



REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED

JUNE 30, 2021 AND 2020



SCHOOLS HEALTH INSURANCE FUND

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Schools Health Insurance Fund
9 Campus Drive
Suite 216
Parsippany, NJ 07054

Report on the Financial Statements

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund as of June 30, 2021 and 2020 and the changes in its financial position and its cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information


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

Board of Trustees
Schools Health Insurance Fund

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2021 on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fund's internal control over financial reporting and compliance.

Respectfully Submitted,



Bowman & Company LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
December 20, 2021

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

INDEPENDENT AUDITOR'S REPORT

Board of 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, 2021 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 20, 2021.

Internal Control Over Financial Reporting

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

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

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

Board of Trustees
Schools Health Insurance Fund

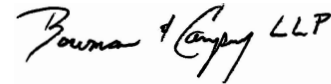
Compliance and Other Matters

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 20, 2021

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, 2021, 2020, and 2019. 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, 2021, 2020, and 2019.

Summary Statement of Net Position	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>2020 to 2021 Change</u>	
				<u>Change \$</u>	<u>Change %</u>
Assets:					
Cash And Cash Equivalents	\$133,124,203	\$120,231,134	\$ 71,774,240	\$ 12,893,069	10.7%
Investments	11,000,000	11,000,000	25,496,240	-	0.0%
Contributions Receivable	7,401,677	8,683,803	9,604,299	(1,282,126)	-14.8%
Accrued Dividend Receivable	1,950,636	1,935,535	1,387,918	15,101	0.8%
Accrued Interest Receivable	-	-	5,668.00	-	0.0%
Excess Insurance Receivable	4,827,910	2,452,875	2,539,158	2,375,035	96.8%
Reimbursement Receivable	4,948,928	-	-	4,948,928	100.0%
Other Assets	379,965	53,877	51,387	326,088	605.2%
Investment In Joint Venture	5,778,098	5,499,308	6,303,025	278,790	5.1%
Total Assets	<u>\$169,411,417</u>	<u>\$ 149,856,532</u>	<u>\$ 117,161,935</u>	<u>\$ 19,554,885</u>	<u>13.0%</u>

Financial Highlights Continued

Summary Statement of Net Position (Continued)				2020 to 2021 Change	
	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Change \$</u>	<u>Change %</u>
Liabilities, Reserves & Net Position					
Liabilities:					
Accrued Expenses	\$ 2,708,058	\$ 2,527,215	\$ 2,548,006	\$ 180,843	7.2%
Surplus Return Reserve	19,278,137	18,359,817	6,440,979	918,320	5.0%
Loss Reserves	<u>31,677,000</u>	<u>17,568,000</u>	<u>19,735,035</u>	<u>14,109,000</u>	<u>80.3%</u>
Total Liabilities & Reserves	<u>53,663,195</u>	<u>38,455,032</u>	<u>28,724,020</u>	<u>15,208,163</u>	<u>39.5%</u>
Net Position - Unrestricted	<u>\$115,748,222</u>	<u>\$111,401,500</u>	<u>\$ 88,437,915</u>	<u>\$ 4,346,722</u>	<u>3.9%</u>

Summary Statement of Revenues, Expenses, and Changes in Net Position					
	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>2020 to 2021 Change</u>	<u>Change %</u>
				<u>Change \$</u>	<u>Change %</u>
Operating Revenue:					
Regular and Employee Contributions	<u>\$ 347,395,338</u>	<u>\$ 279,438,729</u>	<u>\$ 237,048,340</u>	<u>\$ 67,956,609</u>	<u>24.3%</u>
Operating Expenses:					
Provision for Claims and Claims Expense	302,993,372	215,385,566	192,923,711	87,607,806	40.7%
Insurance Premiums	14,066,129	11,072,641	11,305,479	2,993,488	27.0%
Administrative and Operating	<u>19,427,789</u>	<u>16,061,908</u>	<u>13,663,438</u>	<u>3,365,881</u>	<u>21.0%</u>
Total Operating Expenses	<u>336,487,290</u>	<u>242,520,115</u>	<u>217,892,628</u>	<u>93,967,175</u>	<u>38.7%</u>
Operating Income	<u>10,908,048</u>	<u>36,918,614</u>	<u>19,155,712</u>	<u>(26,010,566)</u>	<u>-70.5%</u>
Non-Operating Revenues (Expenses):					
Investment Income	1,088,174	2,110,032	1,998,313	(1,021,858)	-48.4%
Dividend Income	1,950,636	1,935,535	1,387,918	15,101	0.8%
Change In Joint Venture	<u>278,790</u>	<u>(803,717)</u>	<u>3,066,265</u>	<u>1,082,507</u>	<u>134.7%</u>
Total Non-Operating Revenues (Expenses)	<u>3,317,600</u>	<u>3,241,850</u>	<u>6,452,496</u>	<u>75,750</u>	<u>87%</u>
Change in Net Position Before					
Return of Surplus	14,225,648	40,160,464	25,608,208	(25,859,066)	-64.4%
Return of Surplus	<u>9,878,926</u>	<u>17,196,879</u>	<u>6,222,844</u>	<u>(7,317,953)</u>	<u>-42.6%</u>
Change In Net Position	<u>\$ 4,346,722</u>	<u>\$ 22,963,585</u>	<u>\$ 19,385,364</u>	<u>\$ (18,616,863)</u>	<u>-81.1%</u>

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, 2021 were \$169,411,417 and total liabilities and reserves were \$53,663,195 resulting in a surplus in unrestricted net position of \$115,748,222.

The Fund's operating revenues were \$347,395,338 during the fiscal year. Claims expenses represented \$302,993,372 in health benefit costs. Reinsurance premiums were composed of \$8,802,269 being incurred by the Municipal Reinsurance Health Insurance Fund and \$5,263,860 being incurred by State Health Benefits Program Surcharge Premiums. During the reporting period, administrative and operating costs were composed of \$19,324,793 in professional and administrative expenses and \$102,996 in Affordable Care Act taxes.

The value of the Fund's share of the Municipal Reinsurance Health Insurance Fund (MRHIF) was \$5,778,098.

Investment income was \$1,088,174 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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash And Cash Equivalents	\$ 133,124,203	\$ 120,231,134
Investments	11,000,000	11,000,000
Contributions Receivable	7,401,677	8,683,803
Accrued Dividend Receivable	1,950,636	1,935,535
Excess Insurance Receivable	4,827,910	2,452,875
Reimbursement Receivable	4,948,928	-
Other Receivables	372,677	53,877
Prepaid Expenses	7,288	-
Investment In Joint Venture	5,778,098	5,499,308
	<u>169,411,417</u>	<u>149,856,532</u>
<u>LIABILITIES AND RESERVES</u>		
Liabilities:		
Accrued Insurance Premiums	2,418,530	1,712,884
Accrued Administrative Expenses	184,562	731,737
Accrued Affordable Care Act Expenses	104,966	82,594
Surplus Return Reserve	19,278,137	18,359,817
	<u>21,986,195</u>	<u>20,887,032</u>
Reserves:		
Actuarial Liability	31,677,000	17,568,000
	<u>53,663,195</u>	<u>38,455,032</u>
<u>NET POSITION</u>		
Unrestricted	<u>\$ 115,748,222</u>	<u>\$ 111,401,500</u>

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Regular Contributions	\$ 346,259,566	\$ 278,634,985
Employee Contribution	1,135,772	803,744
	<u>347,395,338</u>	<u>279,438,729</u>
Total Operating Revenues		
Operating Expenses:		
Provision For Claims And Claims Adjustment Expenses	302,993,372	215,385,566
Reinsurance	8,802,269	7,325,401
State Health Benefits Program Surcharge Premiums	5,263,860	3,747,240
Affordable Care Act Taxes	102,996	82,594
Administration	19,324,793	15,979,314
	<u>336,487,290</u>	<u>242,520,115</u>
Total Operating Expenses		
Operating Income	<u>10,908,048</u>	<u>36,918,614</u>
Non-Operating Revenues (Expense):		
Investment Income	1,088,174	2,110,032
Dividend Income	1,950,636	1,935,535
Change In Investment In Joint Venture	278,790	(803,717)
	<u>3,317,600</u>	<u>3,241,850</u>
Total Non-Operating Revenues (Expenses)		
Change In Net Position Before Return of Surplus	14,225,648	40,160,464
Return of Surplus	<u>(9,878,926)</u>	<u>(17,196,879)</u>
Change In Net Position	4,346,722	22,963,585
Net Position, Beginning	<u>111,401,500</u>	<u>88,437,915</u>
Net Position, Ending	<u>\$ 115,748,222</u>	<u>\$ 111,401,500</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Receipts From Regular Contributions	\$ 348,677,464	\$ 280,359,225
Payments For Health Benefits Claims	(296,534,423)	(217,468,808)
Payments For Insurance Premiums	(13,360,483)	(11,414,606)
Payments To Professionals And Administrative Expenses	<u>(19,952,592)</u>	<u>(15,740,734)</u>
Net Cash Flows Provided By Operating Activities	<u>18,829,966</u>	<u>35,735,077</u>
Cash Flows From Investing Activities:		
Purchase of Investments	(11,000,000)	(11,000,000)
Redemption of Investments	11,000,000	25,500,000
Investment Income	<u>3,023,709</u>	<u>3,499,858</u>
Net Cash Provided By Investing Activities	<u>3,023,709</u>	<u>17,999,858</u>
Cash Flows Used In Noncapital Financing Activities:		
Return of Surplus Payable	<u>(8,960,606)</u>	<u>(5,278,041)</u>
Net Increase In Cash And Cash Equivalents	12,893,069	48,456,894
Cash And Cash Equivalents, Beginning Of Year	<u>120,231,134</u>	<u>71,774,240</u>
Cash And Cash Equivalents, End Of Year	<u>\$ 133,124,203</u>	<u>\$ 120,231,134</u>
Reconciliation Of Operating Income To		
Cash Flows From Operating Activities:		
Operating Income	\$ 10,908,048	\$ 36,918,614
Adjustments To Reconcile Operating Income to Net		
Cash Provided By Operating Activities:		
Changes In Assets And Liabilities:		
Decrease (Increase) In Assets:		
Contributions Receivable	1,282,126	920,496
Excess Insurance Receivable	(2,693,835)	83,793
Reimbursement Receivable	(4,948,928)	-
Prepaid Expenses	(7,288)	-
Increase (Decrease) In Liabilities:		
Accrued Administrative Expenses	(524,803)	321,174
Accrued Excess Insurance Premium	705,646	(341,965)
Actuarial Liability	<u>14,109,000</u>	<u>(2,167,035)</u>
Total Adjustments	<u>7,921,918</u>	<u>(1,183,537)</u>
Net Cash Provided By Operating Activities	<u>\$ 18,829,966</u>	<u>\$ 35,735,077</u>
Supplemental Disclosure - Noncash Activity:		
Change In Unrealized Gains On Investments Included In		
Investment Income	<u>\$ -</u>	<u>\$ 3,760</u>
Change In Investment In Joint Venture	<u>\$ 278,790</u>	<u>\$ (803,717)</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 2021, the following boards of education (BOE), school districts and charter schools were members of the Fund:

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

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

During fiscal year 2021, the following boards of education (BOE), school districts and charter schools were members of the Fund (Cont'd):

Leap Academy University Charter School	Newton BOE	Sparta BOE
Lebanon Twp. BOE	North Hunterdon-Voorhees BOE	Springfield Twp. BOE
Lenape Regional High School	Northern Burlington County Regional School District	Stillwater Twp. BOE
Lenape Valley Regional BOE	Ogdensburg Borough	Swedesboro-Woolwich BOE
Logan Twp. BOE	School District	Tabernacle BOE
Lower Alloways Creek BOE	Oxford Central School	Upper Pittsgrove BOE
Lumberton Township BOE	Paulsboro Public Schools	Voorhees Twp. BOE
Mansfield Township BOE	Pinelands Twp. BOE	Washington Borough BOE
Mantua Twp. BOE	Pohatcong Twp. BOE	Watching Hills Regional High School
Maple Shade Twp. BOE	Ramapo Indian Hills Regional High School	West Deptford BOE
Medford Twp. BOE	Rancocas Valley Regional BOE	West Morris Regional High School
Medford Lakes BOE	Riverside Twp. BOE	White Twp. BOE
Mendham Borough School District	Robbinsville BOE	Woodbury City BOE
Mendham Twp. BOE	Sandyston-Walpack Consolidated School District	Woodbury Hts BOE
Moorestown Twp. Public Schools	Shamong Twp. BOE	Woodland Twp. BOE
Mt. Holly Twp. BOE	South Harrison Twp. BOE	Woodstown-Pilesgrove BOE
Mt. Laurel Twp. Schools	Southampton Twp. 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 2021 were as follows:

- Specific Retention: \$450,000 per enrolled participant
- Aggregate Retention: Not applicable, aggregate reinsurance or stop loss not obtained
- Specific Limit: Unlimited
- Aggregate Limit: Not applicable

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

HEALTH INSURANCE COVERAGE (CONT'D)

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

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

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 2021 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, 2020 to June 30, 2021.
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 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

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

Component Unit (Cont'd)

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

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

Basis of Presentation, Fund Accounting

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

Basis of Accounting

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

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

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

Cash, Cash Equivalents and Investments (Cont'd)

is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

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

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

Investments

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

Interest Income Allocation

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

Revenue Recognition

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

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

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, 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.

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, 2021.

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

Reinsurance

The Fund seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to the Municipal Reinsurance Health Insurance Fund under excess coverage insurance contracts. Although the MRHIF is liable to the Fund for the amounts reinsured, the Fund remains liable to its insureds for the full amount of the policies written whether or not the MRHIF meets its obligations to the Fund. Failure of the MRHIF to honor its obligations could result in losses to the Fund.

Losses ceded to reinsurers during 2021 and 2020 amounted to \$2,329,376 and \$520,528, respectively.

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

Administrative Expenses

Administrative expenses are comprised mainly of compensation for services rendered by servicing organizations and appointed officials pursuant to written fee guidelines submitted and approved by a majority of the Trustees/Executive Committee. In instances where invoices have not been submitted for specific periods, the maximum allowable contract amount has been accrued.

Net Position

In accordance with the provisions of the Governmental Accounting Standards Board Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", the Fund has classified its net position as unrestricted. This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets" and includes net position that may be allocated for specific purposes by the Trustees.

Income Taxes

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

Operating and Non-Operating Revenues and Expenses

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

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

Use of Estimates

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

Note 3: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits

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

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

Custodial Credit Risk Related to Deposits (cont'd)

However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Fund relative to the happening of a future condition. If the Fund had any such funds, they would be shown as Uninsured and Uncollateralized.

Of the Fund's bank balance of \$136,015,528 as of June 30, 2021, \$789,637 was insured while \$135,225,891 was collateralized under GUDPA.

Of the Fund's bank balance of \$125,523,958 as of June 30, 2020, \$1,000,895 was insured while \$124,523,063 was collateralized under GUDPA.

New Jersey Cash Management Fund

During the fiscal year, the Fund participated in the New Jersey Cash Management Fund. The Cash Management Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above.

At June 30, 2021 and 2020, the Fund's deposits with the New Jersey Cash Management Fund was \$88,476 and \$88,422, 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, 2021 and 2020, the Fund recorded insurance expense of \$5,263,860 and \$3,747,240 for State Health Benefits Program premium surcharges.

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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 \$11,000,000 as of June 30, 2021 and 2020 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.

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, 2021 and 2020, the Fund had the following investments and maturities:

<u>Investment</u>	<u>Interest</u>		<u>Credit</u>	<u>Market Value</u>	
	<u>Rate</u>	<u>Maturity</u>	<u>Rating</u>	<u>2021</u>	<u>2020</u>
<u>Certificates of Deposit</u>					
Parke Bank	2.950%	03/13/22	N/A	\$ 5,000,000	
Parke Bank	2.950%	04/12/22	N/A	6,000,000	
Parke Bank	1.980%	03/13/21	N/A		\$ 5,000,000
Republic Bank	2.500%	10/04/20	N/A		3,000,000
Republic Bank	2.500%	10/04/20	N/A		2,000,000
Republic Bank	3.000%	07/09/20	N/A		1,000,000
Total Certificates of Deposit				<u>\$ 11,000,000</u>	<u>\$ 11,000,000</u>

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 5: INVESTMENTS (CONT'D)

Fair Value Measurements of Investments

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

The Fund has the following recurring fair value measurements as of June 30, 2021 and 2020:

Certificates of Deposit of \$11,000,000 are valued using quoted market prices for identical assets (Level 1 inputs).

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 2021 and 2020 for all open fund years net of excess insurance recoveries:

	<u>2021</u>	<u>2020</u>
Total unpaid claims and claim adjustment expenses all fund years - beginning of year	<u>\$ 17,568,000</u>	<u>\$ 19,735,035</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fund year	304,765,969	220,824,604
Changes in provision for insured insured events of prior fund years	<u>(1,772,597)</u>	<u>(5,439,038)</u>
Total incurred claims and claim adjustment expenses all fund years	<u>302,993,372</u>	<u>215,385,566</u>
Payments:		
Claims and claim adjustment expenses:		
Attributable to insured events of current fund year	273,088,969	203,256,604
Attributable to insured events of prior fund years	<u>15,795,403</u>	<u>14,295,997</u>
Total payments all fund periods	<u>288,884,372</u>	<u>217,552,601</u>
Total unpaid claims and claim adjustment expenses all fund years - end of year	<u>\$ 31,677,000</u>	<u>\$ 17,568,000</u>

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 7: LOSS FUND CONTINGENCY ACCOUNT

Upon recommendation of the Fund's Administrator, the Fund Trustees agreed to establish a loss fund contingency account. This fund account provides additional assurance that any variances from the expected losses promulgated by the Actuary will be covered without seeking additional assessments. Annual assessments or transfers into this account cannot exceed 2.5% of the Fund's current 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.

Equity Interest

As of June 30, 2021 and 2020, the Fund's share of net position in the Municipal Reinsurance Health Insurance Fund was \$5,778,098 and \$5,499,308, respectively.

Selected Financial Information

Selected summarized financial information for the Municipal Reinsurance Health Insurance Fund as of December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Total Assets	<u>\$ 30,695,483</u>	<u>\$ 22,643,991</u>
Total Liabilities	<u>\$ 13,618,866</u>	<u>\$ 7,539,237</u>
Net Position	<u>\$ 17,076,617</u>	<u>\$ 15,104,754</u>
Total Revenues	<u>\$ 15,573,008</u>	<u>\$ 15,992,371</u>
Total Expenses	<u>\$ 9,194,778</u>	<u>\$ 12,412,732</u>
Change in Net Position	<u>\$ 1,971,863</u>	<u>\$ (1,105,451)</u>
Return of Surplus	<u>\$ 4,406,367</u>	<u>\$ 4,685,090</u>

SCHOOLS HEALTH INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

Selected Financial Information (cont'd)

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

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

Note 9: RELATED PARTY TRANSACTIONS

As disclosed in Note 8, the Fund is a member of the Municipal Reinsurance Health Insurance Fund and accordingly has an ownership interest in MRHIF. Excess insurance premiums paid to MRHIF as of June 30, 2021 and 2020 were \$8,705,310 and \$7,248,600, respectively.

Note 10: TRANSFER OF 2019 FUND PERIOD SURPLUS

The Executive Committee approved the closing of the 2019 Fund year and the transfer of the 2019 Fund year balances as of October 31, 2020 resulting in a transfer of surplus in the amount of \$26,793,812 to the closed years account.

Note 11: RETURN OF SURPLUS

The Executive Committee approved a surplus distribution in the amount of \$9,878,926 and \$17,196,879 for the fiscal years ended June 30, 2021 and 2020, respectively. The surplus distributions were payable from the 2020 Fund Year Closed Fund Year Accounts.

Retained Dividends

Beginning in 2019 fiscal year, 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, 2021 and 2020, \$15,393,298 and \$9,749,733 of dividends including interest were retained by Fund.

Note 12: SUBSEQUENT EVENTS

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

- Hanover Park BOE (Effective 7/1/2021)
- Pennsauken BOE (Effective 7/1/2021)
- Gloucester Twp. BOE (Effective 7/1/2021)
- Lindenwold BOE (Effective 7/1/2021)
- Plumsted BOE (Effective 7/1/2021)
- Clearview BOE (Effective 7/1/2021)

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOLS HEALTH INSURANCE FUND
RECONCILIATION OF HEALTH CLAIMS LIABILITIES BY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Medical</u>	<u>Prescription</u>	<u>Dental</u>	<u>Total</u>
Total unpaid claims and claim adjustment expenses - Beginning of Year	\$ 14,863,890	\$ 2,356,642	\$ 347,468	\$ 17,568,000
Incurred claims and claims adjustment expenses:				
Provision for insured events of current fund year	272,015,943	29,101,866	3,648,160	304,765,969
Changes in provision for insured events of prior fund years	3,369,516	(5,018,357)	(123,756)	(1,772,597)
Total incurred claims and claims adjustment expenses all Fund years	275,385,459	24,083,509	3,524,404	302,993,372
Payments:				
Claims and claims adjustment expenses (Net of Recoveries):				
Attributable to insured events of current fund year	241,875,124	27,776,886	3,436,959	273,088,969
Attributable to insured events of prior fund years	19,527,406	(3,818,715)	86,712	15,795,403
Total payments all Fund years	261,402,530	23,958,171	3,523,671	288,884,372
Total unpaid claims and claim adjustment expenses - End of Year	\$ 28,846,819	\$ 2,481,980	\$ 348,201	\$ 31,677,000

SCHOOLS HEALTH INSURANCE FUND
SIX-YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF JUNE 30, 2021

	FUND YEAR ENDED JUNE 30					
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Net Earned Required Contribution and Investment Revenue:						
Earned	\$ 59,363,096	\$ 157,599,684	\$ 192,243,008	\$ 240,675,342	\$ 280,079,236	\$ 347,520,488
Ceded	3,335,172	8,416,052	10,492,189	10,818,053	11,487,492	13,795,361
	<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>333,725,127</u>
Unallocated Expenses	4,271,447	10,357,976	11,766,800	13,590,347	16,358,984	19,492,209
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
Ceded		2,140,422	2,972,535	3,637,056	3,695,488	11,642,111
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>
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
One Year Later	46,624,729	123,719,885	146,370,575	186,843,291	218,091,403	
Two Years Later	46,624,729	123,719,885	146,648,025	187,803,356		
Three Years Later	46,624,729	123,719,885	146,648,025			
Four Years Later	46,624,729	123,719,885				
Five 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
One Year Later	46,624,729	123,719,885	146,648,025	186,843,291	218,091,403	
Two Years Later	46,624,729	123,719,885	146,648,025	187,803,896		
Three Years Later	46,624,729	123,719,885	146,648,025			
Four Years Later	46,624,729	123,719,885				
Five 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>\$ (2,733,201)</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

SCHOOLS HEALTH INSURANCE FUND
STATEMENT OF NET POSITION - STATUTORY BASIS
AS OF JUNE 30, 2021

	Fund Years			
	<u>Total</u>	<u>2021</u>	<u>2020</u>	<u>Closed Years</u>
<u>ASSETS</u>				
Cash And Cash Equivalents	\$ 133,124,203	\$ 27,316,927	\$ 30,662,849	\$75,144,427
Investments	11,000,000			11,000,000
Contributions Receivable	7,401,677	7,333,652	38,326	29,699
Accrued Dividend Receivable	1,950,636			1,950,636
Accrued Interest Receivable	-		48	(48)
Excess Insurance Receivable	4,827,910	4,660,843	167,067	
Reimbursement Receivable	4,948,928	4,292,665	656,263	
Other Receivables	372,677	240,632	132,045	
Prepaid Expenses	7,288	7,288		
	<hr/>			
Total Assets	\$ 163,633,319	\$ 43,852,007	\$ 31,656,598	\$ 88,124,714
<hr/>				
<u>LIABILITIES AND RESERVES</u>				
Liabilities:				
Accrued Insurance Premiums	\$ 2,418,530	\$ 2,418,530		
Accrued Administrative Expenses	184,562	184,562		
Accrued Affordable Care Act Expenses	104,966	104,966		
Surplus Return Reserve	19,278,137		\$ 4,150,587	\$ 15,127,550
	<hr/>			
Total Liabilities	21,986,195	2,708,058	4,150,587	15,127,550
<hr/>				
Reserves:				
Actuarial Liability	31,677,000	31,677,000		
	<hr/>			
Total Liabilities And Reserves	53,663,195	34,385,058	4,150,587	15,127,550
<hr/>				
<u>NET POSITION</u>				
Unrestricted	\$ 109,970,124	\$ 9,466,949	\$ 27,506,011	\$ 72,997,164
	<hr/>			

SCHOOLS HEALTH INSURANCE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - STATUTORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Total</u>	<u>Fund Years</u>		
		<u>2021</u>	<u>2020</u>	<u>Closed Years</u>
Operating Revenues:				
Regular Contributions	\$ 346,259,566	\$ 346,262,316	\$ (2,750)	
Employee Contribution	1,135,772	1,135,772		
Total Operating Revenues	347,395,338	347,398,088	(2,750)	-
Operating Expenses:				
Provision For Claims And				
Claims Adjustment Expenses (Recoveries)	302,993,372	304,765,969	(2,733,202)	\$ 960,605
Reinsurance	8,802,269	8,796,147	6,122	
State Health Benefits				
Program Surcharge Premiums	5,263,860	4,999,214	264,646	
Affordable Care Act Taxes	102,996	104,966	(1,970)	
Administration	19,324,793	19,387,243	(62,450)	
Total Operating Expenses (Recoveries)	336,487,290	338,053,539	(2,526,854)	960,605
Operating Income (Loss)	10,908,048	9,344,549	2,524,104	(960,605)
Non-Operating Revenues:				
Investment Income	1,088,174	122,400	286,569	679,205
Dividend Income - MRHIF	1,950,636			1,950,636
Total Non-Operating Revenues	3,038,810	122,400	286,569	2,629,841
Change In Net Position				
Before Return of Surplus	13,946,858	9,466,949	2,810,673	1,669,236
Return of Surplus	(9,878,926)		(6,635,347)	(3,243,579)
Change In Net Position	4,067,932	9,466,949	(3,824,674)	(1,574,343)
Net Position, Beginning	105,902,192		31,330,685	74,571,507
Net Position, Ending	\$ 109,970,124	\$ 9,466,949	\$ 27,506,011	\$ 72,997,164

SCHOOLS HEALTH INSURANCE FUND
STATEMENT OF CASH FLOWS - STATUTORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Fund Years			
	<u>Total</u>	<u>2021</u>	<u>2020</u>	<u>Closed Years</u>
Cash Flows From Operating Activities:				
Receipts From Regular Contributions	\$ 348,677,464	\$ 340,064,436	\$ 8,303,718	\$ 309,310
Payments For Health Benefits Claims	(296,534,423)	(282,290,397)	(14,009,654)	(234,372)
Payments For Insurance Premiums	(13,360,483)	(11,376,831)	(1,983,652)	
Payments To Professionals And Supplies	(19,952,592)	(19,202,681)	(749,911)	
Net Cash Flows Provided By (Used In) Operating Activities	<u>18,829,966</u>	<u>27,194,527</u>	<u>(8,439,499)</u>	<u>74,938</u>
Cash Flows From Investing Activities:				
Purchase of Investments	(11,000,000)			(11,000,000)
Redemption of Investments	11,000,000			11,000,000
Investment Income	3,023,709	122,400	286,569	2,614,740
Net Cash Provided By Investing Activities	<u>3,023,709</u>	<u>122,400</u>	<u>286,569</u>	<u>2,614,740</u>
Cash Flows Used In Noncapital Financing Activities:				
Return of Surplus Payable	(8,960,606)		(2,484,760)	(6,475,846)
Net Increase (Decrease) In Cash And Cash Equivalents	12,893,069	27,316,927	(10,637,690)	(3,786,168)
Cash And Cash Equivalents, Beginning Of Year	120,231,134	-	41,300,539	78,930,595
Cash And Cash Equivalents, End Of Year	<u>\$ 133,124,203</u>	<u>\$ 27,316,927</u>	<u>\$ 30,662,849</u>	<u>\$ 75,144,427</u>
Reconciliation Of Operating Income To				
Cash Flows From Operating Activities:				
Operating Income (Loss)	\$ 10,908,048	\$ 9,344,549	\$ 2,524,104	\$ (960,605)
Adjustments To Reconcile Operating Income (Loss) To Net				
Cash Provided By (Used In) Operating Activities:				
Changes In Assets And Liabilities:				
Decrease (Increase) In Assets:				
Contributions Receivable	1,282,126	(7,333,652)	8,306,468	309,310
Excess Insurance Receivable	(2,693,835)	(4,901,475)	1,481,407	726,233
Reimbursement Receivable	(4,948,928)	(4,292,665)	(656,263)	
Prepaid Expenses	(7,288)	(7,288)		
Increase (Decrease) In Liabilities:				
Accrued Administrative Expenses	(524,803)	289,528	(814,331)	
Accrued Excess Insurance Premium	705,646	2,418,530	(1,712,884)	
Actuarial Liability	14,109,000	31,677,000	(17,568,000)	
Total Adjustments	<u>7,921,918</u>	<u>17,849,978</u>	<u>(10,963,603)</u>	<u>1,035,543</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 18,829,966</u>	<u>\$ 27,194,527</u>	<u>\$ (8,439,499)</u>	<u>\$ 74,938</u>

SCHOOLS HEALTH INSURANCE FUND
NOTES TO SUPPLEMENTARY 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. The supplementary schedules do not reflect the Fund's Investment in Joint Venture as follows:

	<u>2021</u>	<u>2020</u>
Total Assets – Statement of Net Position	\$ 169,411,417	\$ 149,856,532
Less Investment in Joint Venture	<u>5,778,098</u>	<u>5,499,308</u>
Total Assets – Statutory Basis	<u>\$ 163,633,319</u>	<u>\$ 144,357,224</u>
Net Position – Statement of Net Position	\$ 115,748,222	\$ 111,401,500
Less Investment in Joint Venture	<u>5,778,098</u>	<u>5,499,308</u>
Net Position – Statutory Basis	<u>\$ 109,970,124</u>	<u>\$ 105,902,192</u>
Change in Net Position - Statement of Revenues, Expenses and Changes in Net Position	\$ 4,346,722	\$ 22,963,585
Change in Investment in Joint Venture	<u>278,790</u>	<u>(803,717)</u>
Change in Net Position – Statutory Basis	<u>\$ 4,067,932</u>	<u>\$ 23,767,302</u>

SCHOOLS HEALTH INSURANCE FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2021 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS
FOR THE PERIOD JULY 1, 2020 TO JUNE 30, 2021

	<u>Medical*</u>	<u>Prescription</u>	<u>Dental</u>	<u>Reinsurance</u>	<u>Contingency</u>	<u>Administrative</u>	<u>Total</u>
Income:							
Regular Contributions	\$ 276,693,723	\$ 32,191,300	\$ 3,828,224	\$ 8,666,762	\$ -	\$ 24,882,307	\$ 346,262,316
Employee Contribution	1,135,772						1,135,772
Investment Income	108,887		459			13,054	122,400
Total Income	277,938,382	32,191,300	3,828,683	8,666,762	-	24,895,361	347,520,488
Incurred Liabilities:							
Claims Paid (Net Of Refunds)	246,573,013	34,721,108	3,436,959				284,731,080
Excess Insurance Recoveries	(4,697,889)	(6,944,222)					(11,642,111)
Actuarial Liability (Net of Recoverable)	30,140,819	1,324,980	211,201				31,677,000
Insurance Premiums	4,999,214		90,837	8,705,310			13,795,361
Affordable Care Act Taxes						104,966	104,966
Administrative Expenses						19,387,243	19,387,243
Total Liabilities	277,015,157	29,101,866	3,738,997	8,705,310	-	19,492,209	338,053,539
Net Position (Deficit)	\$ 923,225	\$ 3,089,434	\$ 89,686	\$ (38,548)	\$ -	\$ 5,403,152	\$ 9,466,949

*Includes Retirees And COBRA

SCHOOLS HEALTH INSURANCE FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2020 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS
FOR THE PERIOD JULY 1, 2019 TO JUNE 30, 2021

	<u>Medical*</u>	<u>Prescription</u>	<u>Dental</u>	<u>Reinsurance</u>	<u>Contingency</u>	<u>Administrative</u>	<u>Total</u>
Income:							
Regular Contributions	\$ 216,762,962	\$ 29,251,241	\$ 3,697,621	\$ 7,344,943	\$ 896,655	\$ 20,678,812	\$ 278,632,234
Employee Contribution	803,744						803,744
Investment Income	500,300	41,434	12,265	10,765	14,425	64,070	643,259
Total Income	218,067,006	29,292,675	3,709,886	7,355,708	911,080	20,742,882	280,079,237
Incurred Liabilities:							
Claims Paid (Net Of Refunds)	194,983,159	29,596,496	2,676,576				227,256,231
Excess Insurance Recoveries	(2,443,533)	(6,721,295)					(9,164,828)
Actuarial Liability (Net of Recoverable)	(1,294,000)	1,157,000	137,000				-
Insurance Premiums	4,155,969		82,923	7,248,600			11,487,492
Affordable Care Act Taxes						80,624	80,624
Administrative Expenses						16,278,360	16,278,360
Total Liabilities	195,401,595	24,032,201	2,896,499	7,248,600	-	16,358,984	245,937,879
Return of Surplus	6,635,347						6,635,347
Net Position	\$ 16,030,064	\$ 5,260,474	\$ 813,387	\$ 107,108	\$ 911,080	\$ 4,383,898	\$ 27,506,011

*Includes Retirees And COBRA

SCHOOLS HEALTH INSURANCE FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2021 EXPENSE ANALYSIS - STATUTORY BASIS
FOR THE PERIOD JULY 1, 2020 TO JUNE 30, 2021

	<u>Paid</u>	<u>Accrued Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 1,610,447		\$ 1,610,447
Program Manager	4,319,498		4,319,498
Third Party Administrators:			
Medical	5,992,361	\$ 270	5,992,631
Dental	172,916		172,916
AmeriHeath	1,407,523		1,407,523
Horizon	30,972		30,972
Actuary	28,850		28,850
Attorney	36,864		36,864
Auditor	-	19,800	19,800
Data Analysis	46,254	18,746	65,000
Guardian Nurses	784,004		784,004
Local Entity Risk Managers	4,539,988		4,539,988
Treasurer	20,539		20,539
Postage	650	63	713
Plan Documents	39,712		39,712
Miscellaneous Expense	22,043		22,043
Wellness Program	150,060	145,683	295,743
	<hr/>		
Total Administrative Expenses	\$ 19,202,681	\$ 184,562	\$ 19,387,243
	<hr/>		

SCHOOLS HEALTH INSURANCE FUND
SUPPLEMENTARY INFORMATION
STATEMENT OF FUND YEAR 2020 EXPENSE ANALYSIS - STATUTORY BASIS
FOR THE PERIOD JULY 1, 2019 TO JUNE 30, 2021

	<u>Paid</u>	<u>Accrued</u> <u>Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 1,300,662		\$ 1,300,662
Program Manager	7,444,315		7,444,315
Third Party Administrators:			
Medical	6,353,732		6,353,732
Dental	152,072		152,072
Actuary	28,275		28,275
Attorney	36,524		36,524
Auditor	19,400		19,400
Guardian Nurses	625,335		625,335
Treasurer	19,547		19,547
Postage	419		419
Plan Documents	49,269		49,269
Meeting Expense	3,936		3,936
Data Analysis	61,917		61,917
Miscellaneous Expense	15,498		15,498
Wellness Program	167,459		167,459
	<hr/>		
Total Administrative Expenses	<u>\$ 16,278,360</u>	-	<u>\$ 16,278,360</u>

SCHOOLS HEALTH INSURANCE FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CASH, CASH EQUIVALENTS, AND INVESTMENTS - STATUTORY BASIS
AS OF JUNE 30, 2021

<u>Description</u>	<u>Amount</u>
Cash Accounts	
New Jersey Cash Management Fund	
Investment Account	\$ 88,476
Ocean First Bank	
Business Money Market	38,743
Parke Bank	
Investment Account	12,087,839
Republic Bank	
Administrative Account	112,227
General Account	5,990,514
Investment Account	114,551,687
William Penn Bank	
Money Market Account	253,823
Wilmington Trust Company	
Money Market Account	894
	<hr/>
Total Cash and Cash Equivalents	133,124,203
	<hr/>
<u>Investments</u>	
Parke Bank Certificate of Deposit	5,000,000
Parke Bank Certificate of Deposit	6,000,000
	<hr/>
Total Investments	11,000,000
	<hr/>
Total Cash, Cash Equivalents, And Investments Per Schedule A Combining Statement of Net Position - Statutory Basis	\$ 144,124,203
	<hr/> <hr/>
Total Cash, Cash Equivalents, And Investments By Fund Year:	
2021	\$ 27,316,927
2020	30,662,849
Closed Years	86,144,427
	<hr/>
	\$ 144,124,203
	<hr/> <hr/>

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, and contracts related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

None

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AS PREPARED BY MANAGEMENT

This section identifies the status of prior year audit findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

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



James J. Miles, Jr.