)	\$ 12,734,227

*Includes Retirees and COBRA

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2015 EXPENSE ANALYSIS - STATUTORY BASIS
FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2015

	<u>Paid</u>	<u>Accrued Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 984,518		\$ 984,518
Program Manager	5,629,102		5,629,102
Third Party Administrators:			
Medical	5,682,885		5,682,885
Dental	133,804		133,804
Vision	4,805		4,805
Actuary	46,456		46,456
Treasurer	30,504		30,504
Attorney	100,045		100,045
Auditor	3,500	\$ 30,976	34,476
Director Fee	15,450		15,450
Patient - Center Outcomes Research Fee	43,709		43,709
Surcharge Challenge	-	90,000	90,000
Wellness	157,764	275,174	432,938
Miscellaneous Expenses	63,466	1,503	64,969
	<hr/>		
Total Administrative Expenses	<u>\$ 12,896,008</u>	<u>\$ 397,653</u>	<u>\$ 13,293,661</u>

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2014 EXPENSE ANALYSIS - STATUTORY BASIS
FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2015

	<u>Paid</u>	<u>Accrued Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 751,033		\$ 751,033
Program Manager	4,111,773		4,111,773
Third Party Administrators:			
Medical	4,508,069		4,508,069
Dental	121,744		121,744
Actuary	45,900		45,900
Treasurer	29,907		29,907
Attorney	86,857		86,857
Auditor	33,816		33,816
Director Fee	15,389		15,389
Surcharge Challenge	15,885	\$ 44,115	60,000
Wellness	59,880	145,682	205,562
Miscellaneous Expenses	121,361		121,361
	<hr/>		
Total Administrative Expenses	\$ 9,901,614	\$ 189,797	\$ 10,091,411
	<hr/>		

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CASH AND INVESTMENTS - STATUTORY BASIS
AS OF DECEMBER 31, 2015

<u>Description</u>	<u>Amount</u>
<u>Cash and Cash Equivalents</u>	
Cash Accounts	
TD Bank:	
Fund Year Accounts	\$ 14,219,888
Expense Imprest Account	48,530
TD Wealth Management	
Money Market Investment Account	8,947
Investors Bank	
Investment Account	4,202,480
Investment Account	18,837,752
Investment Account	5,361,648
Parke Bank	
Investment Account	5,393
Republic Bank	
Investment Account	5,010,655
ABCO Federal Credit Union	
Governmental MMA	2,184
	<hr/>
Total Cash and Cash Equivalents	47,697,477
	<hr/>
<u>Investments</u>	
Cape May Bank Certificate of Deposit	4,000,000
TD Wealth Management	
Investment Account	8,139,552
	<hr/>
Total Investments	12,139,552
	<hr/>
Total Cash and Investments per Exhibit B-1 Combining Statement of Net Position	\$ 59,837,029
	<hr/> <hr/>
Total Cash and Investments by Fund Year:	
2015	\$ 17,882,366
2014	4,146,414
Closed Years	37,808,249
	<hr/>
	\$ 59,837,029
	<hr/> <hr/>

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

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

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

None

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AS PREPARED BY MANAGEMENT

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

There were no findings in the prior year.

APPRECIATION

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

Respectfully submitted,
BOWMAN & COMPANY LLP
Certified Public Accountants



.....James J. Miles, Jr.