

BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND

REPORT OF AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2025

BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND

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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 financial statements of the Bergen Municipal Employee Benefits Fund (the "Fund"), as of and for the years ended December 31, 2025 and 2024, 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 accompanying 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, 2025 and 2024, 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.

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

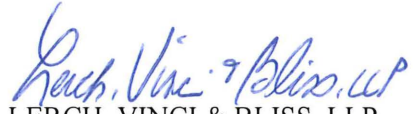
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the ten-year claims development information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, 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. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare 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, 2026 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, 2026



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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, 2025, 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, 2026.

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 or significant deficiencies may exist that were not 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.

However, we noted a certain matter that is not required to be reported under Government Auditing Standards that we have reported to management of the Bergen Municipal Employee Benefits Fund in the section of this report of audit entitled "Comments and Recommendations".

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, 2026

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, 2025. 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 (2025) and the prior two years (2024-2023) 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, 2025, 2024 and 2023.

Summary Statement of Net Position

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2025 vs. 2024</u> Increase/ (Decrease)	Increase/ (Decrease)
Assets					
Cash and Investments	\$ 5,022,890	\$ 4,351,708	\$ 12,652,291	\$ 671,182	15.4%
Accounts Receivable	6,113,664	4,350,527	7,217,479	1,763,137	40.5%
Other Assets	-	-	4,403,182	-	0.0%
Total Assets	<u>11,136,554</u>	<u>8,702,235</u>	<u>24,272,952</u>	<u>2,434,319</u>	28.0%
Liabilities					
Other Liabilities	589,954	1,726,531	1,128,421	(1,136,577)	-65.8%
Loss Reserves	<u>8,506,095</u>	<u>7,293,000</u>	<u>11,989,751</u>	<u>1,213,095</u>	16.6%
Total Liabilities	<u>9,096,049</u>	<u>9,019,531</u>	<u>13,118,172</u>	<u>76,518</u>	0.8%
Net Position	<u>\$ 2,040,505</u>	<u>\$ (317,296)</u>	<u>\$ 11,154,780</u>	<u>\$ 2,357,801</u>	-743.1%

BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND

Management Discussion and Analysis

Summary Statement of Revenues, Expenses and Changes in Net Position

	<u>2025 vs. 2024</u>				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	Increase/ (Decrease)	Increase/ (Decrease)
Operating Revenues					
Assessments	\$ 72,468,224	\$ 57,408,511	\$ 113,798,021	\$ 15,059,713	26.2%
Operating Expenses					
Provision for Claims	58,946,564	62,390,774	100,469,931	(3,444,210)	-5.5%
HMO/PPO Premiums	28,789	26,251	87,405	2,538	9.7%
Medicare Advantage	3,059,961	2,467,593	9,528,482	592,368	24.0%
Retiree Surcharge	91,882	(82,148)	541,813	174,030	-211.8%
Excess Insurance Premiums	2,539,672	1,448,683	2,743,861	1,090,989	75.3%
General and Administrative	3,231,468	3,100,348	7,359,899	131,120	4.2%
Total Operating Expenses	<u>67,898,336</u>	<u>69,351,501</u>	<u>120,731,391</u>	<u>(1,453,165)</u>	-2.1%
Operating Income (Loss)	<u>4,569,888</u>	<u>(11,942,990)</u>	<u>(6,933,370)</u>	<u>16,512,878</u>	-138.3%
Nonoperating Revenues and Distributions					
Equity Distribution	(3,093,711)		(2,433,156)	(3,093,711)	-100.0%
Interest and Dividend Income	881,624	470,914	954,755	410,710	87.2%
Total Nonoperating Revenues/Distributions	<u>(2,212,087)</u>	<u>470,914</u>	<u>(1,478,401)</u>	<u>(2,683,001)</u>	-569.7%
Increase (Decrease) in Net Position	<u>\$ 2,357,801</u>	<u>\$ (11,472,076)</u>	<u>\$ (8,411,771)</u>	<u>\$ 13,829,877</u>	-120.6%

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 included eight entities within Essex and Union Counties. Three of these entities had their active and early retirees fully indemnified under the Metro HIF subgroup within the BMED. The other five entities were 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, for Fund Year 2024 and subsequent fund years the Metro HIF will operate as an independent Health Insurance Fund. As of December 31, 2025 all remaining assets and liabilities of the Metro HIF have been transferred from BMED.

At December 31, 2025, BMED’s total assets increased by 28%. The year-end cash and investment balance increased by approximately \$671 thousand. Liabilities increased by 1% 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, increased by approximately \$2.4 million.

The transfer out of the Metro HIF Sub-Group had a considerable impact on BMED’s December 31, 2024 financial statements. BMED’s total assets decreased by 64.1%. The year-end cash and investment balance decreased by approximately \$8.3 million. Prepaid items decreased due to cash advances that were returned from the Metro HIF. The Metro HIF reimbursement was in excess of the original transfer, thereby resulting in a year-end payable to the Metro HIF of \$1,396,817. Liabilities decreased by 31.2% primarily due to a significant decrease in the Fund’s incurred but not reported (IBNR) loss reserves. Overall, BMED’s unrestricted net position, or surplus, decreased by approximately \$11.5 million.

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, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and Cash Equivalents	\$ 5,022,890	\$ 4,351,708
Receivables		
Assessments	3,023,173	1,651,868
Accrued Interest	5,137	27,529
Excess Insurance	1,900,608	1,716,015
Other	<u>1,184,746</u>	<u>955,115</u>
Total Assets	<u>11,136,554</u>	<u>8,702,235</u>
LIABILITIES		
Liabilities		
Accounts Payable	264,338	136,506
Other Liabilities	2,445	1,396,817
Dividend Payable	173,823	193,208
Unearned Revenue	149,348	
Loss Reserves		
IBNR	<u>8,506,095</u>	<u>7,293,000</u>
Total Liabilities	<u>9,096,049</u>	<u>9,019,531</u>
NET POSITION		
Unrestricted	<u>2,040,505</u>	<u>(317,296)</u>
Total Net Position	<u>\$ 2,040,505</u>	<u>\$ (317,296)</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, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
Assessments		
Employer Contributions	\$ 71,947,791	\$ 57,008,966
Employee/Cobra Contributions	<u>520,433</u>	<u>399,545</u>
Total Operating Revenues	<u>72,468,224</u>	<u>57,408,511</u>
OPERATING EXPENSES		
Provisions for Claims		
Benefits Paid To/For Participants	63,921,735	72,591,260
Excess Insurance Recoverable	(3,367,395)	(2,924,437)
Other Recoverables	(2,820,871)	(2,579,298)
Increase/(Decrease) in Loss Reserves	1,213,095	(4,696,751)
HMO/PPO Premiums	28,789	26,251
Medicare Advantage	3,059,961	2,467,593
Retiree Surcharge	91,882	(82,148)
Excess Insurance Premiums	2,539,672	1,448,683
General and Administrative	<u>3,231,468</u>	<u>3,100,348</u>
Total Operating Expenses	<u>67,898,336</u>	<u>69,351,501</u>
Operating Income (Loss)	<u>4,569,888</u>	<u>(11,942,990)</u>
NONOPERATING REVENUES		
Dividend Income	667,904	-
Interest Income	<u>213,720</u>	<u>470,914</u>
Total Nonoperating Revenues	<u>881,624</u>	<u>470,914</u>
Change in Net Position	5,451,512	(11,472,076)
Net Position (Deficit), January 1,	<u>(317,296)</u>	<u>11,154,780</u>
	5,134,216	(317,296)
Equity Distribution	<u>(3,093,711)</u>	<u>-</u>
Net Position (Deficit), December 31,	<u>\$ 2,040,505</u>	<u>\$ (317,296)</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, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Members	\$ 71,246,267	\$ 58,585,664
Cash Paid for Claims, Premiums and Services	<u>(66,971,633)</u>	<u>(72,833,031)</u>
Net Cash Provided by (Used for) Operating Activities	<u>4,274,634</u>	<u>(14,247,367)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interfund Advance (Loan)		5,799,999
Payments to Other Insurance Fund	(1,394,559)	
Dividend Received	667,904	(332,202)
Interest Received	236,299	478,987
Dividend Paid	<u>(19,385)</u>	<u>-</u>
Net Cash Provided by (Used for) Investing Activities	<u>(509,741)</u>	<u>5,946,784</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Equity Distribution	<u>(3,093,711)</u>	<u>-</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(3,093,711)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	671,182	(8,300,583)
Cash and Cash Equivalents, January 1,	<u>4,351,708</u>	<u>12,652,291</u>
Cash and Cash Equivalents, December 31,	<u>\$ 5,022,890</u>	<u>\$ 4,351,708</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 4,569,888	\$ (11,942,990)
Adjustments:		
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Assessments Receivable	(1,371,305)	1,177,153
(Increase) Decrease in Excess Insurance Recoverable	(184,593)	1,436,623
(Increase) Decrease in Other Receivables	(229,631)	245,103
Increase (Decrease) in Accounts Payable	127,832	(334,946)
Increase (Decrease) in Unearned Revenue	149,348	(131,559)
Increase (Decrease) in IBNR	<u>1,213,095</u>	<u>(4,696,751)</u>
Net Cash Provided by (Used for) by Operating Activities	<u>\$ 4,274,634</u>	<u>\$ (14,247,367)</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, 2025 AND 2024**

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 three (3) 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, 2025 AND 2024**

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, 2025 AND 2024**

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. 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, 2025 AND 2024**

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, 2025 and 2024 were \$2,539,672 and \$1,448,683, respectively. Currently, claims in the medical loss fund exceed the self-insured retention levels for Fund Years 2025 and 2024.

Unearned Revenue

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

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, 2025 AND 2024**

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. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. The book value of the Fund’s deposits was \$3,290,480 at December 31, 2025 and an overdraft of \$277,397 at December 31, 2024. Bank balances of the Fund’s cash and deposits amounted to \$3,825,218 and \$614,083 at December 31, 2025 and 2024, respectively. 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>2025</u>	<u>2024</u>
Insured	\$ 3,825,219	\$ 614,083

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, 2025 and 2024, 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, 2025 and 2024, 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>2025</u>	<u>2024</u>
Money Market Funds	\$ 1,732,410	\$ 178,314
U.S. Treasury Obligations		1,466,165
Joint Cash Management and Investment Program (JCMI)	-	2,984,626
	<u>\$ 1,732,410</u>	<u>\$ 4,629,105</u>

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

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, 2025 and 2024, \$1,732,410 and \$4,629,105 of the Fund’s investments were exposed to custodial credit risk as follows:

	<u>2025</u>	<u>2024</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department or agent but not in the Fund's name	\$ 1,732,410	\$ 4,629,105

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 64% 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, 2025, the Funds’ investments are categorized as follows:

<u>Investments by Fair Value Level</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 1,732,410	\$ 1,732,410		

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

At December 31, 2024, the Funds' investments are categorized as follows:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Mutual Funds	\$ 178,314	\$ 178,314		
U.S. Treasury Obligations	1,466,165	1,466,165		
Joint Cash Management and Investment Program (JCMI)	2,984,626		\$ 2,984,626	
Total Investment at Fair Value	\$ 4,629,105	\$ 1,644,479	\$ 2,984,626	\$ -

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, 2025 and 2024:

<u>December 31, 2025</u>	Fund Years	
	2024	2025
Unpaid Claims and Claim Adjustment Expenses, January 1, 2025	\$ 7,293,000	
Incurred Claims and Claim Adjustment Expenses		
Provision for Insured Events of the		
Prior Years	411,214	
Current Year	-	\$ 57,809,955
	7,704,214	57,809,955
Payments		
Claims and Claim Adjustment Expenses		
Attributable to Insured Events of the		
Prior Years	(7,704,214)	
Current Year	-	(49,303,860)
Unpaid Claims and Claim Adjustment Expenses, December 31, 2025	\$ -	\$ 8,506,095

**BERGEN MUNICIPAL EMPLOYEER BENEFITS FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 3 UNPAID CLAIMS LIABILITIES (Continued)

<u>December 31, 2024</u>	<u>Fund Years</u>	
	<u>2023</u>	<u>2024</u>
Unpaid Claims and Claim Adjustment Expenses, January 1, 2024	\$ 11,989,751	
Incurred Claims and Claim Adjustment Expenses		
Provision for Insured Events of the		
Prior Years	2,254,923	
Current Year	<u>-</u>	<u>\$ 59,236,181</u>
	14,244,674	59,236,181
Payments		
Claims and Claim Adjustment Expenses		
Attributable to Insured Events of the		
Prior Years	(14,244,674)	
Current Year	<u>-</u>	<u>(51,943,181)</u>
Unpaid Claims and Claim Adjustment Expenses, December 31, 2024	<u>\$ -</u>	<u>\$ 7,293,000</u>

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Executive Committee shall annually prepare not later than sixty days prior to the beginning of the Fund’s subsequent fiscal year the proposed budget for the fund’s subsequent fiscal year. The budget shall identify the proposed items and amounts of expenditure for its operations in the aggregate and allocated by member, the anticipated amounts and sources of assessments and other income to be received during the fiscal year, and the status of the self-insurance or loss retention amounts. The budget shall be prepared on a basis that does not recognize investment income or discounting of claim reserves, but recognizes all anticipated or forecasted losses and administrative expenses associated with the fiscal year.

A copy of the Fund’s proposed budget or any amendments thereto shall be made available to each member of the insurance fund at least two weeks prior to the time scheduled for its adoption. No budget or amendment shall be adopted until a public hearing has been held in accordance with N.J.S.A. 40A:4-1 et seq. giving all members of the joint insurance fund the opportunity to present comments or objections.

Not later than November 30 of each year, the Executive Committee thereof, shall adopt by majority vote the budget for the Fund’s operations for the subsequent fiscal year.

An adopted budget may be amended by majority vote of the Executive Committee. A copy of the adopted budget shall be filed with the governing body of each participating local unit, the Commissioners of Banking and Insurance and the Department of Community Affairs within 30 days of its adoption.

For the year ended December 31, 2025 the Fund adopted a budget for the 2025 Fund Year totaling \$67,007,492. During 2025, the budget was amended for changes in census counts and enrollment changes the total of which decreased the budget by \$1,383,390. For the year ended December 31, 2024 the Fund adopted a budget for the 2024 Fund Year totaling \$45,515,618. During 2024, the budget was amended for changes in census counts and enrollment changes the total of which increased the budget by \$11,923,999.

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 5 DETAILED NOTES ON ALL FUNDS

Receivables

Receivables as of December 31, 2025 and 2024 for the Fund's individual Fund Years 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, 2025</u>	Fund Years			Total
	<u>Closed Years</u>	<u>2024</u>	<u>2025</u>	
Receivables:				
Assessments	\$ 70,658	\$ 1,945,518	\$ 1,006,997	\$ 3,023,173
Accrued Interest	4,645		492	5,137
Excess Insurance	-	319,835	1,580,773	1,900,608
Other	<u>19,664</u>	<u>177,896</u>	<u>987,186</u>	<u>1,184,746</u>
	<u>\$ 94,967</u>	<u>\$ 2,443,249</u>	<u>\$ 3,575,448</u>	<u>\$ 6,113,664</u>

<u>December 31, 2024</u>	Fund Years			Total
	<u>Closed Years</u>	<u>2023</u>	<u>2024</u>	
Receivables:				
Assessments	\$ 2,542	\$ 239,642	\$ 1,409,684	\$ 1,651,868
Accrued Interest	20,142	2,827	4,560	27,529
Excess Insurance	1,102,841	173,707	439,467	1,716,015
Other	<u>38,747</u>	<u>31,902</u>	<u>884,466</u>	<u>955,115</u>
	<u>\$ 1,164,272</u>	<u>\$ 448,078</u>	<u>\$ 2,738,177</u>	<u>\$ 4,350,527</u>

NOTE 6 DEFICIT NET POSITION

At December 31, 2025 and 2024, the following individual funds net position accounts were in a deficit position:

	<u>2025</u>	<u>2024</u>
<u>Fund Year 2025</u>		
Prescription Administration	\$ 1,020,065	
	24,206	
<u>Fund Year 2024</u>		
Medical	3,176,377	\$ 7,748,963
Prescription	2,327,758	2,314,909
Reinsurance	19,252	19,252
<u>Fund Year 2023</u>		
Medical		7,836,629
Prescription		1,268,649

Currently, the Fund's management is evaluating the above Fund Year's financial condition to determine if supplemental assessments to the participating members will be necessary to eliminate the above deficits.

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 7 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 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, 2025 and 2024 is as follows:

	2025	2024
Total Assets	\$ 25,481,617	\$ 31,857,037
Net Position (Deficit)	(268,705)	7,817,536
Total Operating Revenues	34,057,811	28,375,147
Investment Income	1,216,766	959,191
Total Operating Expenses	36,379,552	28,112,403
Change in Net Position	(8,086,241)	1,221,935
Equity Distribution	6,981,266	-

NOTE 8 SUBSEQUENT EVENTS

The management of the Fund has evaluated subsequent events through June 5, 2026, the date of which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
FUND YEARS 2016 THROUGH 2025**

	Fund Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Earned Required Contribution and Investment Revenue	\$ 26,983,840	\$ 31,755,951	\$ 32,101,275	\$ 31,229,299	\$ 35,321,555	\$ 64,057,389	\$ 82,374,489	\$ 114,054,522	\$ 62,488,309	\$ 67,563,878
Unallocated Expenses	4,279,532	4,820,290	5,970,495	5,680,777	7,699,460	11,713,903	14,150,545	20,108,046	6,951,317	9,127,006
Estimated Incurred Claims and Expenses, End of Policy Year	18,766,900	24,623,245	24,393,950	23,601,735	23,485,791	48,010,626	63,038,601	98,802,069	59,236,181	57,809,955
Paid (Cumulative) as of:										
End of Initial Year	16,662,843	21,326,245	22,932,891	21,768,771	21,170,791	41,279,865	56,433,141	86,812,318	51,943,181	49,303,860
One Year Later	18,760,845	24,123,301	23,992,959	23,010,454	23,725,278	48,909,282	64,196,191	101,056,992	59,647,395	
Two Years Later	18,760,845	24,123,301	23,992,959	23,010,454	23,725,278	48,909,282	64,196,191	101,056,992		
Three Years Later	18,760,845	24,123,301	23,992,959	23,010,454	23,725,278	48,909,282	64,196,191			
Four Years Later	18,760,845	24,123,301	23,992,959	23,010,454	23,725,278	48,909,282				
Five Years Later	18,760,845	24,123,301	23,992,959	23,010,454	23,725,278					
Six Years Later	18,760,845	24,123,301	23,992,959	23,010,454						
Seven Years Later	18,760,845	24,123,301	23,992,959							
Eight Years Later	18,760,845	24,123,301								
Nine Years Later	18,760,845									
Reestimated Incurred Claims and Expenses										
End of Policy Year	18,766,900	24,623,245	24,393,950	23,601,735	23,485,791	48,010,626	63,038,601	98,802,069	59,236,181	57,809,955
One Year Later	18,634,185	23,502,532	24,126,125	23,045,368	23,725,278	48,909,282	64,196,191	101,056,992	59,647,395	
Two Years Later	18,634,185	23,502,532	24,126,125	23,045,368	23,725,278	48,909,282	64,196,191	101,056,992		
Three Years Later	18,634,185	23,502,532	24,126,125	23,045,368	23,725,278	48,909,282	64,196,191			
Four Years Later	18,634,185	23,502,532	24,126,125	23,045,368	23,725,278	48,909,282				
Five Years Later	18,634,185	23,502,532	24,126,125	23,045,368	23,725,278					
Six Years Later	18,634,185	23,502,532	24,126,125	23,045,368						
Seven Years Later	18,634,185	23,502,532	24,126,125							
Eight Years Later	18,634,185	23,502,532								
Nine Years Later	18,634,185									
Increase (Decrease) in Estimated Incurred Claims and Expenses From End of Initial Year	(132,715)	(1,120,713)	(267,825)	(556,367)	239,487	898,656	1,157,590	2,254,923	411,214	-

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, 2025

	Closed Years Contingency	Fund Years		<u>Total</u>
	<u>Fund</u>	<u>2024</u>	<u>2025</u>	
ASSETS				
Cash and Cash Equivalents			\$ 5,022,890	\$ 5,022,890
Receivables				
Assessments	\$ 70,658	\$ 1,945,518	1,006,997	3,023,173
Accrued Interest	4,645		492	5,137
Excess Insurance		319,835	1,580,773	1,900,608
Other	19,664	177,896	987,186	1,184,746
Due From Other Fund Years	5,605,105	-	851,110	6,456,215
	<u>5,700,072</u>	<u>2,443,249</u>	<u>9,449,448</u>	<u>17,592,769</u>
Total Assets				
LIABILITIES				
Liabilities				
Accounts Payable		97,250	167,088	264,338
Other Liabilities	2,258	187		2,445
Dividend Payable	173,823			173,823
Due to Other Fund Years		6,456,215		6,456,215
Unearned Revenue			149,348	149,348
Loss Reserves				
IBNR	-	-	8,506,095	8,506,095
	<u>176,081</u>	<u>6,553,652</u>	<u>8,822,531</u>	<u>15,552,264</u>
Total Liabilities				
NET POSITION				
Unrestricted	5,523,991	(4,110,403)	626,917	2,040,505
	<u>5,523,991</u>	<u>(4,110,403)</u>	<u>626,917</u>	<u>2,040,505</u>
Total Net Position	<u>\$ 5,523,991</u>	<u>\$ (4,110,403)</u>	<u>\$ 626,917</u>	<u>\$ 2,040,505</u>

BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025

	Closed Years Contingency Fund	Fund Years		Total
		2024	2025	
OPERATING REVENUES				
Assessments				
Employer Contributions		\$ 4,999,550	\$ 66,948,241	\$ 71,947,791
Employee/Cobra Contributions	-	-	520,433	520,433
Total Operating Revenues	-	4,999,550	67,468,674	72,468,224
OPERATING EXPENSES				
Provision for Claims				
Benefits Paid to/for Participants	\$ 788,287	\$ 9,308,146	53,825,302	63,921,735
Excess Insurance Recoverable	(62,892)	(1,640,800)	(1,663,703)	(3,367,395)
Other Recoverables		36,868	(2,857,739)	(2,820,871)
Increase/(Decrease) in Loss Reserves		(7,293,000)	8,506,095	1,213,095
HMO/PPO Premiums			28,789	28,789
Medicare Advantage			3,059,961	3,059,961
Retiree Surcharge		4,665	87,217	91,882
Excess Insurance Premiums			2,539,672	2,539,672
General and Administrative	-	(179,899)	3,411,367	3,231,468
Total Operating Expenses	725,395	235,980	66,936,961	67,898,336
Operating Income (Loss)	(725,395)	4,763,570	531,713	4,569,888
NONOPERATING REVENUES				
Dividend Income	667,904			667,904
Interest Income	109,943	8,573	95,204	213,720
Total Nonoperating Revenues	777,847	8,573	95,204	881,624
Change in Net Position	52,452	4,772,143	626,917	5,451,512
Net Position (Deficit), January 1, 2025	8,565,250	(8,882,546)	-	(317,296)
	8,617,702	(4,110,403)	626,917	5,134,216
Equity Distribution	(3,093,711)	-	-	(3,093,711)
Net Position (Deficit), December 31, 2025	\$ 5,523,991	\$ (4,110,403)	\$ 626,917	\$ 2,040,505

BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Closed Years Contingency	Fund Years		Total
	Fund	2024	2025	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Members	\$ 171,526	\$ 4,463,716	\$ 66,611,025	\$ 71,246,267
Cash Paid for Claims, Premiums and Services	602,138	(6,742,034)	(60,831,737)	(66,971,633)
Net Cash Provided by (Used for) Operating Activities	773,664	(2,278,318)	5,779,288	4,274,634
CASH FLOWS FROM INVESTING ACTIVITIES				
Interfund Advance (Loan)	(1,413,888)	2,264,998	(851,110)	-
Payments to Other Insurance Fund	(1,394,559)			(1,394,559)
Dividend Received	667,904			667,904
Interest Received	128,267	13,320	94,712	236,299
Dividend Paid	(19,385)	-	-	(19,385)
Net Cash Provided by (Used for) Investing Activities	(2,031,661)	2,278,318	(756,398)	(509,741)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Equity Distribution	(3,093,711)	-	-	(3,093,711)
Net Cash Provided by (Used for) Noncapital Financing Activities	(3,093,711)	-	-	(3,093,711)
Net Change in Cash and Cash Equivalents	(4,351,708)	-	5,022,890	671,182
Cash and Cash Equivalents, January 1, 2025	4,351,708	-	-	4,351,708
Cash and Cash Equivalents, December 31, 2025	\$ -	\$ -	\$ 5,022,890	\$ 5,022,890
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (725,395)	\$ 4,763,570	\$ 531,713	\$ 4,569,888
Adjustments:				
Changes in Operating Assets and Liabilities				
(Increase) Decrease in Assessments Receivable	171,526	(535,834)	(1,006,997)	(1,371,305)
(Increase) Decrease in Excess Insurance Recoverable	1,276,548	119,632	(1,580,773)	(184,593)
(Increase) Decrease in Other Receivable	50,985	706,570	(987,186)	(229,631)
Increase (Decrease) in Accounts Payables		(39,256)	167,088	127,832
Increase (Decrease) in Unearned Revenue			149,348	149,348
Increase (Decrease) in IBNR	-	(7,293,000)	8,506,095	1,213,095
Net Cash Provided by (Used for) by Operating Activities	\$ 773,664	\$ (2,278,318)	\$ 5,779,288	\$ 4,274,634

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND
HISTORICAL OPERATING RESULTS
FROM INCEPTION THROUGH DECEMBER 31, 2025**

	Closed Years	Fund Years	
	Contingency Fund	2024	2025
UNDERWRITING INCOME			
Assessments	\$ 870,734,594	\$ 62,008,514	\$ 66,948,241
Other Income	5,697,574	399,545	520,433
	<u>876,432,168</u>	<u>62,408,059</u>	<u>67,468,674</u>
INCURRED LIABILITIES			
Claims			
Paid	721,626,373	64,270,092	53,825,302
Excess Insurance and Other Recoverables	(6,837,025)	(4,622,697)	(4,521,442)
Loss Reserves	-	-	8,506,095
	<u>714,789,348</u>	<u>59,647,395</u>	<u>57,809,955</u>
Limited Incurred Claims			
EXPENSES			
HMO/PPO Premiums	3,868,170	26,251	28,789
Medicare Advantage	33,097,324	2,467,593	3,059,961
Retiree Surcharge	1,028,569	37,039	87,217
Excess Insurance Premiums	36,163,386	1,448,683	2,539,672
General and Administrative	61,923,275	2,971,751	3,411,367
	<u>136,080,724</u>	<u>6,951,317</u>	<u>9,127,006</u>
Subtotal Expenses			
Total Incurred Liabilities	<u>850,870,072</u>	<u>66,598,712</u>	<u>66,936,961</u>
UNDERWRITING SURPLUS	25,562,096	(4,190,653)	531,713
Investment/Dividend Income	12,578,760	80,250	95,204
	<u>38,140,856</u>	<u>(4,110,403)</u>	<u>626,917</u>
GROSS STATUTORY SURPLUS (DEFICIT)			
Equity Distribution	(32,616,865)	-	-
	<u>\$ 5,523,991</u>	<u>\$ (4,110,403)</u>	<u>\$ 626,917</u>
STATUTORY SURPLUS (DEFICIT)			

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND
STATEMENT OF BUDGETARY EXPENSES
FUND YEAR 2025**

<u>Account Description</u>	<u>Modified Budget</u>	<u>Expenses</u>	<u>Loss Reserves</u>	<u>Variance Excess/ (Deficit)</u>
Claims				
Medical	\$ 50,235,127	\$ 41,785,096	\$ 8,209,361	\$ 240,670
Dental	2,172,905	1,933,999	74,834	164,072
Prescription	4,792,576	5,584,765	221,900	(1,014,089)
HMO/PPO Premiums	29,705	28,789		916
Medicare Advantage	3,031,537	3,059,961		(28,424)
Reinsurance	1,683,406	2,539,672		(856,266)
Loss Fund Contingency	251,492			251,492
Retiree Surcharge	93,853	87,217		6,636
General and Administrative				
Claims Administration	928,460	1,019,844		(91,384)
Administrator	478,578	479,840		(1,262)
Legal	26,520	27,586		(1,066)
Actuary	19,278	19,280		(2)
Auditor	19,584	21,216		(1,632)
Treasurer	21,918	21,918		
Risk Management Consultants	1,197,174	1,203,955		(6,781)
Employee Benefit Consultant	445,699	447,081		(1,382)
Board Advisor	19,484	18,000		1,484
Miscellaneous/Contingency	176,806	152,647	-	24,159
	<u>\$ 65,624,102</u>	<u>\$ 58,430,866</u>	<u>\$ 8,506,095</u>	<u>\$ (1,312,859)</u>

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND
PROGRAM SUMMARY
FUND YEAR 2025**

	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	\$ 350,000	N/A	\$ 350,000
Aggregate	No Limit	N/A	No Limit
Excess Insurers	Municipal Reinsurance Health Insurance Fund		
Number of Governmental Entities	21	30	18
Limited Incurred Claims	<u>\$ 49,994,457</u>	<u>\$ 2,008,833</u>	<u>\$ 5,806,665</u>
Exposure Units:			
Eligible Employees (1)	1,761	2,467	876
Limited Incurred Claims/Units	\$ 28,390	\$ 814	\$ 6,629

(1) Based on December 31, 2025 Census

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025**

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	_____ yes <u> X </u> no
2) Significant deficiency(ies) identified?	_____ yes <u> X </u> none reported
Noncompliance material to the financial statements noted?	_____ 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, 2025**

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, 2025, Fund Year 2024 ended the year with a deficit in net position of \$4,110,403.

Recommendation – The operations of Fund Year 2024 be continually monitored to ensure that sufficient funds will be available to eliminate the operating deficit.

Management Response

The Operations of Fund Year 2024 resulted in a deficit due to many trends within the health benefits industry and federal government legislative changes. The Fund experienced unexpected increases due to higher than anticipated hospital contract changes mid-year; a significant increase in high claimants; out of network utilization spikes and a surge in weight loss drug usage that continues to impact the Fund's prescription program. Most significantly, the Fund did not have reserves set aside for the federal government's No Surprises Act that incurred in prior years but paid in the second quarter of 2025. These additional awards associated with these out of network arbitration decisions were unanticipated and egregious. At the guidance of the Fund's Finance and Strategic Planning Committees, the Executive Committee took many important action items to reduce its exposure, such as a reduction in reinsurance retention levels, a lower out of network fee schedule and changed to the NJ State No Surprise Act law rather than the federal government's law. Subsequent financial reports show that these actions are having a powerful effect.

* * * * *

ACKNOWLEDGEMENT

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