

**CENTRAL NEW JERSEY REGIONAL
EMPLOYEE BENEFITS FUND**

Financial Statements

For the year ended December 31, 2017

(With Independent Auditor's Report thereon)

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, 2017, 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 opinion.

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, 2017 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, 2016 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 16, 2018, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.

Certified Public Accountants

Toms River, New Jersey
May 16, 2018

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INDEPENDENT AUDITOR'S 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

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, 2017, 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 16, 2018.

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 16, 2018

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 years ended December 31, 2017 and 2016. Please read it in conjunction with the basic financial statements that follow this section.

Overview of Basic Financial Statements

The Fund's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises where applicable. The primary purpose of the Fund 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, 2017 and 2016.

CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND

MANAGEMENT DISCUSSION AND ANALYSIS

UNAUDITED

SUMMARY OF STATEMENT OF NET POSITION

December 31, 2017 and 2016

	2017	2016	Increase/ (Decrease)	Percent Change
ASSETS:				
Cash and Cash Equivalents, Investments	\$ 24,973,989	\$ 23,168,481	\$ 1,805,508	7.79%
Assessments Receivable	1,095,511	959,756	135,755	14.14%
Excess Insurance Receivable	722,529	146,387	576,142	393.57%
Investment in Joint Venture	2,521,334	2,544,626	(23,292)	-0.92%
Other	34,277	36,777	(2,500)	-6.80%
	<u>29,347,640</u>	<u>26,856,027</u>	<u>2,491,613</u>	9.28%
LIABILITIES:				
Accounts Payable, Accrued Expenses, and Prepaid Contributions	3,049,855	171,342	2,878,513	1679.98%
IBNR Reserves	<u>3,237,000</u>	<u>2,760,000</u>	<u>477,000</u>	17.28%
	<u>6,286,855</u>	<u>2,931,342</u>	<u>3,355,513</u>	114.47%
UNRESTRICTED NET POSITION	<u>\$ 23,060,785</u>	<u>\$ 23,924,685</u>	<u>\$ (863,900)</u>	-3.61%

SUMMARY OF STATEMENT OF NET POSITION

December 31, 2016 and 2015

	2016	2015	Increase/ (Decrease)	Percent Change
ASSETS:				
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%
	<u>26,856,027</u>	<u>23,114,051</u>	<u>3,741,976</u>	16.19%
LIABILITIES:				
Accounts Payable, Accrued Expenses, and Prepaid Contributions	171,342	13,061	158,281	1211.86%
IBNR Reserves	<u>2,760,000</u>	<u>2,895,395</u>	<u>(135,395)</u>	-4.68%
	<u>2,931,342</u>	<u>2,908,456</u>	<u>22,886</u>	0.79%
UNRESTRICTED NET POSITION	<u>\$ 23,924,685</u>	<u>\$ 20,205,595</u>	<u>\$ 3,719,090</u>	18.41%

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Operating Revenues:				
Assessments and Other Income	\$ 39,043,301	\$ 37,610,001	\$ 1,433,300	3.81%
Expenses:				
Claims- Net of Claims Adjustments	28,791,114	28,560,651	230,463	0.81%
Premium Expenses	2,771,347	2,500,491	270,856	10.83%
Administrative & Executive	2,066,653	1,962,612	104,041	5.30%
Total Expenses	<u>33,629,114</u>	<u>33,023,754</u>	<u>605,360</u>	1.83%
Operating Income	<u>5,414,187</u>	<u>4,586,247</u>	<u>827,940</u>	18.05%
Nonoperating Revenue/(Expenses):				
Investment in Joint Venture	(23,292)	274,618	(297,910)	-108.48%
Dividend & Interest Income	544,581	358,225	186,356	52.02%
Dividend Paid	<u>(6,799,376)</u>	<u>(1,500,000)</u>	<u>(5,299,376)</u>	353.29%
Increase/(Decrease) in Net Position	<u>\$ (863,900)</u>	<u>\$ 3,719,090</u>	<u>\$ (4,582,990)</u>	-123.23%

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>	100.00%
Increase/(Decrease) in Net Position	<u>\$ 3,719,090</u>	<u>\$ 4,363,098</u>	<u>\$ (644,008)</u>	-14.76%

CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND

MANAGEMENT DISCUSSION AND ANALYSIS

UNAUDITED

Total assets increased by 9.28% and net position decreased by 3.61%. This is a result of an increase in operating income of 18.05% and increase in dividends paid of 353.29%.

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 decreased in accordance with an decrease in the net position for that entity.

Claims expense increased by 0.81%, which is in line with the Fund’s actuarial projection. During the year, general and administrative operating costs increased by 5.30% as such items increase as the Fund’s membership increases.

Interest income increased indicating an increase in interest rate environment during this reporting period. During 2017 the Municipal Reinsurance Health Insurance Fund paid a dividend to the member HIFs and the Fund’s share of the dividend was \$435,069.

The Fund declared a dividend of \$3,500,000 in 2017. The Fund established a minimum surplus objective of two (2) months of estimated claims. In addition to the declared dividend the Fund paid former members a dividend of \$3,299,376.

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.

BASIC FINANCIAL STATEMENTS

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CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2017
(With comparative totals for December 31, 2016)

ASSETS	2017	(Memorandum Only) 2016
Cash and Cash Equivalents	\$ 16,377,970	\$ 14,614,534
Investments	8,596,019	8,553,947
Assessments Receivable	1,095,511	959,756
Excess Insurance Receivable	722,529	146,387
Interest Receivable	12,762	13,268
Other Assets	21,515	23,509
Investment in Joint Ventures (Note 7)	2,521,334	2,544,626
Total Assets	29,347,640	26,856,027
LIABILITIES		
Accounts Payable	2,959,624	169,493
Accrued Expenses	90,231	1,849
IBNR Reserves (Note 3)	3,237,000	2,760,000
Total Liabilities	6,286,855	2,931,342
NET POSITION		
Net Position	23,060,785	23,924,685
Total Net Position	\$ 23,060,785	\$ 23,924,685

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

CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017
(With comparative totals for December 31, 2016)

	2017	(Memorandum Only) 2016
Operating Revenues:		
Assessments	<u>\$ 39,043,301</u>	<u>\$ 37,610,001</u>
Total Operating Revenues	<u>39,043,301</u>	<u>37,610,001</u>
Expenses:		
Claims - Net of Claims Adjustments	28,791,114	28,560,651
Premium Expenses	2,771,347	2,500,491
Contractual Expenses	791,224	699,068
Professional Contractual Expenses	1,167,930	1,168,830
Miscellaneous Expenses	<u>107,499</u>	<u>94,714</u>
Total Expenses	<u>33,629,114</u>	<u>33,023,754</u>
Operating Income	<u>5,414,187</u>	<u>4,586,247</u>
Nonoperating Revenue/(Expenses):		
Gain/(Loss) on Investments	109,512	99,299
Dividend Income	435,069	258,926
Investment in Joint Venture	(23,292)	274,618
Dividend Paid	<u>(6,799,376)</u>	<u>(1,500,000)</u>
Total Nonoperating Revenue/(Expenses)	<u>(6,278,087)</u>	<u>(867,157)</u>
Change in Net Position	(863,900)	3,719,090
Net Position, Beginning of Year	<u>23,924,685</u>	<u>20,205,595</u>
Net Position, End of Year	<u><u>\$ 23,060,785</u></u>	<u><u>\$ 23,924,685</u></u>

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

CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(With comparative totals for December 31, 2016)

	2017	(Memorandum Only) 2016
Cash Flows From Operating Activities:		
Cash Received From Members	\$ 38,893,345	\$ 38,745,920
Cash Paid for Claims, Premiums & Services	(33,791,304)	(32,776,554)
Net Cash Provided by Operating Activities	5,102,041	5,969,366
Cash Flows From Financing Activities:		
Interest Received	109,990	89,783
Dividend Income	435,069	258,926
Dividend Paid	(3,841,591)	(1,333,058)
Net Cash Used by Financing Activities	(3,296,532)	(984,349)
Cash Flows From Investing Activities:		
Net Proceeds from/(Purchases of) Investments	(42,073)	(4,686,590)
Net Cash (Used)/Provided by Investing Activities	(42,073)	(4,686,590)
Net Increase in Cash and Cash Equivalents	1,763,436	298,427
Cash and Cash Equivalents at Beginning of Period	14,614,534	14,316,107
Cash and Cash Equivalents at End of Period	\$ 16,377,970	\$ 14,614,534

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

Operating Income	\$ 5,414,187	\$ 4,586,247
Working Capital Changes Which Provided/(Used) Cash:		
Assessment Receivable	(135,755)	1,016,036
Excess Insurance Receivable	(743,056)	512,314
Other Assets	1,994	(1,176)
Accrued Expenses	88,382	(11,108)
IBNR Reserves	477,000	(135,394)
Accounts Payable	(712)	2,447
Net Cash Provided by Operating Activities	\$ 5,102,040	\$ 5,969,366

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

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NOTES TO FINANCIAL STATEMENTS

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CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017, 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, 2017

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, 2017

Note 1: Summary of Significant Accounting Policies (continued)

G. Organization

The Fund consists of a 31 membership group as of December 31, 2017. 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, 2017, 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, 2017

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, 2017.

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017 through the date of May 16, 2018, 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, 2017**

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 2017	Fund Year 2016	Closed Year	Total
Specific	\$ 621,891	\$ 100,638	\$ -	\$ 722,529

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.

Deposits

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Fund's deposits may not be returned. Although the Fund does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local governmental agencies. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by 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, bail funds or funds that may pass to the Fund relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below.

As of December 31, 2017, the Fund's bank balance of \$16,797,657 was insured or collateralized as follows:

Insured under FDIC and GUDPA	\$ 13,305,684
NJ Cash Management Fund	3,491,973
	\$ 16,797,657

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 6: Investments

Fair Value Measurement – The fair value measurements of investments are required to be reported based on the hierarchy established by generally accepted accounting principles. Under GAAP, investments are required to be categorized based on the fair value of inputs of Levels 1, 2 and 3. Under Level 1 inputs, investments are required to be categorized based on quoted market prices in active markets for identical investments. Level 2 inputs are based primarily on using observable measurement criteria, including quoted market prices of similar investments in active and inactive markets and other observable corroborated factors. Level 3 inputs are assets measured at fair value on a recurring basis using significant unobservable measurement criteria based on the best information available.

Under regulatory basis of accounting, investments are measured at cost in the Fund’s financial statements. However, had the financial statements been prepared in accordance with GAAP, the Fund’s fair value, hierarchy level and maturities of its investments at December 31, 2017 would be as followed:

<i>Assets at Fair Value as of December 31, 2017</i>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed Income Securities:				
Government Backed Securities	\$ 8,596,019	\$ -	\$ -	\$8,596,019
Total assets at fair value	\$ 8,596,019	\$ -	\$ -	\$8,596,019

Custodial credit risk related to Investments - This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Fund will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Fund has no investment policy to limit exposure to custodial credit risk.

Interest rate risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk - Credit risk is the risk that an issuer to an investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

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

CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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 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, 2017 and 2016, the MRHIF carried surplus balances of \$12,717,860 and \$12,220,630, respectively. The Fund's equity interest in the MRHIF equates to \$2,521,334 and \$2,544,626, 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 October 18, 2017, the Fund's Executive Committee authorized a \$3,500,000 dividend from the Closed Fund Year. In addition to the declared dividend the Fund paid former members a dividend of \$3,299,376.

REQUIRED SUPPLEMENTARY INFORMATION

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**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
BALANCE SHEET
DECEMBER 31, 2017 - CLOSED YEARS**

ASSETS	GENERAL AND ADMINISTRATIVE FUND
Cash and Cash Equivalents	\$ 8,500,524
Investments	4,461,521
Interest Receivable	<u>7,566</u>
Total Assets	<u><u>\$ 12,969,611</u></u>
LIABILITIES, RESERVES AND FUND BALANCE	
Surplus Return Reserve	<u>\$ 2,957,785</u>
Total Liabilities	<u>2,957,785</u>
Fund Balance	<u>10,011,826</u>
Total Liabilities, Reserves and Fund Balance	<u><u>\$ 12,969,611</u></u>

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
BALANCE SHEET
DECEMBER 31, 2017 - FUND YEAR 2016**

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	\$ 1,818,770	\$ 1,006,592	\$ 77,535	\$ 4,632	\$ 4,909	\$ 56,055	\$ (65,691)	\$ 2,902,802
Investments	954,586	528,313	40,694	2,431	2,577	29,420	(34,479)	1,523,542
Excess Insurance Receivable	100,638	-	-	-	-	-	-	100,638
Interest Receivable	1,418	612	87	3	3	20	-	2,143
Total Assets	\$ 2,875,412	\$ 1,535,517	\$ 118,316	\$ 7,066	\$ 7,489	\$ 85,495	\$ (100,170)	\$ 4,529,125

LIABILITIES, RESERVES & FUND BALANCE

IBNR Reserves (Note 3)	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Total Liabilities	50,000	-	-	-	-	-	-	50,000
Fund/(Deficit) Balance	2,825,412	1,535,517	118,316	7,066	7,489	85,495	(100,170)	4,479,125
Total Liabilities, Reserves and Fund Balance	\$ 2,875,412	\$ 1,535,517	\$ 118,316	\$ 7,066	\$ 7,489	\$ 85,495	\$ (100,170)	\$ 4,529,125

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
BALANCE SHEET
DECEMBER 31, 2017 - FUND YEAR 2017**

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	\$ 3,530,354	\$ (1,055,998)	\$ 223,941	\$ 5,943	\$ 112,183	\$ 2,258,824	\$ 607	\$ (42,236)	\$ (58,974)	\$ 4,974,644
Investments	1,911,795	631,306	117,536	3,119	-	-	319	(22,167)	(30,952)	2,610,956
Assessment Receivable	553,188	371,811	54,233	313	-	-	32	52,289	63,645	1,095,511
Excess Insurance Receivable	49,746	-	-	-	572,145	-	-	-	-	621,891
Interest Receivable	1,926	-	90	3	221	813	-	-	-	3,053
Other Assets	21,513	-	-	-	-	-	-	-	-	21,513
Total Assets	\$ 6,068,522	\$ (52,881)	\$ 395,800	\$ 9,378	\$ 684,549	\$ 2,259,637	\$ 958	\$ (12,114)	\$ (26,281)	\$ 9,327,568
LIABILITIES, RESERVES & FUND BALANCE										
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,839	\$ 1,839
Accrued Expenses	898	-	-	-	-	-	-	-	89,333	90,231
IBNR Reserves (Note 3)	1,639,075	378,016	123,909	-	918,988	127,012	-	-	-	3,187,000
Total Liabilities	1,639,973	378,016	123,909	-	918,988	127,012	-	-	91,172	3,279,070
Fund/(Deficit) Balance	4,428,549	(430,897)	271,891	9,378	(234,439)	2,132,625	958	(12,114)	(117,453)	6,048,498
Total Liabilities, Reserves and Fund Balance	\$ 6,068,522	\$ (52,881)	\$ 395,800	\$ 9,378	\$ 684,549	\$ 2,259,637	\$ 958	\$ (12,114)	\$ (26,281)	\$ 9,327,568

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2017 - CLOSED YEARS**

	GENERAL AND ADMINISTRATIVE FUND
Revenues:	
Contribution Adjustments	<u>\$ -</u>
Total Revenues	<u>-</u>
Expenses:	
Claims - Net of Claims Adjustments	<u>(208,579)</u>
Total Expenses	<u>(208,579)</u>
Excess/(Deficit) of Revenues over Expenses	<u>208,579</u>
Other Financing Sources/(Uses):	
Gain on Investments	70,352
Dividend Income	270,057
Closing of Fund Year 2015	4,284,984
Dividend Paid	<u>(6,799,376)</u>
Total Other Financing Sources/(Uses)	<u>(2,173,983)</u>
Excess/(Deficit) of Revenues & Other Financing Sources Over Expenses and Other Financing Uses	(1,965,404)
Fund Balance Beginning of Year	<u>11,977,230</u>
Fund Balance/(Deficit) End of Year	<u>\$ 10,011,826</u>

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2017 - FUND YEAR 2016**

	MEDICAL FUND	PRESCRIPTIONS FUND	DENTAL FUND	VISION FUND	LAKEMEDICAL FUND	LAKEPRESCRIPTION FUND	CONTINGENCY FUND	REINSURANCE FUND	GENERAL & ADMINISTRATIVE FUND	(MEMORANDUM) ONLY COMBINED TOTAL
Revenues:										
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-	-	-	-	-	-
Expenses:										
Claim Adjustments	188,197	(208,100)	58,735	-	-	-	-	-	-	38,832
Miscellaneous	-	-	-	-	-	-	-	-	1,013	1,013
Total Claims Expenses	188,197	(208,100)	58,735	-	-	-	-	-	1,013	39,845
Excess/(Deficit) of Revenues Over Expenses	(188,197)	208,100	(58,735)	-	-	-	-	-	(1,013)	(39,845)
Other Financing Sources/(Uses):										
Transfer to Current Year	-	-	-	-	(141,561)	(642,659)	-	-	-	(784,220)
Dividend Income	165,012	-	-	-	-	-	-	-	-	165,012
Interest Income	14,227	5,021	844	28	-	-	29	186	-	20,335
Total Other Financing Sources/(Uses)	179,239	5,021	844	28	(141,561)	(642,659)	29	186	-	(598,873)
Excess of Revenue Over Expenses and Adjustments	(8,958)	213,121	(57,891)	28	(141,561)	(642,659)	29	186	(1,013)	(638,718)
Fund Balance Beginning of Year	2,854,370	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	\$ 2,825,412	\$ 1,535,517	\$ 118,316	\$ 7,066	\$ -	\$ -	\$ 7,489	\$ 85,495	\$ (100,170)	\$ 4,479,125

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2017 - FUND YEAR 2017**

	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	\$ 15,657,465	\$ 8,005,886	\$ 1,618,158	\$ 9,363	\$ 6,661,707	\$ 3,480,926	\$ 956	\$ 1,660,671	\$ 1,948,169	\$ 39,043,301
Total Revenues	15,657,465	8,005,886	1,618,158	9,363	6,661,707	3,480,926	956	1,660,671	1,948,169	39,043,301
Expenses:										
Claims - Net of Claims Adjustments	10,140,723	8,436,783	1,346,655	-	7,039,369	1,997,331	-	-	-	28,960,861
State Reserve for Retirees	898	-	-	-	-	-	-	-	-	898,000
HMO-PPO Premiums	1,097,664	-	-	-	-	-	-	-	-	1,097,664
Claims Administrator	-	-	-	-	-	-	-	-	791,224	791,224
Program Manager	-	-	-	-	-	-	-	-	754,018	754,018
Reinsurance	-	-	-	-	-	-	1,672,785	-	-	1,672,785
Executive Director	-	-	-	-	-	-	-	299,205	-	299,205
Professional Services	-	-	-	-	-	-	-	107,626	-	107,626
Affordable Care Act Tax	-	-	-	-	-	-	-	7,081	-	7,081
Miscellaneous	-	-	-	-	-	-	-	106,486	-	106,486
Total Claims Expenses	11,239,285	8,436,783	1,346,655	-	7,039,369	1,997,331	-	1,672,785	2,065,640	33,797,848
Excess/(Deficit) of Revenues Over Expenses	4,418,180	(430,897)	271,503	9,363	(377,662)	1,483,595	956	(12,114)	(117,471)	5,245,453
Other Financing Sources/(Uses):										
Transfer from Prior Year	-	-	-	-	141,561	642,659	-	-	-	784,220
Interest Income	10,369	-	388	15	1,662	6,371	2	-	18	18,825
Total Other Financing Sources/(Uses)	10,369	-	388	15	143,223	649,030	2	-	18	803,045
Excess of Revenue Over Expenses and Adjustments	4,428,549	(430,897)	271,891	9,378	(234,439)	2,132,625	958	(12,114)	(117,453)	6,048,498
Fund Balance/(Deficit) End of Year	\$ 4,428,549	\$ (430,897)	\$ 271,891	\$ 9,378	\$ (234,439)	\$ 2,132,625	\$ 958	\$ (12,114)	\$ (117,453)	\$ 6,048,498

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 - CLOSED YEARS**

Cash Flows From Operating Activities:		
Cash Received/(Paid) for Claims, Premiums & Services		\$ 115,122
		<u>115,122</u>
Net Cash Provided by Operating Activities		
Cash Flows From Financing Activities:		
Interest Received		72,655
Dividend Income		270,057
Dividend Paid		<u>(3,841,591)</u>
Net Cash Used by Financing Activities		
		<u>(3,498,879)</u>
Cash Flows From Investing Activities:		
Proceeds from Investments		<u>1,573,451</u>
Net Cash Provided by Investing Activities		
		<u>1,573,451</u>
Net Decrease in Cash		
		<u>(1,810,306)</u>
Cash at Beginning of Period - Closed Year	\$ 7,657,492	
Cash at Beginning of Period - 2015 Fund Year	<u>2,653,338</u>	<u>10,310,830</u>
Cash at End of Period		<u><u>\$ 8,500,524</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		\$ 208,579
Changes Which Provided/(Used) Cash:		
Excess Insurance Receivable		(83,457)
IBNR Reserves		<u>(10,000)</u>
Net Cash Provided by Operating Activities		
		<u><u>\$ 115,122</u></u>

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 - FUND YEAR 2016**

Cash Flows From Operating Activities:	
Cash Received From Members	\$ 945,555
Cash Received/(Paid) for Claims, Premiums & Services	<u>(2,744,245)</u>
Net Cash Used by Operating Activities	<u>(1,798,690)</u>
Cash Flows From Financing Activities:	
Transfer to Current Year	(784,220)
Interest Received	21,563
Dividend Income	<u>165,012</u>
Net Cash Used by Financing Activities	<u>(597,645)</u>
Cash Flows From Investing Activities:	
Proceeds from Investments	<u>995,433</u>
Net Cash Provided by Investing Activities	<u>995,433</u>
Net Decrease in Cash	(1,400,902)
Cash at Beginning of Period	<u>4,303,704</u>
Cash at End of Period	<u><u>\$ 2,902,802</u></u>

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

Revenues in Excess of Expenses	\$ (39,845)
Working Capital Changes Which Provided/(Used) Cash:	
Assessment Receivable	959,756
IBNR Reserves	(2,700,000)
Excess Insurance Receivable	(37,708)
Other Assets	23,507
Accrued Expenses	(1,849)
Accounts Payable	<u>(2,551)</u>
Net Cash Used by Operating Activities	<u><u>\$ (1,798,690)</u></u>

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 - FUND YEAR 2017**

Cash Flows From Operating Activities:	
Cash Received From Members	\$ 37,947,790
Cash Paid for Claims, Premiums and Services	<u>(31,162,182)</u>
Net Cash Provided by Operating Activities	<u>6,785,608</u>
Cash Flows From Financing Activities:	
Transfer from Prior Year	784,220
Interest Received	<u>15,772</u>
Net Cash Provided by Financing Activities	<u>799,992</u>
Cash Flows From Investing Activities:	
Proceeds from Investments	<u>(2,610,956)</u>
Net Cash Used by Investing Activities	<u>(2,610,956)</u>
Net Increase in Cash	<u>4,974,644</u>
Cash at End of Period	<u><u>\$ 4,974,644</u></u>

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

Revenues in Excess of Expenses	\$ 5,245,453
Working Capital Changes Which Provided/(Used) Cash:	
Assessment Receivable	(1,095,511)
Excess Insurance Receivable	(621,891)
Other Assets	(21,513)
Accrued Expenses	90,231
IBNR Reserves	3,187,000
Accounts Payable	<u>1,839</u>
Net Cash Provided by Operating Activities	<u><u>\$ 6,785,608</u></u>

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
REQUIRED SUPPLEMENTARY INFORMATION
RECONCILIATION OF CLAIMS LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	MEDICAL FUND	PRESCRIPTIONS FUND	DENTAL FUND	CLOSED YEARS	(MEMORANDUM ONLY) COMBINED TOTAL
Unpaid Claims at December 31, 2016	\$ 2,139,907	\$ 502,837	\$ 117,256	-	\$ 2,760,000
Adjustments to Incurred Claims from Prior Period	188,197	(208,100)	58,735	(208,579)	(169,747)
Incurred Claims for Current Period	17,180,990	10,434,114	1,346,655	-	28,961,759
Total Incurred Claims	17,369,187	10,226,014	1,405,390	(208,579)	28,792,012
Payment:					
Claims Attributable to the Prior Periods	2,278,104	294,737	175,991	(208,579)	2,540,253
Claims Attributable to the Current Period	14,622,927	9,929,086	1,222,746	-	25,774,759
Total Payments	16,901,031	10,223,823	1,398,737	(208,579)	28,315,012
Incurred But Not Reported Related to Fund Year 2016	50,000	-	-	-	50,000
Incurred But Not Reported Related to Fund Year 2017	2,558,063	505,028	123,909	-	3,187,000
Total Incurred But Not Reported at December 31, 2017	\$ 2,608,063	\$ 505,028	\$ 123,909	-	\$ 3,237,000

**CENTRAL NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
REQUIRED SUPPLEMENTARY INFORMATION
NUMBER OF COVERED INDIVIDUALS BY MEMBER
FOR FUND YEARS 2017, 2016, 2015**

LINE OF COVERAGE	FUND YEAR 2017	FUND YEAR 2016	FUND YEAR 2015
Medical	1,781	1,536	1,562
Dental	1,716	1,688	1,536
Prescription	2,080	2,015	2,169
Vision	83	84	87

**CLAIMS DEVELOPMENT INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

	FUND YEAR 2017	FUND YEAR 2016
Net Earned Required Contribution & Investment Revenue (Cumulative)	<u>\$ 39,062,126</u>	<u>\$ 37,613,643</u>
Unallocated Expenses (Cumulative)	<u>\$ 2,065,640</u>	<u>\$ 1,912,464</u>
Estimated Incurred Claims & Expense, (Net of Reinsurance) End of Policy Period	<u>31,732,208</u>	<u>31,348,116</u>
Paid/(Cumulative) as of December 31, 2015	<u>28,545,208</u>	<u>28,598,116</u>
Re-estimated Incurred Claims & Expenses (Cumulative)/(Net of Reinsurance)	<u>31,732,208</u>	<u>31,348,116</u>
Increase/(Decrease) in Estimated Incurred Claims	<u>\$ -</u>	<u>\$ -</u>

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**CENTRAL JERSEY
HEALTH INSURANCE FUND**

**COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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HOLMAN | FRENIA
ALLISON, P.C.

Certified Public Accountants & Consultants

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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, 2017, 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 ALLISION, P.C.
Certified Public Accountants

May 16, 2018
Toms River, New Jersey