



REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED

JUNE 30, 2023 AND 2022



SCHOOLS HEALTH INSURANCE FUND

TABLE OF CONTENTS

	<u>Page No.</u>
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
 <u>Financial Statements</u>	
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
 <u>Required Supplementary Information</u>	
Schedule 1 Reconciliation of Health Claims Liabilities by Fund	24
Schedule 2 Eight-Year Claims Development Information	25
 <u>Supplementary Information</u>	
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 and Combining 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
 <u>Schedule of Findings and Recommendations</u>	
Schedule of Findings and Recommendations	37
Schedule of Financial Statement Findings	37
Summary Schedule of Prior Year Audit Findings as Prepared by Management Appreciation	37

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Schools Health Insurance 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 Schools Health Insurance Fund (the "Fund") as of and for the fiscal years ended June 30, 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 June 30, 2023 and 2022, and the respective changes in financial position and cash flows for the fiscal 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, 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 opinion.

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.

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 opinion. 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, 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.

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 December 15, 2023, 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
December 15, 2023

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Schools Health Insurance 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 Schools Health Insurance Fund (the "Fund"), as of June 30, 2023, and for the fiscal 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 December 15, 2023.

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 or significant deficiencies may exist that have not been identified.

Board of Trustees
Schools Health Insurance Fund

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,



Bowman & Company LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
December 15, 2023

SCHOOLS HEALTH INSURANCE FUND

Management's Discussion and Analysis - Unaudited

This section of the annual financial report of the Schools Health Insurance Fund (the "Fund") presents a discussion and analysis of the financial performance of the Fund for the fiscal years ended June 30, 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 school districts that are members of the Fund. The Fund maintains separate enterprise funds by incurred years and line of coverage. The basic financial statements are presented on an accrual basis of accounting. The three basic financial statements presented are as follows:

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 fiscal year.

Financial Highlights

The following tables summarize the net position and results of operations for the Fund as of and for the fiscal years ended June 30, 2023, 2022, and 2021.

Summary Statement of Net Position				<u>2022 to 2023 Change</u>	
	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>Change \$</u>	<u>Change %</u>
Assets:					
Cash And Cash Equivalents	\$ 124,317,953	\$ 131,469,611	\$ 133,124,203	\$ (7,151,658)	-5.4%
Investments	41,000,000	16,000,000	11,000,000	25,000,000	156.3%
Contributions Receivable	12,670,039	18,034,228	7,401,677	(5,364,189)	-29.7%
Accrued Dividend Receivable	-	-	1,950,636	-	0.0%
Excess Insurance Receivable	3,513,040	5,075,395	4,827,910	(1,562,355)	-30.8%
Rebate Receivable	5,782,938	2,616,681	4,948,928	3,166,257	121.0%
Reimbursement Receivable	570,563	113,947	379,965	456,616	400.7%
Prepaid Expenses	10,433	-	-	10,433	100.0%
Investment In Joint Venture	6,054,734	4,246,080	5,778,098	1,808,654	42.6%
Total Assets	\$ 193,919,700	\$ 177,555,942	\$ 169,411,417	\$ 16,363,758	9.2%

Financial Highlights Continued

Summary Statement of Net Position (Continued)	6/30/2023	6/30/2022	6/30/2021	2022 to 2023 Change	
				Change \$	Change %
Liabilities, Reserves, & Net Position					
Liabilities:					
Accrued Expenses	\$ 4,228,122	\$ 3,738,624	\$ 2,708,058	\$ 489,498	13.1%
Surplus Return Reserve	25,591,972	19,047,391	19,278,137	6,544,581	34.4%
Contribution Payable	-	47,243	-	(47,243)	-100.0%
Due to Member	-	9,956	-	(9,956)	-100.0%
Loss Reserves	41,451,180	35,525,697	31,677,000	5,925,483	16.7%
Total Liabilities & Reserves	71,271,274	58,368,911	53,663,195	12,902,363	22.1%
Net Position - Unrestricted	\$ 122,648,426	\$ 119,187,031	\$ 115,748,222	\$ 3,461,395	2.9%

Summary Statement of Revenues, Expenses, and Changes in Net Position	6/30/2023	6/30/2022	6/30/2021	2022 to 2023 Change	
				Change \$	Change %
Operating Revenue:					
Regular and Employee Contributions	\$ 472,109,811	\$ 433,035,720	\$ 347,395,338	\$ 39,074,091	9.0%
Operating Expenses:					
Provision for Claims and Claims Expense	425,920,993	387,040,815	302,993,372	38,880,178	10.0%
Insurance Premiums	15,681,921	15,275,417	14,066,129	406,504	2.7%
Administrative and Operating	23,664,306	23,847,201	19,427,789	(182,895)	-0.8%
Total Operating Expenses	465,267,220	426,163,433	336,487,290	39,103,787	9.2%
Operating Income	6,842,591	6,872,287	10,908,048	(29,696)	-0.4%
Non-Operating Revenues (Expenses):					
Investment Income	4,837,725	951,244	1,088,174	3,886,481	408.6%
Dividend Income	690,590	-	1,950,636	690,590	0.0%
Change In Joint Venture	1,808,654	(1,532,018)	278,790	3,340,672	218.1%
Total Non-Operating Revenues (Expenses)	7,336,969	(580,774)	3,317,600	7,917,743	627%
Change in Net Position Before Return of Surplus	14,179,560	6,291,513	14,225,648	7,888,047	125.4%
Return of Surplus	10,718,165	2,852,704	9,878,926	7,865,461	275.7%
Change In Net Position	\$ 3,461,395	\$ 3,438,809	\$ 4,346,722	\$ 22,586	0.7%

Financial Highlights Continued

On January 1, 2016, certain school district members of the fund transferred their equity interest in the Southern New Jersey Regional Employee Benefits Fund to form the Schools Health Insurance Fund. The Fund was formed in accordance with P.L. 1983, C.372, entitled "An Act Concerning Board of Education Insurance ", and supplementing Chapter 18B of Title 18A of the New Jersey Statutes, which authorizes a governing body of any local unit to establish an independent health insurance joint insurance fund for the purposes provided by law. 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 June 30, 2023, were \$193,919,700 and total liabilities and reserves were \$71,271,274 resulting in a surplus in unrestricted net position of \$122,648,426.

The Fund's operating revenues were \$472,109,811 during the fiscal year. Claims expenses represented \$425,920,993 in health benefit costs. Reinsurance premiums were composed of \$9,565,587 being incurred by the Municipal Reinsurance Health Insurance Fund and \$6,116,334 being incurred by State Health Benefits Program Surcharge Premiums. During the reporting period, administrative and operating costs were composed of \$23,664,306 in professional and administrative expenses.

The value of the Fund's share of the Municipal Reinsurance Health Insurance Fund ("MRHIF") was \$6,054,734.

Investment income was \$4,837,725 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 Schools Health Insurance 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 Schools Health Insurance Fund's office located at 9 Campus Drive, Suite 216, Parsippany, New Jersey 07054 or by phone at (201) 881-7632.

SCHOOLS HEALTH INSURANCE FUND
COMPARATIVE STATEMENTS OF NET POSITION
AS OF JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash And Cash Equivalents	\$ 124,317,953	\$ 131,469,611
Investments	41,000,000	16,000,000
Contributions Receivable	12,670,039	18,034,228
Excess Insurance Receivable	3,513,040	5,075,395
Rebate Receivable	5,782,938	2,616,681
Reimbursement Receivable	570,563	113,947
Prepaid Expenses	10,433	-
Investment In Joint Venture	6,054,734	4,246,080
	<hr/>	<hr/>
Total Assets	193,919,700	177,555,942
	<hr/>	<hr/>
<u>LIABILITIES AND RESERVES</u>		
Liabilities:		
Accrued Insurance Premiums	3,638,519	3,335,852
Accrued Administrative Expenses	589,603	399,721
Accrued Affordable Care Act Expenses	-	3,051
Surplus Return Reserve	25,591,972	19,047,391
Contribution Payable	-	47,243
Due to Member	-	9,956
	<hr/>	<hr/>
Total Liabilities	29,820,094	22,843,214
	<hr/>	<hr/>
Reserves:		
Actuarial Liability	41,451,180	35,525,697
	<hr/>	<hr/>
Total Liabilities And Reserves	71,271,274	58,368,911
	<hr/>	<hr/>
<u>NET POSITION</u>		
Unrestricted	\$ 122,648,426	\$ 119,187,031
	<hr/> <hr/>	<hr/> <hr/>

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

SCHOOLS HEALTH INSURANCE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Regular Contributions	\$ 470,587,941	\$ 431,784,989
Employee Contribution	<u>1,521,870</u>	<u>1,250,731</u>
Total Operating Revenues	<u>472,109,811</u>	<u>433,035,720</u>
Operating Expenses:		
Provision For Claims And Claims Adjustment Expenses	425,920,993	387,040,815
Reinsurance	9,565,587	8,707,286
State Health Benefits Program Surcharge Premiums	6,116,334	6,568,131
Administration	<u>23,664,306</u>	<u>23,847,201</u>
Total Operating Expenses	<u>465,267,220</u>	<u>426,163,433</u>
Operating Income	<u>6,842,591</u>	<u>6,872,287</u>
Non-Operating Revenues (Expense):		
Investment Income	4,837,725	951,244
Dividend Income	690,590	-
Change In Investment In Joint Venture	<u>1,808,654</u>	<u>(1,532,018)</u>
Total Non-Operating Revenues (Expenses)	<u>7,336,969</u>	<u>(580,774)</u>
Change In Net Position Before Return of Surplus	14,179,560	6,291,513
Return of Surplus	<u>(10,718,165)</u>	<u>(2,852,704)</u>
Change In Net Position	3,461,395	3,438,809
Net Position, Beginning	<u>119,187,031</u>	<u>115,748,222</u>
Net Position, Ending	<u>\$ 122,648,426</u>	<u>\$ 119,187,031</u>

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

SCHOOLS HEALTH INSURANCE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Receipts From Regular Contributions	\$ 477,426,757	\$ 422,450,412
Payments For Health Benefits Claims	(422,076,417)	(380,831,382)
Payments For Insurance Premiums	(15,379,254)	(14,358,095)
Payments To Professionals And Administrative Expenses	<u>(23,477,475)</u>	<u>(23,733,957)</u>
Net Cash Flows Provided By Operating Activities	<u>16,493,611</u>	<u>3,526,978</u>
Cash Flows From Investing Activities:		
Purchase of Investments	(41,000,000)	(16,000,000)
Redemption of Investments	16,000,000	11,000,000
Investment Income	<u>5,528,315</u>	<u>2,901,880</u>
Net Cash Used In Investing Activities	<u>(19,471,685)</u>	<u>(2,098,120)</u>
Cash Flows Used In Noncapital Financing Activities:		
Return of Surplus Payable	<u>(4,173,584)</u>	<u>(3,083,450)</u>
Net Decrease In Cash And Cash Equivalents	(7,151,658)	(1,654,592)
Cash And Cash Equivalents, Beginning Of Year	<u>131,469,611</u>	<u>133,124,203</u>
Cash And Cash Equivalents, End Of Year	<u>\$ 124,317,953</u>	<u>\$ 131,469,611</u>
Reconciliation Of Operating Income To		
Cash Flows From Operating Activities:		
Operating Income	\$ 6,842,591	\$ 6,872,287
Adjustments To Reconcile Operating Income to Net		
Cash Provided By Operating Activities:		
Changes In Assets And Liabilities:		
Decrease (Increase) In Assets:		
Contributions Receivable	5,364,189	(10,632,551)
Excess Insurance Receivable	1,562,355	11,245
Reimbursement Receivable	(3,166,257)	2,218,300
Other Receivables	(456,616)	113,947
Prepaid Expenses	(10,433)	7,288
Increase (Decrease) In Liabilities:		
Accrued Administrative Expenses	186,831	113,244
Accrued Excess Insurance Premium	302,667	917,322
Actuarial Liability	5,925,483	3,848,697
Contribution Payable	(47,243)	47,243
Due to Member	<u>(9,956)</u>	<u>9,956</u>
Total Adjustments	<u>9,651,020</u>	<u>(3,345,309)</u>
Net Cash Provided By Operating Activities	<u>\$ 16,493,611</u>	<u>\$ 3,526,978</u>
Supplemental Disclosure - Non-cash Activity:		
Change In Investment In Joint Venture	<u>\$ 1,808,654</u>	<u>\$ 278,790</u>

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

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 1: ORGANIZATION AND DESCRIPTION OF THE FUND

On January 1, 2016, the Schools Health Insurance Fund (the "Fund") was formed in accordance with P.L. 1983, C.372, entitled "An Act Concerning Board of Education Insurance", and supplementing Chapter 18B of Title 18A of the New Jersey Statutes. 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 for the purpose of containing medical costs.

During the Fund's initial period, any local school board in southern New Jersey that was a member of the Southern New Jersey Regional Employee Benefits Fund could become a part of the Fund's initial application. Thereafter, the Trustees/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
Vision

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 fiscal year 2023, the following boards of education ("BOE"), school districts and charter schools were members of the Fund:

Alexandria Twp. BOE	Delran Twp. Public Schools	Glen Ridge Public Schools
Bellmawr Public School District	Delsea Regional BOE	Gloucester City BOE
Berlin Borough BOE	Deptford Twp. BOE	Gloucester County Special
Bethlehem Twp. BOE	East Greenwich BOE	Services School District
Black Horse Pike Regional BOE	Eastern Camden County	Gloucester County Vocational
Blairstown BOE	Regional School District	School District
Bloomsbury BOE	Eatontown BOE	Gloucester Township BOE
Burlington Twp. BOE	ESC of Morris County	Greenwich Twp. BOE
Byram Twp. BOE	Ewing Twp. BOE	Hanover Park BOE
Califon BOE	Florence BOE	Hardyston Twp. BOE
Chesterfield BOE	Foundation Academy	Harrison Twp. BOE
Cinnaminson Twp. BOE	Charter School	High Point BOE
City Of Burlington BOE	Frankford Twp. BOE	Hope Twp. BOE
Clayton BOE	Franklin Twp. School District	Hunterdon Central Regional
Clinton Township BOE	Fredon Twp. BOE	High School BOE
Clearview Regional BOE	Frelinghuysen Twp. BOE	Jamesburg BOE
Collingswood BOE	Gateway Regional BOE	Kingsway Regional
Colts Neck Twp. BOE	Glassboro BOE	School District

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

During fiscal year 2023, the following boards of education (“BOE”), school districts and charter schools were members of the Fund (Cont’d):

Lawrence Township BOE	North Hunterdon-Voorhees BOE	South Harrison Twp. BOE
Leap Academy University Charter School	Northern Burlington County Regional School District	Southampton Twp. BOE
Lebanon Twp. BOE	Oakland BOE	Springfield Twp. BOE
Lenape Regional High School	Ogdensburg Borough	Stillwater Twp. BOE
Lenape Valley Regional BOE	School District	Summit BOE
Lindenwold BOE	Oxford Central School	Swedesboro-Woolwich BOE
Logan Twp. BOE	Paulsboro Public Schools	Tabernacle BOE
Lower Alloways Creek BOE	Pennsauken BOE	Twp of Franklin Public Schools
Lumberton Township BOE	Pinelands Twp. BOE	Upper Pittsgrove BOE
Mansfield Township BOE	Plumsted Twp BOE	Voorhees Twp. BOE
Mantua Twp. BOE	Pohatcong Twp. BOE	Wallkill Valley Regional BOE
Maple Shade Twp. BOE	Ramapo Indian Hills Regional High School	Washington Borough BOE
Medford Twp. BOE	Rancocas Valley Regional BOE	Watchung Borough BOE
Medford Lakes BOE	Riverside Twp. BOE	Watchung Hills Regional High School
Mendham Borough School District	Robbinsville BOE	West Deptford BOE
Mendham Twp. BOE	Roxbury Township BOE	West Morris Regional High School
Moorestown Twp. Public Schools	Sandyston-Walpack Consolidated School District	White Twp. BOE
Mt. Holly Twp. BOE	School District of the Chathams	Woodbury City BOE
Mt. Laurel Twp. Schools	Shamong Twp. BOE	Woodbury Hts BOE
Newton BOE	Somerset Hills BOE	Woodland Twp. BOE
		Woodstown-Pilesgrove BOE

HEALTH INSURANCE COVERAGE

Medical - The Fund offers a “point of service” and “open access” plan designs. These plans have both in-network and out-of-network benefit. The Fund can offer other plans as may meet the needs of the members. The Fund also offers “low-cost plans” to allow members options to comply with contribution requirements under Chapter 78. The Fund also offers Medicare Advantage programs and/or Medicare Supplement programs in addition to the Educator’s Health Plan under Chapter 44.

Dental - The Fund offers customized dental plans as required by the members.

Prescription - The Fund offers customized prescription plans as required by the members, including plans that are coordinated with the low-cost medical plan options.

Vision - The Fund plans to offer customized vision plans as required by the members.

The Medical and Prescription liability limits coverages for 2023 were as follows:

- Specific Retention: \$475,000 per enrolled participant
- Aggregate Retention: Not applicable, aggregate reinsurance or stop loss not obtained
- Specific Limit: Unlimited
- Aggregate Limit: Not applicable

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

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

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

HEALTH INSURANCE COVERAGE (CONT'D)

Health Insurance Coverage Notes:

1. "Health Insurance" means health insurance as defined pursuant to N.J.S.A. 17B:17-4 or service benefits as provided by health service corporations, hospital service corporations or medical service corporations authorized to do business in the State.
2. "Incurred Claims" means claims, which occur during a Fund year, including claims paid during a later period. The exact definition of "Incurred Claims" or any similar term is the definition used in the excess insurance policy purchased by the Fund.
3. The Fund's reinsurance agreement for the fiscal year 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 July 1, 2022, to June 30, 2023.
4. Open enrollment for participating employees is offered during the months of May and November.
5. Medical coverage consists of each participating boards of education and school district's individual medical benefits plan, the HMO option on a group basis or the PPO option in accordance with a plan on file with the Department of Insurance.
6. Medicare provides secondary coverage for eligible active employees and primary coverage for eligible Medicare participants.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant policies followed by the Schools Health Insurance 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") Statement 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.

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

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 ("GAAP") 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.

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 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 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.

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

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

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.

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 fiscal year are not sufficient to cover all claims and expenses. Should premiums collected exceed claims and expenses, members may accrue a dividend credit subject to the discretion of the Executive Committee of the Fund and approval by the Department of Banking and Insurance. Dividends approved by the Executive Committee are shown in the financial statements as reserved Net Position pending State approval. Each member shares in these charges and credits based upon its participation in the various coverages provided.

Claims Funding

The Fund is on a claim payment reimbursement basis with Aetna, AmeriHealth, Horizon, EverNorth, 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.

Plan benefit obligations are transmitted electronically by ACH (Automated Clearing House) payments in 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 June 30, 2023.

SCHOOLS HEALTH INSURANCE 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 ("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 amounted to \$5,198,586 and \$3,898,575, 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 GASB 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 positive changes in the Fund's investment in joint ventures.

Operating expenses include expenses associated with the fund operations, including claims expenses, 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 GAAP 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.

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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 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 \$125,920,442 as of June 30, 2023, \$1,040,133 was FDIC-insured while \$124,880,309 was collateralized under GUDPA.

Of the Fund's bank balance of \$25,998,381 as of June 30, 2022, \$789,695 was FDIC-insured while \$25,208,686 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 ensure 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 June 30, 2023 and 2022, the Fund's deposits with the New Jersey Cash Management Fund were \$155,755 and \$106,179,981, 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 March 31. The surcharge form includes information such as adjustments from prior year payment, total claims paid, the surcharge rate and the amount to be remitted. For the fiscal years ended June 30, 2023 and 2022, the Fund recorded insurance expense of \$6,116,334 and \$6,568,131 for State Health Benefits Program premium surcharges.

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 \$41,000,000 and \$16,000,000 as of June 30, 2023 and 2022 were held by either the counterparty or counterparty's trust department or agent, but not in the Fund's name.

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 5: 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.

As of June 30, 2023 and 2022, the Fund had the following investments and maturities:

<u>Investment</u>	<u>Interest</u>		<u>Credit</u> <u>Rating</u>	<u>Market Value</u>	
	<u>Rate</u>	<u>Maturity</u>		<u>2023</u>	<u>2022</u>
<u>Certificates of Deposit</u>					
Parke Bank	2.950%	03/13/23	N/A		\$ 10,000,000
Parke Bank	2.950%	04/12/23	N/A		6,000,000
TD Bank	5.360%	07/10/23	N/A	\$ 10,000,000	
TD Bank	5.360%	09/08/23	N/A	15,000,000	
Parke Bank	4.200%	12/07/23	N/A	10,000,000	
Parke Bank	4.200%	12/07/23	N/A	6,000,000	
Total Certificates of Deposit				<u>\$ 41,000,000</u>	<u>\$ 16,000,000</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 June 30, 2023 and 2022:

Certificates of Deposit of \$41,000,000 and \$16,000,000 are valued using quoted market prices for identical assets (Level 1 inputs).

SCHOOLS HEALTH INSURANCE 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 of year	<u>\$ 35,525,697</u>	<u>\$ 31,677,000</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fund year	427,439,138	384,297,566
Changes in provision for insured events of prior fund years	<u>(1,518,145)</u>	<u>2,743,249</u>
Total incurred claims and claim adjustment expenses all fund years	<u>425,920,993</u>	<u>387,040,815</u>
Payments:		
Claims and claim adjustment expenses:		
Attributable to insured events of current fund year	385,987,958	348,771,869
Attributable to insured events of prior fund years	<u>34,007,552</u>	<u>34,420,249</u>
Total payments all fund periods	<u>419,995,510</u>	<u>383,192,118</u>
Total unpaid claims and claim adjustment expenses all fund years - end of year	<u>\$ 41,451,180</u>	<u>\$ 35,525,697</u>

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

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.

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

Equity Interest

As of June 30, 2023 and 2022, the Fund's share of net position in MRHIF was \$6,054,734 and \$4,246,080, respectively.

Selected Financial Information

Selected summarized financial information for MRHIF as of December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Total Assets	<u>\$ 23,607,019</u>	<u>\$ 31,621,075</u>
Total Liabilities	<u>\$ 17,796,268</u>	<u>\$ 21,933,191</u>
Net Position	<u>\$ 5,810,751</u>	<u>\$ 9,687,884</u>
Total Revenues	<u>\$ 18,766,034</u>	<u>\$ 17,087,032</u>
Total Expenses	<u>\$ 21,143,166</u>	<u>\$ 19,975,765</u>
Change in Net Position	<u>\$ (3,877,133)</u>	<u>\$ (7,388,733)</u>
Return of Surplus	<u>\$ 1,500,001</u>	<u>\$ 4,500,000</u>

Financial statements for 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 MRHIF and, accordingly, has an ownership interest in MRHIF. Excess insurance premiums paid to MRHIF as of June 30, 2023 and 2022 were \$9,453,688 and \$8,610,944, respectively.

Note 10: 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 December 31, 2022, resulting in a transfer of surplus in the amount of \$7,839,535 to the closed years account.

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 11: RETURN OF SURPLUS

The Executive Committee approved a surplus distribution in the amount of \$10,718,165 and \$2,852,704 for the fiscal years ended June 30, 2023 and 2022, respectively. The surplus distributions were payable from the Closed Fund Year Accounts.

Retained Dividends

Beginning in fiscal year 2019, as permitted by the Fund's By-Laws, Fund members have the option to take their portion of the surplus distribution as a deposit in the Fund's reserve account. The Fund members earn monthly interest on a rate based on the percentage of the total reserve account balance to the average cash and investments balance. As of June 30, 2023 and 2022, \$25,591,972 and \$19,047,391 of dividends including interest were retained by Fund.

Note 12: SUBSEQUENT EVENTS

Subsequent to year-end, the following entities have joined their membership with the Fund:

- Montgomery BOE (Effective 7/1/2023)
- Randolph BOE (Effective 7/1/2023)
- Sterling BOE (Effective 7/1/2023)
- Bogota BOE (Effective 7/1/2023)
- Middlesex BOE (Effective 1/1/2024)

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOLS HEALTH INSURANCE FUND
RECONCILIATION OF HEALTH CLAIMS LIABILITIES BY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Medical</u>	<u>Prescription</u>	<u>Dental</u>	<u>Total</u>
Total unpaid claims and claim adjustment expenses - Beginning of Year	\$ 32,263,718	\$ 2,804,754	\$ 457,225	\$ 35,525,697
Incurred claims and claims adjustment expenses:				
Provision for insured events of current fund year	387,501,774	35,417,911	4,519,453	427,439,138
Changes in provision for insured events of prior fund years	4,328,850	(5,862,198)	15,203	(1,518,145)
Total incurred claims and claims adjustment expenses all Fund years	391,830,624	29,555,713	4,534,656	425,920,993
Payments:				
Claims and claims adjustment expenses (Net of Recoveries):				
Attributable to insured events of current fund year	348,955,154	32,788,981	4,243,823	385,987,958
Attributable to insured events of prior fund years	38,318,366	(4,537,218)	226,404	34,007,552
Total payments all Fund years	387,273,520	28,251,763	4,470,227	419,995,510
Total unpaid claims and claim adjustment expenses - End of Year	\$ 36,820,822	\$ 4,108,704	\$ 521,654	\$ 41,451,180

SCHOOLS HEALTH INSURANCE FUND
EIGHT-YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF JUNE 30, 2023

FUND YEAR ENDED JUNE 30

	<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	\$ 59,363,096	\$ 157,599,684	\$ 192,243,008	\$ 240,675,342	\$ 280,079,236	\$ 348,278,461	\$ 433,746,541	\$ 473,087,078
Ceded	3,335,172	8,416,052	10,492,189	10,818,053	11,487,492	13,795,361	15,032,074	17,217,586
	<u>56,027,924</u>	<u>149,183,632</u>	<u>181,750,819</u>	<u>229,857,289</u>	<u>268,591,744</u>	<u>334,483,100</u>	<u>418,714,467</u>	<u>455,869,492</u>
Unallocated Expenses	<u>4,271,447</u>	<u>10,357,976</u>	<u>11,766,800</u>	<u>13,590,347</u>	<u>16,358,984</u>	<u>19,492,209</u>	<u>22,793,330</u>	<u>24,843,223</u>
Estimated Claims and Expenses, End of Policy Year:								
Incurred	47,176,886	126,312,476	147,966,213	196,196,836	224,520,092	316,408,080	396,551,922	451,672,732
Ceded		2,140,422	2,972,535	3,637,056	3,695,488	11,642,111	12,254,356	24,233,594
Net Incurred	<u>47,176,886</u>	<u>124,172,054</u>	<u>144,993,678</u>	<u>192,559,780</u>	<u>220,824,604</u>	<u>304,765,969</u>	<u>384,297,566</u>	<u>427,439,138</u>
Paid (Cumulative) as of:								
End of Policy Year	38,276,886	108,784,054	130,689,678	172,824,745	203,256,604	273,088,969	348,771,869	385,987,958
One Year Later	46,624,729	123,719,885	146,370,575	186,843,291	218,091,403	306,227,909	380,944,687	
Two Years Later	46,624,729	123,719,885	146,648,025	187,803,356	219,400,807	306,227,909		
Three Years Later	46,624,729	123,719,885	146,648,025	187,803,356	219,400,807			
Four Years Later	46,624,729	123,719,885	146,648,025	187,803,356				
Five Years Later	46,624,729	123,719,885	146,648,025					
Six Years Later	46,624,729	123,719,885						
Seven Years Later	46,624,729							
Reestimated Incurred Claims and Expenses:								
End of Policy Year	47,176,886	124,172,054	144,993,678	192,559,780	220,824,604	304,765,969	384,297,566	427,439,138
One Year Later	46,624,729	123,719,885	146,648,025	186,843,291	218,091,403	306,227,909	380,944,687	
Two Years Later	46,624,729	123,719,885	146,648,025	187,803,896	219,400,807	306,227,909		
Three Years Later	46,624,729	123,719,885	146,648,025	187,803,896	219,400,807			
Four Years Later	46,624,729	123,719,885	146,648,025	187,803,896				
Five Years Later	46,624,729	123,719,885	146,648,025					
Six Years Later	46,624,729	123,719,885						
Seven Years Later	46,624,729							
Change in Estimated Incurred Claims and Expenses from End of Policy Year	<u>\$ (552,157)</u>	<u>\$ (452,169)</u>	<u>\$ 1,654,347</u>	<u>\$ (4,755,884)</u>	<u>\$ (1,423,797)</u>	<u>\$ 1,461,940</u>	<u>\$ (3,352,879)</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

SCHOOLS HEALTH INSURANCE FUND
STATEMENT OF NET POSITION - STATUTORY BASIS
AS OF JUNE 30, 2023

	Fund Years			
	<u>Total</u>	<u>2023</u>	<u>2022</u>	<u>Closed Years</u>
<u>ASSETS</u>				
Cash And Cash Equivalents	\$ 124,317,953	\$ 29,476,883	\$ 14,634,919	\$ 80,206,151
Investments	41,000,000			41,000,000
Contributions Receivable	12,670,039	12,670,039		
Excess Insurance Receivable	3,513,040	1,819,325	945,298	748,417
Rebate Receivable	5,782,938	5,782,938		
Reimbursement Receivable	570,563	163,310		407,253
Prepaid Expenses	10,433	10,433		
	<hr/>			
Total Assets	\$ 187,864,966	\$ 49,922,928	\$ 15,580,217	\$ 122,361,821
<hr/>				
<u>LIABILITIES AND RESERVES</u>				
Liabilities:				
Accrued Insurance Premiums	\$ 3,638,519	\$ 3,638,519		
Accrued Administrative Expenses	589,603	589,603		
Surplus Return Reserve	25,591,972			\$ 25,591,972
	<hr/>			
Total Liabilities	29,820,094	4,228,122	-	25,591,972
<hr/>				
Reserves:				
Actuarial Liability	41,451,180	41,451,180		
	<hr/>			
Total Liabilities And Reserves	71,271,274	45,679,302	-	25,591,972
<hr/>				
<u>NET POSITION</u>				
Unrestricted	\$ 116,593,692	\$ 4,243,626	\$ 15,580,217	\$ 96,769,849
	<hr/>			

SCHOOLS HEALTH INSURANCE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - STATUTORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Total	Fund Years		
		2023	2022	Closed Years
Operating Revenues:				
Regular Contributions	\$ 470,587,941	\$ 470,583,519	\$ 1	\$ 4,421
Employee Contribution	1,521,870	1,521,870		
Total Operating Revenues	472,109,811	472,105,389	1	4,421
Operating Expenses:				
Provision For Claims And Claims Adjustment Expenses	425,920,993	427,439,138	(3,352,879)	1,834,734
Reinsurance	9,565,587	9,565,587		
State Health Benefits Program Surcharge Premiums	6,116,334	6,995,505	(603,766)	(275,405)
Administration	23,664,306	24,843,222	(1,060,466)	(118,450)
Total Operating Expenses	465,267,220	468,843,452	(5,017,111)	1,440,879
Operating Income (Loss)	6,842,591	3,261,937	5,017,112	(1,436,458)
Non-Operating Revenues:				
Investment Income	4,837,725	981,689	529,051	3,326,985
Dividend Income - MRHIF	690,590			690,590
Total Non-Operating Revenues	5,528,315	981,689	529,051	4,017,575
Change In Net Position Before Return of Surplus	12,370,906	4,243,626	5,546,163	2,581,117
Return of Surplus	(10,718,165)			(10,718,165)
Change In Net Position	1,652,741	4,243,626	5,546,163	(8,137,048)
Net Position, Beginning	114,940,951		10,034,054	104,906,897
Net Position, Ending	\$ 116,593,692	\$ 4,243,626	\$ 15,580,217	\$ 96,769,849

SCHOOLS HEALTH INSURANCE FUND
STATEMENT OF CASH FLOWS - STATUTORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Fund Years			
	Total	2023	2022	Closed Years
Cash Flows From Operating Activities:				
Receipts From Regular Contributions	\$ 477,426,757	\$ 459,435,350	\$ 17,416,195	\$ 575,212
Payments For Health Benefits Claims	(422,076,417)	(393,763,964)	(27,414,796)	(897,657)
Payments For Insurance Premiums	(15,379,254)	(12,922,573)	(2,732,086)	\$275,405.00
Payments To Professionals And Supplies	(23,477,475)	(24,253,619)	657,694	118,450
Net Cash Flows Provided By (Used In) Operating Activities	16,493,611	28,495,194	(12,072,993)	71,410
Cash Flows From Investing Activities:				
Purchase of Investments	(41,000,000)			(41,000,000)
Redemption of Investments	16,000,000			16,000,000
Investment Income	5,528,315	981,689	529,051	4,017,575
Net Cash Provided By (Used In) Investing Activities	(19,471,685)	981,689	529,051	(20,982,425)
Cash Flows Used In Noncapital Financing Activities:				
Return of Surplus Payable	(4,173,584)			(4,173,584)
Net Increase (Decrease) In Cash And Cash Equivalents	(7,151,658)	29,476,883	(11,543,942)	(25,084,599)
Cash And Cash Equivalents, Beginning Of Year	131,469,611	-	26,178,861	105,290,750
Cash And Cash Equivalents, End Of Year	\$ 124,317,953	\$ 29,476,883	\$ 14,634,919	\$ 80,206,151
Reconciliation Of Operating Income (Loss) To				
Cash Flows From Operating Activities:				
Operating Income (Loss)	\$ 6,842,591	\$ 3,261,937	\$ 5,017,112	\$ (1,436,458)
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	5,364,189	(12,670,039)	17,416,194	618,034
Excess Insurance Receivable	1,562,355	(1,819,325)	2,037,350	1,344,330
Rebate Receivable	(3,166,257)	(5,782,938)	2,616,681	
Reimbursement Receivable	(456,616)	(163,310)	113,947	(407,253)
Prepaid Expenses	(10,433)	(10,433)		
Increase (Decrease) In Liabilities:				
Accrued Administrative Expenses	186,831	589,603	(402,772)	
Accrued Excess Insurance Premium	302,667	3,638,519	(3,335,852)	
Actuarial Liability	5,925,483	41,451,180	(35,525,697)	
Contribution Payable	(47,243)			(47,243)
Due to Member	(9,956)		(9,956)	
Total Adjustments	9,651,020	25,233,257	(17,090,105)	1,507,868
Net Cash Provided By (Used In) Operating Activities	\$ 16,493,611	\$ 28,495,194	\$ (12,072,993)	\$ 71,410

SCHOOLS HEALTH INSURANCE FUND
NOTES TO SUPPLEMENTARY AND COMBINING INFORMATION – STATUTORY BASIS

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

The information in the Schools Health Insurance 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 as of and for the fiscal year ended June 30, 2023. The supplementary schedules do not reflect the Fund's Investment in Joint Venture as follows:

	<u>2023</u>
Total Assets – Statement of Net Position	\$ 193,919,700
Less: Investment in Joint Venture	<u>6,054,734</u>
Total Assets – Statutory Basis	<u>\$ 187,864,966</u>
Net Position – Statement of Net Position	\$ 122,648,426
Less: Investment in Joint Venture	<u>6,054,734</u>
Net Position – Statutory Basis	<u>\$ 116,593,692</u>
Change in Net Position - Statement of Revenues, Expenses and Changes in Net Position	\$ 3,461,395
Change in Investment in Joint Venture	<u>1,808,654</u>
Change in Net Position – Statutory Basis	<u>\$ 1,652,741</u>

SCHOOLS HEALTH INSURANCE FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2023 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS
FOR THE PERIOD JULY 1, 2022 TO JUNE 30, 2023

	<u>Medical*</u>	<u>Prescription</u>	<u>Dental</u>	<u>Reinsurance</u>	<u>Administrative</u>	<u>Total</u>
Income:						
Regular Contributions	\$ 387,601,722	\$ 36,814,203	\$ 4,961,733	\$ 9,409,992	\$ 31,795,869	\$ 470,583,519
Employee Contribution	1,521,870					1,521,870
Investment Income	872,618		8,578	34	100,459	981,689
Total Income	389,996,210	36,814,203	4,970,311	9,410,026	31,896,328	473,087,078
Incurred Liabilities:						
Claims Paid (Net Of Refunds)	350,819,899	55,157,830	4,243,823			410,221,552
Excess Insurance Recoveries	(1,864,745)	(22,368,849)				(24,233,594)
Actuarial Liability (Net of Recoverable)	38,546,620	2,628,930	275,630			41,451,180
Insurance Premiums	6,995,505		111,899	9,453,688		16,561,092
Administrative Expenses					24,843,222	24,843,222
Total Liabilities	394,497,279	35,417,911	4,631,352	9,453,688	24,843,222	468,843,452
Net Position (Deficit)	\$ (4,501,069)	\$ 1,396,292	\$ 338,959	\$ (43,662)	\$ 7,053,106	\$ 4,243,626

*Includes Retirees And COBRA

SCHOOLS HEALTH INSURANCE FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2022 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS
FOR THE PERIOD JULY 1, 2021 TO JUNE 30, 2023

	<u>Medical*</u>	<u>Prescription</u>	<u>Dental</u>	<u>Reinsurance</u>	<u>Administrative</u>	<u>Total</u>
Income:						
Regular Contributions	\$ 350,284,883	\$ 37,508,153	\$ 4,798,948	\$ 8,574,902	\$ 30,627,450	\$ 431,794,336
Employee Contribution	1,250,731					1,250,731
Investment Income	351,949	79,513	19,681		250,331	701,474
Total Income	351,887,563	37,587,666	4,818,629	8,574,902	30,877,781	433,746,541
Incurred Liabilities:						
Claims Paid (Net Of Refunds)	349,443,883	46,745,077	4,343,387			400,532,347
Excess Insurance Recoveries	(4,248,564)	(15,339,096)				(19,587,660)
Actuarial Liability (Net of Recoverable)	(1,725,798)	1,479,774	246,024			-
Insurance Premiums	5,721,022		96,342	8,610,944		14,428,308
Administrative Expenses					22,793,329	22,793,329
Total Liabilities	349,190,543	32,885,755	4,685,753	8,610,944	22,793,329	418,166,324
Net Position (Deficit)	\$ 2,697,020	\$ 4,701,911	\$ 132,876	\$ (36,042)	\$ 8,084,452	\$ 15,580,217

*Includes Retirees And COBRA

SCHOOLS HEALTH INSURANCE FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2023 EXPENSE ANALYSIS - STATUTORY BASIS
FOR THE PERIOD JULY 1, 2022 TO JUNE 30, 2023

	<u>Paid</u>	<u>Accrued Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 2,183,179		\$ 2,183,179
Program Manager	5,858,968		5,858,968
Third-Party Administrators:			
Medical	6,708,501	\$ 245	6,708,746
Dental	226,902		226,902
AmeriHeath	1,637,117		1,637,117
Horizon	19,804		19,804
Actuary	32,734		32,734
Attorney	37,978		37,978
Auditor	-	20,196	20,196
Plan Documents	21,344	8,656	30,000
Guardian Nurses	1,081,500		1,081,500
Local Entity Risk Managers	6,222,942		6,222,942
Treasurer	26,428		26,428
Postage	930	212	1,142
Data Analysis Systems	58,488	31,997	90,485
PCORI		151,677	151,677
Miscellaneous Expense	34,785	7,608	42,393
Wellness Program	102,020	369,012	471,032
	<hr/>		
Total Administrative Expenses	\$ 24,253,620	\$ 589,603	\$ 24,843,223
	<hr/>		

SCHOOLS HEALTH INSURANCE FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2022 EXPENSE ANALYSIS - STATUTORY BASIS
FOR THE PERIOD JULY 1, 2021 TO JUNE 30, 2023

	<u>Paid</u>	<u>Accrued Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 1,996,307		\$ 1,996,307
Program Manager	5,431,559		5,431,559
Third-Party Administrators:			
Medical	5,766,832		5,766,832
Dental	222,659		222,659
AmeriHealth	1,849,698		1,849,698
Horizon	26,519		26,519
Actuary	32,442		32,442
Attorney	37,521		37,521
Auditor	20,196		20,196
Guardian Nurses	1,053,500		1,053,500
Local Entity Risk Managers	5,918,243		5,918,243
Treasurer	25,910		25,910
Postage	1,144		1,144
Data Analysis	54,945		54,945
PCORI	124,269		124,269
Plan Documents	29,246		29,246
Miscellaneous Expense	13,508		13,508
Wellness Program	188,832		188,832
	<hr/>		
Total Administrative Expenses	\$ 22,793,330	-	\$ 22,793,330
	<hr/> <hr/>		

SCHOOLS HEALTH INSURANCE FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CASH, CASH EQUIVALENTS, AND INVESTMENTS - STATUTORY BASIS
AS OF JUNE 30, 2023

<u>Description</u>	<u>Amount</u>
Cash Accounts	
Cornerstone Bank	
Investment Account	\$ 11,241,653
New Jersey Cash Management Fund	
Investment Account	155,755
Ocean First Bank	
Business Money Market	39,210
Parke Bank	
Investment Account	7,984,088
Republic Bank	
Administrative Account	267,662
General Account	9,922,323
Investment Account	44,338,907
TD Bank	
Money Market Account	50,367,433
Wilmington Trust Company	
Money Market Account	922
	<hr/>
Total Cash and Cash Equivalents	124,317,953
	<hr/>
<u>Investments</u>	
TD Bank Certificate of Deposit	10,000,000
TD Bank Certificate of Deposit	15,000,000
Parke Bank Certificate of Deposit	10,000,000
Parke Bank Certificate of Deposit	6,000,000
	<hr/>
Total Investments	41,000,000
	<hr/>
Total Cash, Cash Equivalents, And Investments Per Schedule A Combining Statement of Net Position - Statutory Basis	\$ 165,317,953
	<hr/> <hr/>
Total Cash, Cash Equivalents, And Investments By Fund Year:	
2023	\$ 29,476,883
2022	14,634,919
Closed Years	121,206,151
	<hr/>
	\$ 165,317,953
	<hr/> <hr/>

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 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.

There were no findings in the prior year.

APPRECIATION

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

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



Dennis J. Skalkowski
Certified Public Accountant