



**REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
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 years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund as of December 31, 2020 and 2019 and the changes in its financial position and its cash flows for the years 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 XX, 2021 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

Voorhees, New Jersey
June XX, 2021

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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Southern 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, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated **June XX, 2021**.

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

Voorhees, New Jersey
June XX, 2021

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 years ended December 31, 2020, 2019 and 2018. Please read it in conjunction with the basic financial statements that follow this section.

Overview of Basic Financial Statements

The Fund's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises where applicable. The primary purpose of the Fund is to provide health coverage for municipalities and other governmental entities that are members of the Fund. The Fund maintains separate enterprise funds by incurred years and line of coverage. The basic financial statements are presented on an accrual basis of accounting. The three basic financial statements presented are as follows:

Comparative Statements of Net Position – This statement presents information reflecting the Fund's assets, liabilities and reserves, and net position. Net position represents the amount of total assets less total liabilities and reserves.

Comparative Statements of Revenues, Expenses, and Changes in Net Position – This statement reflects the Fund's operating revenues and expenses, as well as non-operating items during the reporting period. The change in net position for an enterprise fund is similar to net profit or loss for any other insurance company.

Comparative Statements of Cash Flows – The comparative statements of cash flows is presented on the direct method of reporting, which reflects cash flows from operating, investing and noncapital financing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the reporting period.

Financial Highlights

The following tables summarize the net position and results of operations for the Fund as of and for the years ended December 31, 2020, 2019 and 2018.

Summary Statements Of Net Position			2019 to 2020 Change	
	<u>2020</u>	<u>2019</u>	<u>2018</u>	
				<u>Change \$</u> <u>Change %</u>
Assets:				
Cash And Cash Equivalents	\$ 45,421,507	\$ 25,200,155	\$ 15,426,511	\$ 20,221,352 80.2%
Investments	-	12,495,890	11,929,511	(12,495,890) -100.0%
Contributions And Other Receivables	728,229	1,599,423	2,547,815	(871,194) -54.5%
Excess Insurance Receivable	1,532,195	317,289	1,228,746	1,214,906 382.9%
Other Assets	365,247	25,983	8,253	339,264 1305.7%
Investment In Joint Venture	3,155,237	2,245,343	1,858,698	909,894 40.5%
Total Assets	<u>51,202,415</u>	<u>41,884,083</u>	<u>32,999,534</u>	<u>9,318,332</u> <u>22.2%</u>
Liabilities, Reserves & Net Position				
Liabilities:				
Accrued Expenses	685,363	725,835	605,905	(40,472) -5.6%
Return of Surplus Payable	15,622,003	1,668,001	593,077	13,954,002 836.6%
Loss Reserves	8,030,000	7,945,000	8,239,000	85,000 1.1%
Total Liabilities & Reserves	<u>24,337,366</u>	<u>10,338,836</u>	<u>9,437,982</u>	<u>13,998,530</u> <u>135.4%</u>
Net Position - Unrestricted	<u>\$ 26,865,049</u>	<u>\$ 31,545,247</u>	<u>\$ 23,561,552</u>	<u>\$ (4,680,198)</u> <u>-14.8%</u>

Summary Statements Of Revenues, Expenses, And Changes In Net Position			2019 to 2020 Change	
	<u>2020</u>	<u>2019</u>	<u>2018</u>	
				<u>Change \$</u> <u>Change %</u>
Operating Revenue:				
Regular And Employee Contributions	<u>\$101,172,890</u>	<u>\$102,905,468</u>	<u>\$ 84,905,362</u>	<u>\$ (1,732,578)</u> <u>-1.7%</u>
Operating Expenses:				
Provision For Claims and Claims				
Adjustment Expenses	77,875,525	82,211,299	67,094,183	(4,335,774) -5.3%
Insurance Premiums	4,492,323	4,767,377	4,088,771	(275,054) -5.8%
Administrative and Operating	8,060,962	8,116,553	6,715,740	(55,591) -0.7%
Total Operating Expenses	<u>90,428,810</u>	<u>95,095,229</u>	<u>77,898,694</u>	<u>(4,666,419)</u> <u>-4.9%</u>
Operating Income	10,744,080	7,810,239	7,006,668	2,933,841 37.6%
Investment Income	441,261	724,718	353,624	(283,457) -39.1%
Dividend Income	558,434	312,093	426,636	246,341 78.9%
Change In Investment In Joint Venture	909,894	386,645	818,943	523,249 135.3%
Excess of Revenues	12,653,669	9,233,695	8,605,871	3,419,974 37.0%
Return Of Surplus	<u>(17,333,867)</u>	<u>(1,250,000)</u>	<u>(1,226,450)</u>	<u>16,083,867</u> <u>1286.7%</u>
Change In Net Position	<u>\$ (4,680,198)</u>	<u>\$ 7,983,695</u>	<u>\$ 7,379,421</u>	<u>\$(12,663,893)</u> <u>-158.6%</u>

Financial Highlights Continued

On July 31, 2015, the Southern Coastal Regional Employee Benefits Fund (the "Fund") was formed pursuant to N.J.S.A. 40A:10-36 et. seq. and N.J.A.C. 11:15-3 when the Fund received approval from the New Jersey Department of Banking and Insurance 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.

The Fund's total assets as of December 31, 2020 were \$51,202,415 and total liabilities and reserves were \$24,337,336 resulting in a surplus in unrestricted net position of \$26,865,049.

The Fund's operating revenues were \$101,172,890 during the year. Claims expenses represented \$77,875,525 in health benefit costs. Total insurance premiums of \$4,492,323 were composed of \$2,915,365 incurred from the Municipal Reinsurance Health Insurance Fund, \$400,723 incurred from Medical Advantage Premiums, and \$1,176,205 incurred from State Health Benefits Program Surcharge Premiums. During the reporting period, administrative and operating costs were \$8,060,962.

The value of the Fund's share of the Municipal Reinsurance Health Insurance Fund (MRHIF) was \$3,155,237. The Fund also received a dividend distribution from MRHIF for \$558,434.

Investment income was \$441,261 due to Fund's active pursuit of higher interest rates from area financial institutions.

Economic Conditions

The Fund continues to be affected by inflation of health benefit costs. The Fund's strategy is to continue to attempt to moderate such increases by leveraging purchasing power with other Funds, using one of the largest and most effective medical networks in the nation, and assisting members with plan design and labor negotiation efforts.

Contacting the Fund's Management

This financial report is designed to provide the Southern 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
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash And Cash Equivalents	\$ 45,421,507	\$ 25,200,155
Investments	-	12,495,890
Contributions Receivable	169,795	1,580,304
Accrued Interest Receivable	-	19,119
Excess Insurance Receivable	1,532,195	317,289
Dividend Receivable	558,434	-
Investment In Joint Venture	3,155,237	2,245,343
Prepaid Expense	<u>365,247</u>	<u>25,983</u>
Total Assets	<u>51,202,415</u>	<u>41,884,083</u>
<u>LIABILITIES AND RESERVES</u>		
Liabilities:		
Accrued Insurance Premiums	438,370	517,185
Accrued Expenses	246,993	202,289
Accrued Claim Expenses	-	6,361
Surplus Return Reserve	<u>15,622,003</u>	<u>1,668,001</u>
Total Liabilities	<u>16,307,366</u>	<u>2,393,836</u>
Reserves:		
Actuarial Liability	<u>8,030,000</u>	<u>7,945,000</u>
Total Liabilities And Reserves	<u>24,337,366</u>	<u>10,338,836</u>
<u>NET POSITION</u>		
Unrestricted	<u>\$ 26,865,049</u>	<u>\$ 31,545,247</u>

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

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Regular Contributions	\$ 100,851,635	\$ 102,673,997
Employee Contribution	<u>321,255</u>	<u>231,471</u>
Total Operating Revenues	<u>101,172,890</u>	<u>102,905,468</u>
Operating Expenses:		
Provision For Claims And Claims Adjustment Expenses	77,875,525	82,211,299
Reinsurance	3,316,118	3,518,881
State Health Benefits Program Surcharge Premiums	1,176,205	1,248,496
Administration	<u>8,060,962</u>	<u>8,116,553</u>
Total Operating Expenses	<u>90,428,810</u>	<u>95,095,229</u>
Operating Income	10,744,080	7,810,239
Non-Operating Revenue:		
Investment Income	441,261	724,718
Dividend Income	558,434	312,093
Change In Investment In Joint Venture	<u>909,894</u>	<u>386,645</u>
Change In Net Position	12,653,669	9,233,695
Net Position, Beginning	31,545,247	23,561,552
Return Of Surplus	<u>(17,333,867)</u>	<u>(1,250,000)</u>
Net Position, Ending	<u>\$ 26,865,049</u>	<u>\$ 31,545,247</u>

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

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Receipts From Regular Contributions	\$ 102,583,399	\$ 103,721,790
Payments For Health Benefits Claims	(79,011,792)	(81,587,481)
Payments For Insurance Premiums	(4,571,138)	(4,748,075)
Payments To Professionals And Administrative Expenses	(8,355,522)	(8,040,016)
Net Cash Flows Provided By Operating Activities	<u>10,644,947</u>	<u>9,346,218</u>
Cash Flows From Investing Activities:		
Purchase of Investments	-	(9,539,869)
Redemption of Investments	12,495,890	9,050,000
Investment Income	460,380	966,541
Net Cash Flows Provided By Investing Activities	<u>12,956,270</u>	<u>476,672</u>
Cash Flows From Noncapital Financing Activities:		
Due To The Southern New Jersey Regional Employee Health Insurance Fund	-	125,830
Return of Surplus	(3,379,865)	(175,076)
Net Cash Flows Used In Noncapital Financing Activities	<u>(3,379,865)</u>	<u>(49,246)</u>
Net Increase In Cash And Cash Equivalents	20,221,352	9,773,644
Cash And Cash Equivalents, Beginning	<u>25,200,155</u>	<u>15,426,511</u>
Cash And Cash Equivalents, Ending	<u>\$ 45,421,507</u>	<u>\$ 25,200,155</u>
Reconciliation Of Operating Income To Cash Flows From Operating Activities:		
Operating Income	<u>\$ 10,744,080</u>	<u>\$ 7,810,239</u>
Adjustments To Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Changes In Assets And Liabilities:		
Decrease (Increase) In Assets:		
Contributions Receivable	1,410,509	816,322
Excess Insurance Receivable	(1,214,906)	911,457
Prepaid Expense	(339,264)	(17,730)
Increase (Decrease) In Liabilities:		
Accrued Administrative Expenses	44,704	94,267
Accrued Excess Insurance Premium	(78,815)	19,302
Actuarial Liability	85,000	(294,000)
Claims Payable	(6,361)	6,361
Total Adjustments	<u>(99,133)</u>	<u>1,535,979</u>
Net Cash Provided By Operating Activities	<u>\$ 10,644,947</u>	<u>\$ 9,346,218</u>
Supplemental Disclosure - Noncash Activity:		
Unrealized (Gain) Loss On Investments Included In Investment Income	<u>\$ (21,515)</u>	<u>\$ 54,653</u>
Change In Investment In Joint Venture Not Increasing Cash	<u>\$ 909,894</u>	<u>\$ 386,645</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 N.J.S.A. 40A:10-36 et. seq. and N.J.A.C. 11:15-3 when the Fund received a 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 2020, the following boards of education, municipalities and other governmental entities were members of the Fund:

Alloway Township BOE	Lower Cape May Regional BOE
Brigantine City	Millville BOE
Bridgeton BOE	Ocean City BOE
Buena Regional BOE	Penns Grove Borough
Cumberland County Improvement Authority	Pittsgrove Township
Cumberland County Charter School Network	Salem County
Cumberland Regional BOE	Upper Deerfield BOE
Cumberland County Technical Education Cntr	Vineland BOE
Dennis Township BOE	Waterford Township BOE
Downe Township BOE	West Cape May BOE
Hopewell Township BOE	Woodbine BOE
Lawrence Township BOE	Woodstown Borough

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 2020 were as follows:

HEALTH INSURANCE COVERAGE

Medical and Prescription:

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

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

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

Health Insurance Coverage Notes:

1. "Health Insurance" means health insurance as defined pursuant to N.J.S.A. 17B:17-4 or service benefits as provided by health service corporations, hospital service corporations or medical service corporations authorized to do business in the state.
2. "Incurred Claims" means claims, which occur during a Fund year, including claims paid during a later period. The exact definition of "Incurred Claims" or any similar term is the definition used in the excess insurance policy purchased by the Fund.
3. The Fund's reinsurance agreement during 2020 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, 2020 to December 31, 2020.
4. Open enrollment for participating employees is offered during the months of May and November.
5. Medical coverage consists of each participating governmental entity member's individual medical benefits plan, the HMO option on a group basis or the PPO option in accordance with a plan on file with the Department of Insurance.
6. Medicare provides secondary coverage for eligible active employees and primary coverage for eligible Medicare participants.

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant policies followed by the Southern 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*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34* and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. 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.

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

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

Basis of Presentation, Fund Accounting

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

Basis of Accounting

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

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured.

All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Additionally, the Fund has adopted a cash management plan 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.

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

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

Investments

The Fund generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The Fund categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Interest Income Allocation

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

Revenue Recognition

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

Additional Assessments and Dividend Credits (Refunds)

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

Claims Funding

The Fund is on a claim payment reimbursement basis with AETNA, Amerihealth, 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, 2020 and 2019.

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

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

Actuarial Liability (Cont'd)

These liabilities are subject to variability between estimated ultimate losses determined as described and the actual experience as it emerges, including the impact of future changes in claim severity, 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 2020 and 2019 were \$740,797 and \$500,607, respectively.

Administrative Expenses

Administrative expenses are comprised mainly of compensation for services rendered by servicing organizations and appointed officials pursuant to written fee guidelines submitted and approved by a majority of the 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.

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

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

Use of Estimates

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

Note 3: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits

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

Of the Fund's bank balance of \$47,160,801 as of December 31, 2020, \$1,011,604 was insured while \$46,149,197 was collateralized under GUDPA.

Of the Fund's bank balance of \$25,516,562 as of December 31, 2019, \$522,479 was insured while \$24,994,083 was collateralized under GUDPA.

New Jersey Cash Management Fund

During the fiscal year, the Fund participated in the New Jersey Cash Management Fund. The Cash Management Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At December 31, 2020 and 2019, the Fund's deposits with the New Jersey Cash Management Fund were \$14,152 and \$0, respectively.

Note 4: INVESTMENTS

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fund, and are held by either the counterparty or the counterparty's trust department or agent but not in the Fund's name. All of the Fund's investments in Certificates of Deposits and United States Treasury Notes of \$0 and \$12,495,890 as of December 31, 2020 and 2019, respectively, were held by either the counterparty or counterparty's trust department or agent, but not in the Fund's name.

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

Note 4: INVESTMENTS (CONT'D)

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The Fund does not place a limit on the amount that may be invested in any one issuer. All of the Fund's investments are in Certificates of Deposits and United States Treasury Securities.

As of December 31, 2020 and 2019, the Fund had the following investments and maturities:

<u>Investment</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Market Value</u>	
				<u>2020</u>	<u>2019</u>
Certificate of Deposit	3.000%	05/15/20	N/A	\$ -	\$ 3,000,000
Certificate of Deposit	3.000%	06/04/20	N/A	-	2,500,000
Certificate of Deposit	2.500%	10/04/20	N/A	-	3,000,000
U.S. Treasury Note	1.530%	01/30/20	AAA	-	999,680
U.S. Treasury Note	1.540%	03/31/20	AAA	-	998,670
U.S. Treasury Note	1.590%	07/15/20	AAA	-	999,380
U.S. Treasury Note	1.610%	09/15/20	AAA	-	998,160
				<u>\$ -</u>	<u>\$ 12,495,890</u>

Fair Value Measurements of Investments

The Fund categorizes its fair value disclosures within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Fund has the following recurring fair value measurements as of December 31, 2020 and 2019:

Certificates of Deposits and United States Treasury Notes of \$0 and \$12,495,890 are valued using quoted market prices for identical assets (Level 1 inputs).

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, 2020 and 2019, the Fund recorded insurance expense of \$1,176,205 and \$1,248,496 for the State Health Benefits Program.

Note 6: 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 2020 and 2019 for all open fund years net of excess insurance recoveries:

	<u>2020</u>	<u>2019</u>
Total unpaid claims and claim adjustment expenses all fund years - Beginning	\$ 7,945,000	\$ 8,239,000
Incurring claims and claim adjustment expenses:		
Provision for insured events of current fund year	79,512,087	81,168,817
Changes in provision for insured insured events of prior fund years	<u>(1,636,562)</u>	<u>1,042,482</u>
Total incurred claims and claim adjustment expenses all fund years	<u>77,875,525</u>	<u>82,211,299</u>
Payments:		
Claims and claim adjustment expenses:		
Attributable to insured events of current fund year	71,482,087	73,239,054
Attributable to insured events of prior fund years	<u>6,308,438</u>	<u>9,266,245</u>
Total payments all fund periods	<u>77,790,525</u>	<u>82,505,299</u>
Total unpaid claims and claim adjustment expenses all fund years - Ending	<u>\$ 8,030,000</u>	<u>\$ 7,945,000</u>

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

Note 7: 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 year earned income with an aggregate cap of 10% unless approved by the Commissioner of the Department of Insurance.

Note 8: TRANSFER OF 2018 FUND PERIOD SURPLUS

The Executive Committee approved the closing of the 2018 Fund year and the transfer of the 2018 Fund year balances as of July 31, 2020 resulting in a transfer of surplus in the amount of \$5,564,904 to the closed years account.

Note 9: MUNICIPAL REINSURANCE HEALTH INSURANCE FUND

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

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

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

Equity Interest

As of December 31, 2020 and 2019, the Fund's share of net position in the Municipal Reinsurance Health Insurance Fund were \$3,155,237 and \$2,245,343, respectively.

Selected Financial Information

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

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

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

Selected Financial Information (Cont'd)

	<u>2020</u>	<u>2019</u>
Total Assets	<u>\$ 30,688,366</u>	<u>\$ 22,643,991</u>
Total Liabilities	<u>\$ 13,612,047</u>	<u>\$ 7,539,237</u>
Net Position	<u>\$ 17,076,319</u>	<u>\$ 15,104,754</u>
Total Revenues	<u>\$ 15,572,710</u>	<u>\$ 15,992,371</u>
Total Expenses	<u>\$ 9,194,779</u>	<u>\$ 12,412,732</u>
Change in Net Position	<u>\$ 1,971,563</u>	<u>\$ (1,105,451)</u>
Return of Surplus	<u>\$ 4,406,368</u>	<u>\$ 4,685,090</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 10: RELATED PARTY TRANSACTIONS

As disclosed in Note 9, the Fund is a member of the Municipal Reinsurance Health Insurance Fund and accordingly has an ownership interest in MRHIF. Excess insurance premiums paid to MRHIF for the years ended December 31, 2020 and 2019 were \$2,915,365 and \$3,197,609, respectively. Dividends paid from MRHIF to the Fund for the years ended December 31, 2020 and 2019 were \$558,434 and \$312,093, respectively.

Note 11: RETURN OF SURPLUS

For the year ended December 31, 2020, the Executive Committee approved a surplus distribution in the amount of \$17,333,867. \$6,200,000 was payable from the 2019 Fund Year Account and \$11,133,867 was payable from the Closed Fund Years Account.

For the year ended December 31, 2019, the Executive Committee approved a surplus distribution in the amount of \$1,250,000. The surplus distribution was payable from the Closed Fund Years Account.

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS

Note 12: SUBSEQUENT EVENTS

Subsequent to December 31, 2020, Lower Township BOE joined the Fund effective January 1, 2021.

DRAFT 5-24-2021

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT 5-24-2021

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
RECONCILIATION OF HEALTH CLAIMS LIABILITIES BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Medical</u>	<u>Prescription</u>	<u>Dental</u>	<u>Total</u>
Total unpaid claims and claim adjustment expenses - Beginning of Year	\$ 7,735,964	\$ 194,535	\$ 14,501	\$ 7,945,000
Incurred claims and claims adjustment expenses:				
Provision for insured events of current fund year	75,944,201	3,497,955	69,931	79,512,087
Changes in provision for insured events of prior fund years	(1,025,957)	(601,214)	(9,391)	(1,636,562)
Total incurred claims and claims adjustment expenses all Fund years	74,918,244	2,896,741	60,540	77,875,525
Payments:				
Claims and claims adjustment expenses (Net of Recoveries):				
Attributable to insured events of current fund year	68,119,201	3,296,955	65,931	71,482,087
Attributable to insured events of prior fund years	6,710,007	(406,679)	5,110	6,308,438
Total payments all Fund years	74,829,208	2,890,276	71,041	77,790,525
Total unpaid claims and claim adjustment expenses - End of Year	\$ 7,825,000	\$ 201,000	\$ 4,000	\$ 8,030,000

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
FIVE-YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF DECEMBER 31, 2020

	FUND YEAR				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net Earned Required Contribution and Investment Revenue:					
Earned	\$ 52,968,475	\$ 56,869,598	\$ 85,071,422	\$ 103,254,747	\$ 101,237,639
Ceded	3,198,980	3,016,632	4,140,195	4,767,377	4,492,323
	<u>\$ 49,769,495</u>	<u>\$ 53,852,966</u>	<u>\$ 80,931,227</u>	<u>\$ 98,487,370</u>	<u>\$ 96,745,316</u>
Unallocated Expenses	<u>\$ 4,500,464</u>	<u>\$ 4,498,659</u>	<u>\$ 6,800,392</u>	<u>\$ 8,040,411</u>	<u>\$ 8,211,418</u>
Estimated Claims and Expenses, End of Policy Year:					
Incurred	\$ 47,994,655	\$ 44,303,520	\$ 68,728,685	\$ 81,466,336	\$ 81,042,645
Ceded	2,893,722	391,209	1,144,111	297,519	1,530,558
Net Incurred	<u>45,100,933</u>	<u>43,912,311</u>	<u>67,584,574</u>	<u>81,168,817</u>	<u>79,512,087</u>
Paid (Cumulative) as of:					
End of Policy Year	39,720,933	39,282,311	59,365,574	73,239,054	71,482,087
One Year Later	44,664,135	43,476,010	69,896,937	80,320,077	
Two Years Later (A)	44,664,135	43,476,010	69,896,937		
Reestimated Incurred Claims and Expenses:					
End of Policy Year	45,100,933	43,912,311	67,584,574	81,168,817	79,512,087
One Year Later	44,764,135	43,496,010	68,565,931	79,489,281	
Two Years Later (A)	44,764,135	43,496,010	68,595,941		
Increase (Decrease) in Estimated Incurred Claims and Expenses from End of Policy Year	<u>\$ (336,798)</u>	<u>\$ (416,301)</u>	<u>\$ 1,011,367</u>	<u>\$ (1,679,536)</u>	<u>\$ -</u>

(A) At the end of the Second Fund Year the residual Fund Year Surplus or Deficit is transferred to the Closed Fund Year Account. Accordingly, residual data is not available to track activity after the second year

SUPPLEMENTARY INFORMATION

DRAFT 5-24-2021

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
STATEMENT OF NET POSITION - STATUTORY BASIS
AS OF DECEMBER 31, 2020

		Fund Years		
	<u>Total</u>	<u>2020</u>	<u>2019</u>	<u>Closed Years</u>
<u>ASSETS</u>				
Cash And Cash Equivalents	\$ 45,421,507	\$ 15,621,513	\$10,413,577	\$ 19,386,417
Contributions Receivable	169,795	169,795		
Accrued Interest Receivable	-	61	(23)	(38)
Excess Insurance Receivable	1,532,195	1,530,558	1,637	
Dividend Receivable	558,434			558,434
Prepaid Expense	365,247	365,247		
Total Assets	<u>\$ 48,047,178</u>	<u>\$ 17,687,174</u>	<u>\$10,415,191</u>	<u>\$ 19,944,813</u>
<u>LIABILITIES AND RESERVES</u>				
Liabilities:				
Accrued Insurance Premiums	\$ 438,370	\$ 438,370		
Accrued Administrative Expenses	246,993	196,993	\$ 50,000	
Surplus Return Reserve	15,622,003		5,607,513	\$ 10,014,490
Total Liabilities	<u>16,307,366</u>	<u>635,363</u>	<u>5,657,513</u>	<u>10,014,490</u>
Reserves:				
Actuarial Liability	<u>8,030,000</u>	<u>8,030,000</u>		
Total Reserves	<u>8,030,000</u>	<u>8,030,000</u>	<u>-</u>	<u>-</u>
Total Liabilities And Reserves	<u>24,337,366</u>	<u>8,665,363</u>	<u>5,657,513</u>	<u>10,014,490</u>
<u>NET POSITION</u>				
Unrestricted	<u>\$ 23,709,812</u>	<u>\$ 9,021,811</u>	<u>\$ 4,757,678</u>	<u>\$ 9,930,323</u>

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

		Fund Years		
	<u>Total</u>	<u>2020</u>	<u>2019</u>	<u>Closed Years</u>
Operating Revenues:				
Regular Contributions	\$ 100,851,635	\$ 100,851,635		
Employee Contribution	321,255	305,980		\$ 15,275
Total Operating Revenues	101,172,890	101,157,615	-	15,275
Operating Expenses:				
Provision For Claims And				
Claims Adjustment Expenses (Recoveries)	77,875,525	79,512,087	\$ (1,679,537)	\$ 42,975
Reinsurance	3,316,118	3,316,118		
State Health Benefits				
Program Surcharge Premiums	1,176,205	1,176,205		
Administration	8,060,962	8,211,418	(150,456)	
Total Operating Expenses	90,428,810	92,215,828	(1,829,993)	42,975
Operating Income (Loss)	10,744,080	8,941,787	1,829,993	(27,700)
Non-Operating Revenue:				
Investment Income	441,261	80,024	138,019	223,218
Dividend Income	558,434			558,434
	999,695	80,024	138,019	781,652
Change In Net Position	11,743,775	9,021,811	1,968,012	753,952
Net Position, Beginning	29,299,904	-	8,989,666	20,310,238
Return Of Surplus	(17,333,867)	-	(6,200,000)	(11,133,867)
Net Position, Ending	\$ 23,709,812	\$ 9,021,811	\$ 4,757,678	\$ 9,930,323

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
STATEMENT OF CASH FLOWS - STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Fund Years			
	<u>Total</u>	<u>2020</u>	<u>2019</u>	<u>Closed Years</u>
Cash Flows From Operating Activities:				
Receipts From Regular Contributions	\$ 102,583,399	\$ 100,987,820	\$ 1,344,437	\$ 251,142
Payments For Health Benefits Claims	(79,011,792)	(73,012,645)	(5,960,705)	(38,442)
Payments For Insurance Premiums	(4,571,138)	(4,053,953)	(517,185)	
Payments To Professionals And Supplies	(8,355,522)	(8,379,672)	24,150	
Net Cash Flows Provided By (Used In) Operating Activities	10,644,947	15,541,550	(5,109,303)	212,700
Cash Flows From Investing Activities:				
Redemption of Investments	12,495,890			12,495,890
Investment Income	460,380	79,963	144,561	235,856
Net Cash Provided By Investing Activities	12,956,270	79,963	144,561	12,731,746
Cash Flows From Noncapital Financing Activities:				
Return of Surplus	(3,379,865)		(592,487)	(2,787,378)
Net Increase (Decrease) In Cash And Cash Equivalents	20,221,352	15,621,513	(5,557,229)	10,157,068
Cash And Cash Equivalents, Beginning	25,200,155	-	15,970,806	9,229,349
Cash And Cash Equivalents, Ending	\$ 45,421,507	\$ 15,621,513	\$ 10,413,577	\$ 19,386,417
Reconciliation Of Operating Income (Loss) To				
Cash Flows From Operating Activities:				
Operating Income (Loss)	\$ 10,744,080	\$ 8,941,787	\$ 1,829,993	\$ (27,700)
Adjustments To Reconcile Operating Income (Loss) To Net				
Cash Provided By (Used In) Operating Activities:				
Changes In Assets And Liabilities:				
Decrease (Increase) In Assets:				
Contributions Receivable	1,410,509	(169,795)	1,344,437	235,867
Excess Insurance Receivable	(1,214,906)	(1,530,558)	295,882	19,770
Prepaid Expense	(339,264)	(365,247)	25,983	
Increase (Decrease) In Liabilities:				
Accrued Administrative Expenses	44,704	196,993	(152,289)	
Accrued Excess Insurance Premium	(78,815)	438,370	(517,185)	
Actuarial Liability	85,000	8,030,000	(7,929,763)	(15,237)
Claims Payable	(6,361)		(6,361)	
Total Adjustments	(99,133)	6,599,763	(6,939,296)	240,400
Net Cash Provided By (Used In) Operating Activities	\$ 10,644,947	\$ 15,541,550	\$ (5,109,303)	\$ 212,700

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
NOTES TO SUPPLEMENTARY 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:

	<u>2020</u>	<u>2019</u>
Total Assets – Statement of Net Position	\$ 51,202,415	\$ 41,884,083
Less Investment in Joint Venture	<u>3,155,237</u>	<u>2,245,343</u>
Total Assets – Statutory Basis	<u><u>\$ 48,047,178</u></u>	<u><u>\$ 39,638,740</u></u>
Net Position – Statement of Net Position	\$ 26,865,049	\$ 31,545,247
Less Investment in Joint Venture	<u>3,155,237</u>	<u>2,245,343</u>
Net Position – Statutory Basis	<u><u>\$ 23,709,812</u></u>	<u><u>\$ 29,299,904</u></u>
Change in Net Positon - Statement of Revenues, Expenses and Changes in Net Position	\$ 12,653,669	\$ 9,233,695
Less Change in Investment in Joint Venture	<u>909,894</u>	<u>386,645</u>
Change in Net Position – Statutory Basis	<u><u>\$ 11,743,775</u></u>	<u><u>\$ 8,847,050</u></u>

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2020 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Medical*	Medical Adv	Dental	Prescription	Vision	Reinsurance	Contingency	Administrative	Total
Income:									
Regular Contributions	\$ 84,639,753	\$ 392,371	\$ 128,856	\$ 2,775,749	\$ 66,084	\$ 2,900,756	\$ 674,035	\$ 9,274,031	\$ 100,851,635
Employee Contribution	305,980								305,980
Investment Income	71,081	1,357	214		231	16	2,337	4,788	80,024
Total Income	85,016,814	393,728	129,070	2,775,749	66,315	2,900,772	676,372	9,278,819	101,237,639
Incurred Liabilities:									
Claims Paid (Net Of Refunds)	69,649,759		65,931	3,296,955					73,012,645
Excess Insurance Recoveries	(1,530,558)								(1,530,558)
Actuarial Liability (Net Of Recoverables)	7,825,000		4,000	201,000					8,030,000
Insurance Premiums	1,176,205	400,753				2,915,365			4,492,323
Administrative Expenses								8,211,418	8,211,418
Total Liabilities	77,120,406	400,753	69,931	3,497,955	-	2,915,365	-	8,211,418	92,215,828
Net Position (Deficit)	\$ 7,896,408	\$ (7,025)	\$ 59,139	\$ (722,206)	\$ 66,315	\$ (14,593)	\$ 676,372	\$ 1,067,401	\$ 9,021,811

*Includes Retirees And COBRA

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2019 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Medical*</u>	<u>Medical Adv</u>	<u>Dental</u>	<u>Prescription</u>	<u>Vision</u>	<u>Reinsurance</u>	<u>Contingency</u>	<u>Administrative</u>	<u>Total</u>
Income:									
Regular Contributions	\$ 86,725,482	\$ 302,526	\$ 131,620	\$ 2,335,539	\$ 147,875	\$ 3,718,902	\$ 332,301	\$ 8,979,752	\$ 102,673,997
Employee Contribution	231,471								231,471
Investment Income	306,620	4,765	941	6	3,491	3,894	3,690	25,872	349,279
Total Income	87,263,573	307,291	132,561	2,335,545	151,366	3,722,796	335,991	9,005,624	103,254,747
Incurred Liabilities:									
Claims Paid (Net Of Refunds)	77,582,190		89,380	2,648,507					80,320,077
Excess Insurance Recoveries	(830,796)								(830,796)
Actuarial Liability (Net Of Recoverables)	(136,036)		8,501	127,535					-
Insurance Premiums	1,248,496	321,272				3,197,609			4,767,377
Administrative Expenses								8,040,411	8,040,411
Total Liabilities	77,863,854	321,272	97,881	2,776,042	-	3,197,609	-	8,040,411	92,297,069
Net Position (Deficit) Before Return of Surplus	9,399,719	(13,981)	34,680	(440,497)	151,366	525,187	335,991	965,213	10,957,678
Return of Surplus	(6,200,000)								(6,200,000)
Net Position (Deficit)	\$ 3,199,719	\$ (13,981)	\$ 34,680	\$ (440,497)	\$ 151,366	\$ 525,187	\$ 335,991	\$ 965,213	\$ 4,757,678

*Includes Retirees And COBRA

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2020 EXPENSE ANALYSIS - STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Paid</u> <u>(Refund)</u>	<u>Accrued</u> <u>Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 1,145,686		\$ 1,145,686
Program Manager	2,127,464		2,127,464
Broker Fee	1,751,878		1,751,878
Third Party Administrators:			
Medical	2,554,130		2,554,130
Dental	5,579		5,579
Guardian Nurses	304,250		304,250
Actuary	35,870		35,870
Attorney	28,550		28,550
Auditor		\$ 19,404	19,404
Treasurer	19,678		19,678
Postage	205	17	222
Plan Documents	35,337	113	35,450
Meeting Expense	1,146		1,146
Patient Centered Outcome Research Fee	30,694		30,694
Miscellaneous Expense	6,166	16	6,182
Wellness Program	(32,208)	177,443	145,235
Total Administrative Expenses	\$ 8,014,425	\$ 196,993	\$ 8,211,418

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2019 EXPENSE ANALYSIS - STATUTORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Paid</u>	<u>Accrued Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 1,115,423		\$ 1,115,423
Program Manager	2,040,363		2,040,363
Broker Fee	1,751,389		1,751,389
Third Party Administrators:			
Medical	2,912,187		2,912,187
Dental	5,604		5,604
Actuary	35,165		35,165
Attorney	23,490		23,490
Auditor	19,000		19,000
Treasurer	19,251		19,251
Postage	372		372
Plan Documents	21,753		21,753
Meeting Expense	4,965		4,965
Patient Centered Outcome Research Fee	31,225		31,225
Miscellaneous Expense	6,916		6,916
Wellness Program	3,308	\$ 50,000	53,308
Total Administrative Expenses	<u>\$ 7,990,411</u>	<u>\$ 50,000</u>	<u>\$ 8,040,411</u>

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CASH AND CASH EQUIVALENTS - STATUTORY BASIS
AS OF DECEMBER 31, 2020

<u>Description</u>	<u>Amount</u>
<u>Cash and Cash Equivalents</u>	
Cash Accounts	
Investors Bank	
General Account	\$ 10,006,173
New Jersey Cash Management Fund	14,152
Ocean First Bank	
Operating Account	4,782,726
Investment Account	2,197,628
Republic Bank	
Investment Account	25,893,341
William Penn Bank	
Investment Account	2,515,883
Wilmington Trust	
Money Market Account	11,604
	<hr/>
Total Cash and Cash Equivalents Per Schedule A Statement Of Net Position - Statutory Basis	<hr/> \$ 45,421,507 <hr/>
Total Cash and Cash Equivalents By Fund Year:	
2020	\$ 15,621,513
2019	10,413,577
Closed Years	19,386,417
	<hr/>
	\$ 45,421,507 <hr/>

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

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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.

None

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.