



**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE INITIAL YEAR ENDED DECEMBER 31, 2016**

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Southern Coastal 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 Coastal Regional Employee Benefits Fund (the "Fund") as of and for the initial year ended December 31, 2016, 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 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 respective financial position of the Fund as of December 31, 2016 and the changes in its financial position and its cash flows for the initial year then ended, in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements and are presented for purposes of additional analysis. The accompanying supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

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

Respectfully Submitted,

Bowman & Company LLP  
Certified Public Accountants  
& Consultants

Woodbury, New Jersey  
June \_\_, 2017

**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 Trustees  
Southern Coastal 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 Coastal Regional Employee Benefits Fund (the "Fund"), as of December 31, 2016 and for the initial year then ended, and the related notes to the financial statements, which collective comprise the Fund's basic financial statements, and have issued our report thereon dated **June \_\_, 2017**.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and the audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Respectfully Submitted,

Bowman & Company LLP  
Certified Public Accountants  
& Consultants

Woodbury, New Jersey  
June \_\_, 2017

# **SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND**

## **Management's Discussion and Analysis - Unaudited**

This section of the annual financial report of the Southern Coastal Regional Employee Benefits Fund (the "Fund") presents a discussion and analysis of the financial performance of the Fund for the initial year ended December 31, 2016. Please read it in conjunction with the basic financial statements that follow this section.

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

The Fund's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises where applicable. The primary purpose of the Fund is to provide health coverage for school districts 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, and net position. Net position represents the amount of total assets less total liabilities.

**Statement 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.

**Statement 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 reporting period.



## Financial Highlights

The following tables summarize the net position and results of operations for the Fund as of and for the initial year ended December 31, 2016.

Summary Statement of Net Position	
Assets:	
Cash And Cash Equivalents	\$ 8,676,016
Contributions Receivable	1,557,733
Excess Insurance Receivable	2,730,817
Prepaid Expense	8,043
Investment In Joint Venture	1,010,827
Total Assets	<u>13,983,436</u>
Liabilities, Reserves & Net Position	
Liabilities:	
Accrued Expenses	168,783
Accrued Insurance Premiums	907,051
Due To The Southern New	
Regional Employee	479,717
Loss Reserves	5,380,000
Total Liabilities & Reserves	<u>6,935,551</u>
Net Position - Unrestricted	<u>\$ 7,047,885</u>

Summary Statement of Revenues, Expenses, and Changes in Net Position	
Operating Revenue:	
Regular and Employee Contributions	<u>\$ 52,625,859</u>
Operating Expenses:	
Provision for Claims and Claims Expense	44,353,762
Insurance Premiums	3,198,980
Administrative and Operating	4,500,192
Total Operating Expenses	<u>52,052,934</u>
Operating Income	572,925
Non-Operating Revenues:	
Investment Income	58,856
Change In Joint Venture	407,561
Change In Net Position	<u>\$ 1,039,342</u>

## **Financial Highlights Continued**

On January 1, 2016, the Southern Coastal Regional Employee Benefits Fund (the "Fund") was formed 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.

The Fund's total assets as of December 31, 2016 were \$13,983,436 and total liabilities and reserves were \$6,935,551 resulting in a surplus in unrestricted net position of \$7,047,885.

The Fund's operating revenues were \$52,625,859 during the year. Claims expenses represented \$44,353,762 in health benefit costs. Reinsurance premiums were composed of \$2,291,929 being incurred by the Municipal Reinsurance Health Insurance Fund and \$907,051 being incurred by State Health Benefits Program Surcharge Premiums. During the reporting period, professional and administrative operating costs were \$4,301,067 and Affordable Care Act taxes of \$199,125.

The value of the Fund's share of the Municipal Reinsurance Health Insurance Fund (MRHIF) was \$1,010,827.

Investment income was \$58,856 due to fund's active pursuit of higher interest rates from area financial institutions.

## **Economic Conditions**

The Fund continues to be affected by inflation of health benefit costs. 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 Coastal Regional Employee Benefits Fund members and the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, 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 Coastal Regional Employee Benefits Fund's office located at 9 Campus Drive, Suite 216, Parsippany, New Jersey 07054 or by phone at (201) 881-7632.

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2016

ASSETS

Cash And Cash Equivalents	\$ 8,676,016
Contributions Receivable	1,557,733
Excess Insurance Receivable	2,730,817
Investment In Joint Venture	1,010,827
Other Assets	8,043
	<hr/>
Total Assets	13,983,436
	<hr/>

LIABILITIES AND RESERVES

## Liabilities:

Accrued Insurance Premiums	907,051
Accrued Expenses	168,783
Due To The Southern New Jersey Regional Employee Health Insurance Fund	479,717
	<hr/>
Total Liabilities	1,555,551
	<hr/>

## Reserves:

Actuarial Liability	5,380,000
	<hr/>
Total Liabilities And Reserves	6,935,551
	<hr/>

NET POSITION

Unrestricted	\$ 7,047,885
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The Accompanying Notes To Financial Statements Are An Integral Part Of This Statement.

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
FOR THE INITIAL YEAR ENDED DECEMBER 31, 2016

Operating Revenues:	
Regular Contributions	\$ 52,519,497
Employee Contribution	106,362
	<hr/>
Total Operating Revenues	52,625,859
	<hr/>
Operating Expenses:	
Provision For Claims And Claims Adjustment Expenses	44,353,762
Reinsurance	2,291,929
State Health Benefits Program Surcharge Premiums	907,051
Affordable Care Act Taxes	199,125
Administration	4,301,067
	<hr/>
Total Operating Expenses	52,052,934
	<hr/>
Operating Income	572,925
Non-Operating Revenue:	
Investment Income	58,856
Change In Investment In Joint Venture	407,651
	<hr/>
Change In Net Position	1,039,432
Net Position, Beginning	-
Transfer From The Southern New Jersey Regional Employee Benefits Fund	<hr/> 6,008,453
Net Position, Ending	<hr/> \$ 7,047,885

The Accompanying Notes To Financial Statements Are An Integral Part Of This Statement.

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
STATEMENT OF CASH FLOWS  
FOR THE INITIAL YEAR ENDED DECEMBER 31, 2016

Cash Flows From Operating Activities:	
Receipts From Regular Contributions	\$ 51,068,126
Payments For Health Benefits Claims	(41,704,579)
Payments For Insurance Premiums	(2,291,929)
Payments For Affordable Care Act Taxes	(199,125)
Payments To Professionals And Administrative Expenses	(4,132,284)
	<hr/>
Net Cash Flows Provided By Operating Activities	2,740,209
	<hr/>
Cash Flows Provided By Investing Activities:	
Investment Income	58,856
	<hr/>
Cash Flows Provided By Noncapital Financing Activities:	
Due To The Southern New Jersey Regional Employee Health Insurance Fund	479,717
	<hr/>
Net Increase In Cash And Cash Equivalents	3,278,782
Cash And Cash Equivalents Transferred From The Southern New Jersey Regional Employee Benefits Fund	5,397,234
	<hr/>
Cash And Cash Equivalents, End Of Year	<u>\$ 8,676,016</u>
Reconciliation Of Operating Income To Cash Flows From Operating Activities:	
Operating Income	\$ 572,925
Adjustments To Reconcile Operating Income to Net	
Cash Provided By Operating Activities:	
Changes In Assets And Liabilities:	
Decrease (Increase) In Assets:	
Contributions Receivable	(1,557,733)
Excess Insurance Receivable	(2,730,817)
Increase (Decrease) In Liabilities:	
Accrued Administrative Expenses	168,783
Accrued Excess Insurance Premium	907,051
Actuarial Liability	5,380,000
	<hr/>
Total Adjustments	2,167,284
	<hr/>
Net Cash Provided By Operating Activities	<u>\$ 2,740,209</u>
Supplemental Disclosure - Noncash Activity:	
Change In Investment In Joint Venture	<u>\$ 407,651</u>

The Accompanying Notes To Financial Statements Are An Integral Part Of This Statement.

**SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

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

On July 31, 2015, the Southern Coastal Regional Employee Benefits Fund (the "Fund") was formed pursuant to NJSA 40A:10-36 et. seq. and NJAC 11:15-3 when the Fund received certificate of authority from the New Jersey Department of Banking and Insurance and commenced operations on January 1, 2016. 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 year, Southern New Jersey Coastal area members of the Southern New Jersey Regional Employee Benefits Fund could become a part of the Fund's initial application. Thereafter, the 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 two-thirds vote, after proper notice has been given.

All member's assessments, including a reserve for contingencies, are based on annual actuarial assumptions determined by the Fund's Actuary and on monthly and quarterly adjustments determined by the Fund's Actuary and Program Manager based on actual loss experience. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

The Fund offers the following coverages to its members:

Medical  
Dental  
Prescription

The Fund provides coverage on a self-insured basis and secures reinsurance in a form and an amount from an insurance company acceptable to the Commissioner of Insurance.

During 2016, the following boards of education and municipalities were members of the Fund:

Brigantine City	Lawrence Township BOE
Bridgeton BOE	Lower Cape May Regional BOE
Bridgeton Public Charter School *	Middle Township
Buena Regional BOE	Millville BOE
Commercial Township BOE	Millville Public Charter School *
Cumberland County Improvement Authority	Millville Public Library
Cumberland County Charter School Network *	Pittsgrove Township
Cumberland Regional BOE	Upper Deerfield BOE
Cumberland County Technical Education Cntr	Vineland Public Charter School *
Dennis Township BOE	West Cape May BOE
Hopewell Township BOE	Woodstown Borough

\* Effective September 1, 2016, Bridgeton Public Charter School, Millville Public Charter School and Vineland Public Charter School merged to form the Cumberland County Charter School Network.

**SOUTHERN COASTAL 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 during fiscal year 2016 were as follows:

**HEALTH INSURANCE COVERAGE**

**Medical and Prescription:**

<u>Limits</u>	<u>Description</u>
<b><u>I. Fund's Self-Insured Retained Limit of Liability (S.I.R.)</u></b>	
A. \$300,000	Specific limit - applies per enrolled participant per reinsurance policy year.
B. \$53,738,700	Aggregate limit of liability (Attachment is based on the aggregate factors multiplied by the Participant Census)
<b><u>II. Excess Insurers' Limit of Liability</u></b>	
A. Unlimited	Reimbursement in excess of the Fund's specific S.I.R.
B. \$10,000,000	Reimbursement in excess of the Fund's aggregate S.I.R.

**Prescription Enrollees Without Medical Coverage:**

<u>Limits</u>	<u>Description</u>
<b><u>I. Fund's Self-Insured Retained Limit of Liability (S.I.R.)</u></b>	
A. \$250,000	Specific limit - applies per enrolled participant per reinsurance policy year.
B. \$2,211,234	Aggregate limit of liability (Attachment is based on the aggregate factors multiplied by the Participant Census)
<b><u>II. Excess Insurers' Limit of Liability</u></b>	
A. \$1,000,000	Reimbursement in excess of the Fund's specific S.I.R.
B. \$2,000,000	Reimbursement in excess of the Fund's aggregate S.I.R.

**Dental Aggregate Retention:** None – Self-insured with risk retained by the Fund.

Medical, Prescription, and Prescription coverage without Medical coverage retentions will vary with census and can also vary depending upon the allocation of claims.

**SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Health Insurance Coverage Notes:**

1. "Health Insurance" means health insurance as defined pursuant to N.J.S.A. 17B:17-4 or service benefits as provided by health service corporations, hospital service corporations or medical service corporations authorized to do business in the state.
2. "Incurred Claims" means claims, which occur during a Fund year, including claims paid during a later period. The exact definition of "Incurred Claims" or any similar term is the definition used in the excess insurance policy purchased by the Fund.
3. The Fund's reinsurance agreement for the fiscal year 2016 was with the Municipal Reinsurance Health Insurance Fund ("MRHIF"). The agreement is on a 12/24 month exposure period covering claims incurred during the twelve-month policy period January 1, 2016 to December 31, 2016.
4. Open enrollment for participating employees is offered during the months of May and November.
5. Medical coverage consists of each participating municipality's individual medical benefits plan, the HMO option on a group basis or the PPO option in accordance with a plan on file with the Department of Insurance.
6. Medicare provides secondary coverage for eligible active employees and primary coverage for eligible Medicare participants.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the more significant policies followed by the Southern Coastal 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 is ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the primary entity.



**SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Component Unit (Cont'd)**

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the primary entity is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary entity could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Fund has no component units and is not includable in any other reporting entity.

**Basis of Presentation, Fund Accounting**

The financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

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

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

**Cash, Cash Equivalents and Investments**

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

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

**SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Cash, Cash Equivalents and Investments (Cont'd)**

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

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

**Valuation of Investments**

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

**Revenue Recognition**

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

**Interest Income Allocation**

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

**Additional Assessments and Dividend Credits (Refunds)**

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

**SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Claims Funding**

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

**Actuarial Liability**

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

Liabilities for unpaid losses represent the estimated liability on claims reported to the Fund plus reserves for claims incurred but not yet reported. The liabilities for claims are evaluated using Fund and industry data, case basis evaluations and other statistical analyses, and represent estimates of the ultimate net cost of all losses incurred through December 31, 2016.

These liabilities are subject to variability between estimated ultimate losses determined as described and the actual experience as it emerges, including the impact of future changes in claim severity, frequency, and other factors. Management believes that the liabilities for unpaid claims are adequate. The estimates are continually reviewed and as adjustments to these liabilities become necessary, such adjustments are reflected in current operations.

**Reinsurance**

The Fund seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to the Municipal Reinsurance Health Insurance Fund 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 2016 amounted to \$2,730,817.

**SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

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

**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 Trustees/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 Trustees.

**Income Taxes**

The Fund is exempt from income taxes under Section 115 of the Internal Revenue Code.

**Operating and Non-Operating Revenues and Expenses**

Operating revenues include all revenues derived from member contributions. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities and positive changes in the Fund's investment in joint ventures.

Operating expenses include expenses associated with the fund operations, including claims expense, insurance and administrative expenses. Non-operating expenses include negative changes in the Fund's investment in joint ventures.

**Use of Estimates**

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

**Note 3: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the Fund's deposits might not be recovered. Although the Fund does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Fund in excess of FDIC insured amounts are protected by GUDPA.

**SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 3: CASH AND CASH EQUIVALENTS (CONT'D)**

**Custodial Credit Risk Related to Deposits (Cont'd)**

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 \$8,712,300 as of December 31, 2016, \$500,000 was insured while \$8,212,300 was collateralized under GUDPA.

**Note 4: CHANGES IN UNPAID CLAIMS LIABILITIES**

As discussed in Note 2, the Fund establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related allocated claim adjustment expenses.

The following represents changes in those aggregate undiscounted reported and unreported liabilities for the Fund during 2016 for all open fund years net of excess insurance recoveries:

Total unpaid claims and claim adjustment expenses	
all fund years - beginning of year	\$ -
Incurring claims and claim adjustment expenses:	
Provision for insured events of current fund year	45,100,933
Changes in provision for insured insured events of prior fund years	<u>(747,171)</u>
Total incurred claims and claim adjustment expenses all fund years	<u>44,353,762</u>
Payments:	
Claims and claim adjustment expenses:	
Attributable to insured events of current fund year	39,720,933
Attributable to insured events of prior fund years	<u>(747,171)</u>
Total payments all fund periods	<u>38,973,762</u>
Total unpaid claims and claim adjustment expenses all fund years - end of year	<u><u>\$ 5,380,000</u></u>

**SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 5: 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. As of December 31, 2016, the Fund recorded insurance expense of \$1,101,522 for State Health Benefits Program premium surcharges.

**Note 6: LOSS FUND CONTINGENCY ACCOUNT**

Upon recommendation of the Fund's Administrator, the Fund Trustees 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 7: MUNICIPAL REINSURANCE HEALTH INSURANCE FUND**

Effective January 1, 2016, the Fund became a member of the Municipal Reinsurance Health Insurance Fund. The MRHIF is a risk-sharing public entity risk pool that is a self-administered group of joint insurance funds established for the purpose of providing excess health insurance coverage to participating members. Each member appoints an official to represent their respective joint insurance fund for the purpose of creating a governing body from which officers for the MRHIF are elected.

As a member of the MRHIF, the Fund could be subject to supplemental assessments in the event of deficiencies. If the assets of the MRHIF were to be exhausted, members would become jointly and severely liable for the MRHIF's liabilities.

The MRHIF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment relates to the total assessment of the membership for that fund year.

**Equity Interest**

As of December 31, 2016, the Fund's share of net position in the Municipal Reinsurance Health Insurance Fund was \$1,010,827.

**SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 7: MUNICIPAL REINSURANCE HEALTH INSURANCE FUND (CONT'D)**

**Selected Financial Information**

Selected summarized financial information for the Municipal Reinsurance Health Insurance Fund as of December 31, 2016 were as follows:

Total Assets	<u><u>\$ 22,259,703</u></u>
Total Liabilities	<u><u>\$ 10,039,073</u></u>
Net Position	<u><u>\$ 12,220,630</u></u>
Total Revenues	<u><u>\$ 12,968,248</u></u>
Total Expenses	<u><u>\$ 10,454,647</u></u>
Change in Net Position	<u><u>\$ 2,513,601</u></u>
Return of Surplus	<u><u>\$ -</u></u>

Financial statements for the Municipal Reinsurance Health Insurance Fund are available at the office of the Fund's Executive Director:

PERMA  
9 Campus Drive, Suite 216  
Parsippany, NJ 07054  
201-881-7632

**Note 8: RELATED PARTY TRANSACTIONS**

As disclosed in Note 7, the Fund is a member of the Municipal Reinsurance Health Insurance Fund and accordingly has an ownership interest in MRHIF. Excess insurance premiums paid to MRHIF as of December 31, 2016 were \$2,202,044.

**SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 9: REORGANIZATION**

As stated in Note 1, certain members of the Southern New Jersey Regional Employee Benefits Fund transferred their equity interest in the Southern New Jersey Regional Employee Benefits Fund to form the Southern Coastal Regional Employee Benefits Fund on January 1, 2016.

The Southern New Jersey Regional Employee Benefits Fund transferred the following assets, liabilities and net position to form the Southern Coastal Regional Employee Benefits Fund:

	<u>Total</u>	<u>2016</u>	<u>Closed</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 5,428,391	\$ 20,000	\$ 5,408,391
Investment In Joint Venture	603,176		603,176
Receivables	35,866		35,866
	<hr/>		
Total Assets	6,067,433	20,000	6,047,433
	<hr/>		
<u>LIABILITIES</u>			
Accrued Expenses	58,980		58,980
	<hr/>		
<u>NET POSITION</u>			
Unrestricted	\$ 6,008,453	\$ 20,000	\$ 5,988,453
	<hr/> <hr/>		



**REQUIRED SUPPLEMENTARY INFORMATION**

Draft as of 5-22-17

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
RECONCILIATION OF HEALTH CLAIMS LIABILITIES BY FUND  
FOR THE INITIAL YEAR ENDED DECEMBER 31, 2016

	<u>Medical</u>	<u>Prescription</u>	<u>Dental</u>	<u>Total</u>
Total unpaid claims and claim adjustment expenses - Beginning of Year	\$ - \$	- \$	- \$	-
Incurred claims and claims adjustment expenses:				
Provision for insured events of current fund year	44,083,096	919,034	98,803	45,100,933
Changes in provision for insured events of prior fund years				-
Total incurred claims and claims adjustment expenses all Fund years	44,083,096	919,034	98,803	45,100,933
Payments:				
Claims and claims adjustment expenses (Net of Recoveries):				
Attributable to insured events of current fund year	38,754,326	875,584	91,023	39,720,933
Attributable to insured events of prior fund years				-
Total payments all Fund years	38,754,326	875,584	91,023	39,720,933
Total unpaid claims and claim adjustment expenses - End of Year	\$ 5,328,770 \$	43,450 \$	7,780 \$	5,380,000

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
ONE-YEAR CLAIMS DEVELOPMENT INFORMATION  
AS OF DECEMBER 31, 2016

Net Earned Required Contribution and Investment Revenue:	
Earned	\$ 52,649,072
Ceded	<u>3,198,980</u>
	<u>49,450,092</u>
Unallocated Expenses	<u>4,500,192</u>
Estimated Claims and Expenses, End of Policy Year:	
Incurred	45,100,933
Ceded	<u>3,198,980</u>
Net Incurred	<u>41,901,953</u>
Paid (Cumulative) as of: End of Policy Year	39,720,933
Reestimated Incurred Claims and Expenses: End of Policy Year	<u>41,901,953</u>
Increase (Decrease) in Estimated Incurred Claims and Expenses from End of Policy Year	<u>\$ -</u>

## **SUPPLEMENTARY INFORMATION**

Draft as of 5-22-17

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
STATEMENT OF NET POSITION - STATUTORY BASIS  
AS OF DECEMBER 31, 2016

	<u>Total</u>	<u>2016</u>	<u>Closed Years</u>
<u>ASSETS</u>			
Cash And Cash Equivalents	\$ 8,676,016	\$ 2,543,025	\$ 6,132,991
Contributions Receivable	1,557,733	1,522,633	35,100
Excess Insurance Receivable	2,730,817	2,730,817	
Other Assets	8,043	8,043	
	<hr/>		
Total Assets	\$ 12,972,609	\$ 6,804,518	\$ 6,168,091
<u>LIABILITIES AND RESERVES</u>			
Liabilities:			
Accrued Insurance Premiums	\$ 907,051	\$ 907,051	
Accrued Administrative Expenses	168,783	168,783	
Due To The Southern New Jersey Regional Employee Health Insurance Fund	479,717	479,717	
	<hr/>		
Total Liabilities	1,555,551	1,555,551	
Reserves:			
Actuarial Liability	5,380,000	5,380,000	
	<hr/>		
Total Liabilities And Reserves	6,935,551	6,935,551	-
<u>NET POSITION</u>			
Unrestricted	\$ 6,037,058	\$ (131,033)	\$ 6,168,091
	<hr/>		

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - STATUTORY BASIS  
FOR THE INITIAL YEAR ENDED DECEMBER 31, 2016

	<u>Total</u>	<u>2016</u>	<u>Closed Years</u>
Operating Revenues:			
Regular Contributions	\$ 52,519,497	\$ 52,519,497	
Employee Contribution	106,362	106,362	
Total Operating Revenues	52,625,859	52,625,859	-
Operating Expenses:			
Provision For Claims And			
Claims Adjustment Expenses (Recoveries)	44,353,762	45,100,933	(747,171)
Reinsurance	2,291,929	2,291,929	
State Health Benefits			
Program Surcharge Premiums	907,051	907,051	
Affordable Care Act Taxes	199,125	199,125	
Administration	4,301,067	4,301,067	
Total Operating Expenses	52,052,934	52,800,105	(747,171)
Operating Income	572,925	(174,246)	747,171
Non-Operating Revenue:			
Investment Income	58,856	23,213	\$ 35,643
Change In Net Position	631,781	(151,033)	782,814
Net Position, Beginning	-	-	-
Transfer From The Southern New Jersey Regional Employee Benefits Fund	5,405,277	20,000	5,385,277
Net Position, Ending	\$ 6,037,058	\$ (131,033)	\$ 6,168,091

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
STATEMENT OF CASH FLOWS - STATUTORY BASIS  
FOR THE INITIAL YEAR ENDED DECEMBER 31, 2016

	<u>Total</u>	<u>2016</u>	<u>Closed Years</u>
Cash Flows From Operating Activities:			
Receipts From Regular Contributions	\$ 51,068,126	\$ 51,103,226	\$ (35,100)
(Payments) Recoveries For Health Benefits Claims	(41,704,579)	(42,451,750)	747,171
Payments For Insurance Premiums	(2,291,929)	(2,291,929)	
Payments For Affordable Care Act Taxes	(199,125)	(199,125)	
Payments To Professionals And Supplies	(4,132,284)	(4,132,284)	
Net Cash Flows Provided By Operating Activities	<u>2,740,209</u>	<u>2,028,138</u>	<u>712,071</u>
Cash Flows Provided By Investing Activities:			
Investment Income	<u>58,856</u>	<u>23,213</u>	<u>\$ 35,643</u>
Cash Flows Provided By Noncapital Financing Activities:			
Due To The Southern New Jersey Regional Employee Health Insurance Fund	<u>479,717</u>	<u>479,717</u>	
Net Increase In Cash And Cash Equivalents	3,278,782	2,531,068	747,714
Cash And Cash Equivalents Transferred From The Southern New Jersey Regional Employee Benefits Fund	<u>5,397,234</u>	<u>11,957</u>	<u>5,385,277</u>
Cash And Cash Equivalents, End Of Year	<u>\$ 8,676,016</u>	<u>\$ 2,543,025</u>	<u>\$ 6,132,991</u>
Reconciliation Of Operating Income To Cash Flows From Operating Activities:			
Operating Income	\$ 572,925	\$ (174,246)	\$ 747,171
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:			
Changes In Assets And Liabilities:			
Decrease (Increase) In Assets:			
Contributions Receivable	(1,557,733)	(1,522,633)	(35,100)
Excess Insurance Receivable	(2,730,817)	(2,730,817)	
Increase (Decrease) In Liabilities:			
Accrued Administrative Expenses	168,783	168,783	
Accrued Excess Insurance Premium	907,051	907,051	
Actuarial Liability	5,380,000	5,380,000	
Total Adjustments	<u>2,167,284</u>	<u>2,202,384</u>	<u>(35,100)</u>
Net Cash Provided By Operating Activities	<u>\$ 2,740,209</u>	<u>\$ 2,028,138</u>	<u>712,071</u>

**SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND**  
**NOTES TO SUPPLEMENTARY AND COMBINING INFORMATION – STATUTORY BASIS**

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

The information in the Southern Coastal Regional Employee Benefits Fund (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:

Total Assets – Statement of Net Position	\$ 13,983,436
Less Investment in Joint Venture	<u>1,010,827</u>
Total Assets – Statutory Basis	<u><u>\$ 12,972,609</u></u>
Net Position – Statement of Net Position	\$ 7,047,885
Less Investment in Joint Venture	<u>1,010,827</u>
Net Position – Statutory Basis	<u><u>\$ 6,037,058</u></u>
Change in Net Positon - Statement of Revenues,	
Expenses and Changes in Net Position	\$ 292,261
Less Change in Investment in Joint Venture	<u>407,651</u>
Change in Net Position – Statutory Basis	<u><u>\$ (115,390)</u></u>



SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
SUPPLEMENTARY INFORMATION  
STATEMENT OF FUND YEAR 2016 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS  
FOR THE INITIAL YEAR ENDED DECEMBER 31, 2016

	<u>Medical*</u>	<u>Medical Adv</u>	<u>Dental</u>	<u>Prescription</u>	<u>Reinsurance</u>	<u>Contingency</u>	<u>Administrative</u>	<u>Total</u>
Income:								
Regular Contributions	\$ 42,964,605	\$ 177,995	\$ 114,014	\$ 1,349,530	\$ 2,092,650	306,608	\$ 5,514,095	\$ 52,519,497
Employee Contribution	106,362							106,362
Investment Income	18,226	484	69	-	-	864	3,570	23,213
Total Income	43,089,193	178,479	114,083	1,349,530	2,092,650	307,472	5,517,665	52,649,072
Incurred Liabilities:								
Claims Paid (Net Of Refunds)	41,523,051		91,023	1,000,581				42,614,655
Excess Insurance Recoveries	(2,768,725)			(124,997)				(2,893,722)
Actuarial Liability (Net Of Recoverables)	5,328,770		7,780	43,450				5,380,000
Insurance Premiums	907,051	180,862			2,111,067			3,198,980
Affordable Care Act Taxes							199,125	199,125
Administrative Expenses							4,301,067	4,301,067
Total Liabilities	44,990,147	180,862	98,803	919,034	2,111,067	-	4,500,192	52,800,105
Net Position (Deficit) Before Transfer	(1,900,954)	(2,383)	15,280	430,496	(18,417)	307,472	1,017,473	(151,033)
Transfer from Southern New Jersey Regional Employee Benefits Fund							20,000	20,000
Net Position (Deficit)	\$ (1,900,954)	\$ (2,383)	\$ 15,280	\$ 430,496	\$ (18,417)	\$ 307,472	\$ 1,037,473	\$ (131,033)

\*Includes Retirees And COBRA

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
SUPPLEMENTARY INFORMATION  
STATEMENT OF FUND YEAR 2016 EXPENSE ANALYSIS - STATUTORY BASIS  
FOR THE INITIAL YEAR ENDED DECEMBER 31, 2016

	<u>Paid</u>	<u>Accrued Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 610,647		\$ 610,647
Program Manager	1,841,261	\$ 6,773	1,848,034
Third Party Administrators:			
Medical	1,568,372		1,568,372
Dental	5,110		5,110
Actuary	33,813		33,813
Attorney	27,063		27,063
Auditor	-	12,000	12,000
Treasurer	18,147		18,147
Postage	150	10	160
Plan Documents	5,603		5,603
Meeting Expense	3,565		3,565
Miscellaneous Expense	18,553		18,553
Wellness Program	-	150,000	150,000
Total Administrative Expenses	<u>\$ 4,132,284</u>	<u>\$ 168,783</u>	<u>\$ 4,301,067</u>

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CASH AND CASH EQUIVALENTS - STATUTORY BASIS  
AS OF DECEMBER 31, 2016

<u>Description</u>	<u>Amount</u>
Cash Accounts	
Investors Bank	6,674,087
Ocean First Bank	<u>2,001,929</u>
Total Cash And Cash Equivalents Per Schedule A Combining Statement of Net Position - Statutory Basis	<u>\$ 8,676,016</u>
Total Cash And Cash Equivalents By Fund Year:	
2016	\$ 2,543,025
Closed Years	<u>6,132,991</u>
	<u>\$ 8,676,016</u>

Draft as of 5-22-17

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE INITIAL YEAR ENDED DECEMBER 31, 2016**

Draft as of 5-22-17

## **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.

N/A

## **APPRECIATION**

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

Respectfully submitted,  
BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

James J. Miles, Jr.