



**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED**

**JUNE 30, 2024 AND 2023**



# 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 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, 2024 and 2023, 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, 2024 and 2023, 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 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 17, 2024, 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*

Bowman & Company LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
December 17, 2024

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

**INDEPENDENT AUDITOR'S REPORT**

Board of 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 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, 2024, 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 17, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

Respectfully Submitted,

*Bowman & Company LLP*

Bowman & Company LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
December 17, 2024

## 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, 2024, 2023, and 2022. 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** – These statements present 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** – These statements reflect 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 2024, 2023, and 2022.

Summary Statement of Net Position			2023 to 2024 Change	
	6/30/2024	6/30/2023	6/30/2022	
				Change \$      Change %
<b>Assets:</b>				
Cash And Cash Equivalents	\$ 170,044,788	\$ 124,317,953	\$ 131,469,611	\$ 45,726,835      36.8%
Investments	-	41,000,000	16,000,000	(41,000,000)      -100.0%
Contributions Receivable	10,775,787	12,670,039	18,034,228	(1,894,252)      -15.0%
Excess Insurance Receivable	4,911,641	3,513,040	5,075,395	1,398,601      39.8%
Rebate Receivable	5,902,303	5,782,938	2,616,681	119,365      2.1%
Reimbursement Receivable	580,490	570,563	113,947	9,927      1.7%
Prepaid Expenses	-	10,433	-	(10,433)      -100.0%
Investment In Joint Venture	3,841,553	6,054,734	4,246,080	(2,213,181)      -36.6%
<b>Total Assets</b>	<b>\$ 196,056,562</b>	<b>\$ 193,919,700</b>	<b>\$ 177,555,942</b>	<b>\$ 2,136,862      1.1%</b>



## Financial Highlights Continued

Summary Statement of Net Position (Continued)			2023 to 2024 Change	
	6/30/2024	6/30/2023	6/30/2022	
				Change \$      Change %
Liabilities, Reserves, & Net Position				
Liabilities:				
Accrued Expenses	\$ 13,237,933	\$ 4,228,122	\$ 3,738,624	\$ 9,009,811      213.1%
Surplus Return Reserve	24,177,348	25,591,972	19,047,391	(1,414,624)      -5.5%
Contribution Payable	-	-	47,243	-      0.0%
Due to Member	-	-	9,956	-      0.0%
Loss Reserves	53,005,500	41,451,180	35,525,697	11,554,320      27.9%
Total Liabilities & Reserves	90,420,781	71,271,274	58,368,911	19,149,507      26.9%
Net Position - Unrestricted	\$ 105,635,781	\$ 122,648,426	\$ 119,187,031	\$ (17,012,645)      -13.9%

Summary Statement of Revenues, Expenses, and Changes in Net Position			2023 to 2024 Change	
	6/30/2024	6/30/2023	6/30/2022	
				Change \$      Change %
Operating Revenue:				
Regular and Employee Contributions	\$ 544,250,756	\$ 472,109,811	\$ 433,035,720	\$ 72,140,945      15.3%
Operating Expenses:				
Provision for Claims				
and Claims Expense	520,766,096	425,920,993	387,040,815	94,845,103      22.3%
Insurance Premiums	20,884,196	15,681,921	15,275,417	5,202,275      33.2%
Administrative and Operating	27,198,650	23,664,306	23,847,201	3,534,344      14.9%
Total Operating Expenses	568,848,942	465,267,220	426,163,433	103,581,722      22.3%
Operating Income (Loss)	(24,598,186)	6,842,591	6,872,287	(31,440,777)      -459.5%
Non-Operating Revenues (Expenses):				
Investment Income	8,594,030	4,837,725	951,244	3,756,305      77.6%
Dividend Income	1,263,651	690,590	-	573,061      83.0%
Change In Joint Venture	(2,213,181)	1,808,654	(1,532,018)	(4,021,835)      222.4%
Total Non-Operating Revenues (Expenses)	7,644,500	7,336,969	(580,774)	307,531      383%
Change in Net Position Before				
Return of Surplus	(16,953,686)	14,179,560	6,291,513	(31,133,246)      -219.6%
Return of Surplus	58,959	10,718,165	2,852,704	(10,659,206)      -99.4%
Change In Net Position	\$ (17,012,645)	\$ 3,461,395	\$ 3,438,809	\$ (20,474,040)      -591.5%

## **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, 2024, were \$196,056,562 and total liabilities and reserves were \$90,420,781 resulting in a surplus in unrestricted net position of \$105,635,781.

The Fund's operating revenues were \$544,250,756 during the fiscal year. Claims expenses represented \$520,766,096 in health benefit costs. Reinsurance premiums were composed of \$11,702,233 being incurred by the Municipal Reinsurance Health Insurance Fund and \$9,181,963 being incurred by State Health Benefits Program Surcharge Premiums. During the reporting period, administrative and operating costs were composed of \$27,198,650 in professional and administrative expenses.

The value of the Fund's share of the Municipal Reinsurance Health Insurance Fund ("MRHIF") was \$3,841,553.

Investment income was \$8,594,030 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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Cash And Cash Equivalents	\$ 170,044,788	\$ 124,317,953
Investments	-	41,000,000
Contributions Receivable	10,775,787	12,670,039
Excess Insurance Receivable	4,911,641	3,513,040
Rebate Receivable	5,902,303	5,782,938
Reimbursement Receivable	580,490	570,563
Prepaid Expenses	-	10,433
Investment In Joint Venture	3,841,553	6,054,734
	<hr/>	<hr/>
Total Assets	196,056,562	193,919,700
	<hr/>	<hr/>
<u>LIABILITIES AND RESERVES</u>		
Liabilities:		
Accrued Insurance Premiums	12,820,482	3,638,519
Accrued Administrative Expenses	417,451	589,603
Surplus Return Reserve	24,177,348	25,591,972
	<hr/>	<hr/>
Total Liabilities	37,415,281	29,820,094
	<hr/>	<hr/>
Reserves:		
Actuarial Liability	53,005,500	41,451,180
	<hr/>	<hr/>
Total Liabilities And Reserves	90,420,781	71,271,274
	<hr/>	<hr/>
<u>NET POSITION</u>		
Unrestricted	\$ 105,635,781	\$ 122,648,426
	<hr/>	<hr/>

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

SCHOOLS HEALTH INSURANCE FUND  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues:		
Regular Contributions	\$ 542,504,073	\$ 470,587,941
Employee Contribution	<u>1,746,683</u>	<u>1,521,870</u>
Total Operating Revenues	<u>544,250,756</u>	<u>472,109,811</u>
Operating Expenses:		
Provision For Claims And Claims Adjustment Expenses	520,766,096	425,920,993
Reinsurance	11,702,233	9,565,587
State Health Benefits Program Surcharge Premiums	9,181,963	6,116,334
Administration	<u>27,198,650</u>	<u>23,664,306</u>
Total Operating Expenses	<u>568,848,942</u>	<u>465,267,220</u>
Operating Income (Loss)	<u>(24,598,186)</u>	<u>6,842,591</u>
Non-Operating Revenues (Expense):		
Investment Income	8,594,030	4,837,725
Dividend Income	1,263,651	690,590
Change In Investment In Joint Venture	<u>(2,213,181)</u>	<u>1,808,654</u>
Total Non-Operating Revenues	<u>7,644,500</u>	<u>7,336,969</u>
Change In Net Position Before Return of Surplus	(16,953,686)	14,179,560
Return of Surplus	<u>(58,959)</u>	<u>(10,718,165)</u>
Change In Net Position	(17,012,645)	3,461,395
Net Position, Beginning	<u>122,648,426</u>	<u>119,187,031</u>
Net Position, Ending	<u><u>\$ 105,635,781</u></u>	<u><u>\$ 122,648,426</u></u>

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

SCHOOLS HEALTH INSURANCE FUND  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities:		
Receipts From Regular Contributions	\$ 546,145,008	\$ 477,426,757
Payments For Health Benefits Claims	(510,729,236)	(422,076,417)
Payments For Insurance Premiums	(11,702,233)	(15,379,254)
Payments To Professionals And Administrative Expenses	<u>(27,370,802)</u>	<u>(23,477,475)</u>
Net Cash Flows Provided By (Used In) Operating Activities	<u>(3,657,263)</u>	<u>16,493,611</u>
Cash Flows From Investing Activities:		
Purchase of Investments	(163,000,000)	(41,000,000)
Redemption of Investments	204,000,000	16,000,000
Investment Income	<u>9,857,681</u>	<u>5,528,315</u>
Net Cash Provided By (Used In) Investing Activities	<u>50,857,681</u>	<u>(19,471,685)</u>
Cash Flows Used In Noncapital Financing Activities:		
Return of Surplus Payable	<u>(1,473,583)</u>	<u>(4,173,584)</u>
Net Increase (Decrease) In Cash And Cash Equivalents	45,726,835	(7,151,658)
Cash And Cash Equivalents, Beginning Of Year	<u>124,317,953</u>	<u>131,469,611</u>
Cash And Cash Equivalents, End Of Year	<u><u>\$ 170,044,788</u></u>	<u><u>\$ 124,317,953</u></u>
Reconciliation Of Operating Income (Loss) To		
Cash Flows From Operating Activities:		
Operating Income (Loss)	\$ (24,598,186)	\$ 6,842,591
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	1,894,252	5,364,189
Excess Insurance Receivable	(1,398,601)	1,562,355
Rebate Receivable	(119,365)	(3,166,257)
Reimbursement Receivable	(9,927)	(456,616)
Prepaid Expenses	10,433	(10,433)
Increase (Decrease) In Liabilities:		
Accrued Administrative Expenses	(172,152)	186,831
Accrued Excess Insurance Premium	9,181,963	302,667
Actuarial Liability	11,554,320	5,925,483
Contribution Payable	-	(47,243)
Due to Member	<u>-</u>	<u>(9,956)</u>
Total Adjustments	<u>20,940,923</u>	<u>9,651,020</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (3,657,263)</u></u>	<u><u>\$ 16,493,611</u></u>
Supplemental Disclosure - Non-cash Activity:		
Change In Investment In Joint Venture	<u><u>\$ (2,213,181)</u></u>	<u><u>\$ 1,808,654</u></u>

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

**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 2024, the following boards of education ("BOE"), school districts and charter schools were members of the Fund:

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

**SCHOOLS HEALTH INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**

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

During fiscal year 2024, the following boards of education ("BOE"), school districts and charter schools were members of the Fund (Cont'd):

Lebanon Twp. BOE	Northern Burlington County	Southampton Twp. BOE
Lenape Regional High School	Regional School District	Springfield Twp. BOE
Lenape Valley Regional BOE	Oakland BOE	Sterling Regional High School
Lindenwold BOE	Ogdensburg Borough	Stillwater Twp. BOE
Logan Twp. BOE	School District	Summit BOE
Lower Alloways Creek BOE	Oxford Central School	Swedesboro-Woolwich BOE
Lumberton Township BOE	Paulsboro Public Schools	Tabernacle BOE
Mansfield Township BOE	Pennsauken BOE	Twp of Franklin Public Schools
Mantua Twp. BOE	Pinelands Twp. BOE	Upper Pittsgrove BOE
Maple Shade Twp. BOE	Pohatcong Twp. BOE	Voorhees Twp. BOE
Medford Twp. BOE	Ramapo Indian Hills Regional	Walkill Valley Regional BOE
Medford Lakes BOE	High School	Washington Borough BOE
Mendham Borough School	Rancocas Valley Regional BOE	Watchung Borough BOE
District	Randolph BOE	Watchung Hills Regional
Mendham Twp. BOE	Riverside Twp. BOE	High School
Middlesex BOE	Robbinsville BOE	West Deptford BOE
Montgomery Township BOE	Roxbury Township BOE	West Morris Regional
Moorestown Twp.	Sandyston-Walpack Consolidated	High School
Public Schools	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
North Hunterdon-Voorhees BOE	South Harrison Twp. BOE	Woodstown-Piles Grove 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 2024 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

**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 2024 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, 2023, to June 30, 2024.
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.



**SCHOOLS HEALTH INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Component Unit (Cont'd)**

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 ("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, 2024.

**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 June 30, 2024 and 2023 amounted to (\$4,612,747) and \$5,198,586, 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 \$25,826,739 as of June 30, 2024, \$1,051,552 was FDIC-insured while \$24,775,187 was collateralized under GUDPA.

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.

**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, 2024 and 2023, the Fund's deposits with the New Jersey Cash Management Fund were \$147,453,917 and \$155,755, respectively.

**Republic Bank Account Activity**

On April 26, 2024, Republic First Bank (doing business as Republic Bank) was closed by the Pennsylvania Department of Banking and Securities, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. To protect depositors, the FDIC entered into an agreement with Fulton Bank, National Association of Lancaster, Pennsylvania to assume substantially all of the deposits and purchase substantially all of the assets of Republic Bank. As a result of the acquisition by Fulton bank, the management of the Fund does not expect to incur any losses at this time. As of June 30, 2024, the Fund had deposits on account of \$7,514,403.

**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, 2024 and 2023, the Fund recorded insurance expense of \$9,181,963 and \$6,116,334 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 \$0 and \$41,000,000 as of June 30, 2024 and 2023 was 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, 2024 and 2023, the Fund had the following investments and maturities:

	Interest		Credit	Market Value	
<u>Investment</u>	<u>Rate</u>	<u>Maturity</u>	<u>Rating</u>	<u>2024</u>	<u>2023</u>
<u>Certificates of Deposit</u>					
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				\$ -	\$ 41,000,000

**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, 2024 and 2023:

Certificates of Deposit of \$0 and \$41,000,000 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 June 30, 2024 and 2023, for all open fund years net of excess insurance recoveries:

	<u>2024</u>	<u>2023</u>
Total unpaid claims and claim adjustment expenses all fund years - beginning of year	\$ 41,451,180	\$ 35,525,697
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fund year	520,044,078	427,439,138
Changes in provision for insured events of prior fund years	<u>722,018</u>	<u>(1,518,145)</u>
Total incurred claims and claim adjustment expenses all fund years	<u>520,766,096</u>	<u>425,920,993</u>
Payments:		
Claims and claim adjustment expenses:		
Attributable to insured events of current fund year	467,038,578	385,987,958
Attributable to insured events of prior fund years	<u>42,173,198</u>	<u>34,007,552</u>
Total payments all fund periods	<u>509,211,776</u>	<u>419,995,510</u>
Total unpaid claims and claim adjustment expenses all fund years - end of year	<u>\$ 53,005,500</u>	<u>\$ 41,451,180</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.

**Equity Interest**

As of June 30, 2024 and 2023, the Fund's share of net position in MRHIF was \$3,841,553 and \$6,054,734, respectively.

**SCHOOLS HEALTH INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Selected Financial Information**

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

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

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, 2024 and 2023 were \$11,590,594 and \$9,453,688, respectively.

**Note 10: TRANSFER OF 2022 FUND PERIOD SURPLUS**

The Executive Committee approved the closing of the 2022 Fund year and the transfer of the 2022 Fund year balances as of December 31, 2023, resulting in a transfer of surplus in the amount of \$15,580,216 to the closed years account.

**Note 11: RETURN OF SURPLUS**

The Executive Committee approved a surplus distribution in the amount of \$58,959 and \$10,718,165 for the fiscal years ended June 30, 2024 and 2023, 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, 2024 and 2023, \$24,177,348 and \$25,591,972 of dividends including interest were retained by Fund.

**SCHOOLS HEALTH INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 12: SUBSEQUENT EVENTS**

New Memberships

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

- Metuchen BOE (Effective 7/1/2024)
- Readington BOE (Effective 7/1/2024)
- Washington BOE (Effective 7/1/2024)
- Avon BOE (Effective 7/1/2024)
- Matawan – Aberdeen BOE (Effective 7/1/2024)
- Morris Hills (Effective 7/1/2024)
- West Orange BOE (Effective 7/1/2024)
- Branchburg BOE (Effective 7/1/2024)
- Clark BOE (Effective 7/1/2024)
- Ringwood BOE (Effective 1/1/2025)
- West Windsor Plainsboro (Effective 1/1/2025)

MRHIF COVID-19 Grant Funding

In October 2024, MRHIF received a \$1,000,000 grant from the New Jersey Division of Finance and Business Services for reimbursement for medical claims paid in 2021 and 2022 that were attributed to Executive Order No. 253, which required routine COVID-19 testing for School Board employees who were unvaccinated. The Schools Health Insurance Fund's proportionate share of the grant was \$837,800, which will be used to offset future claims and support surplus.



## **REQUIRED SUPPLEMENTARY INFORMATION**

SCHOOLS HEALTH INSURANCE FUND  
RECONCILIATION OF HEALTH CLAIMS LIABILITIES BY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<u>Medical</u>	<u>Prescription</u>	<u>Dental</u>	<u>Total</u>
Total unpaid claims and claim adjustment expenses - Beginning of Year	\$ 36,820,822	\$ 4,108,704	\$ 521,654	\$ 41,451,180
Incurred claims and claims adjustment expenses:				
Provision for insured events of current fund year	469,891,145	45,263,471	4,889,462	520,044,078
Changes in provision for insured events of prior fund years	217,199	534,554	(29,735)	722,018
Total incurred claims and claims adjustment expenses all Fund years	470,108,344	45,798,025	4,859,727	520,766,096
Payments:				
Claims and claims adjustment expenses (Net of Recoveries):				
Attributable to insured events of current fund year	419,316,245	43,169,671	4,552,662	467,038,578
Attributable to insured events of prior fund years	39,942,581	2,014,328	216,289	42,173,198
Total payments all Fund years	459,258,826	45,183,999	4,768,951	509,211,776
Total unpaid claims and claim adjustment expenses - End of Year	\$ 47,670,340	\$ 4,722,730	\$ 612,430	\$ 53,005,500

SCHOOLS HEALTH INSURANCE FUND  
NINE-YEAR CLAIMS DEVELOPMENT INFORMATION  
AS OF JUNE 30, 2024

	FUND YEAR ENDED JUNE 30								
	2016	2017	2018	2019	2020	2021	2022	2023	2024
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	\$ 435,010,192	\$ 473,705,386	\$ 546,185,559
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	25,767,198
	56,027,924	149,183,632	181,750,819	229,857,289	268,591,744	334,483,100	419,978,118	456,487,800	520,418,361
Unallocated Expenses	4,271,447	10,357,976	11,766,800	13,590,347	16,358,984	19,492,209	22,793,330	24,843,223	27,420,364
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	547,282,380
Ceded		2,140,422	2,972,535	3,637,056	3,695,488	11,642,111	12,254,356	24,233,594	27,238,302
Net Incurred	47,176,886	124,172,054	144,993,678	192,559,780	220,824,604	304,765,969	384,297,566	427,439,138	520,044,078
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	467,038,578
One Year Later	46,624,729	123,719,885	146,370,575	186,843,291	218,091,403	306,227,909	380,944,687	426,321,023	
Two Years Later	46,624,729	123,719,885	146,648,025	187,803,356	219,400,807	306,227,909	380,944,687		
Three Years Later	46,624,729	123,719,885	146,648,025	187,803,356	219,400,807	306,227,909			
Four Years Later	46,624,729	123,719,885	146,648,025	187,803,356	219,400,807				
Five Years Later	46,624,729	123,719,885	146,648,025	187,803,356					
Six Years Later	46,624,729	123,719,885	146,648,025						
Seven Years Later	46,624,729	123,719,885							
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	520,044,078
One Year Later	46,624,729	123,719,885	146,648,025	186,843,291	218,091,403	306,227,909	380,944,687	426,321,023	
Two Years Later	46,624,729	123,719,885	146,648,025	187,803,896	219,400,807	306,227,909	380,944,687		
Three Years Later	46,624,729	123,719,885	146,648,025	187,803,896	219,400,807	306,227,909			
Four Years Later	46,624,729	123,719,885	146,648,025	187,803,896	219,400,807				
Five Years Later	46,624,729	123,719,885	146,648,025	187,803,896					
Six Years Later	46,624,729	123,719,885	146,648,025						
Seven Years Later	46,624,729	123,719,885							
Change in Estimated Incurred Claims and Expenses from End of Policy Year	\$ (552,157)	\$ (452,169)	\$ 1,654,347	\$ (4,755,884)	\$ (1,423,797)	\$ 1,461,940	\$ (3,352,879)	\$ (1,118,115)	\$ -

## **SUPPLEMENTARY INFORMATION**

SCHOOLS HEALTH INSURANCE FUND  
STATEMENT OF NET POSITION - STATUTORY BASIS  
AS OF JUNE 30, 2024

	Fund Years			
	<u>Total</u>	<u>2024</u>	<u>2023</u>	<u>Closed Years</u>
<u>ASSETS</u>				
Cash And Cash Equivalents	\$ 170,044,788	\$ 19,925,026	\$ 8,595,357	\$ 141,524,405
Contributions Receivable	10,775,787	10,811,843	(36,056)	
Excess Insurance Receivable	4,911,641	3,629,427	1,282,214	
Rebate Receivable	5,902,303	5,902,303		
Reimbursement Receivable	580,490	173,237		407,253
Total Assets	<u>\$ 192,215,009</u>	<u>\$ 40,441,836</u>	<u>\$ 9,841,515</u>	<u>\$ 141,931,658</u>
<u>LIABILITIES AND RESERVES</u>				
Liabilities:				
Accrued Insurance Premiums	\$ 12,820,482	\$ 9,014,453	\$ 3,806,029	
Accrued Administrative Expenses	417,451	417,451		
Surplus Return Reserve	24,177,348			\$ 24,177,348
Total Liabilities	<u>37,415,281</u>	<u>9,431,904</u>	<u>3,806,029</u>	<u>24,177,348</u>
Reserves:				
Actuarial Liability	53,005,500	53,005,500		
Total Liabilities And Reserves	<u>90,420,781</u>	<u>62,437,404</u>	<u>3,806,029</u>	<u>24,177,348</u>
<u>NET POSITION</u>				
Unrestricted	<u>\$ 101,794,228</u>	<u>\$ (21,995,568)</u>	<u>\$ 6,035,486</u>	<u>\$ 117,754,310</u>

SCHOOLS HEALTH INSURANCE FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - STATUTORY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Fund Years			
	<u>Total</u>	<u>2024</u>	<u>2023</u>	<u>Closed Years</u>
Operating Revenues:				
Regular Contributions	\$ 542,504,073	\$ 542,482,420	\$ -	\$ 21,653
Employee Contribution	1,746,683	1,746,683		
Total Operating Revenues	544,250,756	544,229,103	-	21,653
Operating Expenses:				
Provision For Claims And				
Claims Adjustment Expenses	520,766,096	520,044,078	(1,118,115)	1,840,133
Reinsurance	11,702,233	11,702,233		
State Health Benefits				
Program Surcharge Premiums	9,181,963	9,014,453	167,510	
Administration	27,198,650	27,420,363	(222,947)	1,234
Total Operating Expenses	568,848,942	568,181,127	(1,173,552)	1,841,367
Operating Income (Loss)	(24,598,186)	(23,952,024)	1,173,552	(1,819,714)
Non-Operating Revenues:				
Investment Income	8,594,030	1,956,456	618,308	6,019,266
Dividend Income - MRHIF	1,263,651			1,263,651
Total Non-Operating Revenues	9,857,681	1,956,456	618,308	7,282,917
Change In Net Position				
Before Return of Surplus	(14,740,505)	(21,995,568)	1,791,860	5,463,203
Return of Surplus	(58,959)			(58,959)
Change In Net Position	(14,799,464)	(21,995,568)	1,791,860	5,404,244
Net Position, Beginning	116,593,692		4,243,626	112,350,066
Net Position, Ending	\$ 101,794,228	\$ (21,995,568)	\$ 6,035,486	\$ 117,754,310

SCHOOLS HEALTH INSURANCE FUND  
STATEMENT OF CASH FLOWS - STATUTORY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Fund Years			
	<u>Total</u>	<u>2024</u>	<u>2023</u>	<u>Closed Years</u>
Cash Flows From Operating Activities:				
Receipts From Regular Contributions	\$ 546,145,008	\$ 533,417,260	\$ 12,706,095	\$ 21,653
Payments For Health Benefits Claims	(510,729,236)	(476,743,545)	(33,839,273)	(146,418)
Payments For Insurance Premiums	(11,702,233)	(11,702,233)		
Payments To Professionals And Supplies	(27,370,802)	(27,002,912)	(366,656)	(1,234)
Net Cash Flows Provided By (Used In) Operating Activities	(3,657,263)	17,968,570	(21,499,834)	(125,999)
Cash Flows From Investing Activities:				
Purchase of Investments	(163,000,000)			(163,000,000)
Redemption of Investments	204,000,000			204,000,000
Investment Income	9,857,681	1,956,456	618,308	7,282,917
Net Cash Provided By Investing Activities	50,857,681	1,956,456	618,308	48,282,917
Cash Flows Used In Noncapital Financing Activities:				
Return of Surplus Payable	(1,473,583)			(1,473,583)
Net Increase (Decrease) In Cash And Cash Equivalents	45,726,835	19,925,026	(20,881,526)	46,683,335
Cash And Cash Equivalents, Beginning Of Year	124,317,953	-	29,476,883	94,841,070
Cash And Cash Equivalents, End Of Year	\$ 170,044,788	\$ 19,925,026	\$ 8,595,357	\$ 141,524,405
Reconciliation Of Operating Income (Loss) To				
Cash Flows From Operating Activities:				
Operating Income (Loss)	\$ (24,598,186)	\$ (23,952,024)	\$ 1,173,552	\$ (1,819,714)
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	1,894,252	(10,811,843)	12,706,095	
Excess Insurance Receivable	(1,398,601)	(3,629,427)	537,111	1,693,715
Rebate Receivable	(119,365)	(5,902,303)	5,782,938	
Reimbursement Receivable	(9,927)	(173,237)	163,310	
Prepaid Expenses	10,433		10,433	
Increase (Decrease) In Liabilities:				
Accrued Administrative Expenses	(172,152)	417,451	(589,603)	
Accrued Excess Insurance Premium	9,181,963	9,014,453	167,510	
Actuarial Liability	11,554,320	53,005,500	(41,451,180)	
Total Adjustments	20,940,923	41,920,594	(22,673,386)	1,693,715
Net Cash Provided By (Used In) Operating Activities	\$ (3,657,263)	\$ 17,968,570	\$ (21,499,834)	\$ (125,999)

**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, 2024. The supplementary schedules do not reflect the Fund's Investment in Joint Venture as follows:

Total Assets – Statement of Net Position	\$ 196,056,562
Less: Investment in Joint Venture	<u>3,841,553</u>
Total Assets – Statutory Basis	<u>\$ 192,215,009</u>
Net Position – Statement of Net Position	\$ 105,635,781
Less: Investment in Joint Venture	<u>3,841,553</u>
Net Position – Statutory Basis	<u>\$ 101,794,228</u>
Change in Net Position - Statement of Revenues, Expenses and Changes in Net Position	\$ (17,012,645)
Change in Investment in Joint Venture	<u>(2,213,181)</u>
Change in Net Position – Statutory Basis	<u>\$ (14,799,464)</u>



SCHOOLS HEALTH INSURANCE FUND  
SUPPLEMENTARY INFORMATION  
STATEMENT OF FUND YEAR 2024 ACCOUNT OPERATING RESULTS ANALYSIS - STATUTORY BASIS  
FOR THE PERIOD JULY 1, 2023 TO JUNE 30, 2024

	<u>Medical*</u>	<u>Prescription</u>	<u>Dental</u>	<u>Reinsurance</u>	<u>Administrative</u>	<u>Total</u>
Income:						
Regular Contributions	\$ 449,885,328	\$ 39,391,886	\$ 5,186,754	\$ 11,120,742	\$ 36,897,710	\$ 542,482,420
Employee Contribution	1,746,683					1,746,683
Investment Income	1,692,151		17,091	848	246,366	1,956,456
Total Income	453,324,162	39,391,886	5,203,845	11,121,590	37,144,076	546,185,559
Incurred Liabilities:						
Claims Paid (Net Of Refunds)	423,467,721	66,256,497	4,552,662			494,276,880
Excess Insurance Recoveries	(4,151,476)	(23,086,826)				(27,238,302)
Actuarial Liability (Net of Recoverable)	50,574,900	2,093,800	336,800			53,005,500
Insurance Premiums	9,014,453		111,639	11,590,594		20,716,686
Administrative Expenses					27,420,363	27,420,363
Total Liabilities	478,905,598	45,263,471	5,001,101	11,590,594	27,420,363	568,181,127
Net Position (Deficit)	\$ (25,581,436)	\$ (5,871,585)	\$ 202,744	\$ (469,004)	\$ 9,723,713	\$ (21,995,568)

\*Includes Retirees And COBRA

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, 2024

	<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	1,089,307		17,006	25,176	468,508	1,599,997
Total Income	390,212,899	36,814,203	4,978,739	9,435,168	32,264,377	473,705,386
Incurred Liabilities:						
Claims Paid (Net Of Refunds)	393,430,120	57,172,158	4,460,112			455,062,390
Excess Insurance Recoveries	(6,372,518)	(22,368,849)				(28,741,367)
Actuarial Liability (Net of Recoverable)	(2,904,560)	2,628,930	275,630			-
Insurance Premiums	7,163,015		111,899	9,453,688		16,728,602
Administrative Expenses					24,620,275	24,620,275
Total Liabilities	391,316,057	37,432,239	4,847,641	9,453,688	24,620,275	467,669,900
Net Position (Deficit)	\$ (1,103,158)	\$ (618,036)	\$ 131,098	\$ (18,520)	\$ 7,644,102	\$ 6,035,486

\*Includes Retirees And COBRA

SCHOOLS HEALTH INSURANCE FUND  
SUPPLEMENTARY INFORMATION  
STATEMENT OF FUND YEAR 2024 EXPENSE ANALYSIS - STATUTORY BASIS  
FOR THE PERIOD JULY 1, 2023 TO JUNE 30, 2024

	<u>Paid</u>	<u>Accrued Expenses</u>	<u>Total</u>
Administrative Expenses:			
Executive Director	\$ 2,444,817		\$ 2,444,817
Program Manager	6,487,018		6,487,018
Third-Party Administrators:			
Medical	7,387,959		7,387,959
Dental	240,358	\$ 9,094	249,452
AmeriHeath	1,663,948		1,663,948
Horizon	17,094		17,094
Actuary	32,737		32,737
Attorney	38,738		38,738
Auditor		20,600	20,600
Plan Documents	17,365	12,635	30,000
Guardian Nurses	1,340,234		1,340,234
Local Entity Risk Managers	7,095,616		7,095,616
Treasurer	26,958		26,958
Postage	1,409		1,409
Data Analysis Systems	95,991		95,991
PCORI		162,729	162,729
Miscellaneous Expense	15,584	1,335	16,919
Wellness Program	97,087	211,058	308,145
Total Administrative Expenses	\$ 27,002,913	\$ 417,451	\$ 27,420,364

SCHOOLS HEALTH INSURANCE FUND  
SUPPLEMENTARY INFORMATION  
STATEMENT OF FUND YEAR 2023 EXPENSE ANALYSIS - STATUTORY BASIS  
FOR THE PERIOD JULY 1, 2022 TO JUNE 30, 2024

	<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	6,708,746		6,708,746
Dental	226,902		226,902
AmeriHealth	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
Guardian Nurses	1,081,500		1,081,500
Local Entity Risk Managers	6,222,942		6,222,942
Treasurer	26,428		26,428
Postage	1,142		1,142
Data Analysis	90,485		90,485
PCORI	151,677		151,677
Plan Documents	24,932		24,932
Miscellaneous Expense	43,575		43,575
Wellness Program	251,970		251,970
			<hr/>
Total Administrative Expenses	\$ 24,620,275	-	\$ 24,620,275
			<hr/>

SCHOOLS HEALTH INSURANCE FUND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CASH AND CASH EQUIVALENTS - STATUTORY BASIS  
AS OF JUNE 30, 2024

<u>Description</u>	<u>Amount</u>
Cash Accounts	
Cornerstone Bank	
Investment Account	\$ 7,625,786
First Commerce Bank	
Business Money Market	10,141,104
New Jersey Cash Management Fund	
Investment Account	147,453,917
Ocean First Bank	
Business Money Market	39,705
Parke Bank	
Investment Account	493,894
Republic Bank	
Administrative Account **	425,437
General Account **	3,450,930
Investment Account **	402,168
TD Bank	
Money Market Account	10,877
Wilmington Trust Company	
Money Market Account	970
	<hr/>
Total Cash and Cash Equivalents Per Schedule A	
Combining Statement of Net Position - Statutory Basis	\$ 170,044,788
	<hr/>
Total Cash and Cash Equivalents By Fund Year:	
2024	\$ 19,925,026
2023	8,595,357
Closed Years	141,524,405
	<hr/>
	\$ 170,044,788
	<hr/>

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

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and other matters 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*

BOWMAN & COMPANY  
LLP Certified Public  
Accountants & Consultants

*Dennis J. Skalkowski*

Dennis J. Skalkowski  
Certified Public Accountant