



New Jersey Legislature
★ *Office of* LEGISLATIVE SERVICES ★
OFFICE OF THE STATE AUDITOR

Schedule of Benefit Claim Payments
and Expenses for the State of New Jersey
State Health Benefit Program Fund – Local Education Retired
For the Year Ended June 30, 2023

David J. Kaschak
State Auditor



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The Honorable Philip D. Murphy
Governor of New Jersey

The Honorable Nicholas P. Scutari
President of the Senate

The Honorable Craig J. Coughlin
Speaker of the General Assembly

Ms. Maureen McMahon
Executive Director
Office of Legislative Services

Enclosed is our report on the audit of the Schedule of Benefit Claim Payments and Expenses for the State of New Jersey, State Health Benefit Program Fund – Local Education Retired, for the year ended June 30, 2023. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink that reads "David J. Kaschak".

David J. Kaschak
State Auditor
May 14, 2024

State of New Jersey
State Health Benefit Program Fund – Local Education Retired
Report on a Specific Element of the Financial Statement
Schedule of Benefit Claim Payments and Expenses
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For the Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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Report on the Audit of the Schedule

Opinion

We have audited the Schedule of Benefit Claim Payments and Expenses made for the State of New Jersey, State Health Benefit Program Fund – Local Education Retired, for the year ended June 30, 2023, and the related note.

In our opinion, the accompanying schedule presents fairly, in all material respects, the benefit claim payments and expenses made for the State of New Jersey, State Health Benefit Program Fund – Local Education Retired, for the year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the State of New Jersey 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 audit opinion.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the schedule 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 the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the schedule.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the schedule, 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 schedule.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of New Jersey'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 schedule.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of New Jersey'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.

Other Matter

We have audited, in accordance with GAAS and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of New Jersey, as of and for the year ended June 30, 2023, which collectively comprise the state's basic financial statements, and have issued our report thereon dated March 27, 2024, which expressed an unmodified opinion on those financial statements.



David J. Kaschak
State Auditor
May 14, 2024

State of New Jersey
State Health Benefit Program Fund – Local Education Retired
Report on a Specific Element of the Financial Statement
Schedule of Benefit Claim Payments and Expenses
For the Year Ended June 30, 2023

DEDUCTIONS:

Benefit Payments	\$1,437,516,858
Administrative Expense	<u>5,174,071</u>
Total Benefit Claim Payments and Expenses	<u>\$1,442,690,929</u>

State of New Jersey
State Health Benefit Program Fund – Local Education Retired
Report on a Specific Element of the Financial Statement
Note to the Schedule of Benefit Claim Payments and Expenses
For the Year Ended June 30, 2023

NOTE 1 – Measurement Focus, Basis of Accounting, and Benefit Claim Payments Presentation

The State Health Benefit Program Fund – Local Education Retired was reported as a fiduciary fund for the fiscal year ended June 30, 2023. The Schedule of Benefit Claim Payments and Expenses is a report on a specific element of the fund’s financial statements and is presented using the same measurement focus and basis of accounting as the fund’s financial statements. Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.