

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**REPORT OF AUDIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

# BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND

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# LERCH, VINCI & BLISS, LLP

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## INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the  
Board of Commissioners  
Bergen Municipal Employee Benefits Fund  
9 Campus Drive, Suite 216  
Parsippany, New Jersey 07054

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the Bergen Municipal Employee Benefits Fund (the "Fund"), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Bergen Municipal Employee Benefits 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 financial position of the Bergen Municipal Employee Benefits Fund as of December 31, 2023 and 2022, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 Bergen Municipal Employee Benefits 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.

#### *Emphasis of Matter*

As discussed in Note 7 to the financial statements effective January 1, 2024 the Metro Sub Fund of the Bergen Municipal Employee Benefits Fund has become the Metropolitan Health Insurance Fund. All assets and liabilities of the Sub Fund will be transferred to the Metropolitan Health Insurance Fund as of January 1, 2024.

#### *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 Bergen Municipal Employee Benefits 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 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 judgement 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 Bergen Municipal Employee Benefits 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 Bergen Municipal Employee Benefits 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***

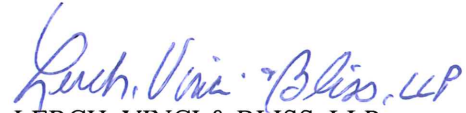
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the ten year claims development information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, 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***

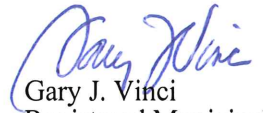
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Bergen Municipal Employee Benefits Fund as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The 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 supplementary schedules listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 5, 2024 on our consideration of the Bergen Municipal Employee Benefits Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bergen Municipal Employee Benefits Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Bergen Municipal Employee Benefits Fund's internal control over financial reporting and compliance.



LERCH, VINCI & BLISS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Gary J. Vinci  
Registered Municipal Accountant  
RMA Number CR000411

Fair Lawn, New Jersey  
June 5, 2024





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**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**

Honorable Chairman and Members of the  
Board of Commissioners  
Bergen Municipal Employee Benefits Fund  
9 Campus Drive, Suite 216  
Parsippany, New Jersey 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, the financial statements of the Bergen Municipal Employee Benefits Fund, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Bergen Municipal Employee Benefits Fund's basic financial statements, as listed in the table of contents, and have issued our report thereon dated June 5, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bergen Municipal Employee Benefits 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 Bergen Municipal Employee Benefits Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bergen Municipal Employee Benefits 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 entity'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.

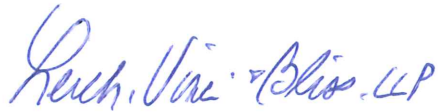
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bergen Municipal Employee Benefits Fund's financial statements are free from 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.

### 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 Bergen Municipal Employee Benefits Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Bergen Municipal Employee Benefits Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & BLISS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Gary J. Vinci  
Registered Municipal Accountant  
RMA Number CR000411

Fair Lawn, New Jersey  
June 5, 2024

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



# BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND

## Management Discussion and Analysis

This section of the annual financial report of the Bergen Municipal Employee Benefits Fund (the “BMED” or the “Fund”) presents a discussion and analysis of the financial performance of the Fund for the year ended December 31, 2023. Please read it in conjunction with the financial statements, the notes and supplementary schedules that follow this section.

Management’s Discussion and Analysis (MD&A) is an element of the Required Supplementary Information specified by the Governmental Accounting Standards Board. Certain comparative information between the current year (2023) and the prior two years (2022-2021) is required to be presented in the MD&A.

### 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 medical and other health coverage for the members of the Fund. The Fund maintains separate enterprise funds by policy 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:

*Statement of Net Position* – This statement presents information reflecting the Fund’s assets, liabilities, and net position. Net position represents the amount of total assets less total liabilities.

*Statement of Revenues, Expenses, and Changes in Net Position* – This statement reflects the Fund’s operating revenues and expenses, as well as nonoperating 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.

*Statement of Cash Flows* – The statement 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 calendar year.

### Financial Highlights

The following schedules summarize the financial position and results of operations for the Fund as of and for the years ended December 31, 2023, 2022 and 2021.

#### Summary Statement of Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2023 vs. 2022</u> Increase/ (Decrease)	Increase/ (Decrease)
<b>Assets</b>					
Cash and Investments	\$ 12,652,291	\$ 15,391,347	\$ 21,350,261	\$ (2,739,056)	-17.8%
Accounts Receivable	7,217,479	11,796,751	3,776,700	(4,579,272)	-38.8%
Prepaid Items	<u>4,403,182</u>	<u>17,064</u>	<u>1,500</u>	<u>4,386,118</u>	25703.9%
Total Assets	<u>24,272,952</u>	<u>27,205,162</u>	<u>25,128,461</u>	<u>(2,932,210)</u>	-10.8%
<b>Liabilities</b>					
Other Liabilities	1,128,421	1,033,151	1,081,045	95,270	9.2%
Loss Reserves	<u>11,989,751</u>	<u>6,605,460</u>	<u>6,730,761</u>	<u>5,384,291</u>	81.5%
Total Liabilities	<u>13,118,172</u>	<u>7,638,611</u>	<u>7,811,806</u>	<u>5,479,561</u>	71.7%
<b>Net Position</b>	<u>\$ 11,154,780</u>	<u>\$ 19,566,551</u>	<u>\$ 17,316,655</u>	<u>\$ (8,411,771)</u>	-43.0%

# BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND

## Management Discussion and Analysis

### Summary Statement of Revenues, Expenses and Changes in Net Position

				<u>2023 vs. 2022</u>	
	<u>2023</u>	<u>2022</u>	<u>2021</u>	Increase/ (Decrease)	Increase/ (Decrease)
<b>Operating Revenues</b>					
Assessments	\$ 113,798,021	\$ 82,253,669	\$ 64,095,470	\$ 18,158,199	28.3%
<b>Operating Expenses</b>					
Provision for Claims	100,469,931	64,083,227	48,329,733	15,753,494	32.6%
HMO/PPO Premiums	87,405	61,508	58,858	2,650	4.5%
Medicare Advantage	9,528,482	6,388,336	5,571,556	816,780	14.7%
Retiree Surcharge	541,813	259,574	211,169	48,405	22.9%
Excess Insurance Premiums	2,743,861	2,041,747	1,643,280	398,467	24.2%
General and Administrative	7,359,899	5,279,972	4,288,761	991,211	23.1%
<b>Total Operating Expenses</b>	<u>120,731,391</u>	<u>78,114,364</u>	<u>60,103,357</u>	<u>18,011,007</u>	30.0%
<b>Operating Income</b>	<u>(6,933,370)</u>	<u>4,139,305</u>	<u>3,992,113</u>	<u>147,192</u>	3.7%
<b>Nonoperating Revenues and Distributions</b>					
Equity Distribution	(2,433,156)	(1,942,065)	(3,002,329)	1,060,264	35.3%
Interest and Dividend Income	954,755	52,656	530,781	(478,125)	-90.1%
<b>Total Nonoperating Revenues/Distributions</b>	<u>(1,478,401)</u>	<u>(1,889,409)</u>	<u>(2,471,548)</u>	<u>582,139</u>	23.6%
<b>Increase (Decrease) in Net Position</b>	<u>\$ (8,411,771)</u>	<u>\$ 2,249,896</u>	<u>\$ 1,520,565</u>	<u>\$ 729,331</u>	48.0%

In 2021, the Executive Committee approved the Metropolitan Health Insurance Fund (the “Metro HIF”) subgroup to form and operate under the BMED program. As of December 31, 2023, the Metro HIF membership includes eight entities within Essex and Union Counties. Three of these entities have their active and early retirees fully indemnified under the Metro HIF subgroup within the BMED. The other five entities are members only for their retiree benefits under a fully insured policy with Aetna. This agreement shares no risk with the BMED or Metro HIF. Effective January 1, 2024, the Metro HIF will no longer be reported in the BMED program and will operate as an independent Health Insurance Fund. All assets and liabilities of the subgroup will be transferred to the Metropolitan Health Insurance Fund as of January 1, 2024.

At December 31, 2023, BMED’s total assets decreased by 10.8%. The year-end cash and investment balance decreased by approximately \$2.7 million. Prepaid items increased due to the transfer of cash balances to the Metro HIF prior to year-end. Liabilities increased by 72% primarily due to a significant increase in the Fund’s incurred but not reported (IBNR) loss reserves. Overall, BMED’s unrestricted net position, or surplus, decreased by approximately \$8.4 million or 43%.

At December 31, 2022, BMED’s total assets increased by 8.3%. The year end cash and investment balance decreased by approximately \$6 million. Liabilities decreased by 2.2%. Investment income decreased due to unrealized losses in a rising interest rate environment. Overall, BMED’s unrestricted net position, or surplus, increased by approximately \$2.2 million or 13%.

## **BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**

### **Management Discussion and Analysis**

#### **Economic Conditions**

The BMED 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.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Bergen Municipal Employee Benefits Fund's finances for all those who are interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to PERMA Risk Management Services, 9 Campus Drive, Suite 216, Parsippany, New Jersey 07054.

## **BASIC FINANCIAL STATEMENTS**

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
COMPARATIVE STATEMENTS OF NET POSITION  
AS OF DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 12,652,291	\$ 15,391,347
Receivables		
Assessments	2,829,021	7,286,178
Accrued Interest	35,602	10,831
Excess Insurance	3,152,638	2,433,859
Other	1,200,218	2,065,883
Prepaid Items	<u>4,403,182</u>	<u>17,064</u>
Total Assets	<u>24,272,952</u>	<u>27,205,162</u>
<b>LIABILITIES</b>		
Liabilities		
Accounts Payable	471,452	205,594
Dividend Payable	525,410	820,487
Unearned Revenue	131,559	7,070
Loss Reserves		
IBNR	<u>11,989,751</u>	<u>6,605,460</u>
Total Liabilities	<u>13,118,172</u>	<u>7,638,611</u>
<b>NET POSITION</b>		
Unrestricted	<u>11,154,780</u>	<u>19,566,551</u>
Total Net Position	<u>\$ 11,154,780</u>	<u>\$ 19,566,551</u>

The Accompanying Notes are an Integral Part of these Statements.

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>OPERATING REVENUES</b>		
Assessments		
Employer Contributions	\$ 113,034,083	\$ 81,611,067
Employee/Cobra Contributions	<u>763,938</u>	<u>642,602</u>
Total Operating Revenues	<u>113,798,021</u>	<u>82,253,669</u>
<b>OPERATING EXPENSES</b>		
Provisions for Claims		
Benefits Paid To/For Participants	100,787,124	68,569,844
Excess Insurance Recoverable	(2,940,544)	(2,301,067)
Other Recoverables	(2,760,940)	(2,060,249)
Increase/(Decrease) in Loss Reserves	5,384,291	(125,301)
HMO/PPO Premiums	87,405	61,508
Medicare Advantage	9,528,482	6,388,336
Retiree Surcharge	541,813	259,574
Excess Insurance Premiums	2,743,861	2,041,747
General and Administrative	<u>7,359,899</u>	<u>5,279,972</u>
Total Operating Expenses	<u>120,731,391</u>	<u>78,114,364</u>
Operating Income (Loss)	<u>(6,933,370)</u>	<u>4,139,305</u>
<b>NONOPERATING REVENUES</b>		
Dividend Income	286,255	155,455
Interest Income (Loss)	<u>668,500</u>	<u>(102,799)</u>
Total Nonoperating Revenues	<u>954,755</u>	<u>52,656</u>
Change in Net Position	(5,978,615)	4,191,961
Net Position, January 1,	<u>19,566,551</u>	<u>17,316,655</u>
	13,587,936	21,508,616
Equity Distribution	<u>(2,433,156)</u>	<u>(1,942,065)</u>
Net Position, December 31,	<u>\$ 11,154,780</u>	<u>\$ 19,566,551</u>

The Accompanying Notes are an Integral Part of these Statements.



**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Members	\$ 118,379,667	\$ 77,576,274
Cash Paid for Claims, Premiums and Services	<u>(114,917,292)</u>	<u>(81,749,761)</u>
Net Cash Provided by (Used for) Operating Activities	<u>3,462,375</u>	<u>(4,173,487)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Due From Other Insurance Fund	(4,403,182)	
Net (Purchase) Redemption of Investments		4,244,569
Dividend Received	286,255	155,455
Interest Received	<u>643,729</u>	<u>(105,015)</u>
Net Cash Provided by (Used for) Investing Activities	<u>(3,473,198)</u>	<u>4,295,009</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Equity Distribution	<u>(2,728,233)</u>	<u>(1,835,867)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(2,728,233)</u>	<u>(1,835,867)</u>
Net Change in Cash and Cash Equivalents	(2,739,056)	(1,714,345)
Cash and Cash Equivalents, January 1,	<u>15,391,347</u>	<u>17,105,692</u>
Cash and Cash Equivalents, December 31,	<u>\$ 12,652,291</u>	<u>\$ 15,391,347</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (6,933,370)	\$ 4,139,305
Adjustments:		
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Assessments Receivable	4,457,157	(4,677,395)
(Increase) Decrease in Excess Insurance Recoverable	(718,779)	(1,859,191)
(Increase) Decrease in Other Receivables	865,665	(1,481,249)
(Increase) Decrease in Prepaid Items	17,064	(15,564)
Increase (Decrease) in Accounts Payable	265,858	(154,092)
Increase (Decrease) in Unearned Revenue	124,489	-
Increase (Decrease) in IBNR	<u>5,384,291</u>	<u>(125,301)</u>
Net Cash Provided by Operating Activities	<u>\$ 3,462,375</u>	<u>\$ (4,173,487)</u>

The Accompanying Notes are an Integral Part of these Statements.

## **NOTES TO FINANCIAL STATEMENTS**

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Bergen Municipal Employee Benefits Fund (the "Fund") was established on April 1, 1992, in accordance with P.L. 1983, C. 372, entitled "An act concerning joint insurance funds for local units of government, and supplementing Chapter 10 of Title 40A of the New Jersey Statutes". The Fund is a self-administered group of local government entities formed for the purpose of providing employee benefits for its members. The following coverages are offered by the Fund to its members at the choice of the individual member unit.

- a) Medical
- b) Dental
- c) Prescription

Each entity assigns a Commissioner to the Fund. The Board of Commissioners (the "Board"), which governs as the executive committee, is elected and consists of seven (7) commissioners and two (2) alternates. The Board also elects the chairperson and secretary who serve co-terminously with their underlying local office until January 1st of the following year.

The Board may approve subsequent membership by two-thirds vote or may terminate any member by two-thirds vote after proper notice has been given. A participant may withdraw its membership by giving appropriate notice.

The exact terms and conditions of coverage are detailed in the Fund's Risk Management Plan.

**B. Basis of Presentation – Financial Statements**

The accounts of the Fund are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounting records that comprise its assets, liabilities, net position, revenues and expenses. The Fund's resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various activities are grouped by Fund Year into one generic fund.

The Fund reports the following major proprietary fund:

*Enterprise Fund* - The Enterprise Fund is used to account for the Fund's operations which are financed and operated in a manner similar to private enterprises, where the intent of the Board is that the costs (insurance claims, administrative expenses) of providing goods or services to its users on a continuing basis be financed or recovered primarily through user charges (i.e., insurance assessments).

The Proprietary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with these operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting**

The Fund utilizes the accrual basis of accounting whereby income is recorded as earned and expenses recorded as incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are assessments to government entities and former employees of those entities. Operating expenses for enterprise funds include the cost of services (i.e., adjudication and processing of insurance claims) and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Monies are disbursed solely for the payment of claims, allocated claim expenses, and excess insurance premiums by fund year for the following funds:

*Medical Fund* – Insures against any and all medical claims under the terms of the individual municipality's agreement. This Fund also includes Medicare Advantage which provides medical coverage to individual municipality's Medicare eligible retirees.

*Dental Fund* – Insures against any and all dental claims under the terms of the individual municipality's agreement.

*Prescription Fund* – Insures against any and all prescription claims under the terms of the individual municipality's agreement.

*Rate Stabilization Reserve (RSR) Fund* – Provides resources to stabilize the rate to insure against unforeseen occurrences.

*Reinsurance Fund* – Provides excess insurance coverage for medical claims over the Fund's self-insured retention.

*General and Administrative Fund* – Utilized for payment of the Fund's operating expenses, loss prevention activities and various professional fees.

**Cash Deposits and Investments**

Cash and cash equivalents includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are stated at fair value and are limited by N.J.S.A. 40A:5 et seq.

**Assessments**

Assessments are computed annually by the Executive Director and approved by the Board of Commissioners. The rates are approved annually for each type of coverage. The Executive Director bills the participating members monthly based on the entity's employee census for each type of coverage. Assessments are accrued as revenue in the Fund Year for which they are levied against.

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

**Assessments Receivable**

All receivables are reported at their gross value and when appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**Expenses**

Expenses are recognized in the accounting period in which the liability is incurred and measurable.

**Accounts Payable**

Purchase orders outstanding for services rendered prior to December 31 are reported as expenses through the establishment of accounts payable.

**Income Taxes**

In the opinion of management, the Fund is not subject to federal or state income taxes.

**Budgets**

An annual budget is adopted prior to the commencement of the fiscal year. Budgets are prepared using the accrual basis of accounting. The legal level of budgetary control is established by line item account and total resources available within each Fund Year. All budget amendments must be approved by the Board of Commissioners. Budget amendments during the year were insignificant. Formal budgetary integration into the accounting system is employed as a management control device during the year. Unexpended appropriations lapse at year end.

**Loss Reserves**

The Fund established claim liabilities is based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

**Reinsurance/Excess Insurance**

The Fund uses reinsurance agreements to reduce its exposure to significant losses on insurance claims. The Fund has entered into a Joint Purchase Agreement with the Municipal Reinsurance Health Insurance Fund (MRHIF) by purchasing excess insurance with other New Jersey health insurance funds. The MRHIF provides the members of the participating health insurance funds with reinsurance. The Fund does not report excess risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

Reinsurance premiums for the years ended December 31, 2023 and 2022 were \$2,743,861 and \$2,041,747, respectively. Currently, the total claims in the medical, dental and prescription loss funds do not exceed the self-insured retention level for Fund Years 2023 and 2022.

**Unearned Revenue**

Balance of equity distribution, which was not disbursed to the members but will be utilized to offset future assessments.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Total Columns**

The combining financial statements include a total column to indicate that they are presented only to facilitate financial analysis. Interfund transactions have not been eliminated from the total column of the individual fund year combining financial statements, but have been eliminated on the basic financial statements.

**Use of Estimates**

The preparation of financial statements requires management of the Fund to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**NOTE 2 CASH DEPOSITS AND INVESTMENTS**

The Fund considers cash in banks, certificates of deposit, deposits with the Joint Cash Management and Investment Program Fund and Money Market Funds as cash and cash equivalents.

**Cash Deposits**

The Fund's cash deposits are insured through either the Federal Depository Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Fund is required to deposit funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for deposits in excess of the FDIC insured amounts.



**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)**

**Cash Deposits (Continued)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. At December 31, 2023 and 2022, the book value of the Fund's deposits was \$5,317,444 and \$8,361,582 and bank balances of the Fund's cash and deposits amounted to \$5,429,467 and \$9,228,301. The Fund's deposits which are displayed on the statement of net position as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2023</u>	<u>2022</u>
Insured	\$ <u>5,429,467</u>	\$ <u>9,228,301</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. The Fund does have a policy for custodial credit risk. As of December 31, 2023 and 2022, the Fund's bank balances were not exposed to custodial credit risk.

**Investments**

The Fund is permitted to invest public funds in accordance with the types of securities authorized by New Jersey Statutes. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, Local Government investment pools, Joint Cash Management and Investment Programs and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the New Jersey Statutes.

**Joint Cash Management and Investment Program**

The Joint Cash Management and Investment program (the "JCMI") was created by P.L. 2018 Chapter 40 of the New Jersey Statutes which allowed Joint Insurance Funds to pool their funds and broaden the investments that they are permitted to use. The law provides restrictions to these investments. The investment must be purchased at fair market value, guaranteed as interest and principal, and must have a credit rating of A3 or higher by Moody's Investor Service, or an A- or higher by Standard and Poors Corporation. The maturity cannot be greater than 20 years. In addition, only 50% of the investment portfolio may be comprised of such long-term investments, without prior approval of the New Jersey Department of Community Affairs.

As of December 31, 2023 and 2022, the Fund had the following investments which are displayed on the statement of net position as either "cash and cash equivalents".

<u>Investment Type</u>	<u>Fair Value</u>	
	<u>2023</u>	<u>2022</u>
Money Market Funds	\$ 1,262,383	\$ 4,279,165
U.S. Treasury Obligations	3,188,872	
Joint Cash Management and Investment Program (JCMI)	<u>2,883,592</u>	<u>2,750,600</u>
	<u>\$ 7,334,847</u>	<u>\$ 7,029,765</u>

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

Custodial Credit Risk – Investments – For an investment, this 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 held by an outside party. The Fund does not have a policy for custodial risk. As of December 31, 2023 and 2022, \$7,334,847 and \$7,029,765 of the Fund's investments were exposed to custodial credit risk as follows:

	<u>2023</u>	<u>2022</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department or agent but not in the Fund's name	\$ 7,334,847	\$ 7,029,765

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. The Fund does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State Law limits investments as noted above. The Fund does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the Fund's investment in a single issuer. The Fund places no limit in the amount the District may invest in any one issuer. More than five (5) percent of the Fund's investments are in the JCMI. These investments are 39% of the Fund's total investments.

Fair Value of Investments. The Fund measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than those in Level 1; and
- *Level 3:* Unobservable inputs.

Investments classified as Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches: debt securities are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors; equity securities are valued using fair value per share for each fund and certificates of deposit are valued using broker quotes that utilize observable market inputs. Investments classified as Level 3 have limited trade information, these securities are priced or using the last trade price or estimated using recent trade prices.

At December 31, 2023, the Funds' investments are categorized as follows:

<u>Investments by Fair Value Level</u>	<u>June 30, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 1,262,383	\$ 1,262,383		
U.S. Treasury Obligations	3,188,872	3,188,872		
Joint Cash Management and Investment Program (JCMI)	2,883,592		\$ 2,883,592	
Total Investment at Fair Value	\$ 7,334,847	\$ 4,451,255	\$ 2,883,592	\$ -

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

At December 31, 2022, the Funds' investments are categorized as follows:

<u>Investments by Fair Value Level</u>	<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 4,279,165	\$ 4,279,165		
Joint Cash Management and Investment Program (JCMI)	<u>2,750,600</u>		\$ 2,750,600	
Total Investment at Fair Value	<u>\$ 7,029,765</u>	<u>\$ 4,279,165</u>	<u>\$ 2,750,600</u>	<u>\$ -</u>

**NOTE 3 UNPAID CLAIMS LIABILITIES**

The Fund has established a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The Fund has established a liability for unreported insured events. This liability includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in the aggregate reserves for the Fund for the years ended December 31, 2023 and 2022:

	<u>Fund Years</u>	
<u>December 31, 2023</u>	<u>2022</u>	<u>2023</u>
Unpaid Claims and Claim Adjustment Expenses, January 1, 2023	\$ 6,605,460	
Incurred Claims and Claim Adjustment Expenses		
Provision for Insured Events of the		
Prior Years	1,157,590	
Current Year	<u>-</u>	\$ 98,802,069
	7,763,050	98,802,069
Payments		
Claims and Claim Adjustment Expenses		
Attributable to Insured Events of the		
Prior Years	(7,763,050)	
Current Year	<u>-</u>	<u>(86,812,318)</u>
Unpaid Claims and Claim Adjustment Expenses, December 31, 2023	<u>\$ -</u>	<u>\$ 11,989,751</u>

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 3 UNPAID CLAIMS LIABILITIES (Continued)**

<u>December 31, 2022</u>	<u>Fund Years</u>	
	<u>2021</u>	<u>2022</u>
Unpaid Claims and Claim Adjustment Expenses, January 1, 2022	\$ 6,730,761	
<b>Incurred Claims and Claim Adjustment Expenses</b>		
Provision for Insured Events of the		
Prior Years	898,656	
Current Year	-	\$ 63,038,601
	7,629,417	63,038,601
<b>Payments</b>		
Claims and Claim Adjustment Expenses		
Attributable to Insured Events of the		
Prior Years	(7,629,417)	
Current Year	-	(56,433,141)
Unpaid Claims and Claim Adjustment Expenses, December 31, 2022	\$ -	\$ 6,605,460

**NOTE 4 DETAILED NOTES ON ALL FUNDS**

**Receivables**

Receivables as of December 31, 2023 and 2022 for the fund in the aggregate are as follows. In the opinion of management the year end receivables are collectible, thus, an allowance for uncollectible accounts is not required.

<u>December 31, 2023</u>	<u>Fund Years</u>			<u>Total</u>
	<u>Closed Years</u>	<u>2022</u>	<u>2023</u>	
Receivables:				
Assessments		\$ 2,540	\$ 2,826,481	\$ 2,829,021
Accrued Interest	\$ 19,010	6,415	10,177	35,602
Excess Insurance	353,585	1,661,670	1,137,383	3,152,638
Other	-	-	1,200,218	1,200,218
	<u>\$ 372,595</u>	<u>\$ 1,670,625</u>	<u>\$ 5,174,259</u>	<u>\$ 7,217,479</u>

<u>December 31, 2022</u>	<u>Fund Years</u>			<u>Total</u>
	<u>Closed Years</u>	<u>2021</u>	<u>2022</u>	
Receivables:				
Assessments		\$ 136,507	\$ 7,149,671	\$ 7,286,178
Accrued Interest	\$ 5,238	2,641	2,952	10,831
Excess Insurance		1,038,562	1,395,297	2,433,859
Other	-	-	2,065,883	2,065,883
	<u>\$ 5,238</u>	<u>\$ 1,177,710</u>	<u>\$ 10,613,803</u>	<u>\$ 11,796,751</u>

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 5 DEFICIT NET POSITION**

At December 31, 2023 and 2022, the following individual funds net position accounts were in a deficit position:

	<u>2023</u>	<u>2022</u>
<b><u>Fund Year 2023</u></b>		
Medical	\$5,653,728	
Prescription	1,262,470	
<b><u>Fund Year 2022</u></b>		
Prescription	469,887	\$541,653
Reinsurance	8,113	8,113
<b><u>Fund Year 2021</u></b>		
Reinsurance		61,787

Currently, the Fund's management has no plans to levy additional assessments to the participating municipalities to eliminate the above deficits.

**NOTE 6 MEMBERSHIP IN JOINT INSURANCE FUND**

The Fund is a member of the Municipal Reinsurance Health Insurance Fund (the "MRHIF"). The MRHIF is an insured and self-administered group of New Jersey health insurance funds established for the purpose of providing low-cost health insurance coverage for their respective members in the form of reinsurance. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers of the MRHIF are elected.

As a member of the MRHIF, the Fund could be subject to supplemental assessments in the event of a deficiency. If the assets of the MRHIF were to be exhausted, members would become responsible for their respective shares of 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 related to the total assessments of the participating Funds for that Fund Year.

Selected financial information for the MRHIF Fund as of and for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Total Assets	\$ 30,766,373	\$ 25,412,281
Net Position	6,595,601	5,810,751
Total Operating Revenues	22,974,513	19,416,664
Investment Income (Loss)	1,081,184	(650,630)
Total Operating Expenses	20,520,847	21,143,166
Change in Net Position	784,850	(3,877,133)
Equity Distribution	2,750,000	1,500,001

**NOTE 7 OTHER**

Effective January 1, 2024, the Metropolitan Subgroup of the Bergen Municipal Employees Fund ("BMED") separated from the BMED and became the Metropolitan Health Insurance Fund. All assets and liabilities of the subgroup were transferred to the Metropolitan Health Insurance fund effective January 1, 2024.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION  
FUND YEARS 2013 THROUGH 2022**

	Fund Years									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Net Earned Required Contribution and Investment Revenue	\$ 19,646,269	\$ 21,840,865	\$ 26,983,840	\$ 31,755,951	\$ 32,101,275	\$ 31,229,299	\$ 35,321,555	\$ 64,057,389	\$ 82,374,489	\$ 113,966,559
Unallocated Expenses	3,335,181	3,377,559	4,279,532	4,820,290	5,970,495	5,680,777	7,699,460	11,713,903	14,150,545	20,274,139
Estimated Incurred Claims and Expenses, End of Policy Year	14,516,444	15,567,851	18,766,900	24,623,245	24,393,950	23,601,735	23,485,791	48,010,626	63,038,601	98,802,069
Paid (Cumulative) as of:										
End of Initial Year	13,360,128	13,989,773	16,662,843	21,326,245	22,932,891	21,768,771	21,170,791	41,279,865	56,433,141	86,812,318
One Year Later	13,966,932	14,955,183	18,760,845	24,123,301	23,992,959	23,010,454	23,725,278	48,909,282	64,196,191	
Two Years Later	13,966,932	14,955,183	18,760,845	24,123,301	23,992,959	23,010,454	23,725,278	48,909,282		
Three Years Later	13,966,932	14,955,183	18,760,845	24,123,301	23,992,959	23,010,454	23,725,278			
Four Years Later	13,966,932	14,955,183	18,760,845	24,123,301	23,992,959	23,010,454				
Five Years Later	13,966,932	14,955,183	18,760,845	24,123,301	23,992,959					
Six Years Later	13,966,932	14,955,183	18,760,845	24,123,301						
Seven Years Later	13,966,932	14,955,183	18,760,845							
Eight Years Later	13,966,932	14,955,183								
Nine Years Later	13,966,932									
Reestimated Incurred Claims and Expenses										
End of Policy Year	14,516,444	15,567,851	18,766,900	24,623,245	24,393,950	23,601,735	23,485,791	48,010,626	63,038,601	98,802,069
One Year Later	13,974,296	14,967,857	18,634,185	23,502,532	24,126,125	23,045,368	23,725,278	48,909,282	64,196,191	
Two Years Later	13,974,296	14,967,857	18,634,185	23,502,532	24,126,125	23,045,368	23,725,278			
Three Years Later	13,974,296	14,967,857	18,634,185	23,502,532	24,126,125	23,045,368				
Four Years Later	13,974,296	14,967,857	18,634,185	23,502,532	24,126,125					
Five Years Later	13,974,296	14,967,857	18,634,185	23,502,532						
Six Years Later	13,974,296	14,967,857	18,634,185							
Seven Years Later	13,974,296	14,967,857								
Eight Years Later	13,974,296									
Nine Years Later	13,974,296									
Increase (Decrease) in Estimated Incurred Claims and Expenses From End of Initial Year	(542,148)	(599,994)	(132,715)	(1,120,713)	(267,825)	(556,367)	239,487	898,656	1,157,590	-

Note: In the third or fourth year of the above Fund Years, the Board created a Closed Years Contingency Fund, which consolidated the prior year open Fund Years. As a result, the above individual Fund Years have not been updated to report the respective transactions for years three to ten.

## **SUPPLEMENTARY SCHEDULES**

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**COMBINING STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2023**

	Closed Years Contingency Fund	Fund Years		Total
		<u>2022</u>	<u>2023</u>	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 7,986,309	\$ 2,357,435	\$ 2,308,547	\$ 12,652,291
Receivables				
Assessments		2,540	2,826,481	2,829,021
Accrued Interest	19,010	6,415	10,177	35,602
Excess Insurance	353,585	1,661,670	1,137,383	3,152,638
Other			1,200,218	1,200,218
Prepaid Items	<u>4,403,182</u>	<u>-</u>	<u>-</u>	<u>4,403,182</u>
Total Assets	<u>12,762,086</u>	<u>4,028,060</u>	<u>7,482,806</u>	<u>24,272,952</u>
<b>LIABILITIES</b>				
Liabilities				
Accounts Payable		307	471,145	471,452
Dividend Payable	525,410			525,410
Unearned Revenue	-		131,559	131,559
Loss Reserves				
IBNR	<u>-</u>	<u>-</u>	<u>11,989,751</u>	<u>11,989,751</u>
Total Liabilities	<u>525,410</u>	<u>307</u>	<u>12,592,455</u>	<u>13,118,172</u>
<b>NET POSITION</b>				
Unrestricted	<u>12,236,676</u>	<u>4,027,753</u>	<u>(5,109,649)</u>	<u>11,154,780</u>
Total Net Position	<u>\$ 12,236,676</u>	<u>\$ 4,027,753</u>	<u>\$ (5,109,649)</u>	<u>\$ 11,154,780</u>

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Closed Years Contingency Fund	Fund Years		Total
		<u>2022</u>	<u>2023</u>	
<b>OPERATING REVENUES</b>				
Assessments				
Employer Contributions			\$ 113,034,083	\$ 113,034,083
Employee/Cobra Contributions	-	-	763,938	763,938
Total Operating Revenues	-	-	113,798,021	113,798,021
<b>OPERATING EXPENSES</b>				
Provision for Claims				
Benefits Paid to/for Participants	\$ 528,132	\$ 9,522,993	90,735,999	100,787,124
Excess Insurance Recoverable	(17,860)	(1,759,943)	(1,162,741)	(2,940,544)
Other Recoverables			(2,760,940)	(2,760,940)
Increase/(Decrease) in Loss Reserves	-	(6,605,460)	11,989,751	5,384,291
HMO/PPO Premiums			87,405	87,405
Medicare Advantage			9,528,482	9,528,482
Retiree Surcharge		17,064	524,749	541,813
Excess Insurance Premiums			2,743,861	2,743,861
General and Administrative	12,150	(41,893)	7,389,642	7,359,899
Total Operating Expenses	522,422	1,132,761	119,076,208	120,731,391
Operating Income (Loss)	(522,422)	(1,132,761)	(5,278,187)	(6,933,370)
<b>NONOPERATING REVENUES</b>				
Dividend Income	286,255			286,255
Interest Income (Loss)	382,286	117,676	168,538	668,500
Total Nonoperating Revenues	668,541	117,676	168,538	954,755
Change in Net Position	146,119	(1,015,085)	(5,109,649)	(5,978,615)
Net Position, January 1, 2023	14,523,713	5,042,838	-	19,566,551
	14,669,832	4,027,753	(5,109,649)	13,587,936
Equity Distribution	(2,433,156)	-	-	(2,433,156)
Net Position (Deficit), December 31, 2023	\$ 12,236,676	\$ 4,027,753	\$ (5,109,649)	\$ 11,154,780

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Closed Years Contingency	Fund Years		
	<u>Fund</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Members	\$ 129,437	\$ 7,147,131	\$111,103,099	\$118,379,667
Cash Paid for Claims, Premiums and Services	<u>162,555</u>	<u>(6,126,934)</u>	<u>(108,952,913)</u>	<u>(114,917,292)</u>
Net Cash Provided by (Used for) Operating Activities	<u>291,992</u>	<u>1,020,197</u>	<u>2,150,186</u>	<u>3,462,375</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments to Other Insurance Fund	(4,403,182)	-		(4,403,182)
Dividend Received	286,255			286,255
Interest Received	<u>371,155</u>	<u>114,213</u>	<u>158,361</u>	<u>643,729</u>
Net Cash Provided by (Used for) Investing Activities	<u>(3,745,772)</u>	<u>114,213</u>	<u>158,361</u>	<u>(3,473,198)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Equity Distribution	<u>(2,728,233)</u>	<u>-</u>	<u>-</u>	<u>(2,728,233)</u>
Net Cash by (Used for) Noncapital Financing Activities	<u>(2,728,233)</u>	<u>-</u>	<u>-</u>	<u>(2,728,233)</u>
Net Change in Cash and Cash Equivalents	(6,182,013)	1,134,410	2,308,547	(2,739,056)
Cash and Cash Equivalents, January 1, 2023	<u>14,168,322</u>	<u>1,223,025</u>	<u>-</u>	<u>15,391,347</u>
Cash and Cash Equivalents, December 31, 2023	<u>\$ 7,986,309</u>	<u>\$ 2,357,435</u>	<u>\$ 2,308,547</u>	<u>\$ 12,652,291</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (522,422)	\$ (1,132,761)	\$ (5,278,187)	\$ (6,933,370)
Adjustments:				
Changes in Operating Assets and Liabilities				
(Increase) Decrease in Assessments Receivable	136,507	7,147,131	(2,826,481)	4,457,157
(Increase) Decrease in Excess Insurance Recoverable	684,977	(266,373)	(1,137,383)	(718,779)
(Increase) Decrease in Other Receivable		2,065,883	(1,200,218)	865,665
(Increase) Decrease in Prepaid Items		17,064	-	17,064
Increase (Decrease) in Accounts Payables		(205,287)	471,145	265,858
Increase (Decrease) in Unearned Revenue	(7,070)		131,559	124,489
Increase (Decrease) in IBNR	<u>-</u>	<u>(6,605,460)</u>	<u>11,989,751</u>	<u>5,384,291</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 291,992</u>	<u>\$ 1,020,197</u>	<u>\$ 2,150,186</u>	<u>\$ 3,462,375</u>

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
HISTORICAL OPERATING RESULTS  
FROM INCEPTION THROUGH DECEMBER 31, 2023**

	Closed Years Contingency Fund	Fund Years	
		<u>2022</u>	<u>2023</u>
<b>UNDERWRITING INCOME</b>			
Assessments	\$ 676,089,442	\$ 81,611,067	\$ 113,034,083
Other Income	<u>4,291,034</u>	<u>642,602</u>	<u>763,938</u>
	<u>680,380,476</u>	<u>82,253,669</u>	<u>113,798,021</u>
<b>INCURRED LIABILITIES</b>			
Claims			
Paid	548,264,685	65,857,861	89,086,226
Excess Insurance and Other Recoverables	(353,585)	(1,661,670)	(2,273,908)
Loss Reserves	<u>-</u>	<u>-</u>	<u>11,989,751</u>
Limited Incurred Claims	<u>547,911,100</u>	<u>64,196,191</u>	<u>98,802,069</u>
<b>EXPENSES</b>			
HMO/PPO Premiums	3,719,257	61,508	87,405
Medicare Advantage	17,180,506	6,388,336	9,528,482
Retiree Surcharge	294,889	323,453	524,749
Excess Insurance Premiums	31,377,778	2,041,747	2,743,861
General and Administrative	<u>49,249,434</u>	<u>5,335,501</u>	<u>7,389,642</u>
Subtotal Expenses	<u>101,821,864</u>	<u>14,150,545</u>	<u>20,274,139</u>
Total Incurred Liabilities	<u>649,732,964</u>	<u>78,346,736</u>	<u>119,076,208</u>
<b>UNDERWRITING SURPLUS</b>	30,647,512	3,906,933	(5,278,187)
Investment/Dividend Income	<u>11,112,318</u>	<u>120,820</u>	<u>168,538</u>
<b>GROSS STATUTORY SURPLUS (DEFICIT)</b>	41,759,830	4,027,753	(5,109,649)
Equity Distribution	<u>(29,523,154)</u>	<u>-</u>	<u>-</u>
<b>STATUTORY SURPLUS (DEFICIT)</b>	<u>\$ 12,236,676</u>	<u>\$ 4,027,753</u>	<u>\$ (5,109,649)</u>



**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
STATEMENT OF BUDGETARY EXPENSES  
FUND YEAR 2023**

<u>Account Description</u>	<u>Modified Budget</u>	<u>Expenses</u>	<u>Loss Reserves</u>	<u>Variance Excess/ (Deficit)</u>
Claims				
Medical	\$ 86,515,884	\$ 79,150,735	\$ 11,518,996	\$ (4,153,847)
Dental	3,109,668	2,741,877	222,455	145,336
Prescription	3,938,455	4,919,706	248,300	(1,229,551)
HMO/PPO Premiums	67,783	87,405		(19,622)
Medicare Advantage	9,528,482	9,528,482		
Reinsurance	2,743,861	2,743,861		
Loss Fund Contingency	34,052			34,052
Retiree Surcharge	529,544	524,749		4,795
General and Administrative				
Claims Administration	1,910,639	1,966,758		(56,119)
Administrator	977,874	998,919		(21,045)
Legal	25,500	27,430		(1,930)
Actuary	18,500	18,500		-
Auditor	19,000	19,000		-
Treasurer	21,067	21,067		-
Risk Management Consultants	2,627,112	2,635,485		(8,373)
Fund Coordinator - Metro	776,056	792,906		(16,850)
Employee Benefit Consultant	705,432	710,432		(5,000)
Board Advisor	18,727	21,361		(2,634)
Miscellaneous/Contingency	187,014	177,784	-	9,230
	<u>\$ 113,754,650</u>	<u>\$ 107,086,457</u>	<u>\$ 11,989,751</u>	<u>\$ (5,321,558)</u>

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
PROGRAM SUMMARY  
FUND YEAR 2023**

	Coverages		
	<u>Medical</u>	<u>Dental</u>	<u>Prescription</u>
Limits:			
Specific	Unlimited	N/A	Unlimited
Aggregate	N/A	N/A	N/A
Fund Retention:			
Specific	\$ 375,000	N/A	\$ 375,000
Aggregate	No Limit	N/A	No Limit
Excess Insurers	Municipal Reinsurance Health Insurance Fund		
Number of Governmental Entities	25	32	19
Limited Incurred Claims	<u>\$ 90,669,731</u>	<u>\$ 2,964,332</u>	<u>\$ 5,168,006</u>
Exposure Units:			
Eligible Employees (1)	3,849	4,016	1,325
Limited Incurred Claims/Units	\$ 23,557	\$ 738	\$ 3,900

(1) Based on December 31, 2023 Census

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

*Part I – Summary of Auditor's Results*

**Financial Statements**

Type of auditors' report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
1) Material weakness(es) identified	<u>          </u> yes	<u>      X      </u> no
2) Significant deficiency(ies) identified?	<u>          </u> yes	<u>      X      </u> none reported
Noncompliance material to the financial statements noted?	<u>          </u> yes	<u>      X      </u> no

*Part 2 – Schedule of Financial Statement Findings*

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Paragraph 5.18-5.20 of *Government Auditing Standards*.

There are none.

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

This section identifies the status of prior-year findings related to the financial statements that are required to be reported in accordance with Paragraph 6.12 of *Governmental Auditing Standards*.

**STATUS OF PRIOR YEAR FINDINGS**

There were none.

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND  
COMMENTS AND RECOMMENDATIONS**

**Comment** – Our audit revealed that as of December 31, 2023, Fund Year 2023 ended the year with a deficit in net position of \$5,109,649.

**Recommendation** – The operations of Fund Year 2023 be continually monitored to ensure that sufficient funds will be available to eliminate the operating deficit.

**Management Response**

The operations of Fund Year 2023 resulted in a deficit primarily due to a significant increase in claims during the second half of the year by the Metro Subgroup. Effective January 1, 2024, the Metro Subgroup has separated from the BMED and became an independent entity, the Metropolitan Health Insurance Fund. Management will continue to monitor claims development carefully. If a deficit continues, management will determine the appropriate course of action in order to provide resources to eliminate the deficit.

\* \* \* \* \*

**ACKNOWLEDGEMENT**

We received the complete cooperation of all the officials of the Fund and we greatly appreciate the courtesies extended to us.