

**ATLANTIC AND CAPE MAY COUNTIES
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
JOINT INSURANCE FUND
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Atlantic and Cape May Counties Association
of School Business Officials Joint Insurance Fund
P.O. Box 530
6000 Sagemore Drive, Suite 6203
Marlton, New Jersey 08053

Report on the Financial Statements

We have audited the accompanying financial statements of the Atlantic and Cape May Counties Association of School Business Officials Joint Insurance Fund (the "Fund") as of and for the fiscal years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively 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.

Auditor's 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and in compliance with 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. 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 auditor's 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 entity'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 audit opinion.

Board of Trustees
Atlantic and Cape May Counties Association
of School Business Officials Joint Insurance Fund

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Atlantic and Cape May Counties Association of School Business Officials Joint Insurance Fund as of June 30, 2015 and 2014 and the changes in its financial position and its cash flows for the fiscal years then ended, in conformity 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 other required supplementary information 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Atlantic and Cape May Counties Association of School Business Officials Joint Insurance Fund's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements and are presented for purposes of additional analysis. The accompanying supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Trustees
Atlantic and Cape May Counties Association
of School Business Officials Joint Insurance Fund

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2016 on our consideration of the Fund's internal control over financial reporting and 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 the 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.

Respectfully Submitted,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

Bowman & Company LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
January 29, 2016

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Atlantic and Cape May Counties Association
of School Business Officials Joint Insurance Fund
P.O. Box 530
6000 Sagemore Drive, Suite 6203
Marlton, New Jersey 08053

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 in compliance with 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 the Atlantic and Cape May Counties Association of School Business Officials Joint Insurance Fund (the "Fund") as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collective comprise the Fund's basic financial statements, and have issued our report thereon dated January 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting (internal control) to determine the 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 over financial reporting 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 significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Trustees
Atlantic and Cape May Counties Association
of School Business Officials Joint Insurance Fund

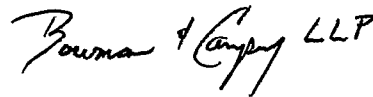
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of 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 determination of financial statement amounts. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and the 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.

Respectfully Submitted,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

Bowman & Company LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
January 29, 2016

**Atlantic & Cape May Counties
Association of School Business Officials Joint Insurance Fund**

Management's Discussion and Analysis

This section of the annual financial report of the Atlantic & Cape May Counties Association of School Business Officials Joint Insurance Fund (the "Fund") presents a discussion and analysis of the financial performance of the Fund for the fiscal years ended June 30, 2015, 2014 and 2013. Please read it in conjunction with the basic financial statements that follow this section.

Overview of Basic Financial Statements

The Fund's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises where applicable. The primary purpose of the Fund is to provide property and casualty insurance coverage for school districts that are members of the Fund. The Fund maintains separate enterprise funds by incurred years and line of coverage. The basic financial statements are presented on an accrual basis of accounting. The three basic financial statements presented are as follows:

Comparative Statements of Net Position – This statement presents information reflecting the Fund's assets, liabilities, reserves, and net position. Net position represents the amount of total assets less total liabilities and reserves.

Comparative Statements of Revenues, Expenses, and Changes in Net Position – This statement reflects the Fund's operating revenues and expenses, as well as non-operating items during the reporting period. The change in net position for an enterprise fund is similar to net profit or loss for any other insurance company.

Comparative Statements of Cash Flows – The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

Financial Highlights

The following tables summarize the Net Position and results of operations for the Fund as of and for the fiscal years ended June 30, 2015, 2014 and 2013.

Net Position Summary	6/30/2015	6/30/2014	6/30/2013	2014 to 2015 Change	
				Amount	Percentage
Assets					
Cash & Cash Equivalents	\$ 5,505,861	\$ 5,607,820	\$ 473,270	\$ (101,959)	-1.8%
Investments	9,021,395	8,554,310	10,965,008	467,085.00	5.5%
Other Assets	3,282,046	2,345,123	2,376,471	936,923	40.0%
Total Assets	17,809,302	16,507,253	13,814,749	1,302,049	7.9%
Liabilities & Net Position					
Liabilities					
Loss Reserves	9,844,757	10,912,478	9,818,187	(1,067,721)	-9.8%
Other Liabilities & Reserves	1,294,670	1,052,242	508,158	242,428	23.0%
Total Liabilities	11,139,427	11,964,720	10,326,345	(825,293)	-6.9%
Net Position - Unrestricted	\$ 6,669,875	\$ 4,542,533	\$ 3,488,404	\$ 2,127,342	46.8%

Net Position increased by 46.8%, to \$6,669,875, primarily due to an increase in fair market value of debt obligations and increase in Specific and Aggregate Excess Insurance Receivable.

Statement of Revenues, Expenses, and Changes In Net Position Summary	6/30/2015	6/30/2014	6/30/2013	2014 to 2015 Change	
				Amount	Percentage
Operating Revenue					
Regular Contributions & Other Income	\$10,205,084	\$ 9,821,840	\$ 9,370,518	\$ 383,244	3.9%
Operating Expenses					
Net Claims and Claims Adjustment Expenses	4,117,027	4,883,884	5,425,755	(766,857)	-15.7%
Reinsurance & Group Insurance Premiums	2,380,745	2,264,195	2,579,110	116,550	5.1%
Change in Provisions for SPELL Aggregate					
Excess Insurance Contribution	352,180	458,596	(61,101)	(106,416)	-23.2%
Professional & Contractual Services	1,308,393	1,256,484	1,287,592	51,909	4.1%
Total Operating Expenses	8,158,345	8,863,159	9,231,356	(704,814)	-8.0%
Operating Income	2,046,739	958,681	139,162	1,088,058	113.5%
Investment Income	80,603	95,448	49,401	(14,845)	-15.6%
Change In Net Position	\$ 2,127,342	\$ 1,054,129	\$ 188,563	\$ 1,073,213	-101.8%

Financial Highlights Continued

During the year, the Fund continued in its long-term success in controlling administrative and operating costs. The Fund's overall Budget increase for the 2014-2015 Fund Year was a 3.9% increase over the 2013-2014 Fund Year. The increases were driven by loss experience development and overall exposure increases within the fund membership.

The Fund reported a deficit for the 2010-2011, 2009-2010, 2008-2009, 2007-2008 and 2002-2003 fund years. The 2010-2011 deficit was caused by current ultimate loss projections for automobile liability and workers' compensation exceeding actuarial expectations. The 2009-2010 deficit was caused by current ultimate loss projections for workers' compensation exceeding actuarial expectations. The 2008-2009 deficit was caused by current ultimate loss projections for automobile liability, workers' compensation, and educator's legal liability exceeding actuarial expectations. The 2007-2008 deficit was caused by current ultimate loss projections for workers' compensation exceeding actuarial expectations. The 2002-2003 deficit was caused by current ultimate loss projections for workers' compensation exceeding actuarial expectations. The ultimate liability to the applicable fund years were capped as a result of aggregate excess liability insurance protection.

The Fund did not authorize a surplus return to its members during the 2014-2015 Fund Year. The Fund is taking a prudent approach toward surplus distribution in recognition of lower investment income and diminished present results in the more recent fund years.

Economic Conditions

Investment Income did improve by approximately 16% on a gross basis. For reporting purposes, the dollar amount of interest income is lower year over year due to the recognition of unrealized losses which increased at year end 6/30/2015 based upon the maturity dates of newer investments. Unrealized losses are a book entry only as all investments are held to maturity. The Fund regularly monitors investment maturities in reference to liabilities and market conditions. Overall, market conditions appear to be improving.

Reinsurance costs in the United States remain very stable as the global market remains soft, although premium levels do appear to be leveling off in some market segments as carrier results begin to deteriorate slightly and signs of a hardening market may be developing on the horizon. Workers' compensation costs continue to be influenced by medical inflation and increased indemnity awards. Generally, extended periods of economic recession are accompanied by deterioration in overall workers' compensation loss experience. Employment practice exposures are always a material concern and exposures continue to grow as a result of the development and expansion of laws in this area. The Fund monitors these economic conditions and continues an emphasis on employer & employee training to reduce accidents and claims.

Contacting the Fund's Management

This financial report is designed to provide the Atlantic & Cape May Counties Association of School Business Officials Joint Insurance Fund members and the Department of Banking and Insurance of the 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 Atlantic & Cape May Counties Association of School Business Officials Joint Insurance Fund office located at 6000 Sagemore Drive, Suite 6203, Marlton, New Jersey 08053 or by phone at (856) 446-9132.

ATLANTIC AND CAPE MAY COUNTIES
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS JOINT INSURANCE FUND
COMPARATIVE STATEMENTS OF NET POSITION
AS OF JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 5,505,861	\$ 5,607,820
Investments	9,021,395	8,554,310
Accrued Interest Receivable	26,764	26,770
Specific Excess Insurance Receivable	853,133	522,430
Aggregate Excess Insurance Receivable	<u>2,402,149</u>	<u>1,795,923</u>
Total Assets	<u>17,809,302</u>	<u>16,507,253</u>
<u>LIABILITIES AND RESERVES</u>		
Liabilities:		
Accrued Administrative Expenses	180,425	178,571
Provision for SPELL Aggregate Excess Insurance Contribution	932,615	580,435
Claims Payable		70,760
Unearned Contributions	3,498	3,498
Authorized Return of Surplus	139,631	180,477
Accrued Interest on Authorized Return of Surplus	<u>38,501</u>	<u>38,501</u>
Total Liabilities	<u>1,294,670</u>	<u>1,052,242</u>
Reserves:		
Claims:		
Case Reserves	11,096,248	11,024,524
IBNR Reserves	<u>2,820,732</u>	<u>3,145,055</u>
	13,916,980	14,169,579
Provision for Excess Insurance Recoverable:		
Specific Excess Insurance Recoverable	(2,138,966)	(1,607,339)
Aggregate Excess Insurance Recoverable	<u>(1,933,257)</u>	<u>(1,649,762)</u>
Net Reserves	<u>9,844,757</u>	<u>10,912,478</u>
Total Liabilities and Reserves	<u>11,139,427</u>	<u>11,964,720</u>
<u>NET POSITION</u>		
Unrestricted	<u>\$ 6,669,875</u>	<u>\$ 4,542,533</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

ATLANTIC AND CAPE MAY COUNTIES
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS JOINT INSURANCE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating Revenue:		
Regular Contributions	\$ 10,205,084	\$ 9,821,840
Operating Expenses:		
Provision for Claims and Claims Adjustment Expenses	4,117,027	4,883,884
Insurance Premiums:		
Excess Insurance	2,380,745	2,264,195
Change in Provisions for SPELL		
Aggregate Excess Insurance Contribution	352,180	458,596
Administrative Expenses:		
Actuary	22,369	21,930
Attorney	94,000	92,000
Auditor	18,410	17,634
Claims Administration	258,877	225,147
Fidelity Bond	1,113	1,113
Fund Administrator	571,295	554,655
Meetings & Seminars	750	750
Miscellaneous	2,533	4,632
Planning Retreat	3,090	
Postage and Printing	1,186	1,468
Recording Secretary	1,075	1,075
Risk Management Consultants	162,877	165,323
Safety - Right To Know Training	5,136	6,150
Safety Director	83,318	83,318
Safety Incentive Program	44,500	40,500
Safety Training	17,905	21,328
State of the Fund Dinner	6,819	6,561
Treasurer	13,140	12,900
	<u>8,158,345</u>	<u>8,863,159</u>
Operating Income	2,046,739	958,681
Non-Operating Revenue:		
Investment Income	<u>80,603</u>	<u>95,448</u>
Change in Net Position	2,127,342	1,054,129
Net Position, Beginning of Year	<u>4,542,533</u>	<u>3,488,404</u>
	6,669,875	4,542,533
Distributions to Members	<u>-</u>	<u>-</u>
Net Position, End of Year	<u>\$ 6,669,875</u>	<u>\$ 4,542,533</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

ATLANTIC AND CAPE MAY COUNTIES
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS JOINT INSURANCE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Receipts from Regular Contributions	\$ 10,205,084	\$ 9,821,840
Payments for Claim Payments	(6,192,437)	(3,699,471)
Payments for Insurance Premiums	(2,380,745)	(2,264,195)
Payments to Professionals and Suppliers	(1,306,539)	(1,249,408)
Net Cash Flows Provided By Operating Activities	<u>325,363</u>	<u>2,608,766</u>
Cash Flows From Investing Activities:		
Redemption of Investments	3,000,000	5,900,000
Purchase of Investments	(3,499,200)	(3,500,000)
Investment Income	112,724	118,132
Net Cash Flows Provided By (Used in) Investing Activities	<u>(386,476)</u>	<u>2,518,132</u>
Cash Flows From Noncapital Financing Activities:		
Distributions to Members	(40,846)	7,652
Net Increase (Decrease) in Cash and Cash Equivalents	(101,959)	5,134,550
Cash and Cash Equivalents, Beginning of Year	<u>5,607,820</u>	<u>473,270</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,505,861</u>	<u>\$ 5,607,820</u>
Reconciliation of Operating Income to		
Cash Flows From Operating Activities:		
Operating Income	\$ 2,046,739	\$ 958,681
Adjustments to Reconcile Operating Income		
to Net Cash Provided By Operating Activities:		
Increase in Contribution Receivable		
Excess Insurance Receivable	(936,929)	19,362
Accrued Expenses	354,034	465,672
Claims Payable	(70,760)	70,760
Claims Reserves	(1,067,721)	1,094,291
Net Cash Flows Provided By Operating Activities	<u>\$ 325,363</u>	<u>\$ 2,608,766</u>
Supplemental Disclosure - Non-cash Activity:		
Unrealized Gain on Investments included in		
Investment Income	<u>\$ 30,820</u>	<u>\$ 62,935</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

ATLANTIC AND CAPE MAY COUNTIES
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 1: ORGANIZATION AND DESCRIPTION OF THE FUND

The Atlantic and Cape May Counties Association of School Business Officials Joint Insurance Fund was formed on July 1, 1991 in accordance with P.L. 1983, C.108, entitled "An Act Concerning Board of Education Insurance", and supplementing Chapter 18B of Title 18A of the New Jersey Statutes. The initial participating Boards of Education established the Fund for the purpose of securing significant savings in insurance cost as well as providing stability in coverage. The Fund is operated in accordance with regulations of the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

The Board of Trustees of the Fund may approve the membership of any New Jersey School Board by a majority vote or may terminate any member by a two-thirds vote, after proper notice has been given. Approval of participation is granted for a minimum of one plan period and a maximum of three plan periods at a time.

During the fiscal year ended June 30, 2015, members of the Fund included the following School Districts: Brigantine City, Egg Harbor City, Egg Harbor Township, Estell Manor City, Folsom Borough, Greater Egg Harbor Regional High School, Hamilton Township, Jackson Township, Lower Township, Lower Cape May Regional High School, Mainland Regional High School, Middle Township, Northfield City, North Wildwood City, Pitman Borough, Somers Point Borough, and Weymouth Township.

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

The Fund offers the following coverages to its members:

- Property (including Crime and Auto Physical Damage)
- General Liability
- Automobile Liability
- Workers Compensation
- Educators Legal Liability
- Boiler and Machinery (Group Purchase)
- Pollution Legal Liability (Group Purchase)
- Student Accident Insurance (Group Purchase)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant policies followed by the Atlantic and Cape May Counties Association of School Business Officials Joint Insurance Fund (the "Fund") in the preparation of the accompanying financial statements:

ATLANTIC AND CAPE MAY COUNTIES
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 GASB Statements 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*. Blended component units, although legally separate entities, are in-substance part of the government'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 government.

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 government and / or its citizens.

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 government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria the Fund has no component units and is not includable in any other reporting entity.

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 Governmental Accounting Standards Board (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 - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. 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.

ATLANTIC AND CAPE MAY COUNTIES
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governments units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

Additionally, the Fund has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. 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.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured.

All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Annual Contributions

Annual contributions, as determined by the Fund's Board of Trustees, are due within 30 days of the due date fixed by the Board of Trustees, but not later than February 1. Total contributions are recognized as earned revenue evenly over the fiscal contract period or period of risk, if different.

Supplemental Contributions

The Fund Trustees shall by majority vote levy upon the participants additional assessments whenever needed or so ordered by the Commissioner of Banking and Insurance 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.

ATLANTIC AND CAPE MAY COUNTIES
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment Income Allocation

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

Unpaid Claims Liabilities

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage's such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are reflected in reserves and cumulative expenses in the periods being reported upon.

A. Reported Claims Case Reserves

Case reserves include estimated unpaid claims cost for both future payments of losses and related allocated claim adjustment expenses as reported by the service agent, Qual-Lynx, Inc.

B. Claims Incurred But Not Reported (IBNR) Reserve

In order to recognize claims incurred but not reported, the Fund's actuary, The Actuarial Advantage, Inc., calculates a reserve.

Case and IBNR Reserves represent the estimated liability on expected future development on claims already reported to the Fund plus claims incurred but not yet reported and unknown loss events that are expected to become claims. The liabilities for claims and related adjustment expenses 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 June 30, 2015. 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 and frequency and other factors.

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

Specific/Aggregate Excess Insurance

Specific Excess Insurance - The Fund records each claim at the estimated ultimate cost of settlement even if the costs should exceed the Fund's specific claim self-insured retention level.

ATLANTIC AND CAPE MAY COUNTIES
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Specific/Aggregate Excess Insurance (Cont'd)

Aggregate Excess Insurance - The Fund seeks to limit its exposure to loss in the aggregate by ceding reinsurance to excess carriers under excess coverage insurance contracts in the event that the accumulation of dollars spent within the Fund's retention reaches a predetermined value or attachment point.

Although the excess carrier is liable to the Fund for the amounts insured, the Fund remains liable to its insured's for the full amount of the policies written whether or not the excess carrier meets its obligations to the Fund. Failure of the excess carrier to honor its obligations could result in losses to the Fund. The Fund's Insurance Broker evaluates the financial condition of the excess carrier and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the excess carrier to minimize the Fund's exposure to significant losses from excess carrier insolvencies.

Losses ceded to excess carriers for the fiscal years ended June 30, 2015 and 2014 amounted to \$3,458,416 and \$1,348,356 respectively.

Fund Transfers

All fund transfers are recognized at the time actual transfers take place.

Intertrust fund transfers may be conducted by the fund at any time. Intertrust fund transfers require prior approval of the Department of Banking and Insurance and may be conducted only where each member participates in each and every loss retention fund account during that fund year.

The Commissioner of the Department of Banking and Insurance shall waive the full participation requirement provided the Fund demonstrates to the Department that it maintains records of each members pro rata share of each claim or loss retention fund account, and that the transfer shall be made so that any potential dividend shall not be reduced for a member that did not participate in the account receiving the transfer.

Interyear fund transfers require prior approval of the Department of Banking and Insurance. The Fund may seek approval from the Commissioner to make interyear fund transfers at any time from a claims or loss retention trust account from any year which has been completed for at least twenty-four months. The interyear fund transfer may be in any amount subject to the limitation that after the transfer, the remaining net current surplus must equal or exceed the surplus retention requirement outlined in N.J.A.C. 11:15-4.21.

The membership for each fiscal year involving interyear transfers must be identical between fiscal years. The Commissioner of the Department of Banking and Insurance shall waive the identical membership requirement provided the fund demonstrates to the Department that it maintains records of each members pro rata share of each claim or loss retention fund account, and that the transfer shall be made so that any potential dividend shall not be reduced for a member that did not participate in the year receiving the transfer.

ATLANTIC AND CAPE MAY COUNTIES
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subrogation

Subrogation and all other recoverable claim amounts, excluding excess insurance, are recognized upon receipt of cash only.

Return of Surplus/Dividends

Refunds (dividends) are recognized upon authorization of the Fund's Trustees. Any moneys for a Fund year in excess of the amount necessary to fund all obligations for that fiscal year may be declared to be refundable by the Fund not less than twenty-four months after the end of the fiscal year. The initial and any subsequent refund for any year from a Claim or Loss Retention Account may be in any amount subject to the limitation that after the transfer, the remaining net current surplus must equal or exceed the surplus retention requirement outlined in N.J.A.C. 11:15-4.21.

A full and final refund of net current surplus will not be allowed until all case reserves and all unpaid claim reserves are closed. A refund for any fiscal year shall be paid only in proportion to the member's participation (percentage of contribution to all contributions) to the fund for such year. Payment of a refund on a previous year shall not be contingent on the members' continued membership in the fund after that year.

Valuation of Investments

Among the Fund's investment objectives are preservation of principal, diversification, and maximization of interest yield. The Fund invests in various securities with the intent of holding them until maturity. Investments are reported at fair market value. Realized and unrealized gains and losses from sales of investments are recognized as a component of investment income.

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 Delegates/Board of Trustees. 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 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 Board.

ATLANTIC AND CAPE MAY COUNTIES
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from member contributions. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities.

Operating expenses include expenses associated with the fund 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 accompanying notes. Actual results may differ from those estimates.

Note 3: CASH AND CASH EQUIVALENTS

Custodial Credit Risk

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 the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (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 \$5,685,236 as of June 30, 2015, \$250,000 was insured while \$5,435,236 was collateralized under GUDPA.

Of the Fund's bank balance of \$5,713,262 as of June 30, 2014, \$250,000 was insured while \$5,463,262 was collateralized under GUDPA.

New Jersey Cash Management Fund

During the year, the Fund participated in the New Jersey Cash Management Fund. The Cash Management Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At June 30, 2015 and 2014 the Fund's deposits with the New Jersey Cash Management Fund were \$2,374 and \$2,372, respectively.

ATLANTIC AND CAPE MAY COUNTIES
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 4: INVESTMENTS

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fund, and are held by either the counterparty or the counterparty's trust department or agent but not in the Fund's name. All of the Fund's investments in Federal Home Loan Bank Notes (FHLB), Federal National Mortgage Association Notes (FNMA) and Federal Home Loan Mortgage Notes (FHLM) of \$9,021,395 and \$8,554,310 as of June 30, 2015 and 2014, respectively, were held by either the counterparty or counterparty's trust department or agent, but not in the Fund's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To limit risk, the Fund's investment policy provides that no investment or deposit shall have a maturity longer than five (5) years from date of purchase.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Fund may purchase such as Treasury securities in order to limit the exposure of governmental units to credit risk. The Fund has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The Fund does not place a limit on the amount that may be invested in any one issuer. All of the Fund's investments are in debt obligations.

As of June 30, 2015 and 2014, the Fund had the following investments and maturities:

<u>Investment</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Market Value</u>	
				<u>2015</u>	<u>2014</u>
FHLB	0.600%	04/25/16	N/A		\$ 1,000,080
FHLB	0.625%	11/25/16	N/A	\$ 2,001,520	
FHLM	0.125%	04/28/17	N/A	2,006,300	2,000,220
FHLM	1.000%	11/15/17	N/A	500,060	500,160
FNMA	1.875%	09/09/15	N/A	3,009,930	3,057,600
FNMA	0.750%	12/16/16	N/A		499,580
FNMA	0.750%	02/27/17	N/A	1,503,585	1,496,670
				<u>\$ 9,021,395</u>	<u>\$ 8,554,310</u>

ATLANTIC AND CAPE MAY COUNTIES
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 5: GROUP PURCHASE ACCOUNT

The Fund offers additional coverage to its members for Boiler and Machinery and Pollution/Environmental Legal Liability. The assessments and premium expenses for these coverage's are treated as pass-through items in the Group Purchase Account.

Note 6: PROVISION FOR EXCESS INSURANCE RECOVERABLE

The provision for excess insurance recoverable is the estimated amount of claims recoverable under the Fund's excess insurance contracts. This provision is subject to the variability between the estimated ultimate net cost of claims incurred and the actual loss experience as claims develop.

The provision at June 30, 2015 represents the aggregate claim reserves in excess of the Fund's self-insured retention limits under the excess insurance contracts.

Note 7: CHANGES IN UNPAID CLAIMS LIABILITIES

As discussed in Note 2, the Fund establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related allocated claim adjustment expenses.

The following represents changes in those aggregate undiscounted reported and unreported liabilities for the fiscal years ended June 30, 2015 and 2014 and for all open Fund years net of excess insurance recoveries:

	<u>2015</u>	<u>2014</u>
Total unpaid claims and claim adjustment expenses all Fund years-beginning of year	\$ 10,912,478	\$ 9,818,187
Incurring claims and claim adjustment expenses		
Provision for insured events of current fund year	5,290,001	5,325,435
Changes in provision for insured events of prior fund years	<u>(1,172,974)</u>	<u>(441,551)</u>
Total incurred claims and claim adjustment expenses all Fund years	<u>15,029,505</u>	<u>14,702,071</u>
Payments (Net of Recoveries):		
Claims and claim adjustment expenses:		
Attributable to insured events of current fund year	2,211,830	1,145,644
Attributable to insured events of prior fund years	<u>2,972,918</u>	<u>2,643,949</u>
Total Payments all Fund years	<u>5,184,748</u>	<u>3,789,593</u>
Total unpaid claims and claim adjustment expenses all Fund years - end of year	<u><u>\$ 9,844,757</u></u>	<u><u>\$ 10,912,478</u></u>

ATLANTIC AND CAPE MAY COUNTIES
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 8: SCHOOL POOL FOR EXCESS LIABILITY LIMITS JOINT INSURANCE FUND (SPELL)

Effective July 1, 2001, the Fund joined the School Pool for Excess Liability Limits (SPELL). The SPELL is a joint insurance fund formed to provide excess coverage for member school funds. Each member appoints two delegates to represent their respective joint insurance fund for the purpose of creating a governing body from which the board of trustees of the SPELL is elected.

The Fund could be subject to supplemental assessments in the event of deficiencies in the loss funds of the SPELL. If the assets of the SPELL were to be exhausted, its members would become jointly and severely liable for the SPELL's liabilities.

The SPELL can declare and refund surplus to its members upon approval of the State of New Jersey Department of Banking and Insurance.

The SPELL has recorded loss reserves resulting in deficits of \$4,478,278 and \$4,565,056 in its combined loss funds for all years as of June 30, 2015 and 2014, respectively. Accordingly, the Fund has recorded liabilities for accrued insurance in the combined amounts of \$932,615 and \$580,435 as of June 30, 2015 and 2014, respectively, which represents the Fund's respective share of the SPELL's deficit.

The liabilities have been expensed to the related Fund years as follows:

<u>Fund Year</u>	<u>As of June 30th</u>	
	<u>2015</u>	<u>2014</u>
2002	\$ 94,790	\$ 65,671
2003	60,389	95,623
2012	26,426	17,658
2014	427,860	401,483
2015	323,150	
	<u>\$ 932,615</u>	<u>\$ 580,435</u>

**ATLANTIC AND CAPE MAY COUNTIES
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
JOINT INSURANCE FUND
REQUIRED SUPPLEMENTARY INFORMATION**

ATLANTIC AND CAPE MAY COUNTIES
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS JOINT INSURANCE FUND
RECONCILIATION OF CLAIMS LIABILITIES BY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Property	General Liability	Automobile	Workers' Compensation	Educator's Legal Liability	Total
Total unpaid claims and claim adjustment expenses (recoveries) - Beginning of Year:	\$ (40,780)	\$ 1,859,408	\$ 570,708	\$ 7,770,849	\$ 752,293	\$ 10,912,478
Incurred claims and claims adjustment expenses:						
Provision for insured events of current fund year	785,000	350,000	80,001	3,325,000	750,000	5,290,001
Changes in provision for insured events of prior fund years	102,450	(438,384)	91,262	(703,244)	(225,058)	(1,172,974)
Total incurred claims and claims adjustment expenses all Fund years	846,670	1,771,024	741,971	10,392,605	1,277,235	15,029,505
Payments (Net of Recoveries):						
Claims and claims adjustment expenses:						
Attributable to insured events of current fund year	572,829	5,373	34,098	1,479,894	119,636	2,211,830
Attributable to insured events of prior fund years	290,116	421,337	207,046	1,917,434	136,985	2,972,918
Total payments all Fund years	862,945	426,710	241,144	3,397,328	256,621	5,184,748
Total unpaid claims and claim adjustment expenses - End of Year	\$ (16,275)	\$ 1,344,314	\$ 500,827	\$ 6,995,277	\$ 1,020,614	\$ 9,844,757

ATLANTIC AND CAPE MAY COUNTIES ASSOCIATION OF SCHOOL BUSINESS OFFICIALS JOINT INSURANCE FUND
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF JUNE 30, 2015

	Policy Period Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net Earned Required Contribution and Investment Revenue:										
Earned	\$ 5,355,959	\$ 6,161,626	\$ 6,885,308	\$ 8,380,125	\$ 7,767,115	\$ 8,291,377	\$ 8,926,432	\$ 9,411,626	\$ 9,878,201	\$ 10,229,897
Ceded	1,223,955	1,400,707	1,563,466	1,849,615	1,800,600	1,982,445	1,956,628	2,355,756	2,692,054	2,703,895
	4,132,004	4,760,919	5,321,842	6,530,510	5,966,515	6,308,932	6,969,804	7,055,870	7,186,147	7,526,002
Unallocated Expenses	928,108	1,014,024	1,093,005	1,272,264	1,271,472	1,293,947	1,289,425	1,264,948	1,279,393	1,229,070
Estimated Claims and Expenses, End of Policy Year:										
Incurred	3,864,506	4,129,625	3,700,000	6,235,004	7,329,349	6,232,896	5,701,731	6,287,144	5,325,435	5,290,001
Ceded	780,520	416,627	-	629,055	2,083,199	741,432	167,000	844,657	-	-
Net Incurred	3,083,986	3,712,998	3,700,000	5,605,949	5,246,150	5,491,464	5,534,731	5,442,487	5,325,435	5,290,001
Paid (Cumulative) as of:										
End of Policy Year	817,611	970,302	834,095	1,426,998	1,777,889	1,236,566	1,276,033	2,774,084	1,145,644	1,670,589
One Year Later	1,598,424	1,689,050	1,778,815	2,597,299	4,138,529	2,456,449	2,716,497	3,704,617	2,211,830	
Two Years Later	2,335,454	2,232,517	2,343,908	3,658,035	5,329,742	3,031,148	3,624,051	4,247,608		
Three Years Later	2,879,598	2,427,327	3,352,824	4,488,751	6,148,055	3,666,130	4,506,291			
Four Years Later	3,169,963	2,647,861	3,799,274	5,734,545	6,836,821	6,568,261				
Five Years Later	3,532,747	2,708,435	4,037,211	6,170,520	7,580,492					
Six Years Later	3,667,618	2,754,395	4,331,173	6,551,499						
Seven Years Later	3,858,447	2,804,178	4,646,162							
Eight Years Later	3,879,993	2,869,722								
Nine Years Later	3,889,678									
Re-estimated Ceded Claims and Expenses	895,640	98,580	570,930	1,761,698	3,399,295	3,551,554	344,130	1,394,893	75,000	-
Re-estimated Incurred Claims and Expenses:										
End of Policy Year	3,083,986	3,712,998	3,700,000	5,605,949	5,246,150	5,491,464	5,534,731	5,442,487	5,325,435	5,290,001
One Year Later	3,084,480	3,213,170	4,050,676	5,604,122	5,248,410	5,407,023	5,440,168	4,864,108	4,792,869	
Two Years Later	3,083,102	2,907,198	4,429,138	5,602,983	5,249,292	5,440,857	5,339,762	4,482,238		
Three Years Later	3,104,380	2,942,374	4,423,429	5,602,981	5,249,250	5,487,623	5,100,299			
Four Years Later	3,084,446	2,855,387	4,376,385	5,602,985	5,313,017	5,489,001				
Five Years Later	3,085,871	2,777,709	4,429,398	5,605,455	5,235,587					
Six Years Later	3,085,871	2,770,301	4,429,398	5,605,455						
Seven Years Later	3,085,868	2,840,427	4,429,412							
Eight Years Later	3,085,869	2,857,847								
Nine Years Later	3,084,479									
Increase (Decrease) in Estimated Incurred Claims and Expenses from End of Policy Year	\$ 493	\$ (855,151)	\$ 729,412	\$ (2)	\$ (10,563)	\$ (2,463)	\$ (434,432)	\$ (960,249)	\$ (532,566)	\$ -

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

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

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

None

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AS PREPARED BY MANAGEMENT

This section identifies the status of prior year audit findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

There were no findings in the prior year.

APPRECIATION

We express our appreciation for the assistance provided to us during our audit.

Respectfully submitted,

Bowman & Company LLP
Certified Public Accountants
& Consultants

A handwritten signature in black ink, appearing to read 'J. Miles', enclosed within a circular stamp or seal.

James J. Miles
Certified Public Accountant