

**SOUTHERN SKYLAND REGIONAL
HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET,
STATE OF NEW JERSEY)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

December 31, 2020

DRAFT

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

TABLE OF CONTENTS

<u>Title</u>	<u>Page Number</u>	
INDEPENDENT AUDITORS' REPORT		
Independent Auditors' Report	1	
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....		3
BASIC FINANCIAL STATEMENTS		
Statements of Net Position	5	
Statements of Revenues, Expenses and Changes in Net Position	6	
Statements of Cash Flows	7	
Notes to Financial Statements	8	
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)		
Ten Year Claims Development Information	16	
Reconciliation of Claims Liabilities by Coverage	17	
OTHER SUPPLEMENTARY INFORMATION (UNAUDITED)		
Statement of Cumulative Operating Results Analysis	18	
Statement of 2020 Fund Year Operating Results Analysis.....	19	
Statement of 2019 Fund Year Operating Results Analysis.....	20	
Statement of 2018 Fund Year Operating Results Analysis.....	21	
Statement of 2017 Fund Year Operating Results Analysis.....	22	
Statement of Cumulative Claims Analysis	23	
Statement of 2020 Fund Year Claims Analysis	24	
Statement of 2019 Fund Year Claims Analysis	25	
Statement of 2018 Fund Year Claims Analysis	26	
Statement of 2017 Fund Year Claims Analysis	27	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>.....		28
Schedule of Current Year Findings and Recommendations	30	
Summary Schedule of Prior Year Audit Findings.....	31	

INDEPENDENT AUDITORS' REPORT

DRAFT

INDEPENDENT AUDITORS' REPORT

To the Executive Committee of the
Southern Skyland Regional Health Insurance Fund
Parsippany, New Jersey 07054

Report on the Financial Statements

We have audited the accompanying financial statements of the Southern Skyland Regional Health Insurance Fund (the "Fund"), a component unit of the County of Somerset, State of New Jersey, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

As permitted by the DCA and DOBI, audit procedures were not extended to the underlying actuarial assumptions for Incurred But Not Reported ("IBNR") reserve amounts, as these assumptions are prepared by the Fund's actuary.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Qualified Opinion

In our opinion, the financial statements referred to above, except for the effects of any potential adjustments pertaining to the unaudited IBNR reserve balance as described in the Basis for Qualified Opinion paragraph, present fairly, in all material respects, the financial position of the Fund as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Fund's basic financial statements. The accompanying other supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **DATE**, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 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 Fund's internal control over financial reporting and compliance.

MERCADIEN SIGNATURE

DATE

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

DRAFT

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2020

On January 1, 2017, the Somerset County Board of Chosen Freeholders adopted a resolution, which authorized the establishment of the Somerset County Insurance Commission (the "Commission"). The Commission was established under N.J.S.A. 40A: 10-6, which authorizes a governing body of any local unit to establish an Insurance Fund for the purposes provided by law. This was based on the County's determination that cost savings and efficiencies can be achieved if the County Proper and its inter-agencies share the cost of insurance, claim management and services, wellness initiatives, and consolidation of insurance policies.

Effective January 1, 2020, the Commission transitioned to a Health Insurance Fund under the N.J.S.A. 40A: 10-36 et seq. The Commissioners unanimously voted to file with the State to form the Southern Skyland Regional Health Insurance Fund (the "Fund") for the purposes of expanding its pooling footprint. The Fund allows for municipalities and school boards in Somerset, Sussex, Warren and Hunterdon Counties to join; whereas the Commission was built for Somerset County entities only. The run out from the Commission will run simultaneously with the Fund and all assets will be transferred to the Fund when the run-out period is complete.

The following tables summarize the net position and results of operations for the Fund as of and for the years ended December 31, 2020, 2019 and 2018.

Summary Statements of Net Position

	2020	2019	2018	2020-2019	% Change
Assets					
Cash and Cash Equivalents	\$ 1,785,954	\$ 1,942,635	\$ 3,305,596	\$ (156,681)	-8.07%
Contributions Receivable	421,437	127,983	205,376	293,454	229.29%
Other Assets	1,911,599	2,158,848	1,459,609	(247,249)	-11.45%
Total Assets	\$ 4,118,990	\$ 4,229,466	\$ 4,970,581	\$ (110,476)	-2.61%
Liabilities, Reserves and Net Position					
Liabilities and Reserves					
Loss Reserves	\$ 2,054,000	\$ 2,677,429	\$ 2,300,000	\$ (623,429)	-23.28%
Other Liabilities	507,066	200,266	614,903	306,800	153.20%
Total Liabilities and Reserves	2,561,066	2,877,695	2,914,903	(316,629)	-11.00%
Net Position - Unrestricted	\$ 1,557,924	\$ 1,351,771	\$ 2,055,678	\$ 206,153	15.25%

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2020

Summary Statements of Revenues, Expenses and Changes in Net Position

	2020	2019	2018	2020-2019	% Change
Operating Revenues:					
Regular and Employee Contributions	\$ 38,568,711	\$ 35,796,782	\$ 32,410,881	\$ 2,771,929	7.74%
Operating Expenses:					
Provision for Claims and					
Claims Adjustment Expense	30,419,126	30,882,108	29,035,738	(462,982)	-1.50%
Excess Insurance Premiums	1,562,898	1,384,799	1,157,541	178,099	12.86%
Partnership Health Center	3,018,456	2,732,228	-	286,228	10.48%
Dental Pass Through Expense	1,305,891	-	-	1,305,891	100.00%
Administrative Expenses	2,073,241	1,558,483	1,593,593	514,758	33.03%
Total Operating Expenses	38,379,612	36,557,618	31,786,872	1,821,994	4.98%
Operating Income/(Loss)	189,099	(760,836)	624,009	949,935	124.85%
Non-Operating Revenue:					
Interest Income	17,053	56,929	51,230	(39,876)	-70.05%
Total Non-Operating Revenue	17,053	56,929	51,230	(39,876)	-70.05%
Changes in Net Position	\$ 206,152	\$ (703,907)	\$ 675,239	\$ 910,059	129.29%

The Fund offers health and prescription coverage to its members. The Fund's total assets at the end of December 31, 2020 and 2019, were \$4,118,990 and \$4,229,466, respectively, and total liabilities and reserves were \$2,561,066 and \$2,877,695, respectively, resulting in a surplus in an unrestricted net position of \$1,557,924 and \$1,351,771, respectively.

Economic Conditions

The future financial position of the Fund will be impacted by trends in medical and prescription costs. The Fund will attempt to offset these trends by streamlining claims processing and management utilization.

Contacting the Fund's Management

This financial report is designed to provide the Fund members, Department of Banking and Insurance, and the Division of Local Government Services, Department of Community Affairs, State of New Jersey with a general overview of the Fund's finances and to demonstrate the Fund's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Executive Director of the Southern Skyland Regional Health Insurance Fund office located at 9 Campus Drive, Suite 216, Parsippany, New Jersey 07054 or by phone at (201) 881-7632.

BASIC FINANCIAL STATEMENTS

DRAFT

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

STATEMENTS OF NET POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,785,954	\$ 1,942,635
Contributions Receivable	421,437	127,983
Other Assets	<u>1,911,599</u>	<u>2,158,848</u>
Total Assets	<u>4,118,990</u>	<u>4,229,466</u>
<u>LIABILITIES, RESERVES AND NET POSITION</u>		
Liabilities:		
Accrued Expenses	240,201	49,919
Claims and Accounts Payable	<u>266,865</u>	<u>150,347</u>
Total Liabilities	<u>507,066</u>	<u>200,266</u>
Claims Reserves:		
IBNR Reserves	<u>2,054,000</u>	<u>2,677,429</u>
Total Reserves	<u>2,054,000</u>	<u>2,677,429</u>
Total Liabilities and Reserves	<u>2,561,066</u>	<u>2,877,695</u>
Net Position:		
Unrestricted	<u>\$ 1,557,924</u>	<u>\$ 1,351,771</u>

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Regular Contributions	\$ 38,115,860	\$ 35,378,628
Employee Contributions	452,851	418,154
Total Operating Revenues	<u>38,568,711</u>	<u>35,796,782</u>
Operating Expenses:		
Provision for Claims and Claim Adjustment Expense	30,419,126	30,882,108
Excess Insurance Premiums	1,562,898	1,384,799
Partnership Health Center	3,018,456	2,732,228
Dental Pass Through Expense	1,305,891	-
Administrative Expenses:		
Actuary	20,000	30,000
Attorney	14,160	7,809
Auditor	16,584	16,860
GASB 75	7,500	-
Broker	129,346	287,152
Executive Director	488,378	241,939
TPA - Medical	709,999	686,486
Medicare Advantage	634,579	201,736
Miscellaneous Expenses	4,594	7,407
Patient Center Outcome Research	9,557	9,536
Wellness	10,002	33,610
NJ State Surcharge: Medical	28,345	33,168
Postage Fee	197	2,780
Total Operating Expenses	<u>38,379,612</u>	<u>36,557,618</u>
Operating Income/(Loss)	<u>189,099</u>	<u>(760,836)</u>
Non-Operating Revenue:		
Interest Income	17,053	56,929
Total Non-Operating Revenue	<u>17,053</u>	<u>56,929</u>
Changes in Net Position	206,152	(703,907)
Net Position - Beginning of Year	<u>1,351,771</u>	<u>2,055,678</u>
Net Position - End of Year	<u>\$ 1,557,923</u>	<u>\$ 1,351,771</u>

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Receipts from Contributions	\$ 38,275,257	\$ 35,261,247
Payments for Claims	(31,029,760)	(31,019,959)
Payments for Insurance Premiums	(1,378,425)	(1,384,799)
Payments to Professionals and Suppliers	<u>(6,040,806)</u>	<u>(4,276,379)</u>
Net Cash Flows from Operating Activities	<u>(173,734)</u>	<u>(1,419,890)</u>
Cash Flows from Investing Activities:		
Interest Income	<u>17,053</u>	<u>56,929</u>
Net Cash Flows from Investing Activities	<u>17,053</u>	<u>56,929</u>
Net Decrease in Cash and Cash Equivalents	(156,681)	(1,362,961)
Cash and Cash Equivalents, Beginning of Year	<u>1,942,635</u>	<u>3,305,596</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,785,954</u>	<u>\$ 1,942,635</u>
Reconciliation of Operating Income/(Loss) to Cash Flows from Operating Activities:		
Operating Income/(Loss)	\$ 189,099	\$ (760,836)
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:		
Change in Assets and Liabilities:		
Contributions Receivable	(293,454)	77,394
Other Assets	247,249	(699,240)
Accrued Expenses	190,282	14,332
Claims and Accounts Payable	116,519	(428,969)
IBNR	<u>(623,429)</u>	<u>377,429</u>
Net Cash Provided by Operating Activities	<u>\$ (173,734)</u>	<u>\$ (1,419,890)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DRAFT

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS

A. ORGANIZATION AND DESCRIPTION OF THE FUND

On January 1, 2017, the Somerset County Insurance Commission (the "Commission") was formed in accordance with P.L. 1992, C.51, entitled "*An Act Concerning Insurance Funds for Local Units of Government*", and supplementing Chapter 10 of Title 40A: 10-6. Effective January 1, 2020, the Commission transitioned to a Health Insurance Fund (the "Fund") under the N.J.S.A 40A: 10-36 et seq. The Fund is operated in accordance with regulations of the Division of Local Government Services of the Department of Community Affairs, State of New Jersey for the purpose of securing significant savings in insurance cost as well as providing stability in coverage.

The Executive Committee of the Fund may approve subsequent membership by a majority vote of the Fund Commissioners or may terminate any member by a majority vote, after proper notice has been given. Early terminations require prior approval by the Fund Commissioners and 90-day notification from either party.

From inception in 2017 through the current year, members of the Fund included Somerset County, Somerset County Park Fund, Somerset County Vo-Tech, and Somerset County Library.

All members' assessments, including a reserve for contingencies, are based on annual actuarial assumptions determined by the Fund's actuary. The Fund Commissioners may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

Effective January 1, 2017, the Fund offers the following health coverages to its members:

Medical
Prescription

The Fund provides coverage on a self-insured basis and secures excess insurance in a form and an amount from an insurance company acceptable to the Commissioner of Insurance.

HEALTH INSURANCE

The limits of liability under the various health coverages for 2020 were as follows:

I. Fund's Self-Insured Retained ("S.I.R.") Limit of Liability

Specific limit - With the exception of one specific enrolled participant, the specific excess limit is \$300,000 per enrolled participant per reinsurance policy year. The specific excess limit for the specific enrolled participant is \$400,000.

II. Excess Insurers' Limit of Liability

A. \$ unlimited Reimbursement in excess of the Fund's specific S.I.R.

Health Insurance Coverage Notes

1. "Health Insurance" means health insurance as defined pursuant to NJSA 17B:17-4 or service benefits as provided by health service corporations, hospital service corporations or medical service corporations authorized to do business in the State.

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS

A. ORGANIZATION AND DESCRIPTION OF THE FUND (CONTINUED)

2. "Incurred Claims" means claims which occur during a Fund year, including claims paid during a later period. The exact definition of "Incurred Claims" or any similar term is the definition used in the excess insurance policy purchased by the Fund.
3. The Fund's reinsurance agreement for 2020 was with HCC Life Insurance Company. The agreement is on a twelve-month exposure period covering claims incurred during the twelve-month policy period January 1, 2020 to December 31, 2020.
4. Open enrollment for Somerset County, Somerset County Park Commission, and Somerset County Library participating employees was offered on November 14, 2019 through November 22, 2019 for changes effective January 1, 2020. Open enrollment for Somerset County Vo-Tech was April 29, 2019 through May 17, 2019, for changes effective July 1, 2019, since the Somerset County Vo-Tech plan year is July 1, 2019 to June 30, 2020.
5. Medical coverage consists of each participating member's individual medical benefits plan.
6. Medicare provides secondary coverage for eligible active employees and primary coverage for eligible Medicare participants.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant policies followed by the Fund in the preparation of the accompanying financial statements:

Component Unit

In evaluating how to define the Fund for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in substance part of the primary entity's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the primary entity.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the primary entity.

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Unit (Continued)

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the primary entity is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary entity could warrant its inclusion within the reporting entity. Based upon the application of these criteria the Fund has no component units but is a component unit of the County of Somerset, State of New Jersey.

Basis of Presentation

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

Basis of Accounting

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

Revenues - Member Assessments are recognized as revenue at the time of assessment.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Cash and Cash Equivalents

Cash and cash equivalents includes amounts on deposit, money market accounts, and short-term investments with original maturities of 90 days or less. Deposits were with contracted depository banks in interest-bearing accounts that were insured under the New Jersey Governmental Unit Deposit Protection Act ("GUDPA"). All such deposits are held in the Fund's name.

GUDPA permits the deposit of public funds in the State of New Jersey Cash Management Fund or in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation ("FDIC") or by any other agencies of the United States that insure deposits. GUDPA requires public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

Each depository participating in the GUDPA system must 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. The minimum 5% pledge applies to institutions that are categorized as "well capitalized" by federal banking standards. The percentage of the required pledge will increase for institutions that are less than "well capitalized."

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

No collateral is required for amounts covered by the FDIC. The collateral which may be pledged to support these deposits includes obligations of state and federal governments, insured securities and other collateral approved by the Department of Banking and Insurance ("DOBI"). When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the DOBI requires additional collateral to be pledged.

If a governmental depository fails and the FDIC or National Credit Union Share Insurance Fund does not insure or pay out the full amount of public deposits, the collateral pledged to protect these funds would first be liquidated and paid out. If this amount is insufficient, other institutions holding public funds would be assessed pro rata up to 4% of their uninsured public funds. Although these protections do not constitute a 100% guarantee of the safety of all funds, no governmental unit under GUDPA has ever lost protected deposits.

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

Health and Prescription Coverage Assessments

Members are assessed monthly contributions based on a pro rata amount of the current estimates of projected losses, administrative expenses and the cost of stop loss insurance.

Supplemental Assessments

The Fund Commissioners shall by majority vote levy upon the participating county agencies additional assessments wherever needed to supplement the Fund's claim, loss retention or administrative accounts, after consideration of anticipated investment income, to assure the payment of the Fund's obligations. Supplemental contributions to cover a deficit are recognized as revenue upon approval whether or not actually received.

Interest Income Allocation

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

Unpaid Claims Liabilities

In order to recognize unpaid health coverage losses, a reserve was calculated by the Fund's administrator and actuary as of December 31, 2020 and 2019. Liabilities for unpaid losses represent the estimated liability on claims reported to the Fund plus reserves for claims incurred but not yet reported. The liabilities for claims are evaluated using Fund and industry data, case basis evaluations and other statistical analyses, and represent estimates of the ultimate net cost of all losses incurred through December 31, 2020 and 2019. These liabilities are subject to variability between estimated ultimate losses determined as described and the actual experience as it emerges, including the impact of future changes in claim severity, frequency and other factors.

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unpaid Claims Liabilities (Continued)

Management believes that the liabilities for unpaid claims above are adequate. The estimates are reviewed periodically and as adjustments to these liabilities become necessary, such adjustments are reflected in cumulative operations.

Stop Loss Insurance

The Fund seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by maintaining stop loss insurance coverage with HCC Life Insurance Company.

Refunds

As per Article VIII of the Fund's Rules and Regulations, any monies for a Fund year in excess of the amount necessary to fund all obligations for that fiscal year as certified by an actuary may be declared to be refundable by the Fund. A refund for any fiscal year shall be paid only in proportion to the member's participation in the Fund for such year. Payment of a refund shall not be contingent on the member's continued membership in the Fund. The Fund may apply a refund to any arrearage owed by the member to the Fund. Otherwise, at the option of the member, the refund may be retained by the Fund and applied towards the member's next annual assessment.

Administrative Expenses

Administrative expenses are comprised mainly of compensation for services rendered by servicing organizations submitted and approved by a majority of the Fund Commissioners. In instances where invoices have not been submitted for specific periods, the maximum allowable contract amount has been accrued.

Income Taxes

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

Net Position

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

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from member assessments. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities and positive changes in the Fund's investments.

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Non-Operating Revenues and Expenses (Continued)

Operating expenses include expenses associated with the Fund's operations, including claims expense, insurance and administrative expenses.

Use of Estimates

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

C. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Fund's deposits might not be recovered. Although the Fund does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the FDIC. Public funds owned by the Fund in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Fund relative to the happening of a future condition. If the Fund had any such funds, they would be shown as Uninsured and Uncollateralized.

Of the Fund's bank balance of \$2,069,293 and \$1,942,736 as of December 31, 2020 and 2019, respectively, \$250,000 was insured by FDIC while \$1,819,293 and \$1,692,736, respectively, was collateralized under GUDPA.

D. CHANGES IN UNPAID CLAIMS LIABILITIES

As discussed in Note B, the Fund establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related allocated claims adjustment expenses.

The following represents changes in those aggregate undiscounted reported and unreported liabilities for the years ended December 31, 2020 and 2019, respectively, and for all open fund years net of excess insurance recoveries:

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS

D. CHANGES IN UNPAID CLAIMS LIABILITIES (CONTINUED)

	<u>2020</u>	<u>2019</u>
Total unpaid claims and claims adjustment expenses – Beginning	<u>\$ 2,677,429</u>	<u>\$ 2,300,000</u>
Incurred Claims and Claims Adjustment Expenses:		
Provision for insured events of current fund year	30,769,355	30,300,910
Changes in provision for insured events of prior fund years	<u>(350,229)</u>	<u>1,923,000</u>
Total incurred claims and claims adjustment expenses all fund years	<u>30,419,126</u>	<u>32,223,910</u>
Payments (Net of Recoveries):		
Claims and claims adjustment expenses:		
Attributable to insured events of current fund year	28,715,355	30,306,008
Attributable to insured events of prior fund years	<u>2,327,200</u>	<u>1,540,473</u>
Total payments all fund years	<u>31,042,555</u>	<u>31,846,481</u>
Total unpaid claims and claims adjustment expenses all fund years - Ending	<u>\$ 2,054,000</u>	<u>\$ 2,677,429</u>

E. PENDING LITIGATION

The Fund has not been named in any lawsuits. In addition, there are no matters of pending or threatened litigation involving the Fund.

F. RELATED PARTIES

The Fund pays underwriting fees and risk management fees to an affiliated company of the Fund's administrator. For the years ended December 31, 2020 and 2019, the Fund paid \$617,724 and \$529,090, respectively, to the Fund's administrator as per the management agreement.

G. IMPACT OF CORONAVIRUS PANDEMIC

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus including restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Fund and its members operate.

Due to the impact of New Jersey Governor Murphy's Executive Order No. 107 dated March 21, 2020, mandating statewide stay-at-home practices and closure of all non-essential retail businesses, there has generally been a negative economic impact, however, the impact on the Fund's financial statements and operations was limited in 2020. It is reasonably possible revenues, collections on accounts receivables, and related cash flows may be adversely impacted going forward. It is unknown how long these conditions will last and what the complete financial affect will be to the Fund.

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS

H. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events occurring after December 31, 2020, through **DATE**, which is the date the financial statements were available to be issued. None were noted that require disclosure.

DRAFT

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

DRAFT

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

TEN YEAR CLAIMS DEVELOPMENT INFORMATION

	FUND YEAR			
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Underwriting Income-Required Contribution	\$ 30,946,771	\$ 32,424,406	\$ 35,796,782	\$38,568,711
Investment Income	14,551	51,230	56,929	17,053
	<u>30,961,322</u>	<u>32,475,636</u>	<u>35,853,711</u>	<u>38,585,764</u>
Excess Insurance Premiums	1,084,878	1,157,541	1,384,799	1,562,898
Administrative Expenses	1,492,644	1,593,593	1,558,453	2,073,241
	<u>2,577,522</u>	<u>2,751,134</u>	<u>2,943,252</u>	<u>3,636,139</u>
Estimated Incurred Claims-End of Policy Year	<u>27,016,885</u>	<u>30,144,716</u>	<u>31,705,833</u>	<u>30,769,355</u>
Cumulative Paid Claims:				
End of Policy Year	25,461,113	28,876,746	29,353,682	28,715,355
One Year Later	26,651,438	30,543,024	31,576,034	-
Two Years Later	26,651,438	30,648,097	-	-
Three Years Later	26,651,213	-	-	-
Four Years Later	-	-	-	-
Five Years Later	-	-	-	-
Six Years Later	-	-	-	-
Seven Years Later	-	-	-	-
Eight Years Later	-	-	-	-
Nine Years Later	-	-	-	-
Cumulative Incurred Claims:				
End of Policy Year	27,016,885	30,144,716	31,705,833	30,769,355
One Year Later	25,907,907	29,275,047	31,313,097	-
Two Years Later	25,953,850	29,317,780	-	-
Three Years Later	25,953,625	-	-	-
Four Years Later	-	-	-	-
Five Years Later	-	-	-	-
Six Years Later	-	-	-	-
Seven Years Later	-	-	-	-
Eight Years Later	-	-	-	-
Nine Years Later	-	-	-	-
Increase in Cumulative Incurred Claims from End of Policy Year	<u>\$ 1,063,260</u>	<u>\$ 826,936</u>	<u>\$ 392,736</u>	<u>\$ -</u>

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

RECONCILIATION OF CLAIMS LIABILITIES BY COVERAGE

Years Ended December 31, 2020 and 2019

	2020			2019		
	Medical	Prescription	Total	Medical	Prescription	Total
Total unpaid claims and claims adjustment expenses, all fund years – Beginning	\$ 2,432,147	\$ 245,282	\$ 2,677,429	\$ 1,979,120	\$ 320,880	\$ 2,300,000
Incurred Claims and Claims Adjustment Expenses:						
Provision for insured events of current fund year	23,008,287	7,761,068	30,769,355	22,206,780	8,094,130	30,300,910
Changes in provision for insured events of prior fund years	(350,229)	-	(350,229)	1,923,000	-	1,923,000
Total incurred claims and claims adjustment expenses, all fund years	22,658,058	7,761,068	30,419,126	24,129,780	8,094,130	32,223,910
Payments (Net of Recoveries):						
Claims and claims adjustment expenses:						
Attributable to insured events of current fund year	21,259,287	7,456,068	28,715,355	22,153,995	8,152,013	30,306,008
Attributable to insured events of prior fund years	2,081,918	245,282	2,327,200	1,522,758	17,716	1,540,473
Total payments, all fund years	23,341,205	7,701,350	31,042,555	23,676,753	8,169,729	31,846,481
Total unpaid claims and claims adjustment expenses, all fund years - Ending	\$ 1,749,000	\$ 305,000	\$ 2,054,000	\$ 2,432,147	\$ 245,282	\$ 2,677,429

See independent auditors' report.

SUPPLEMENTARY SCHEDULES (UNAUDITED)

DRAFT

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

STATEMENT OF CUMULATIVE OPERATING RESULTS ANALYSIS

Year Ended December 31, 2020

	Medical	Prescription	Dental	Reinsurance	Expense & Contingency	Total
Underwriting Income:						
Regular Contributions	\$ 88,750,565	\$ 30,103,046	\$ 1,305,891	\$ 4,875,573	\$ 12,701,594	\$ 137,736,669
Total Income	88,750,565	30,103,046	1,305,891	4,875,573	12,701,594	137,736,669
Incurred Expenses:						
Claims						
Paid	90,107,739	29,867,133	9,835	-	-	119,984,707
IBNR	845,870	1,208,130	-	-	-	2,054,000
Recoverable	(3,062,541)	(1,622,309)	-	-	-	(4,684,850)
Expenses	1,336,748	-	1,305,891	5,190,116	11,131,895	18,964,650
Total Expenses	89,227,816	29,452,954	1,315,726	5,190,116	11,131,895	136,318,507
Underwriting Surplus	(477,251)	650,092	(9,835)	(314,543)	1,569,699	1,418,162
Adjustments:						
Investment Income	36,257	52,684	294	167	50,360	139,762
Permanent Transfers	-	-	-	-	-	-
Total Adjustments	36,257	52,684	294	167	50,360	139,762
Gross Surplus	(440,994)	702,776	(9,541)	(314,376)	1,620,059	1,557,924
Return of Surplus	-	-	-	-	-	-
Net Surplus (Deficit)	\$ (440,994)	\$ 702,776	\$ (9,541)	\$ (314,376)	\$ 1,620,059	\$ 1,557,924

See independent auditors' report.

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

STATEMENT OF 2020 FUND YEAR OPERATING RESULTS ANALYSIS

Year Ended December 31, 2020

	Medical	Prescription	Dental	Reinsurance	Expense & Contingency	Total
Underwriting Income:						
Regular Contributions	\$ 23,510,455	\$ 6,878,560	\$ 1,305,891	\$ 1,340,421	\$ 5,533,384	\$ 38,568,711
Total Income	23,510,455	6,878,560	1,305,891	1,340,421	5,533,384	38,568,711
Incurred Expenses:						
Claims						
Paid	21,847,275	9,078,377	-	-	-	30,925,652
IBNR	1,749,000	305,000	-	-	-	2,054,000
Recoverable	(587,988)	(1,622,309)	-	-	-	(2,210,297)
Expenses	662,924	-	1,305,891	1,562,898	4,428,735	7,960,448
Total Expenses	23,671,211	7,761,068	1,305,891	1,562,898	4,428,735	38,729,803
Underwriting Surplus	(160,756)	(882,508)	-	(222,477)	1,104,649	(161,092)
Adjustments:						
Investment Income	4,351	-	259	42	5,200	9,852
Permanent Transfers	1,366,148	-	-	-	-	1,366,148
Total Adjustments	1,370,499	-	259	42	5,200	1,376,000
Gross Surplus	1,209,743	(882,508)	259	(222,435)	1,109,849	1,214,908
Return of Surplus	-	-	-	-	-	-
Net Surplus (Deficit)	\$ 1,209,743	\$ (882,508)	\$ 259	\$ (222,435)	\$ 1,109,849	\$ 1,214,908

See independent auditors' report.

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

STATEMENT OF 2019 FUND YEAR OPERATING RESULTS ANALYSIS

Year Ended December 31, 2020

	Medical	Prescription	Dental	Reinsurance	Expense & Contingency	Total
Underwriting Income:						
Regular Contributions	\$ 23,777,748	\$ 7,562,071	\$ -	\$ 1,337,064	\$ 3,119,900	\$ 35,796,782
Total Income	23,777,748	7,562,071	-	1,337,064	3,119,900	35,796,782
Incurred Expenses:						
Claims						
Paid	24,850,109	6,884,237	-	-	-	31,734,346
IBNR	(245,282)	245,282	-	-	-	-
Recoverable	(421,249)	-	-	-	-	(421,249)
Expenses	234,904	-	-	1,384,799	4,055,672	5,675,375
Total Expenses	24,418,482	7,129,519	-	1,384,799	4,055,672	36,988,472
Underwriting Surplus	(640,734)	432,552	-	(47,735)	(935,772)	(1,191,689)
Adjustments:						
Investment Income	1,279	2,059	35	-	7,212	10,585
Permanent Transfers	-	-	-	-	-	-
Total Adjustments	1,279	2,059	35	-	7,212	10,585
Gross Surplus	(639,455)	434,611	35	(47,735)	(928,560)	(1,181,104)
Return of Surplus	-	-	-	-	-	-
Net Surplus (Deficit)	\$ (639,455)	\$ 434,611	\$ 35	\$ (47,735)	\$ (928,560)	\$ (1,181,104)

See independent auditors' report.

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

STATEMENT OF 2018 FUND YEAR OPERATING RESULTS ANALYSIS

Year Ended December 31, 2020

	Medical	Prescription	Dental	Reinsurance	Expense & Contingency	Total
Underwriting Income:						
Regular Contributions	\$ 20,988,526	\$ 7,629,426	\$ -	\$ 1,140,073	\$ 2,666,380	\$ 32,424,406
Total Income	20,988,526	7,629,426	-	1,140,073	2,666,380	32,424,406
Incurred Expenses:						
Claims						
Paid	23,098,484	7,561,260	9,835	-	-	30,669,579
IBNR	(320,880)	320,880	-	-	-	-
Recoverable	(1,351,800)	-	-	-	-	(1,351,800)
Expenses	224,859	-	-	1,157,541	1,369,531	2,751,931
Total Expenses	21,650,663	7,882,140	9,835	1,157,541	1,369,531	32,069,710
Underwriting Surplus	(662,137)	(252,714)	(9,835)	(17,468)	1,296,849	354,695
Adjustments:						
Investment Income	4,034	478	-	125	29,504	34,141
Permanent Transfers	-	-	-	-	-	-
Total Adjustments	4,034	478	-	125	29,504	34,141
Gross Surplus	(658,103)	(252,236)	(9,835)	(17,343)	1,326,353	388,836
Return of Surplus	-	-	-	-	-	-
Net Surplus (Deficit)	\$ (658,103)	\$ (252,236)	\$ (9,835)	\$ (17,343)	\$ 1,326,353	\$ 388,836

See independent auditors' report.

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

STATEMENT OF 2017 FUND YEAR OPERATING RESULTS ANALYSIS

Year Ended December 31, 2020

	Medical	Prescription	Dental	Reinsurance	Expense & Contingency	Total
Underwriting Income:						
Regular Contributions	\$ 20,473,836	\$ 8,032,989	\$ -	\$ 1,058,015	\$ 1,381,930	\$ 30,946,771
Total Income	20,473,836	8,032,989	-	1,058,015	1,381,930	30,946,771
Incurred Expenses:						
Claims						
Paid	20,311,870	6,343,259	-	-	-	26,655,129
IBNR	(336,968)	336,968	-	-	-	-
Recoverable	(701,504)	-	-	-	-	(701,504)
Expenses	214,063	-	-	1,084,878	1,277,957	2,576,898
Total Expenses	19,487,461	6,680,227	-	1,084,878	1,277,957	28,530,523
Underwriting Surplus	986,375	1,352,762	-	(26,863)	103,973	2,416,247
Adjustments:						
Investment Income	26,593	50,147	-	-	8,444	85,184
Permanent Transfers	(1,366,148)	-	-	-	-	(1,366,148)
Total Adjustments	(1,339,555)	50,147	-	-	8,444	(1,280,964)
Gross Surplus	(353,180)	1,402,909	-	(26,863)	112,417	1,135,283
Return of Surplus	-	-	-	-	-	-
Net Surplus (Deficit)	\$ (353,180)	\$ 1,402,909	\$ -	\$ (26,863)	\$ 112,417	\$ 1,135,283

See independent auditors' report.

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

STATEMENT OF CUMULATIVE CLAIMS ANALYSIS

Year Ended December 31, 2020

	Medical	Prescription	Dental	Reinsurance	Total
Paid Claims (Net of Recoveries)	\$ 87,045,198	\$ 28,244,824	\$ 9,835	\$ -	\$ 115,299,857
IBNR Reserves	845,870	1,208,130	-	-	2,054,000
Incurred Claims	\$ 87,891,068	\$ 29,452,954	\$ 9,835	\$ -	\$ 117,353,857

DRAFT

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

STATEMENT OF 2020 FUND YEAR CLAIMS ANALYSIS

Year Ended December 31, 2020

	Medical	Prescription	Dental	Reinsurance	Total
Paid Claims (Net of Recoveries)	\$ 21,259,287	\$ 7,456,068	\$ -	\$ -	\$ 28,715,355
IBNR Reserves	1,749,000	305,000	-	-	2,054,000
Incurred Claims	<u>\$ 23,008,287</u>	<u>\$ 7,761,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,769,355</u>

DRAFT

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

STATEMENT OF 2019 FUND YEAR CLAIMS ANALYSIS

Year Ended December 31, 2020

	Medical	Prescription	Dental	Reinsurance	Total
Paid Claims (Net of Recoveries)	\$ 24,428,860	\$ 6,884,237	\$ -	\$ -	\$ 31,313,097
IBNR Reserves	(245,282)	245,282	-	-	-
Incurred Claims	\$ 24,183,578	\$ 7,129,519	\$ -	\$ -	\$ 31,313,097

DRAFT

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

STATEMENT OF 2018 FUND YEAR CLAIMS ANALYSIS

Year Ended December 31, 2020

	Medical	Prescription	Dental	Reinsurance	Total
Paid Claims (Net of Recoveries)	\$ 21,746,685	\$ 7,561,260	\$ 9,835	\$ -	\$ 29,317,780
IBNR Reserves	(320,880)	320,880	-	-	-
Incurred Claims	\$ 21,425,805	\$ 7,882,140	\$ 9,835	\$ -	\$ 29,317,780

DRAFT

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

STATEMENT OF 2017 FUND YEAR CLAIMS ANALYSIS

Year Ended December 31, 2020

	Medical	Prescription	Dental	Reinsurance	Total
Paid Claims (Net of Recoveries)	\$ 19,610,366	\$ 6,343,259	\$ -	\$ -	\$ 25,953,625
IBNR Reserves	(336,968)	336,968	-	-	-
Incurred Claims	\$ 19,273,398	\$ 6,680,227	\$ -	\$ -	\$ 25,953,625

DRAFT

INDEPENDENT AUDITORS' 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

To the Executive Committee of the
Southern Skyland Regional Health Insurance Fund
Parsippany, New Jersey 07054

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements as prescribed by the State of New Jersey, Departments of Community Affairs ("DCA") and Banking and Insurance ("DOBI"), the financial statements of the Southern Skyland Regional Health Insurance Fund (the "Fund"), a component unit of the County of Somerset, State of New Jersey, as of and for the year ended December 31, 2020, and the related notes to financial statements, which comprise the Fund's basic financial statements, and have issued our report thereon dated DATE. The opinion on the Fund's financial statements was qualified as permitted by the Departments of Community Affairs and Banking and Insurance, State of New Jersey, as audit procedures were not extended to the underlying actuarial assumptions for Incurred but not Reported (IBNR) reserve amounts, as these assumptions are prepared by the Fund's actuary.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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.

INDEPENDENT AUDITORS' 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 (CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and other matters, 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 instance 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 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 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MERCADIEN SIGNATURE

DATE

DRAFT

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Year Ended December 31, 2020

None Reported.

DRAFT

**SOUTHERN SKYLAND REGIONAL HEALTH INSURANCE FUND
(A COMPONENT UNIT OF THE COUNTY OF SOMERSET, STATE OF NEW JERSEY)**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended December 31, 2020

None Reported.

DRAFT