



**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND

TABLE OF CONTENTS

Page No.

Independent Auditor's Report	1
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	4
Management's Discussion and Analysis	6

Financial Statements

Exhibit A-1	Comparative Statements of Net Position	9
Exhibit A-2	Comparative Statements of Revenues, Expenses, and Changes in Net Position	10
Exhibit A-3	Comparative Statements of Cash Flows	11
	Notes to Financial Statements	12

Required Supplementary Information

Schedule 1	Reconciliation of Health Claims Liabilities by Fund	24
Schedule 2	Eight-Year Claims Development Information	25

Supplementary Information

Schedule A	Statement of Net Position – Statutory Basis	27
Schedule B	Statement of Revenue, Expenses, and Changes in Net Position – Statutory Basis	28
Schedule C	Statement of Cash Flows – Statutory Basis	29
	Notes to Supplementary Information – Statutory Basis	30
Schedule D	Statement of Fund Year Account Operating Results Analysis – Statutory Basis	31
Schedule E	Statement of Fund Year Expense Analysis – Statutory Basis	33
Schedule F	Schedule of Cash, Cash Equivalents, and Investments – Statutory Basis	35

Schedule of Findings and Recommendations

Schedule of Findings and Recommendations	37
Schedule of Financial Statement Findings	37
Summary Schedule of Prior Year Findings as Prepared by Management	37
Appreciation	37

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

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, 2023 and 2022, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

### ***Responsibilities of Management for the Financial Statements (Cont'd)***

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 is the responsibility of management and, 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.

***Required Supplementary Information (Cont'd)***

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.


***Supplementary 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 24, 2024, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Fund's 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,

A handwritten signature in dark ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

Bowman & Company LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
June 24, 2024

**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, 2023 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 24, 2024.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing 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.

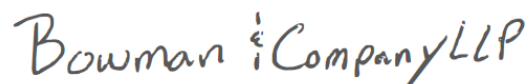
***Report on Compliance and Other Matters***

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 financial statements. 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,

A handwritten signature in dark ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

Bowman & Company LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
June 24, 2024

# **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, 2023, 2022, and 2021. 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, 2023, 2022, and 2021.

Summary Statements Of Net Position			2022 to 2023 Change		
	2023	2022	2021	Change \$	Change %
Assets:					
Cash And Cash Equivalents	\$ 16,525,546	\$ 33,309,446	\$ 38,983,345	\$(16,783,900)	-50.4%
Investments	5,500,000	-	-	5,500,000	100.0%
Contributions And Other Receivables	4,354,226	2,414,716	1,740,852	1,939,510	80.3%
Excess Insurance Receivable	4,331,956	819,791	4,132,889	3,512,165	428.4%
Other Assets	37,467	2,517	27,725	34,950	1388.6%
Investment In Joint Venture	1,218,362	239,615	712,537	978,747	408.5%
Total Assets	31,967,557	36,786,085	45,597,348	(4,818,528)	-13.1%
Liabilities, Reserves & Net Position					
Liabilities:					
Accrued Expenses	1,079,248	974,615	846,175	104,633	10.7%
Return of Surplus Payable	12,579,849	12,640,308	20,130,454	(60,459)	-0.5%
Loss Reserves	13,756,308	11,712,050	12,024,000	2,044,258	17.5%
Total Liabilities & Reserves	27,415,405	25,326,973	33,000,629	2,088,432	8.2%
Net Position - Unrestricted	\$ 4,552,152	\$ 11,459,112	\$ 12,596,719	\$ (6,906,960)	-60.3%

Summary Statements Of Revenues, Expenses, And Changes In Net Position			2022 to 2023 Change		
	2023	2022	2021	Change \$	Change %
Operating Revenue:					
Regular And Employee Contributions	\$140,321,515	\$ 129,245,880	\$ 107,316,505	\$ 11,075,635	8.6%
Operating Expenses:					
Provision For Claims and Claims					
Adjustment Expenses	133,226,129	115,228,490	98,932,459	17,997,639	15.6%
Insurance Premiums	6,021,191	5,591,801	4,510,252	429,390	7.7%
Administrative and Operating	10,318,632	9,670,692	8,472,708	647,940	6.7%
Total Operating Expenses	149,565,952	130,490,983	111,915,419	19,074,969	14.6%
Operating Loss	(9,244,437)	(1,245,103)	(4,598,914)	(7,999,334)	-642.5%
Investment Income	858,588	306,623	222,100	551,965	180.0%
Dividend Income	500,142	273,795	730,938	226,347	82.7%
Change In Investment In Joint Venture	978,747	(472,922)	(2,442,700)	1,451,669	307.0%
Deficit of Revenues	(6,906,960)	(1,137,607)	(6,088,576)	(5,769,353)	-507.1%
Return Of Surplus	-	-	(8,229,754)	-	0.0%
Change In Net Position	\$ (6,906,960)	\$ (1,137,607)	\$ (14,318,330)	\$ (5,769,353)	-507.1%

## **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, 2023 were \$31,967,557 and total liabilities and reserves were \$27,415,405 resulting in a surplus in unrestricted net position of \$4,552,152.

The Fund's operating revenues were \$140,321,515 during the year. Claims expenses represented \$133,226,129 in health benefit costs. Total insurance premiums of \$6,021,191 were composed of \$4,211,198 incurred from the Municipal Reinsurance Health Insurance Fund, \$421,904 incurred from Medical Advantage Premiums, and \$1,388,089 incurred from State Health Benefits Program Surcharge Premiums. During the reporting period, administrative and operating costs were \$10,318,632. The Fund did not distribute surplus back to its members during the year.

The value of the Fund's share of the Municipal Reinsurance Health Insurance Fund (MRHIF) was \$1,218,362. The Fund also received a dividend distribution from MRHIF for \$500,142.

Investment income was \$858,588 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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash And Cash Equivalents	\$ 16,525,546	\$ 33,309,446
Investments	5,500,000	-
Contributions Receivable	3,536,213	651,594
Accrued Interest Receivable	53	36
Excess Insurance Receivable	4,331,956	819,791
Prescription Rebates Receivable	817,960	1,757,908
Refund Receivable	-	5,178
Investment In Joint Venture	1,218,362	239,615
Prepaid Expense	37,467	2,517
	<u>31,967,557</u>	<u>36,786,085</u>
Total Assets		
	<u>31,967,557</u>	<u>36,786,085</u>
<u>LIABILITIES AND RESERVES</u>		
Liabilities:		
Accrued Insurance Premiums	885,757	812,435
Accrued Expenses	193,491	162,180
Surplus Return Reserve	12,579,849	12,640,308
	<u>13,659,097</u>	<u>13,614,923</u>
Total Liabilities		
	<u>13,659,097</u>	<u>13,614,923</u>
Reserves:		
Actuarial Liability	13,756,308	11,712,050
	<u>13,756,308</u>	<u>11,712,050</u>
Total Liabilities And Reserves		
	<u>27,415,405</u>	<u>25,326,973</u>
<u>NET POSITION</u>		
Unrestricted	<u>\$ 4,552,152</u>	<u>\$ 11,459,112</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Regular Contributions	\$ 139,839,127	\$ 128,731,601
Employee Contribution	<u>482,388</u>	<u>514,279</u>
Total Operating Revenues	<u>140,321,515</u>	<u>129,245,880</u>
Operating Expenses:		
Provision For Claims And Claims Adjustment Expenses	133,226,129	115,228,490
Reinsurance	4,633,102	4,073,238
State Health Benefits Program Surcharge Premiums	1,388,089	1,518,563
Administration	<u>10,318,632</u>	<u>9,670,692</u>
Total Operating Expenses	<u>149,565,952</u>	<u>130,490,983</u>
Operating Loss	(9,244,437)	(1,245,103)
Non-Operating Revenue (Expense):		
Investment Income	858,588	306,623
Dividend Income	500,142	273,795
Change In Investment In Joint Venture	<u>978,747</u>	<u>(472,922)</u>
Total Non-Operating Revenue	<u>2,337,477</u>	<u>107,496</u>
Change In Net Position	(6,906,960)	(1,137,607)
Net Position, Beginning	11,459,112	12,596,719
Return of Surplus	<u>-</u>	<u>-</u>
Net Position, Ending	<u><u>\$ 4,552,152</u></u>	<u><u>\$ 11,459,112</u></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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Receipts From Regular Contributions	\$ 137,436,896	\$ 129,791,327
Payments For Health Benefits Claims	(133,754,088)	(113,497,614)
Payments For Insurance Premiums	(5,947,869)	(5,475,850)
Payments To Professionals And Administrative Expenses	<u>(10,317,093)</u>	<u>(9,581,998)</u>
Net Cash Flows Provided By (Used In) Operating Activities	<u>(12,582,154)</u>	<u>1,235,865</u>
Cash Flows From Investing Activities:		
Purchase of Investments	(5,500,000)	-
Investment Income	<u>1,358,713</u>	<u>580,382</u>
Net Cash Flows Provided By (Used In) Investing Activities	<u>(4,141,287)</u>	<u>580,382</u>
Cash Flows From Noncapital Financing Activities:		
Return of Surplus	<u>(60,459)</u>	<u>(7,490,146)</u>
Net Decrease In Cash And Cash Equivalents	(16,783,900)	(5,673,899)
Cash And Cash Equivalents, Beginning	<u>33,309,446</u>	<u>38,983,345</u>
Cash And Cash Equivalents, Ending	<u><u>\$ 16,525,546</u></u>	<u><u>\$ 33,309,446</u></u>
Reconciliation Of Operating Loss To		
Cash Flows From Operating Activities:		
Operating Loss	<u>\$ (9,244,437)</u>	<u>\$ (1,245,103)</u>
Adjustments To Reconcile Operating Loss To Net		
Cash Provided By (Used In) Operating Activities:		
Changes In Assets And Liabilities:		
Decrease (Increase) In Assets:		
Contributions Receivable	(2,884,619)	545,447
Excess Insurance Receivable	(3,512,165)	3,313,098
Prescription Rebates Receivable	939,948	(1,270,272)
Wellness Reimbursement Receivable	-	56,175
Refund Receivable	5,178	(5,178)
Prepaid Expense	(34,950)	25,208
Increase (Decrease) In Liabilities:		
Accrued Expenses	31,311	12,489
Accrued Excess Insurance Premium	73,322	115,951
Actuarial Liability	<u>2,044,258</u>	<u>(311,950)</u>
Total Adjustments	<u>(3,337,717)</u>	<u>2,480,968</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (12,582,154)</u></u>	<u><u>\$ 1,235,865</u></u>
Supplemental Disclosure - Noncash Activity:		
Change In Investment In Joint Venture Not Increasing Cash	<u><u>\$ 978,747</u></u>	<u><u>\$ (472,922)</u></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 2023, the following boards of education, municipalities and other governmental entities were members of the Fund:

Absecon City	Lower Cape May Regional BOE
Alloway Township BOE	Lower Township BOE
Bridgeton BOE	Millville BOE
Brigantine City	Ocean City BOE
Buena Regional BOE	Penns Grove Borough
Cumberland County	Penns Grove-Carney's Point BOE
Cumberland County Charter School Network	Pittsgrove Township
Cumberland County Improvement Authority	Salem County
Cumberland County Technical Education Center	Upper Deerfield BOE
Cumberland Regional BOE	Upper Township BOE
Dennis Township BOE	Vineland BOE
Downe Township BOE	Waterford Township BOE
Egg Harbor Township	West Cape May BOE
Hopewell Township BOE	Woodstown Borough
Lawrence Township BOE	

**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 2023 were as follows:

**HEALTH INSURANCE COVERAGE**

**Medical and Prescription:**

<u>Limits</u>	<u>Description</u>
I. <u>Fund's Self-Insured Retained Limit of Liability (S.I.R.)</u>	
A. \$450,000	Specific limit - applies per enrolled participant per reinsurance policy year.
II. <u>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 2023 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, 2023 to December 31, 2023.
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 Governmental Accounting Standards Board ("GASB") Statements No. 14, *The Financial Reporting Entity*, as amended. Blended component units, although legally separate entities, are in-substance part of the primary entity's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the primary entity.

The basic, but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the primary entity.

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

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

**Basis of Presentation, Fund Accounting**

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



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

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

**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 governmental 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 the 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 GUDPA. 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.

**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 GAAP. 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.

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

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

**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, Evernorth Health, Inc. (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, 2023 and 2022.

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 MRHIF under excess coverage insurance contracts. Although the MRHIF is liable to the Fund for the amounts reinsured, the Fund remains liable to its insureds for the full amount of the policies written whether or not the MRHIF meets its obligations to the Fund. Failure of the MRHIF to honor its obligations could result in losses to the Fund. Losses ceded to reinsurers during 2023 and 2022 were \$733,538 and \$651,358, respectively.

**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 GASB 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 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.

**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)**

Of the Fund's bank balance of \$16,297,208 as of December 31, 2023, \$762,265 was insured while \$15,534,942 was collateralized under GUDPA.

Of the Fund's bank balance of \$28,530,046 as of December 31, 2022, \$1,065,830 was insured while \$27,464,216 was collateralized under GUDPA.

**New Jersey Cash Management Fund**

During the 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 Fund's participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At December 31, 2023 and 2022, the Fund's deposits with the New Jersey Cash Management Fund were \$228,339 and \$5,138,330, respectively.

**Note 4: 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, 2023 and 2022, the Fund recorded insurance expense of \$1,653,200 and \$1,526,082 for the State Health Benefits Program.

**Note 5: 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 of \$5,500,000 as of December 31, 2023 were held by either the counterparty or counterparty's trust department or agent, but not in the Fund's name.

**Interest Rate Risk**

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

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

**Note 5: INVESTMENTS (CONT'D)**

**Credit Risk**

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

**Concentration of Credit Risk**

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

As of December 31, 2023, 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>
Certificate of Deposit	5.580%	01/08/24	N/A	\$ 2,500,000
Certificate of Deposit	5.750%	03/07/24	N/A	3,000,000
				<u>\$ 5,500,000</u>

**Fair Value Measurements of Investments**

The Fund categorizes its fair value disclosures within the fair value hierarchy established by GAAP. 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, 2023:

Certificates of Deposit of \$5,500,000 are valued using quoted market prices for identical assets (Level 1 inputs).

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

**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 2023 and 2022 for all open fund years net of excess insurance recoveries:

	<u>2023</u>	<u>2022</u>
Total unpaid claims and claim adjustment expenses all fund years - Beginning	<u>\$ 11,712,050</u>	<u>\$ 12,024,000</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fund year	129,040,126	115,969,511
Changes in provision for insured insured events of prior fund years	<u>4,186,003</u>	<u>(741,021)</u>
Total incurred claims and claim adjustment expenses all fund years	<u>133,226,129</u>	<u>115,228,490</u>
Payments:		
Claims and claim adjustment expenses:		
Attributable to insured events of current fund year	115,283,818	104,257,461
Attributable to insured events of prior fund years	<u>15,898,053</u>	<u>11,282,979</u>
Total payments all fund periods	<u>131,181,871</u>	<u>115,540,440</u>
Total unpaid claims and claim adjustment expenses all fund years - Ending	<u><u>\$ 13,756,308</u></u>	<u><u>\$ 11,712,050</u></u>

**Note 7: TRANSFER OF 2021 FUND PERIOD SURPLUS**

The Executive Committee approved the closing of the 2021 Fund year and the transfer of the 2021 Fund year balances as of June, 30, 2023 resulting in a transfer of surplus in the amount of \$2,370,582 to the closed years account.

**Note 8: 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.

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

**Note 8: MUNICIPAL REINSURANCE HEALTH INSURANCE FUND (CONT'D)**

**Equity Interest**

As of December 31, 2023 and 2022, the Fund's share of net position MRHIF were \$1,218,362 and \$239,615, respectively.

**Selected Financial Information**

Selected summarized financial information for the MRHIF as of December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Total Assets	<u>\$ 30,766,373</u>	<u>\$ 23,607,019</u>
Total Liabilities	<u>\$ 24,170,772</u>	<u>\$ 17,796,268</u>
Net Position	<u>\$ 6,595,601</u>	<u>\$ 5,810,751</u>
Total Revenues	<u>\$ 24,055,697</u>	<u>\$ 18,766,034</u>
Total Expenses	<u>\$ 20,520,847</u>	<u>\$ 21,143,166</u>
Change in Net Position	<u>\$ 784,850</u>	<u>\$ (3,877,133)</u>
Return of Surplus	<u>\$ 2,750,000</u>	<u>\$ 1,500,001</u>

Financial statements for the MRHIF are available at the office of the Fund's Executive Director:

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

**Note 9: RELATED PARTY TRANSACTIONS**

As disclosed in Note 8, the Fund is a member of the MRHIF and accordingly has an ownership interest in MRHIF. Excess insurance premiums paid to MRHIF for the years ended December 31, 2023 and 2022 were \$4,211,198 and \$3,679,052, respectively. Dividends paid from MRHIF to the Fund for the years ended December 31, 2023 and 2022 were \$500,142 and \$273,795, respectively.

**Note 10: SUBSEQUENT EVENTS**

**Claims**

Medical claims processing turnaround time has increased and returned to its normal levels allowing for the Fund Actuary to lower the IBNR reserves.

**Membership**

Borough of Buena joined the Fund on May 1, 2024.  
City of Margate is joining the Fund on July 1, 2024.

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

**Note 10: SUBSEQUENT EVENTS (CONT'D)**

**Republic Bank Account Activity**

On April 26, 2024, Republic First Bank (doing business as Republic Bank) was closed by the Pennsylvania Department of Banking and Securities, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. To protect depositors, the FDIC entered into an agreement with Fulton Bank, National Association of Lancaster, Pennsylvania to assume substantially all of the deposits and purchase substantially all of the assets of Republic Bank. As a result of the acquisition by Fulton bank, the management of the Fund does not expect to incur any losses at this time. As of December 31, 2023, the Fund had deposits on account of \$11,442,275 and Certificates of Deposit of \$3,000,000.



## **REQUIRED SUPPLEMENTARY INFORMATION**

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
RECONCILIATION OF HEALTH CLAIMS LIABILITIES BY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Medical</u>	<u>Prescription</u>	<u>Dental</u>	<u>Total</u>
Total unpaid claims and claim adjustment expenses - Beginning of Year	\$ 11,592,330	\$ 110,950	\$ 8,770	\$ 11,712,050
Incurred claims and claims adjustment expenses:				
Provision for insured events of current fund year	125,944,835	3,005,774	89,517	129,040,126
Changes in provision for insured events of prior fund years	4,085,975	96,064	3,964	4,186,003
Total incurred claims and claims adjustment expenses all Fund years	130,030,810	3,101,838	93,481	133,226,129
Payments:				
Claims and claims adjustment expenses (Net of Recoveries):				
Attributable to insured events of current fund year	112,407,455	2,789,337	87,026	115,283,818
Attributable to insured events of prior fund years	15,798,025	96,064	3,964	15,898,053
Total payments all Fund years	128,205,480	2,885,401	90,990	131,181,871
Total unpaid claims and claim adjustment expenses - End of Year	\$ 13,417,660	\$ 327,387	\$ 11,261	\$ 13,756,308

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
EIGHT-YEAR CLAIMS DEVELOPMENT INFORMATION  
AS OF DECEMBER 31, 2023

	FUND YEAR							
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Net Earned Required Contribution and Investment Revenue:								
Earned	\$ 52,968,475	\$ 56,869,598	\$ 85,071,422	\$ 103,254,747	\$ 101,295,485	\$ 107,372,970	\$ 129,258,398	\$ 140,529,427
Ceded	3,198,980	3,016,632	4,140,195	4,767,377	4,492,323	4,502,733	5,599,320	6,286,302
	<u>\$ 49,769,495</u>	<u>\$ 53,852,966</u>	<u>\$ 80,931,227</u>	<u>\$ 98,487,370</u>	<u>\$ 96,803,162</u>	<u>\$ 102,870,237</u>	<u>\$ 123,659,078</u>	<u>\$ 134,243,125</u>
Unallocated Expenses	<u>\$ 4,500,464</u>	<u>\$ 4,498,659</u>	<u>\$ 6,800,392</u>	<u>\$ 8,040,411</u>	<u>\$ 8,070,531</u>	<u>\$ 8,493,344</u>	<u>\$ 9,845,708</u>	<u>\$ 10,394,578</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	\$ 100,715,964	\$ 116,686,653	\$ 133,619,135
Ceded	2,893,722	391,209	1,144,111	297,519	1,530,558	3,107,233	717,142	4,579,009
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>	<u>97,608,731</u>	<u>115,969,511</u>	<u>129,040,126</u>
Paid (Cumulative) as of:								
End of Policy Year	39,720,933	39,282,311	59,365,574	73,239,054	71,482,087	85,584,731	104,257,491	119,862,827
One Year Later	44,664,135	43,476,010	69,896,937	80,320,077	80,836,370	96,747,476	121,273,970	
Two Years Later (A)	44,664,135	43,476,010	69,896,937	80,484,770	81,121,296	97,657,110		
Reestimated Incurred Claims and Expenses:								
End of Policy Year	45,100,933	43,912,311	67,584,574	81,168,817	79,512,087	97,608,731	115,969,511	129,040,126
One Year Later	44,764,135	43,496,010	68,565,931	79,489,281	80,836,370	96,747,476	119,530,808	
Two Years Later (A)	44,764,135	43,496,010	68,595,941	80,484,770	81,121,296	97,657,110		
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>\$ (684,047)</u>	<u>\$ 1,609,209</u>	<u>\$ 48,379</u>	<u>\$ 3,561,297</u>	<u>\$ -</u>

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

## **SUPPLEMENTARY INFORMATION**

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
STATEMENT OF NET POSITION - STATUTORY BASIS  
AS OF DECEMBER 31, 2023

		Fund Years		
	<u>Total</u>	<u>2023</u>	<u>2022</u>	<u>Closed Years</u>
<u>ASSETS</u>				
Cash And Cash Equivalents	\$ 16,525,546	\$ 1,069,438	\$ (5,598,747)	\$ 21,054,855
Investments	5,500,000			5,500,000
Contributions Receivable	3,536,213	3,536,213		
Accrued Interest Receivable	53			53
Excess Insurance Receivable	4,331,956	4,182,199	149,757	
Prescription Rebates Receivable	817,960	817,960		
Prepaid Expense	37,467	37,467		
Total Assets	\$ 30,749,195	\$ 9,643,277	\$ (5,448,990)	\$ 26,554,908
<u>LIABILITIES AND RESERVES</u>				
Liabilities:				
Accrued Insurance Premiums	\$ 885,757	\$ 885,757		
Accrued Expenses	193,491	192,791	\$ 700	
Surplus Return Reserve	12,579,849			\$ 12,579,849
Total Liabilities	13,659,097	1,078,548	700	12,579,849
Reserves:				
Actuarial Liability	13,756,308	13,756,308		
Total Reserves	13,756,308	13,756,308	-	-
Total Liabilities And Reserves	27,415,405	14,834,856	700	12,579,849
<u>NET POSITION (DEFICIT)</u>				
Unrestricted	\$ 3,333,790	\$ (5,191,579)	\$ (5,449,690)	\$ 13,975,059

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

		Fund Years		
	<u>Total</u>	<u>2023</u>	<u>2022</u>	<u>Closed Years</u>
Operating Revenues:				
Regular Contributions	\$ 139,839,127	\$ 139,839,497		\$ (370)
Employee Contribution	482,388	482,388		
Total Operating Revenues	140,321,515	140,321,885	-	(370)
Operating Expenses:				
Provision For Claims And				
Claims Adjustment Expenses	133,226,129	129,040,126	\$ 3,561,296	624,707
Reinsurance	4,633,102	4,633,102		
State Health Benefits				
Program Surcharge Premiums	1,388,089	1,653,200	(191,800)	(73,311)
Administration	10,318,632	10,394,578	(75,947)	1
Total Operating Expenses	149,565,952	145,721,006	3,293,549	551,397
Operating Loss	(9,244,437)	(5,399,121)	(3,293,549)	(551,767)
Non-Operating Revenue:				
Investment Income	858,588	207,542	72,621	578,425
Dividend Income	500,142			500,142
	1,358,730	207,542	72,621	1,078,567
Change In Net Position	(7,885,707)	(5,191,579)	(3,220,928)	526,800
Net Position (Deficit), Beginning	11,219,497	-	(2,228,762)	13,448,259
Return Of Surplus	-	-	-	-
Net Position (Deficit), Ending	\$ 3,333,790	\$ (5,191,579)	\$ (5,449,690)	\$ 13,975,059

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
STATEMENT OF CASH FLOWS - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Fund Years			
	<u>Total</u>	<u>2023</u>	<u>2022</u>	<u>Closed Years</u>
Cash Flows From Operating Activities:				
Receipts From Regular Contributions	\$ 137,436,896	\$ 136,785,672	\$ 629,906	\$ 21,318
Payments For Health Benefits Claims	(133,754,088)	(120,283,977)	(13,154,578)	(315,533)
Payments/Refunds For/From Insurance Premiums	(5,947,869)	(5,400,545)	(620,635)	73,311
Payments To Professionals And Supplies	(10,317,093)	(10,239,254)	(77,838)	(1)
Net Cash Flows Provided By (Used In) Operating Activities	(12,582,154)	861,896	(13,223,145)	(220,905)
Cash Flows From Investing Activities:				
Purchase of Investments	(5,500,000)			(5,500,000)
Investment Income	1,358,713	207,542	72,621	1,078,550
Net Cash Provided By (Used In) Investing Activities	(4,141,287)	207,542	72,621	(4,421,450)
Cash Flows From Noncapital Financing Activities:				
Return of Surplus	(60,459)			(60,459)
Net Increase (Decrease) In Cash And Cash Equivalents	(16,783,900)	1,069,438	(13,150,524)	(4,702,814)
Cash And Cash Equivalents, Beginning	33,309,446	-	7,551,777	25,757,669
Cash And Cash Equivalents, Ending	\$ 16,525,546	\$ 1,069,438	\$ (5,598,747)	\$ 21,054,855
Reconciliation Of Operating Loss To				
Cash Flows From Operating Activities:				
Operating Loss	\$ (9,244,437)	\$ (5,399,121)	\$ (3,293,549)	\$ (551,767)
Adjustments To Reconcile Operating Loss To Net				
Cash Provided By (Used In) Operating Activities:				
Changes In Assets And Liabilities:				
Decrease (Increase) In Assets:				
Contributions Receivable	(2,884,619)	(3,536,213)	629,906	21,688
Excess Insurance Receivable	(3,512,165)	(4,182,199)	360,860	309,174
Prescription Rebates Receivable	939,948	(817,960)	1,757,908	
Refund Receivable	5,178		5,178	
Prepaid Expense	(34,950)	(37,467)	2,517	
Increase (Decrease) In Liabilities:				
Accrued Expenses	31,311	192,791	(161,480)	
Accrued Excess Insurance Premium	73,322	885,757	(812,435)	
Actuarial Liability	2,044,258	13,756,308	(11,712,050)	
Total Adjustments	(3,337,717)	6,261,017	(9,929,596)	330,862
Net Cash Provided By (Used In) Operating Activities	\$ (12,582,154)	\$ 861,896	\$ (13,223,145)	\$ (220,905)

**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 of and for the year ended December 31, 2023:

Total Assets – Statement of Net Position	\$ 31,967,557
Less Investment in Joint Venture	<u>1,218,362</u>
Total Assets – Statutory Basis	<u>\$ 30,749,195</u>
Net Position – Statement of Net Position	\$ 4,552,152
Less Investment in Joint Venture	<u>1,218,362</u>
Net Position – Statutory Basis	<u>\$ 3,333,790</u>
Change in Net Positon - Statement of Revenues, Expenses and Changes in Net Position	\$ (6,906,960)
Less Change in Investment in Joint Venture	<u>978,747</u>
Change in Net Position – Statutory Basis	<u>\$ (7,885,707)</u>



SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
SUPPLEMENTARY INFORMATION  
STATEMENT OF FUND YEAR 2023 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Medical*</u>	<u>Medical Adv</u>	<u>Dental</u>	<u>Prescription</u>	<u>Vision</u>	<u>Reinsurance</u>	<u>Administrative</u>	<u>Total</u>
Income:								
Regular Contributions	\$ 121,874,080		\$ 83,005	\$ 2,151,847	\$ 44,111	\$ 4,177,288	\$ 11,509,166	\$ 139,839,497
Employee Contribution	482,388							482,388
Investment Income	178,801				775	73	27,893	207,542
Total Income	122,535,269	-	83,005	2,151,847	44,886	4,177,361	11,537,059	140,529,427
Incurred Liabilities:								
Claims Paid (Net of Refunds)	116,986,464		87,026	2,789,337				119,862,827
Excess Insurance Recoveries	(4,579,009)							(4,579,009)
Actuarial Liability (Net of Recoverables)	13,537,380		2,491	216,437				13,756,308
Insurance Premiums	1,653,200	\$ 421,904				4,211,198		6,286,302
Administrative Expenses							10,394,578	10,394,578
Total Liabilities	127,598,035	421,904	89,517	3,005,774	-	4,211,198	10,394,578	145,721,006
Net Position (Deficit)	\$ (5,062,766)	\$ (421,904)	\$ (6,512)	\$ (853,927)	\$ 44,886	\$ (33,837)	\$ 1,142,481	\$ (5,191,579)

\*Includes Retirees And COBRA

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
SUPPLEMENTARY INFORMATION  
STATEMENT OF FUND YEAR 2022 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Medical*</u>	<u>Medical Adv</u>	<u>Dental</u>	<u>Prescription</u>	<u>Vision</u>	<u>Reinsurance</u>	<u>Administrative</u>	<u>Total</u>
Income:								
Regular Contributions	\$ 111,793,476	\$ 361,724	\$ 78,853	\$ 2,055,967	\$ 47,356	\$ 3,546,090	\$ 10,701,212	\$ 128,584,678
Employee Contribution	514,279							514,279
Investment Income	112,164	2,548			2,176		42,553	159,441
Total Income	112,419,919	364,272	78,853	2,055,967	49,532	3,546,090	10,743,765	129,258,398
Incurred Liabilities:								
Claims Paid (Net of Refunds)	118,537,775		95,455	2,640,740				121,273,970
Excess Insurance Recoveries	(1,743,162)							(1,743,162)
Actuarial Liability (Net of Recoverables)	(119,720)		8,770	110,950				-
Insurance Premiums	1,334,282	394,186				3,679,052		5,407,520
Administrative Expenses							9,769,762	9,769,762
Total Liabilities	118,009,175	394,186	104,225	2,751,690	-	3,679,052	9,769,762	134,708,090
Net Position (Deficit)	\$ (5,589,256)	\$ (29,914)	\$ (25,372)	\$ (695,723)	\$ 49,532	\$ (132,962)	\$ 974,003	\$ (5,449,692)

\*Includes Retirees And COBRA

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
SUPPLEMENTARY INFORMATION  
STATEMENT OF FUND YEAR 2023 EXPENSE ANALYSIS - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Paid</u>	<u>Accrued Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 1,581,252		\$ 1,581,252
Program Manager	2,796,706		2,796,706
Broker Fee	2,327,440		2,327,440
Third Party Administrators:			
Medical	2,669,948		2,669,948
Dental	6,611		6,611
Guardian Nurses	671,867		671,867
Actuary	12,250		12,250
Attorney	17,694	\$ 4,641	22,335
Auditor		20,600	20,600
Claims Audit		40,000	40,000
Treasurer	19,555		19,555
Postage	560	76	636
Plan Documents	12,500		12,500
Meeting Expense	10,181		10,181
Patient Centered Outcome Research Fee	46,512		46,512
Miscellaneous Expense	5,141	1,044	6,185
Wellness Program (Net of Reimbursement)	23,570	126,430	150,000
Total Administrative Expenses	<u>\$ 10,201,787</u>	<u>\$ 192,791</u>	<u>\$ 10,394,578</u>

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
SUPPLEMENTARY INFORMATION  
STATEMENT OF FUND YEAR 2022 EXPENSE ANALYSIS - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Paid</u>	<u>Accrued Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 1,519,361		\$ 1,519,361
Program Manager	2,689,054		2,689,054
Broker Fee	2,230,257		2,230,257
Third Party Administrators:			
Medical	2,676,167		2,676,167
Dental	6,334		6,334
Guardian Nurses	432,600		432,600
Actuary	12,000		12,000
Attorney	26,960		26,960
Auditor	20,196		20,196
Treasurer	19,300		19,300
Postage	863		863
Plan Documents	12,500		12,500
Meeting Expense	8,591		8,591
Patient Centered Outcome Research Fee	35,695		35,695
Miscellaneous Expense	6,365	\$ 700	7,065
Wellness Program	72,819		72,819
	<hr/>		
Total Administrative Expenses	\$ 9,769,062	\$ 700	\$ 9,769,762
	<hr/>		

SOUTHERN COASTAL REGIONAL EMPLOYEE BENEFITS FUND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CASH, CASH EQUIVALENTS, AND INVESTMENTS - STATUTORY BASIS  
AS OF DECEMBER 31, 2023

<u>Description</u>	<u>Amount</u>
<u>Cash And Cash Equivalents</u>	
Cash Accounts	
Citizens Bank	
General Account	\$ 285,309
New Jersey Cash Management Fund	228,339
Ocean First Bank	
Operating Account	4,555,872
Investment Account	1,486
Republic Bank	
Checking Account **	4,953
Investment Account **	11,437,322
Wilmington Trust	
Money Market Account	12,265
	<hr/>
Total Cash And Cash Equivalents	16,525,546
	<hr/>
<u>Investments</u>	
TD Bank	
Certificates of Deposit	2,500,000
Republic Bank	
Certificates of Deposit **	3,000,000
	<hr/>
Total Investments	5,500,000
	<hr/>
Total Cash, Cash Equivalents, and Investments Per Schedule A Statement Of Net Position - Statutory Basis	\$ 22,025,546
	<hr/> <hr/>
Total Cash, Cash Equivalents, and Investments By Fund Year:	
2023	\$ 1,069,438
2022	(5,598,747)
Closed Years	26,554,855
	<hr/>
	\$ 22,025,546
	<hr/> <hr/>

\*\* On April 26, 2024, Republic First Bank (doing business as Republic Bank) was closed by the Pennsylvania Department of Banking and Securities, which appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. To protect depositors, the FDIC entered into an agreement with Fulton Bank, National Association of Lancaster, Pennsylvania to assume substantially all of the deposits and purchase substantially all of the assets of Republic Bank.

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements related to the financial statements for which *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, requires.

## **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* 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.

None

## **APPRECIATION**

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

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

A handwritten signature in black ink that reads "Dennis J. Skalkowski". The signature is written in a cursive, flowing style.

Dennis J. Skalkowski  
Certified Public Accountant

