NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND

Financial Statements and Supplementary Information

For the Years Ended December 31, 2025 and 2024

(With Independent Auditor’s Report Thereon)

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
Table of Contents

INTRODUCTORY SECTION
(unaudited)

North Jersey Municipal Employee Benefits Fund

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Parsippany, NJ 07054
Telephone (201) 881-7632 Fax (201) 881-7633

May 21, 2026

Board of Fund Commissioners
North Jersey Municipal Employee Benefits Fund 9 Campus Drive, Suite 216
Parsippany, NJ 07054 Dear Commissioners:

The Annual Comprehensive Financial Report (ACFR) of the North Jersey Municipal Employee Benefits Fund (NJMEBF) for the year ended December 31, 2025 is hereby respectfully submitted. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the NJMEBF. We believe the data, as presented, are accurate in all material respects; that they are presented in a manner designed to fairly set forth the financial position and results of the operations of the NJMEBF as measured by the financial activity of its various membership years; and that all disclosures necessary to enable the reader to gain the maximum understanding of the NJMEBF's financial affairs have been included.

The ACFR is presented in three sections: introductory, financial, and statistical. The introductory section contains this transmittal letter, a list of the NJMEBF's members, a list of the NJMEBF's officers and an organizational chart. The financial section includes a management discussion and analysis of financial results and trends, the financial statements, as well as the independent auditors' opinion on the financial statements. The statistical section includes selected data covering the last ten years that the NJMEBF has been operational.

The NJMEBF was formed under State statutes, which authorize local government entities to pool resources to meet risk management needs. Specifically, the NJMEBF administers a program of self-funding and commercial insurance, and reinsurance that provides protection to members in the areas of medical, dental, vision, and prescription coverage. The NJMEBF also purchases reinsurance to cap its liabilities. The NJMEBF performs a number of tasks in accomplishing its mission, including contracting for support services such as claims and litigation management, financial management and reporting, actuarial services, and general management.

Economic Conditions and Outlook

The NJMEBF's economic condition and its outlook are strong. The NJMEBF has provided its members with stable assessments, comprehensive insurance, and responsive service. These factors have resulted in stability of membership, which is expected to continue in the future. For the future, the NJMEBF is evaluating ways of strengthening its network of service providers and finding means of offsetting inflationary increases in health care cost

NJMEBF Initiatives

The NJMEBF relies heavily on its subcommittee structure that provides a preliminary review and recommendation of major action items to be taken by the Executive Committee. The Committees are Operations, Finance, Wellness, Contracts and Nominations. Each Committee has a Chair and two to three Fund Commissioners that meet on a when needed basis with the support of the Fund Professionals.

The NJMEBF benefited by virtue of its long-standing membership in the Municipal Reinsurance Health Fund by receiving a modest dividend and receiving discounted pricing for contracts negotiated for health joint insurance funds throughout the State.

In addition, the NJMEBF continued its on-going, cyclical process for issuing "requests for proposals" from NJMEBF vendors and service providers.

The NJMEBF continues to expand its wellness program by combining dividends and grants to assure greater activity and by including additional entities in the development process.

In 2025, the Fund's Operations Committee lifted the hold on new members and provided proposals to a few interested entities with three new members entering in 2025.

Financial Management and Control

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States as promulgated by the Governmental Accounting Standards Board and necessarily include amounts based upon reliable estimates and judgments. The NJMEBF's books are maintained on a full accrual basis. A summary of significant accounting policies is discussed in more detail in the notes to the financial statements found in the financial section.

Internal Accounting Structure

The NJMEBF's accounting system is organized so that each membership year can be evaluated separately. The assets, liabilities, revenues, and expenses of each year and line of coverage are reported separately on a full accrual basis. This practice is necessary because the composition of the NJMEBF's membership, and the extent of participation within each line of coverage, varies from year to year.

The NJMEBF's management is responsible for establishing and maintaining an internal control system designed to ensure that assets are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable assurance that these objectives are being met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management. All internal control decisions are made within the above framework. Management believes that the NJMEBF's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Investment Management

The NJMEBF's investments are made in accordance with the Local Fiscal Affairs Law and the NJMEBF's Cash and Investment Management Plan. Investments for the year were limited to deposits in banks covered by the Governmental Unit Depository Protection Act, and deposits in the New Jersey Cash Management Fund, which is administered by the State of New Jersey's Division of Investments. In planning and executing investments, the NJMEBF emphasizes liquidity and safety. After these objectives are met, the NJMEBF seeks to optimize investment income. As of December 31, 2025, the NJMEBF's portfolio consisted of the following:

Checking and savings accounts	$ 2,527,996	99.13%
Cash management fund	22,163	0.87%
Total	$ 2,550,159	100.00%

Independent Audit

Holman Frenia Allison, P.C., independent accountants, provide an independent, objective review of the fairness of the NJMEBF's reported financial position and results of operations. Their audit includes procedures they deem necessary to express an opinion as to the fairness of the financial statements. Their opinion is included in the financial section of this report.

Acknowledgments

Our appreciation is extended to each NJMEBF commissioner, and to the governing bodies of member municipalities, for their commitment to risk management and intergovernmental risk pooling.

Respectfully submitted,

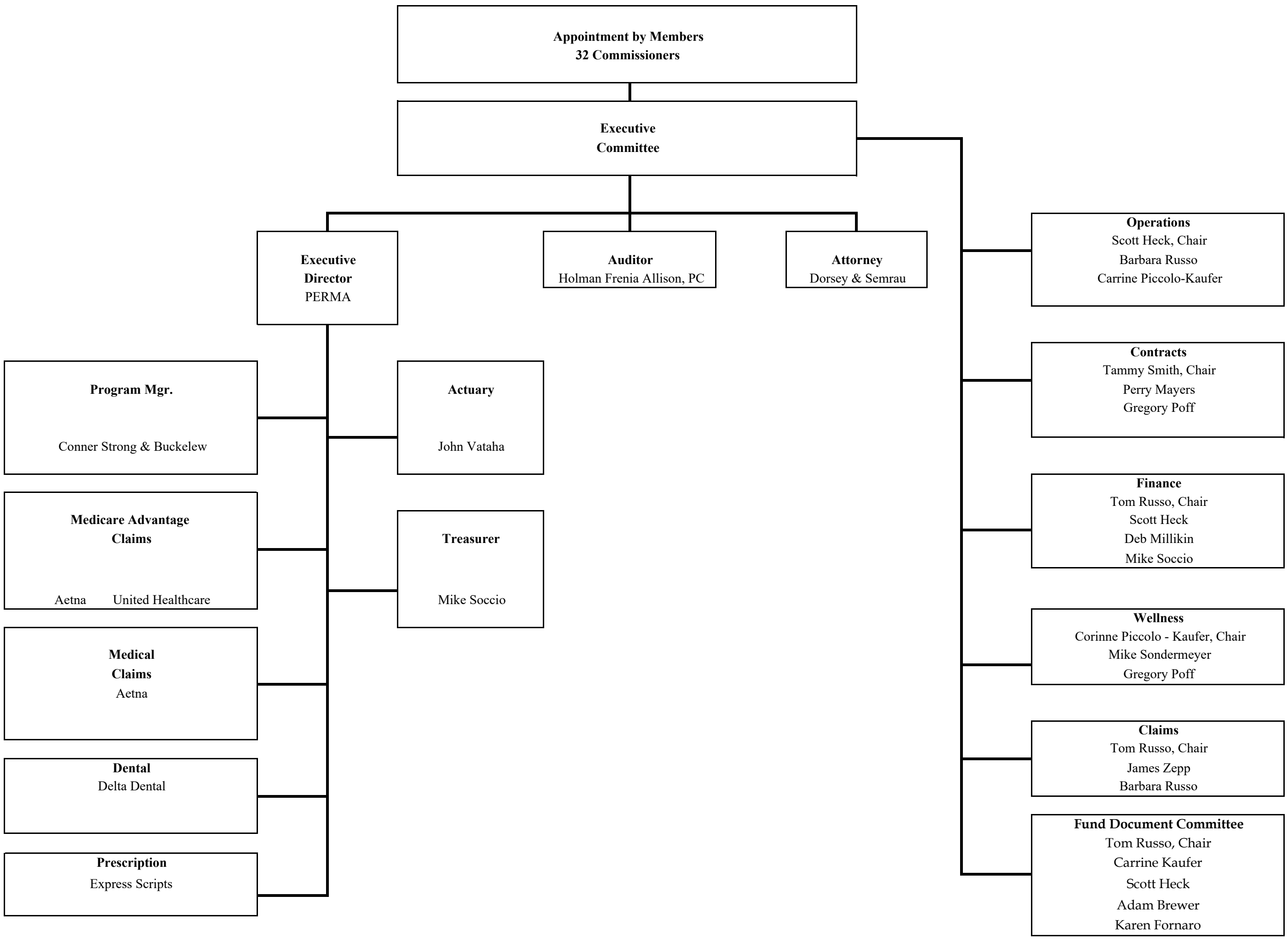
James Rhodes

James Rhodes, Executive Director

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
Roster of Official and Consultants

Scott Heck	Chairman-Executive Committee
Tom Russo	Secretary-Executive Committee
Silvio Esposito	Executive Committee
Barbara Russo	Executive Committee
Carinne Piccolo-Kaufer	Executive Committee
Greg Poff	Executive Committee
Tammy Smith	Executive Committee
Adam Brewer	Executive Committee Alternate
Dina Valente-Stoel	Executive Committee Alternate
Mike Sondermeyer	Fund Commissioner
Michael Restel	Fund Commissioner
James Zepp	Fund Commissioner
Patricia Bussow	Fund Commissioner
Ralph Blakeslee	Fund Commissioner
Samuel Yodice	Fund Commissioner
Victoria Dobrusin	Fund Commissioner
Andrew Fiore	Fund Commissioner
Katie Yanke	Fund Commissioner
Joe Sabatini	Fund Commissioner
James Burnett	Fund Commissioner
John Shepherd	Fund Commissioner
Debra Millikin	Fund Commissioner
James Freda	Fund Commissioner
Gabby Evangelista	Fund Commissioner
Karen Fornaro	Fund Commissioner
Tim Kraus	Fund Commissioner
Mitchell Stern	Fund Commissioner
Claudia Quinn	Fund Commissioner
Michele Dale	Fund Commissioner
Craig Ambrosio	Fund Commissioner
PERMA Risk Management Services	Executive Director
Conner Strong & Buckelew	Program Manager
Michael Soccio	Treasurer
Dorsey & Semrau	Attorney
Holman Frenia Allison, P.C.	Auditor
Actuarial Solutions LLC	Actuary
United Healthcare, Inc.	Claims Administrators, Medicare Advantage
Aetna	Claims Administrators, Medical and Medicare Advantage
Delta Dental Plan of New Jersey, Inc.	Dental Provider
Express Scripts	Prescription Administrator
Veron Nutrition	Wellness Education and Nutrition
Lifeline	Heart Scan Services – Wellness
Fitness Knocking	Fitness Component – Wellness

NORTH JERSEY MUNICPAL REGIONAL EMPLOYEE BENEFITS FUND
Organizational Chart



NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
Membership Listing

Andover Township

Berkley Heights Township

Bloomingdale Borough

Boonton Town

Byram Township

Chatham Borough

Dover Town

Hanover Township

Harding Borough

Hardyston Township

Jefferson Township

Kinnelon Borough

Knowlton Board of Education

Lincoln Park Borough

Madison Borough

Madison Housing Authority

Montville Township

Mount Olive Township

Mountain Lakes Borough

Borough Netcong Borough

Newton Town

Pequannock Township

Prospect Park Borough

Randolph Township

Ringwood Borough

Roxbury Township

Sparta Township

Vernon Township

Wantage Township

West Milford Township

Wharton Borough

Woodland Park Borough

FINANCIAL SECTION

HFA
Certified Public Accountants + Advisors

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INDEPENDENT AUDITOR'S REPORT

To the Executive Committee
North Jersey Municipal Employee Benefits Fund

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of North Jersey Municipal Employee Benefits Fund as of December 31, 2025 and 2024, and the related statements of revenue, expenses, and changes in net position, and the related notes to the financial statements, which collectively comprise the North Jersey Municipal Employee Benefits Fund's basic financial statements as listed in the table of contents.

In our opinion, except for the effects on the December 31, 2025 and 2024 financial statements of the matter described in the Basis for Qualified Opinion section of our report, the December 31, 2025 and 2024 financial statements referred to above present fairly, in all material respects, the financial position of North Jersey Municipal Employee Benefits Fund as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Jersey Municipal Employee Benefits Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinions.

Matter Giving Rise to Qualified Opinion

As permitted by the Department of Community Affairs and Banking and Insurance, State of New Jersey, we did not extend our audit to the reserve and underlying actuarial assumptions for Incurred but Not Reported (IBNR) reserve amounts, since they are prepared by the North Jersey Municipal Employee Benefits Fund's actuary.

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 North Jersey 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 the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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, *Government Auditing Standards,* and audit standards prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, 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, *Government Auditing Standards* and audit standards prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North Jersey 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 North Jersey 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 other required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 opinions on the financial statements that collectively comprise North Jersey Municipal Employee Benefits Fund's basic financial statements. The supplementary information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2026, on our consideration of North Jersey 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 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 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 North Jersey Municipal Employee Benefits Fund's internal control over financial reporting and compliance.

Holman Frenia Allison P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 21, 2026
Lakewood, New Jersey

HFA
Certified Public Accountants + Advisors

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INDEPENDENT AUDITOR'S 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
North Jersey Municipal Employee Benefits Fund

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of North Jersey Municipal Employee Benefits Fund as of and for the year ended December 31, 2025, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the financial statements, which collectively comprise North Jersey Municipal Employee Benefits Fund's basic financial statements, and have issued our report thereon dated May 21, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Jersey 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Jersey Municipal Employee Benefits Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of North Jersey 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 North Jersey 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,* and audit requirements as prescribed by the Department of Banking and

Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of This Report

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

Holman Frenia Allison P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 21, 2026
Lakewood, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION, PART I

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
Management's Discussion and Analysis

This section of the annual financial report of the North Jersey Municipal Employee Benefits Fund (the Fund) presents a discussion and analysis of the financial performance of the Fund for the years ended December 31, 2025 and 2024. Please read it in conjunction with the basic financial statements, the notes to the financial statements, supplementary information, and other information that follow this section.

Overview of Basic Financial Statements

The Fund's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental entities, as well as insurance enterprises where appropriate. The primary purpose of the Fund is to provide medical and other health coverage for members of the Fund. To effectively monitor financial activity and claims experience, the Fund maintains separate enterprise funds by incurred years and line of coverage. The accompanying financial statements are prepared using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The financial statements are presented on a comparative basis, allowing for analysis of current year results in relation to the prior year.

The Fund's basic financial statements include the following:

> The statement of net position presents information regarding the Fund's assets, liabilities, and net position at a point in time. Net position represents the residual interest in the Fund's assets after deducting liabilities and serves as an indicator of the Fund's overall financial condition. The comparative presentation provides insight into changes in financial position between reporting periods.
>
> The statement of revenues, expenses, and changes in net position reflects the Fund's operating and non-operating revenues and expenses for the reporting period. The resulting change in net position is analogous to net income or loss for a commercial insurance entity and provides insight into the Fund's operating performance. The comparative information allows users to evaluate trends in revenues, expenses, and overall operating results.
>
> The statement of cash flows is presented using the direct method and provides information about the Fund's cash receipts and cash disbursements related to operating and investing activities. This statement highlights the Fund's ability to generate sufficient cash flows to meet its obligations and reflects the net increase or decrease in cash and cash equivalents for the year. The inclusion of comparative data enhances the reader's ability to assess changes in liquidity and cash flow patterns over time.

Financial Highlights

The following tables present a summary of the Fund's financial position and results of operations as of and for the years ended December 31, 2025, 2024, and 2023, and are intended to provide a comparative analysis of changes between reporting periods.

SUMMARY OF STATEMENTS OF NET POSITION
December 31, 2025, 2024, and 2023

	2025	2024	2025 / 2024 Percent (%) Change	2023	2024 / 2023 Percent (%) Change
ASSETS					
Cash and cash equivalents	$ 2,550,169	$ 10,157,129	(74.89%)	$ 15,019,389	(32.37%)
Accrued interest	3,258	260,912	(98.75%)	32,679	698.41%
Accounts and other receivables	1,980,141	2,275,929	(13.00%)	2,832,006	(19.64%)
Investment in joint venture	(60,339)	903,865	(106.68%)	720,145	25.51%
Total assets	4,473,229	13,597,835	(67.10%)	18,604,219	(26.91%)
LIABILITIES					
Loss reserves (unaudited)	9,129,850	5,062,244	80.35%	3,677,424	37.66%
Dividends payable	1,455,102	2,427,263	(40.05%)	2,809,868	(13.62%)
Other liabilities	374,875	291,919	28.42%	201,394	44.95%
Total liabilites	10,959,827	7,781,426	40.85%	6,688,686	16.34%
NET POSITION					
Unrestricted	$ (6,486,598)	$ 5,816,409	(211.52%)	$ 11,915,533	(51.19%)

During the year ended December 31, 2025, the Fund experienced a significant decline in its overall financial position compared to 2024, continuing a downward trend that began in 2024 relative to 2023. Total assets decreased to $4.47 million in 2025 from $13.60 million in 2024 and $18.60 million in 2023. This decline was primarily driven by reductions in cash and cash equivalents, as well as a decrease in the Fund's investment in a joint venture, reflecting the continued use of available financial resources to support operations and fund increasing claims activity. The decrease in receivables in 2025 also contributed to the overall reduction in assets, indicating lower amounts due to the Fund at year-end.

At the same time, total liabilities increased to $10.96 million in 2025 from $7.78 million in 2024 and $6.69 million in 2023. This increase was largely attributable to a significant rise in loss reserves, which grew by 80.35% in 2025 following a 37.66% increase in 2024. The continued growth in loss reserves reflects management's expectation of higher future claim obligations and is indicative of sustained increases in healthcare utilization and claim severity. While dividends payable decreased in 2025, partially offsetting the increase in liabilities, the overall upward trend in obligations highlights the growing financial demands placed on the Fund.

As a result of these factors, the Fund's unrestricted net position declined to $(6.49) million in 2025, compared to $5.82 million in 2024 and $11.92 million in 2023. This shift from a positive to a negative net position reflects the cumulative impact of operating losses over the two-year period, as claims and related costs have consistently outpaced revenues and other funding sources. Management continues to monitor these trends closely and evaluate strategies to address rising healthcare costs, including potential adjustments to funding levels, and cost containment measures. Overall, the Fund's financial position over the past two years reflects a challenging operating environment characterized by increasing claims activity and ongoing pressure on financial resources.

SUMMARY OF STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2025, 2024, and 2023

	2025	2024	2025 / 2024 Percent (%) Change	2023	2024 / 2023 Percent (%) Change
Operating revenues:					
Member assessments	$ 73,898,368	$ 63,573,349	16.24%	$ 50,780,727	25.19%
Employees' contributions	922,121	731,013	26.14%	485,247	50.65%
Total operating revenues	74,820,489	64,304,362	16.35%	51,265,974	25.43%
Operating expenses:					
Provision for health claim benefits, net	74,827,832	60,001,322	24.71%	42,431,372	41.41%
Reinsurance premiums	8,574,667	8,016,553	6.96%	6,243,310	28.40%
Administration	552,820	528,124	4.68%	447,534	18.01%
Claims administration	1,054,581	881,032	19.70%	873,834	0.82%
Other contractual/non-contractual expenses	1,449,951	1,736,254	(16.49%)	1,452,013	19.58%
Total operating expenses	86,459,851	71,163,285	21.50%	51,448,063	38.32%
Operating loss	(11,639,362)	(6,858,923)	69.70%	(182,089)	3666.80%
Non-operating revenues (expenses):					
Change in investment in joint venture	(964,204)	183,719	(624.83%)	192,564	(4.59%)
Investment income	300,559	576,080	(47.83%)	623,148	(7.55%)
Member dividends	-	-	0.00%	(1,991,409)	(100.00%)
Total non-operating expenses (revenues)	(663,645)	759,799	(187.34%)	(1,175,697)	(164.63%)
Change in net position	$ (12,303,007)	$ (6,099,124)	101.72%	$ (1,357,786)	349.20%

For the year ended December 31, 2025, the Fund's operating results reflect continued pressure from rising claims costs compared to both 2024 and 2023. Total operating revenues increased to $74.82 million in 2025 from $64.30 million in 2024 and $51.27 million in 2023, primarily driven by growth in member assessments, which increased 16.24% in 2025 following a 25.19% increase in 2024. Employee contributions also increased year over year, reflecting higher funding levels to support rising costs. Despite this revenue growth, total operating expenses increased at a faster rate, rising 21.50% in 2025 and 38.32% in 2024, largely due to significant increases in health claim benefit expenses, which grew 24.71% in 2025 and 41.41% in 2024. These increases reflect higher healthcare utilization and escalating costs of services and treatments. Reinsurance premiums and claims administration expenses also increased, further contributing to overall expense growth, while other non-contractual expenses declined in 2025, partially offsetting these increases.

As a result, the Fund reported an operating loss of $(11.64) million in 2025, compared to $(6.86) million in 2024 and a near break-even position in 2023. Non-operating results also negatively impacted overall performance in 2025, primarily due to a loss on the investment in joint venture and reduced investment income compared to prior years. This compares to positive non-operating results in 2024 and higher levels of investment-related activity in 2023. Overall, the change in net position resulted in a decrease of $(12.30) million in 2025, compared to a decrease of $(6.10) million in 2024 and $(1.36) million in 2023. Management continues to monitor these trends closely, as increasing claims costs and related expenses have consistently outpaced revenue growth, resulting in sustained operating losses over the past two years.

Economic Conditions

The Fund continues to be affected by inflation in health benefit costs, driven by increases in healthcare utilization, provider pricing, and the cost of specialty pharmaceuticals. In response, the Fund's strategy is to moderate these increases by leveraging its purchasing power through collaboration with other Funds, utilizing two of the largest and most effective medical networks in the nation to obtain favorable pricing and access to care, and assisting members with plan design and labor negotiation efforts. Management continues to evaluate cost containment initiatives and funding strategies to address ongoing cost pressures while maintaining the level and quality of benefits provided to members.

BASIC FINANCIAL STATEMENTS

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
Statements of Net Position
December 31, 2025 and 2024

	2025	2024
ASSETS		
Cash and cash equivalents	$ 2,550,169	$ 10,157,129
Accrued interest	3,258	260,912
Accounts and other receivables:		
Member assessments	799,546	528,971
Rebates	1,085,220	1,590,584
Other	95,375	156,374
Investment in joint venture	(60,339)	903,865
Total assets	4,473,229	13,597,835
LIABILITIES		
Loss reserves for estimated heath claims incurred but not reported (unaudited)	9,129,850	5,062,244
Accounts payable	142,303	60,662
Accrued expenses	232,572	231,257
Dividends payable	1,455,102	2,427,263
Total liabilities	10,959,827	7,781,426
NET POSITION		
Unrestricted	(6,486,598)	5,816,409
Total net position	$ (6,486,598)	$ 5,816,409

The accompanying notes are an integral part of the financial statements.

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
Statements of Revenue, Expenses, and Changes in Net Position
For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenues:		
Member assessments	$ 73,898,368	$ 63,573,349
Employees' contributions	922,121	731,013
Total operating revenues	74,820,489	64,304,362
Operating expenses:		
Provision for health claim benefits (net of reinsurance of $839,144 and $329,433 for 2025 and 2024, respectively)	74,827,832	60,001,322
Reinsurance premiums (net of dividends of $778,884 and $0 for 2025 and 2024, respectively)	8,574,667	8,016,553
Administration	552,820	528,124
Claims administration	1,054,581	881,032
Other contractual/non-contractual expenses	1,449,951	1,736,254
Total operating expenses	86,459,851	71,163,285
Operating loss	(11,639,362)	(6,858,923)
Non-operating revenues (expenses):		
Change in investment in joint venture	(964,204)	183,719
Investment income	300,559	576,080
Total non-operating (expenses) revenues	(663,645)	759,799
Change in net position	(12,303,007)	(6,099,124)
Net position January 1	5,816,409	11,915,533
Net position, December 31	$ (6,486,598)	$ 5,816,409

The accompanying notes are an integral part of the financial statements.

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Assessments collected	$ 74,807,568	$ 65,324,521
Benefits paid	(70,760,226)	(58,616,502)
Rebates and advances	566,363	(699,151)
Reinsurance premiums paid	(8,574,667)	(8,016,553)
Claims administration, administration and other contractual and non-contractual expenses paid	(2,974,396)	(3,048,049)
Net cash flows used in operating activities	(6,935,358)	(5,055,734)
Cash flows from investing activities:		
Investment income	300,559	576,079
Net cash flows provided by investing activities	300,559	576,079
Cash flows from non-capital financing activities:		
Net position distribution to participating members	(972,161)	(382,605)
Net cash flows used in non-capital financing activities	(972,161)	(382,605)
Net change in cash and cash equivalents	(7,606,960)	(4,862,260)
Cash and cash equivalents at the beginning of the period	10,157,129	15,019,389
Cash and cash equivalents at the end of the period	$ 2,550,169	$ 10,157,129
Reconcilation of operating loss to net cash flows from operating activities		
Operating loss	$ (11,639,362)	$ (6,858,923)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in accrued interest	257,654	(228,233)
(Increase) decrease in member assessment receivable	(270,575)	1,255,228
(Increase) decrease in due from reinsurer	-	82,539
(Increase) decrease in other receivables	60,999	(37,425)
(Increase) decrease in rebates receivable	505,364	(744,265)
(Increase) decrease in loss reserves	4,067,606	1,384,820
(Increase) decrease in accounts payable	81,641	59,693
(Increase) decrease in accrued expenses payable	1,315	37,668
(Increase) decrease in due to participating members	-	(6,836)
Net cash flows from operating activities	$ (6,935,358)	$ (5,055,734)
Supplemental disclosure - non-cash activity:		
Change in investment in joint ventures	$ (964,204)	$ 183,719

The accompanying notes are an integral part of the financial statements.

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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NOTE 1: NATURE OF OPERATIONS

Basis of Presentation

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

Organization and Description of the Fund

The North Jersey Municipal Employee Benefits Fund (the Fund) was created on January 1, 1993, 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 both an insured and self-administered group of local governmental units established for the purpose of providing low-cost insurance coverage for the member local governmental units in order to keep local property taxes at a minimum. The following health benefit coverages are offered by the Fund to its members:

a. Medical;
b. Prescription;
c. Dental;

The initial members established the Fund for the purpose of containing medical costs. The Commissioners/Executive Committee of the Fund may approve subsequent membership by a two-thirds vote of the full authorized membership or may terminate any member by a majority vote, after proper notice has been given.

In prior years, participating employees had an open enrollment period each year during the month of November, during which they were able to switch between the regular indemnity plan, the HMO option or the PPO option. The changes were effective at the beginning of the next calendar year. Local units, which joined the Fund effective July 1 or later, and which conducted an open enrollment at the time they joined the fund, could defer their next open enrollment period until November of the following fund year. However, in 2004, the Fund discontinued all HMO's and incorporated them into the indemnity fund. The Fund has 32 members at December 31, 2025 and 2024, respectively.

The Executive Director is responsible for the overall administration of the Fund. Fees paid to the Executive Director encompass all administrative duties which are performed at their offices. Accordingly, the Fund does not maintain any fixed assets or incur any payroll expense.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Fund utilizes the accrual basis of accounting whereby revenue is recorded as earned and expenses are reflected as the liability is incurred. The Fund utilizes total economic resources as their measurement focus. Operating revenue, such as charges for services, results from exchange transactions associated with the principal activity of the Fund. Exchange transactions are those in which each party receives and gives up essentially equal value.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting (continued)

Nonoperating revenue, such as subsidies and investment earnings, results from nonexchange transactions or ancillary activities. Nonexchange transactions, in which the Fund gives or receives value without directly receiving or giving equal value in exchange, generally do not occur, with the exception of investment earnings. GASB is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the Fund's accounting policies are described below:

Reporting Entity

GASB Codification Section 2100, *Defining the Financial Reporting Entity* establishes standards to determine whether a governmental component unit should be included in the financial reporting entity.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. The combined financial statements include all funds of the Fund over which the Fund exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Fund is not includable in any other reporting entity on the basis of such criteria.

Use of Estimates

Management of the Fund has made certain estimates and assumptions relating to the reporting of assets, liabilities and revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results may differ from those estimates.

Income Taxes

The Fund, as an instrumentality of the State of New Jersey and therefore a governmental entity, has determined itself to be a tax-exempt organization and not subject to either federal or state income taxes.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held with financial institutions with original maturities of three months or less. For purposes of the statement of cash flows, the Fund considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Fund maintains its cash balances in financial institutions which, at times, may exceed federally insured limits. The Fund has not experienced any losses in such accounts and management does not believe it is exposed to significant credit risk arising from these deposits.

Investments

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

Investment Income Allocation

Interest accruals, interest payments on cash instruments, net of investment management fees, and unrealized gains and losses on the fair value of investments are allocated every month based upon each line of coverage's share of opening cash and investment balances.

Assessments

The gross claim fund assessment is determined by the actuary and, when combined with expense and premium projections, constitutes the Fund's budget. Assessments for participating municipalities are determined by underwriting criteria established by the Executive Committee and are certified by a majority vote of the Fund Commissioners. Assessments are adjusted on a monthly basis to reflect changes in the plan of benefits and employee census, utilizing a rating structure approved by the actuary.

Unpaid Claims Liabilities (unaudited)

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, and future changes in claim severity and frequency, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent developments, claim frequency and severity 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 reflect 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. Amounts shown as negative loss reserves, if any, in Note 6: *Loss Reserves* represent payments to the Claims Servicing Agents in excess of claims paid on the Fund's loss runs. These amounts are shown on the Balance Sheet as Advances to Claims Servicing Agents.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unpaid Claims Liabilities (unaudited) (continued)

In accordance with practices prescribed or permitted by the Departments of Community Affairs and Banking and Insurance, State of New Jersey, the audit procedures were not extended to the underlying actuarial assumptions for Incurred But Not Reported (IBNR) reserve amounts since they are prepared by the Fund's Actuary.

Reinsurance

The Fund provides coverage on a self-insured basis and secures excess insurance and/or reinsurance in a form and an amount from an insurance company acceptable to the Commissioner of Banking and Insurance. The Fund uses reinsurance agreements to reduce its exposure to large losses on certain types of insurance. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks reinsured. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. The policy form includes provisions for aggregate reinsurance in addition to specific (individual) reinsurance. The Fund's reinsurance agreements are on a 12/24 exposure period covering claims incurred during the 12- month policy period from January 1 to December 31, which are paid within 24 months of the policy's inception or by December 31 of the subsequent year.

Reinsurance premiums amounted to $8,574,667 and $8,016,553 for the years ended December 31, 2025 and 2024, respectively.

The limits of liability under the various coverages are as follows:

A. Funds Self-insured Retention (S.I.R.) Limit of Liability:
    1. Medical:

Fund Year 2025	Fund Year 2024	
$ 475,000	$ 450,000	Specific limit applied per enrolled employee per policy year.

B. Excess Insurers’ Limit Liability:
    1. Medical:

Fund Year 2025	Fund Year 2024	
$ 475,000	$ 900,000	Reimbursement in excess of the Fund’s specific S.I.R or $475,000 and $450,000 per enrolled employee during 2025 and 2024, respectively.

Net Position

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Administrative Expenses

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

Operating and Non–Operating Revenues and Expenses

Operating revenues include all revenues derived from member and employee contributions. Non–operating revenues principally consist of interest income earned on various interest–bearing accounts and positive changes in the Fund's investment in joint ventures. Operating expenses include expenses associated with the fund operations, including claims expenses, insurance and administrative expenses. Non–operating expenses include negative changes in the Fund's investment in joint ventures.

Rounding

Some schedules in the financial statements may have dollar differences due to rounding adjustments.

Subsequent Events

The Fund has evaluated subsequent events occurring after December 31, 2025 through the date of May 21, 2026, which is the date the financial statements were available to be issued.

NOTE 3: CASH AND CASH EQUIVALENTS

GASB requires disclosure of the level of custodial credit risk assumed by the Fund in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

> Interest Rate Risk – In accordance with its cash management plan, the Fund ensures that any deposit or investments matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.
>
> Credit Risk – The Fund limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed in Note 2: *Summary of Significant Accounting Policies.*
>
> Custodial Credit Risk – The Fund's policy with respect to custodial credit risk requires that the Fund ensures that Fund's cash and cash equivalents are only deposited in financial institutions in which New Jersey insurance funds are permitted to invest their cash and cash equivalents.

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

New Jersey statutes require public depositories to maintain collateral deposits or public funds that exceed insurance limits as follows:

1. The market value of the collateral must equal 5% of the average daily balance of public funds; and in addition; and
2. If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the federal reserve system and has capital funds of not less than $25,000,000.

As of December 31, 2025 and 2024, cash and cash equivalents of the Fund consisted of the following:

	2025	2024
Checking and saving accounts	$ 2,527,996	$ 9,836,793
Cash management fund	22,163	320,336
Total	$ 2,550,159	$ 10,157,129

The bank balances as of December 31, 2025 and 2024 were $4,430,199 and $11,346,091 respectively. Of the above bank balances, $22,163 and $320,336 as of December 31, 2025 and 2024, respectively, is invested with the State of New Jersey Cash Management Fund and is uninsured and unregistered. As of December 31, 2025 and 2024, $500,000 was covered by federal depository insurance for each year and the remaining $3,608,035 and $10,525,754 was collateralized under Government Unit Deposit Protection Act (GUDPA), respectively.

NOTE 4: ACCOUNTS AND OTHER RECEIVABLES

As of December 31, 2025 and 2024, the Fund's accounts and other receivables consisted of the following:

	2025	2024
Accounts and other receivables:		
Member assessments	$ 799,546	$ 528,971
Rebates	1,085,220	1,590,584
Other	95,375	156,374
Total accounts and other receivables	$ 1,980,141	$ 2,275,929

NOTE 5: MEMBERSHIP IN JOINT INSURANCE FUND

Municipal Reinsurance Health Insurance Fund

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

NOTE 5: MEMBERSHIP IN JOINT INSURANCE FUND (continued)

Municipal Reinsurance Health Insurance Fund (continued)

As a member of the MRHIF, the Fund could be subject to supplemental assessments in the event of deficiencies. If the assets of the MRHIF were to be exhausted, members would become responsible for their respective shares of the MRHIF's liabilities. MRHIF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment relates to the total assessments of the membership body. The Fund's equity interest in the MRHIF was $(60,339) and $903,864, respectively, at December 31, 2025 and 2024. The Fund received a dividend in the amount of $778,884 and $0 during the years ending December 31, 2025 and 2024, respectively. As of December 31, the Fund's share of net position in MRHIF is as follows:

	2025	2024
Total assets	$ 25,481,617	$ 31,857,037
Total liabilities	$ 25,750,322	$ 24,039,501
Total net position	$ (268,705)	$ 7,817,536
Total revenues	$ 35,274,577	$ 29,334,338
Total expenses	$ 43,360,818	$ 28,112,403
Change in net position	$ (8,806,241)	$ 1,221,935
Total member dividends	$ 6,981,266	$ -

Financial statements for the MRHIF are available at the office of the MRHIF's Executive Director:

PERMA Risk Management Services
9 Campus Drive, Suite 216
Parsippany, NJ, 07054201-881-7632

NOTE 6: LOSS RESERVES (unaudited)

The liability for unpaid losses and loss adjustment expenses represent a discounted estimate of the ultimate net cost of all losses and loss adjustment expenses incurred but not yet paid as of December 31, 2025 and 2024. This estimate is based on the estimated ultimate cost of settling the claims considering the historical experience of the Fund, various other industry statistics, including the effects of inflation and other societal or economic factors, and the Fund's self–insured retention level. Management believes that the liability for unpaid losses is adequate to cover the ultimate cost of reported and unreported claims incurred but not yet paid. However, the ultimate cost may be more or less than the estimated liability. The unpaid losses are stated net of any recoveries from excess-loss insurance or reinsurance. The Fund has created a loss reserve for any reported and potential unreported losses which have taken place but in which the Fund has not received notices or reports of losses. Amounts shown as negative imprest accounts, if any, represent payments to the claims servicing agents in excess of claims paid on the Fund's loss runs. This amount is shown on the statements of net position as advances to claims servicing agents.

NOTE 6: LOSS RESERVES (unaudited) (continued)

The Fund's actuary and servicing agent have estimated the following loss reserves at December 31, 2025 and 2024:

	2025	2024
Losses incurred but not reported (IBNR)(unaudited)	$ 9,968,994	$ 5,391,675
Less: excess recoveries	839,144	329,431
Total loss reserves, net	$ 9,129,850	$ 5,062,244

The following represents changes in the aggregate reserves for the Fund for the years ended December 31, 2025 and 2024 and for all open fund years:

	2025	2024
Unpaid claims and claim adjustment expenses – beginning of the year	$ 5,062,244	$ 3,677,424
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current period	71,237,208	57,596,808
Increases in provision for insured events of prior years	3,590,624	2,404,514
Total incurred claims and claim adjustment expenses	74,827,832	60,001,322
Payments:		
Claims and claim adjustment expenses attributable to insured events for the current period	61,982,166	52,453,922
Claims and claim adjustment expenses attributable to insured events of prior years	8,778,060	6,162,580
Total payments	70,760,226	58,616,502
Total unpaid claims and claim adjustment expense – end of the year	$ 9,129,850	$ 5,062,244

A contingent liability exists with respect to insurance coverage which would become an actual liability in the event the insuring company might be unable to meet its obligations to the Fund under existing insurance agreements.

NOTE 7: DEFICIT FUND BALANCE

At December 31, 2025 and 2024, the 2025 and 2024 fund years had overall deficits of fund balance of $8,747,742 and $7,309,775, respectively.

Currently, the Fund has no plans to levy an additional assessment to the participating members to eliminate the above deficits.

NOTE 8: CONTINGENCIES

In the normal course of its operations, the Fund has a number of lawsuits filed by claimants in various stages. Although estimated loss reserves have been established by the Fund, a number of these cases may possibly be settled for amounts in excess of the Fund’s loss reserves.

NOTE 9: FINANCIAL CONDITION

The Fund continues to experience financial and operational pressures resulting primarily from increasing healthcare claim costs, elevated utilization of high-cost pharmacy therapies, including GLP-1 medications, general medical trend inflation, and continued volatility in healthcare claims development. These conditions contributed to the Fund reporting an operating deficit at December 31, 2025. Management and the Finance Committee have continued to actively monitor the Fund's financial condition, cash flow requirements, claims experience, and reserve adequacy.

During 2025, the Fund experienced uncertainty associated with the timing and development of IBNR claims liabilities, partially attributable to operational and industry impacts resulting from implementation of the No Surprises Act. Management noted that the delay in claims emergence affected the estimation process for year-end reserves and, accordingly, conservative preliminary IBNR estimates were utilized pending receipt of certified actuarial reserve calculations. As a result, actual claim development may differ from estimates recorded at year-end.

Additionally, the Fund experienced temporary delays in member assessment collections during the year due to administrative processing issues. Despite these timing delays, management indicated that claims activity remained current and operating cash flow remained stable as of the date of the financial statements. The Fund continues to pay claims and administrative obligations in the ordinary course of business.

The Fund, in consultation with its advisors, continues to evaluate and implement various cost containment and financial stabilization initiatives intended to improve long-term operating performance and restore surplus levels. Such initiatives include utilization management strategies, pharmacy program modifications, wellness and preventive care initiatives, provider network optimization alternatives, reference-based pricing considerations, and other plan design modifications intended to mitigate future claim cost increases. Certain previously approved measures, including implementation of out-of-network fee changes, are expected to assist in rebuilding surplus levels over time.

Management and the Finance Committee have also discussed the potential use of supplemental assessments as a future corrective measure to address deficiencies if operating improvements alone are insufficient. However, no supplemental assessment had been approved as of the date of the financial statements, in part due to budgetary constraints affecting participating municipalities.

Because the Fund's financial position is significantly influenced by future healthcare utilization trends, large claimant activity, pharmacy costs, reserve development, and actuarial assumptions, there can be no assurance that additional corrective actions will not be necessary in future periods. Pursuant to the Fund's bylaws and the provisions of the New Jersey Joint Insurance Fund Act, any deficit balance may be funded through supplemental assessments to participating members.

REQUIRED SUPPLEMENTARY INFORMATION, PART II

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
Reconiliation of Claims Liabilities by Fund

	For the Years Ended December 31,							
	Medical		Prescription		Dental		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
Unpaid claims and claim adjustment expenses at the beginning of the year	$ 2,466,918	$ 1,375,635	$ 1,678,058	$ 1,369,829	$ 917,268	$ 931,960	$ 5,062,244	$ 3,677,424
Incurred claims and claim adjustment expense:								
Provision for insured events of the current period	63,848,348	50,961,630	5,754,196	5,082,871	1,634,664	1,552,307	71,237,208	57,596,808
Increase (decrease) in provision for insured events of prior years	3,802,522	2,604,781	(195,316)	(200,302)	(16,582)	35	3,590,624	2,404,514
Total incurred claims and claim adjustment expenses	67,650,870	53,566,411	5,558,880	4,882,569	1,618,082	1,552,342	74,827,832	60,001,322
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current period	55,216,434	46,557,103	5,228,440	4,421,642	1,537,292	1,475,177	61,982,166	52,453,922
Claims and claim adjustment expenses attributable to insured events of prior year	8,251,600	5,918,025	465,912	152,698	60,548	91,857	8,778,060	6,162,580
Total payments	63,468,034	52,475,128	5,694,352	4,574,340	1,597,840	1,567,034	70,760,226	58,616,502
Unpaid claims and claim adjustments expenses at the end of the year	$ 6,649,754	$ 2,466,918	$ 1,542,586	$ 1,678,058	$ 937,510	$ 917,268	$ 9,129,850	$ 5,062,244

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
Ten-year Claims Development Information

	For the Fiscal Period Ended December 31, 2025 and Policy Period Ended December 31,									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Required contribution and investment revenue:										
Earned	$ 41,519,165	$ 43,132,797	$ 44,774,623	$ 39,815,417	$ 41,391,617	$ 40,678,591	$ 40,910,045	$ 50,356,568	$ 62,925,598	$ 73,040,536
Ceded	2,731,604	3,967,624	4,662,341	4,583,708	4,117,800	4,386,887	5,007,663	6,525,959	8,016,553	9,353,551
Net earned	38,787,561	39,165,173	40,112,282	35,231,709	37,273,817	36,291,704	35,902,382	43,830,609	54,909,045	63,686,985
Unallocated expenses	2,609,167	2,424,305	2,428,822	2,433,825	2,612,581	2,599,481	2,488,819	2,938,326	3,271,687	3,104,557
Estimated claims and expenses, end of policy year:										
Incurred	36,078,621	35,284,714	33,120,754	29,854,985	34,041,157	33,393,614	32,439,618	44,238,865	60,509,998	71,237,209
Ceded	2,034,669	1,890,393	1,768,059	140,136	1,948,008	464,228	206,676	-	-	-
Net incurred	34,043,952	33,394,321	31,352,695	29,714,849	32,093,149	32,929,386	32,232,942	44,238,865	60,509,998	71,237,209
Net paid (cumulative) as of:										
End of policy year	31,513,953	30,008,322	28,499,695	27,941,351	29,307,154	29,886,385	29,374,998	38,437,396	52,453,922	61,982,166
One year later	33,341,380	32,218,333	30,309,127	39,832,891	33,692,490	33,259,778	32,293,358	44,238,865	60,429,356	-
Two years later	33,079,215	32,276,329	30,396,235	29,980,149	33,803,077	33,515,915	32,293,358	44,238,865	-	-
Three years later	33,079,215	32,276,329	30,396,235	29,980,149	33,803,077	33,515,915	32,293,358	-	-	-
Four years later	33,079,215	32,276,329	30,396,235	29,980,149	33,803,077	33,515,915	-	-	-	-
Five years later	33,079,215	32,276,329	30,396,235	29,980,149	33,803,077	-	-	-	-	-
Six years later	33,079,215	32,276,329	30,396,235	29,980,149	-	-	-	-	-	-
Seven years later	33,079,215	32,276,329	30,396,235	-	-	-	-	-	-	-
Eight years later	33,079,215	32,276,329	-	-	-	-	-	-	-	-
Nine years later	33,079,215	-	-	-	-	-	-	-	-	-
Reestimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
Net paid (cumulative) as of:										
End of policy year	34,043,952	33,394,321	31,352,695	29,714,849	32,093,149	32,929,386	32,232,942	42,114,820	57,596,808	71,237,209
One year later	33,391,379	32,238,332	30,424,629	29,832,891	33,692,848	33,259,778	32,293,356	44,238,865	60,509,998	-
Two years later	33,079,214	32,276,328	30,396,235	29,980,149	33,803,073	33,515,916	32,293,356	44,238,865	-	-
Three years later	33,079,214	32,276,328	30,396,235	29,980,149	33,803,073	33,515,916	32,293,356	-	-	-
Four years later	33,079,214	32,276,328	30,396,235	29,980,149	33,803,073	33,515,916	-	-	-	-
Five years later	33,079,214	32,276,328	30,396,235	29,980,149	33,803,073	-	-	-	-	-
Six years later	33,079,214	32,276,328	30,396,235	29,980,149	-	-	-	-	-	-
Seven years later	33,079,214	32,276,328	30,396,235	-	-	-	-	-	-	-
Eight years later	33,079,214	32,276,328	-	-	-	-	-	-	-	-
Nine years later	33,079,214	-	-	-	-	-	-	-	-	-
Increased/ (decreased) in estimated net incurred claims and expense from end of policy year	$ (964,738)	$ (1,117,993)	$ (956,460)	$ 265,300	$ 1,709,924	$ 586,530	$ 60,414	$ 2,124,045	$ 2,913,190	$ -

COMBINING SUPPLEMENTARY SCHEDULES

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
Combinining Statements of Net Position
December 31, 2025 and 2024

	Fund Year			
	Closed Years	**2024**	**2025**	**Total**
ASSETS				
Cash and cash equivalents	$ 11,311,135	$ (7,535,038)	$ (1,225,928)	$ 2,550,169
Accrued interest	2,960	(1,513)	1,811	3,258
Accounts and other receivables:				
Member assessments	(5,028)	745	803,829	799,546
Rebates	-	-	1,085,220	1,085,220
Other	-	-	95,375	95,375
Investment in joint venture	(223,995)	100,859	62,797	(60,339)
Total assets	11,085,072	(7,434,947)	823,104	4,473,229
LIABILITIES				
Loss reserves for estimated heath claims incurred but not reported (unaudited)	-	(125,192)	9,255,042	9,129,850
Accounts payable	59,071	-	83,232	142,303
Accrued expenses	-	-	232,572	232,572
Dividends payable	1,455,102	-	-	1,455,102
Total liabilities	1,514,173	(125,192)	9,570,846	10,959,827
NET POSITION				
Unrestricted	9,570,899	(7,309,755)	(8,747,742)	(6,486,598)
Total net position	$ 9,570,899	$ (7,309,755)	$ (8,747,742)	$ (6,486,598)

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
Combining Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2025 and 2024

	Fund Year			
	Closed Years	**2024**	**2025**	**Total**
Operating revenues:				
Member assessments	$ -	$ -	$ 73,898,368	$ 73,898,368
Employees' contributions	-	-	922,121	922,121
Total operating revenues	-	-	74,820,489	74,820,489
Operating expenses:				
Provision for health claim benefits (net of reinsurance of $839,144 and $329,433 for 2025 and 2024, respectively)	677,433	2,913,190	71,237,209	74,827,832
Reinsurance premiums (net of dividends of $778,884 and $0 for 2025 and 2024, respectively)	(778,884)	-	9,353,551	8,574,667
Administration	-	-	552,820	552,820
Claims administration	-	(29,947)	1,084,528	1,054,581
Other contractual/non-contractual expenses	1,352	(18,610)	1,467,209	1,449,951
Total operating expenses	(100,099)	2,864,633	83,695,317	86,459,851
Operating income (loss)	100,099	(2,864,633)	(8,874,828)	(11,639,362)
Non-operating revenues (expenses):				
Change in investment in joint venture	(817,313)	(209,688)	62,797	(964,204)
Investment income	231,360	4,910	64,289	300,559
Total non-operating (expenses) revenues	(585,953)	(204,778)	127,086	(663,645)
Change in net position	(485,854)	(3,069,411)	(8,747,742)	(12,303,007)
Net position January 1	10,056,753	(4,240,344)	-	5,816,409
Net position, December 31	$ 9,570,899	$ (7,309,755)	$ (8,747,742)	$ (6,486,598)

STATISTICAL SECTION
(unaudited)

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
Net Position by Component
Last Ten-Years
(Unaudited)

	December 31,									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Business-type activities, net position:										
Net position:										
Unrestricted	$ 18,007,291	$ 18,577,048	$ 22,998,631	$ 24,024,780	$ 20,504,257	$ 16,805,238	$ 13,273,319	$ 11,915,533	$ 5,816,409	$ (6,486,598)
Total business-type activities, net position	$ 18,007,291	$ 18,577,048	$ 22,998,631	$ 24,024,780	$ 20,504,257	$ 16,805,238	$ 13,273,319	$ 11,915,533	$ 5,816,409	$ (6,486,598)

Source - Insurance fund financial records.

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
Schedule of Change in Net Position
Last Ten Years
(Unaudited)

	Year Ended December 31,									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Revenues:										
Member assessments	$ 41,342,746	$ 42,527,487	$ 44,344,872	$ 39,705,636	$ 41,372,273	$ 40,670,713	$ 40,890,081	$ 50,780,727	$ 63,573,349	$ 73,898,368
Employees' contributions	91,977	157,431	188,228	172,899	304,936	301,522	305,182	485,247	731,013	922,121
Other income	-	-	13,541	-	23,655	-	-	-	-	-
Change in investment in joint venture	289,253	25,005	33,089	(57,699)	176,974	(935,632)	(465,902)	192,564	183,719	(964,204)
Dividend income	-	-	-	-	-	-	-	-	-	-
Investment income	58,315	158,608	393,197	581,517	308,105	88,252	170,851	623,148	576,080	300,559
Total revenues	41,782,291	42,868,531	44,972,927	40,402,353	42,185,943	40,124,855	40,900,212	52,081,686	65,064,161	74,156,844
Expenses:										
Provision for health claim benefits, net	33,343,106	32,578,733	29,884,541	28,824,779	32,182,797	34,675,979	32,673,923	42,431,372	60,001,322	74,827,832
Reinsurance premiums, net	1,196,568	3,534,813	4,118,096	3,866,168	3,410,126	3,896,183	4,853,810	6,243,310	8,016,553	8,574,667
Administration	299,040	307,192	322,229	336,381	378,581	385,376	394,491	447,534	528,124	552,820
Claims administration	1,201,801	1,131,012	1,101,267	911,639	904,414	864,624	731,339	873,834	881,032	1,054,581
Other contractual/non-contractual expenses	2,377,509	1,033,058	1,025,211	1,337,237	1,330,548	1,192,100	1,273,018	1,452,013	1,736,254	1,449,951
Total expenses	38,418,024	38,584,808	36,451,344	35,276,204	38,206,466	41,014,262	39,926,581	51,448,063	71,163,285	86,459,851
Member dividends	1,502,509	3,713,966	4,100,000	4,100,000	7,500,000	2,809,612	4,505,550	1,991,409	-	-
Change in net position	$ 1,861,758	$ 569,757	$ 4,421,583	$ 1,026,149	$ (3,520,523)	$ (3,699,019)	$ (3,531,919)	$ (1,357,786)	$ (6,099,124)	$ (12,303,007)

Source - Insurance fund financial records.

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
Membership Growth Analysis - By Fund Year
Last Ten Years
(Unaudited)

	December 31,									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Total number of members	24	24	25	27	28	28	27	31	32	32
Total number of employees	5,051	4,055	4,093	2,753	2,825	2,860	2,796	3,331	3,706	3,086
Total member assessments	$ 41,342,746	$ 42,527,487	$ 44,344,872	$ 39,705,636	$ 41,372,273	$ 40,670,713	$ 40,890,081	$ 50,780,727	$ 63,573,349	$ 73,898,368
Total reported losses	$ 31,513,953	$ 30,008,322	$ 28,499,695	$ 27,941,351	$ 29,307,154	$ 29,886,385	$ 29,374,998	$ 38,437,396	$ 52,453,922	$ 61,982,166

Source - Insurance fund financial records.

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
Reported Loss History - By Fund Year *
Last Ten Years
(Unaudited)

	December 31,									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Medical	$ 25,546,183	$ 26,574,226	$ 25,203,105	$ 24,434,829	$ 26,344,382	$ 27,565,085	$ 26,317,764	$ 34,111,761	$ 46,557,103	$ 55,216,434
Prescription	4,621,955	2,165,542	2,020,815	2,185,610	1,740,647	925,823	1,736,277	2,830,485	4,421,642	5,228,440
Dental	1,345,815	1,268,554	1,275,775	1,320,912	1,222,125	1,395,477	1,320,957	1,495,150	1,475,177	1,537,292
Total	$ 31,513,953	$ 30,008,322	$ 28,499,695	$ 27,941,351	$ 29,307,154	$ 29,886,385	$ 29,374,998	$ 38,437,396	$ 52,453,922	$ 61,982,166

* During its years of existence, the Fund has incurred the following reported losses (paid claim plus case reserves from claims incurred by Fund members) from claims coverages, and the change in the average cost per claim. These amounts do not include incurred but not reports (IBNR) claims estimates.

GENERAL COMMENTS AND RECOMMENDATIONS

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND
General Comments and Recommendations
December 31, 2025

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Banking and Insurance, Department of Community Affairs, State of New Jersey.

Financial Statement Findings:

None noted.

This section identifies the status of prior year's findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* ,and with audit requirements prescribed by the Division of Banking and Insurance, Department of Community Affairs, State of New Jersey.

Financial Statement Findings:

There were no prior year findings.