

**GLOUCESTER, CUMBERLAND, SALEM
SCHOOL DISTRICTS JOINT INSURANCE FUND
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2016 AND 2015**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Gloucester, Cumberland, Salem
School Districts Joint Insurance Fund
P.O. Box 530
6000 Sagamore Drive, Suite 6203
Marlton, New Jersey 08053

Report on the Financial Statements

We have audited the accompanying financial statements of the Gloucester, Cumberland, Salem School Districts Joint Insurance Fund (the "Fund") as of and for the fiscal years ended June 30, 2016 and 2015, 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
Gloucester, Cumberland, Salem
School Districts 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 Fund as of June 30, 2016 and 2015 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 an opinion on the financial statements that collectively comprise the 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
Gloucester, Cumberland, Salem
School Districts Joint Insurance Fund

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2017 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
March 23, 2017

**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
Gloucester, Cumberland, Salem
School Districts 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 Gloucester, Cumberland, Salem School Districts Joint Insurance Fund (the "Fund") as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collective comprise the Fund's basic financial statements, and have issued our report thereon dated March 23, 2017.

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
Gloucester, Cumberland, Salem
School Districts 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
March 23, 2017

Gloucester, Cumberland, Salem School Districts Joint Insurance Fund

Management's Discussion and Analysis

This section of the annual financial report of the Gloucester, Cumberland, Salem School Districts Joint Insurance Fund (the "Fund") presents a discussion and analysis of the financial performance of the Fund for the fiscal years ended June 30, 2016, 2015 and 2014. 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, 2016, 2015 and 2014.

Net Position Summary	6/30/2016	6/30/2015	6/30/2014	2015 to 2016 Change	
				Amount	Percentage
Assets					
Cash & Cash Equivalents	\$ 7,249,168	\$ 6,009,591	\$ 5,761,233	\$ 1,239,577	20.6%
Investments	250,000	250,000	250,000	-	0.0%
Other Assets	588,703	625,609	741,465	(36,906)	-5.9%
Total Assets	8,087,871	6,885,200	6,752,698	1,202,671	17.5%
Liabilities And Reserves & Net Position					
Liabilities And Reserves					
Loss Reserves	5,113,256	4,169,632	3,721,967	943,624	22.6%
Other Liabilities	1,085,168	1,134,349	937,409	(49,181)	-4.3%
Total Liabilities And Reserves	6,198,424	5,303,981	4,659,376	894,443	16.9%
Net Position - Unrestricted	\$ 1,889,447	\$ 1,581,219	\$ 2,093,322	\$ 308,228	19.5%

Statement of Revenues, Expenses, and Changes In Net Position Summary	6/30/2016	6/30/2015	6/30/2014	2015 to 2016 Change	
				Amount	Percentage
Operating Revenue					
Regular Contributions & Other Income	\$ 5,619,784	\$ 4,301,757	\$ 4,482,961	\$ 1,318,027	30.6%
Operating Expenses					
Provision For Claims and Claims Adjustment Expenses	3,087,746	2,756,630	1,708,715	331,116	12.0%
Insurance Premiums	1,613,386	1,211,497	1,112,761	401,889	33.2%
Change In Provisions For SPELL					
Aggregate Excess Insurance	(52,315)	309,523	255,534	(361,838)	-116.9%
Professional & Contractual Services	706,509	570,781	558,075	135,728	23.8%
Total Operating Expenses	5,355,326	4,848,431	3,635,085	506,895	10.5%
Operating Income (Loss)	264,458	(546,674)	847,876	811,132	148.4%
Investment Income	43,770	34,571	22,824	9,199	26.6%
Distributions To Members	-	-	(648,675)	-	0.0%
Change In Net Position	\$ 308,228	\$ (512,103)	\$ 222,025	\$ 820,331	160.2%

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 2015-2016 fund year was a 4.7% increase over the 2014-2015 fund year prior to the addition of two new members. The increases were driven by loss experience development and overall exposure increases within the fund membership. Pennsauken Board of Education joined effective 7/1/15 for all lines, whereas Monroe joined effective 7/1/15 for Workers' Compensation only.

The Fund reported modest deficits in the 2014-2015, 2013-2014, 2011-2012, and 2010-2011 fund years. The 2014-2015 fund year deficit was caused by current ultimate loss projections for property, general liability, educators' legal liability, and insurance costs. The 2013-2014 fund year deficit was caused by current ultimate loss projections for property and educators' legal liability costs exceeding actuarial expectations. The 2011-2012 fund year deficit was caused by current ultimate loss projections for property, general liability, and workers' compensation costs exceeding actuarial expectations. The 2010-2011 fund year deficit was caused by current ultimate loss projections insurance costs exceeding actuarial expectations. The ultimate liability to the fund for the fund years noted above were tempered or capped as a result of aggregate excess liability insurance protection.

Economic Conditions

Investment Income continues to improve stemming from better interest rates. The Fund regularly monitors investment maturities in reference to liabilities and market conditions.

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 stability are accompanied by corresponding stability 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 Gloucester, Cumberland, Salem, School Districts 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 Gloucester, Cumberland, Salem, School Districts Joint Insurance Fund office located at 6000 Sagemore Drive, Suite 6203, Marlton, New Jersey 08053 or by phone at (856) 446-9132.

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS JOINT INSURANCE FUND
COMPARATIVE STATEMENTS OF NET POSITION
AS OF JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash And Cash Equivalents	\$ 7,249,168	\$ 6,009,591
Investments	250,000	250,000
Accrued Interest Receivable	251	259
Due From SPELL	13,506	
Specific Excess Insurance Receivable	198,521	248,925
Aggregate Excess Insurance Receivable	<u>376,425</u>	<u>376,425</u>
Total Assets	<u>8,087,871</u>	<u>6,885,200</u>
<u>LIABILITIES AND RESERVES</u>		
Liabilities:		
Accrued Administrative Expenses	24,771	18,932
Provision For SPELL Aggregate Excess Insurance	968,530	1,020,845
Authorized Return Of Surplus	85,184	91,482
Accrued Interest On Authorized Return Of Surplus	<u>6,683</u>	<u>3,090</u>
Total Liabilities	<u>1,085,168</u>	<u>1,134,349</u>
Claims Reserves:		
Case Reserves	5,759,392	4,832,924
IBNR Reserves	<u>2,067,438</u>	<u>1,415,390</u>
	7,826,830	6,248,314
Provision For Excess Insurance Recoverable:		
Specific Recoverable	(1,762,511)	(1,031,375)
Aggregate Recoverable	<u>(951,063)</u>	<u>(1,047,307)</u>
Net Claims Reserves	<u>5,113,256</u>	<u>4,169,632</u>
Total Liabilities And Reserves	<u>6,198,424</u>	<u>5,303,981</u>
<u>NET POSITION</u>		
Unrestricted	<u>\$ 1,889,447</u>	<u>\$ 1,581,219</u>

The Accompanying Notes To Financial Statements Are An Integral Part Of This Statement.

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS JOINT INSURANCE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating Revenue:		
Regular Contributions	<u>\$ 5,619,784</u>	<u>\$ 4,301,757</u>
Operating Expenses:		
Provision for Claims and Claims Adjustment Expenses	3,087,746	2,756,630
Insurance Premiums:		
Excess Insurance	1,613,386	1,211,497
Change In Provisions For SPELL		
Aggregate Excess Insurance	(52,315)	309,523
Administrative Expenses:		
Actuary	16,449	16,126
Auditor	15,500	14,750
Claims Administration	138,510	126,186
Fund Administrator	313,170	229,841
Legal Fees	54,099	43,500
Miscellaneous	13,432	16,011
Safety Consultant	39,615	33,615
Safety Contingency	655	
Safety Incentive Program	39,000	34,000
Safety Training	19,850	12,500
Treasurer	9,450	9,300
Risk Management Consulting	<u>46,779</u>	<u>34,952</u>
Total Operating Expenses	<u>5,355,326</u>	<u>4,848,431</u>
Operating Income (Loss)	264,458	(546,674)
Non-Operating Revenue:		
Investment Income	<u>43,770</u>	<u>34,571</u>
Change In Net Position	308,228	(512,103)
Net Position, Beginning	<u>1,581,219</u>	<u>2,093,322</u>
Net Position, Ending	<u><u>\$ 1,889,447</u></u>	<u><u>\$ 1,581,219</u></u>

The Accompanying Notes To Financial Statements Are An Integral Part Of This Statement.

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS JOINT INSURANCE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Receipts From Regular Contributions	\$ 5,606,278	4,304,792
Payments For Claim Payments	(2,093,718)	(2,196,144)
Payments For Insurance Premiums	(1,613,386)	(1,211,497)
Payments To Professionals And Suppliers	(700,670)	(568,293)
Net Cash Flows Provided By Operating Activities	<u>1,198,504</u>	<u>328,858</u>
Cash Flows From Investing Activities:		
Redemption Of Investments	250,000	250,000
Purchase Of Investments	(250,000)	(250,000)
Investment Income	43,778	34,571
Net Cash Flows Provided By Investing Activities:	<u>43,778</u>	<u>34,571</u>
Cash Flows From Noncapital Financing Activities:		
Distributions To Members	(6,298)	(115,339)
Adjustments To Reconcile Noncapital Financing Activities To		
Net Cash Used In Noncapital Financing Activities:		
Increase in Accrued Interest On Surplus Distributions	3,593	268
Net Cash Flows Used In Noncapital Financing Activities	<u>(2,705)</u>	<u>(115,071)</u>
Net Increase In Cash and Cash Equivalents	1,239,577	248,358
Cash And Cash Equivalents, Beginning	6,009,591	5,761,233
Cash And Cash Equivalents, Ending	<u>\$ 7,249,168</u>	<u>\$ 6,009,591</u>
Reconciliation of Operating Income (Loss) To		
Cash Flows From Operating Activities:		
Operating Income (Loss)	\$ 264,458	\$ (546,674)
Adjustments To Reconcile Operating Income (Loss)		
To Net Cash Provided By Operating Activities:		
Changes In Assets And Liabilities:		
Excess Insurance Receivable	50,404	112,821
Due From SPELL	(13,506)	3,035
Accrued Expenses	(46,476)	312,011
Claims Reserves	943,624	447,665
Net Cash Flows Provided By Operating Activities	<u>\$ 1,198,504</u>	<u>\$ 328,858</u>

The Accompanying Notes To Financial Statements Are An Integral Part Of This Statement.

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 1: ORGANIZATION AND DESCRIPTION OF THE FUND

The Gloucester, Cumberland, Salem School Districts Joint Insurance Fund (the "Fund") was formed on July 1, 1998, in accordance with P.L. 1983, C.108, entitled "An Act Concerning Board of Education Insurance", under the provisions of N.J.S.A. 18A:18B1-10. 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 District by a majority vote or may terminate any member by a majority 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, 2016, members of the Fund included the following boards of education: Deptford Township, East Greenwich Township, Elk Township, Fairfield Township, Gateway Regional, Monroe Township, National Park Borough, Oldmans Township, Penns Grove-Carneys Point Regional, Pennsauken Township, Pennsville Township, Salem County Vocational Technical School, South Harrison Township, Upper Deerfield Township, Washington Township, Wenonah Borough, Westville Borough and Woodbury Heights Borough.

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
- School Board 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 Fund in the preparation of the accompanying financial statements:

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS
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 primary entity's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the primary entity.

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

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the primary entity is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary entity could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Fund has no component units 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.

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS
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 governmental 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.

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.

Additionally, the Fund has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. 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.

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 Board of 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.

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS
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 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, a reserve is calculated by the Fund's actuary, The Actuarial Advantage, Inc.

Case and IBNR Reserve loss calculations 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, 2016. These liabilities are subject to variability between estimated ultimate losses determined as described and the actual experience as it emerges, including the impact of future changes in claim severity, frequency, and other factors.

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

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS
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 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 during the fiscal years ended June 30, 2016 and 2015 amounted to \$90,946 and \$87,301, respectively.

Fund Transfers

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

Inter-trust fund transfers may be conducted by the fund at any time. Inter-trust fund transfers require prior approval of the Department of Banking and Insurance and may be conducted only where each member participates in 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.

Inter-year fund transfers require thirty days prior written notification to the Department of Banking and Insurance. The Fund may seek approval from the Commissioner to make inter-year fund transfers at any time from a claims or loss retention trust account from any year that has been completed for at least twenty-four months. The inter-year 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 inter-year 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.

Subrogation

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

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

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 no 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.

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS
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 certificates of deposits.

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) and the National Credit Union Share Insurance Fund (NCUSIF). Public funds owned by the Fund in excess of FDIC and NCUSIF 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 \$7,389,152 as of June 30, 2016, \$750,000 was insured while \$6,639,152 was collateralized under GUDPA.

Of the Fund's bank balance of \$6,173,710 as of June 30, 2015, \$750,000 was insured while \$5,422,710 was collateralized under GUDPA.

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS
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. Of the Fund's \$250,000 in investments at June 30, 2016 and 2015, in certificates of deposits, all 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 certificates of deposit.

As of June 30, 2016 and 2015, 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>2016</u>	<u>2015</u>
Certificate Of Deposit	0.600%	07/29/16	N/A	\$ 250,000	
Certificate Of Deposit	0.600%	07/29/15	N/A		\$ 250,000
				<u>\$ 250,000</u>	<u>\$ 250,000</u>

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 4: INVESTMENTS (CONT'D)

Fair Value Measurements of Investments

The Fund categorizes its fair value disclosures 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 process in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Fund has the following recurring fair value measurements as of June 30, 2016 and 2015:

Certificate of Deposits of \$250,000 and \$250,000 are valued using quoted market prices for identical assets (Level 1 inputs).

Note 5: GROUP PURCHASE ACCOUNT

The Fund offers additional coverage to its members for Boiler and Machinery Liability, Pollution Legal Liability and Student Accident Liability. The assessments and premium expense for these coverages 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, 2016 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.

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 7: CHANGES IN UNPAID CLAIMS LIABILITIES (CONT'D)

The following represents changes in those aggregate undiscounted reported and unreported liabilities for the fiscal years ended June 30, 2016 and 2015 and for all open Fund years net of excess insurance recoveries:

	<u>2016</u>	<u>2015</u>
Total Unpaid Claim And Claim		
Adjustment Expenses - Beginning	\$ 4,169,632	\$ 3,721,967
Incurring Claims And Claims Adjustment Expenses:		
Provision For Insured Events Of Current Fund Year	3,079,999	2,554,999
Changes In Provision For Insured Events Of		
Prior Fund Years	<u>7,749</u>	<u>201,631</u>
Total Incurred Claims And Claims Adjustment		
Expenses All Fund Years	<u>7,257,380</u>	<u>6,478,597</u>
Payments (Net Of Subrogation):		
Claims And Claims Adjustment Expenses:		
Attributable To Insured Events Of Current Fund Year	782,450	1,604,686
Attributable To Insured Events Of Prior Fund Years	<u>1,361,674</u>	<u>704,279</u>
Total Payments All Fund Years	<u>2,144,124</u>	<u>2,308,965</u>
Total Unpaid Claim And Claim		
Adjustment Expenses - Ending	<u>\$ 5,113,256</u>	<u>\$ 4,169,632</u>

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

Effective July 1, 2001, the Fund joined the School Pool for Excess Liability Limits Joint Insurance Fund (the "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 by the State of New Jersey Department of Banking and Insurance.

The SPELL has recorded loss reserves resulting in deficits of \$4,012,261 and \$4,478,278 in its combined loss funds for all years as of June 30, 2016 and 2015, respectively. Accordingly, the Fund has recorded liabilities for accrued insurance in the combined amount of \$968,530 and \$1,020,845 as of June 30, 2016 and 2015, respectively, which represents the Fund's respective share of the SPELL's deficit.

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 8: SCHOOL POOL FOR EXCESS LIABILITY LIMITS JOINT INSURANCE FUND (CONT'D)

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

<u>Fund Year</u>	<u>As of June 30th</u>	
	<u>2016</u>	<u>2015</u>
2002	\$ 57,917	\$ 54,840
2003	45,037	34,938
2005	80,416	89,111
2006	121,391	118,311
2008	6,547	16,792
2009	206,111	229,131
2010	11,535	14,859
2011	439,576	462,863
	<u>\$ 968,530</u>	<u>\$ 1,020,845</u>

Note 9: RELATED PARTY TRANSACTIONS

As disclosed in Note 8, the Fund is a member of the School Pool for Excess Liability Limits Joint Insurance Fund and accordingly has an ownership interest in the SPELL. Excess insurance premiums paid to the SPELL as of June 30, 2016 and 2015 were \$1,613,386 and \$1,211,497, respectively.

Note 10: SUBSEQUENT EVENTS

Effective 7/1/16, Monroe Township Board of Education joined the Fund.

**GLOUCESTER, CUMBERLAND, SALEM
SCHOOL DISTRICTS JOINT INSURANCE FUND
REQUIRED SUPPLEMENTARY INFORMATION**

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS JOINT INSURANCE FUND
RECONCILIATION OF CLAIMS LIABILITIES BY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>Educator's Legal Liability</u>	<u>Total</u>
Total Unpaid Claim And Claim Adjustment Expenses - Beginning	\$ 80,046	\$ 620,883	\$ 29,114	\$ 2,879,886	\$ 559,703	\$ 4,169,632
Incurred Claims And Claims Adjustment Expenses:						
Provision For Insured Events Of Current Fund Year	379,999	250,000	40,000	1,900,000	510,000	3,079,999
Changes In Provision For Insured Events Of Prior Fund Years	(10,322)	461,518	(15,073)	(571,529)	143,155	7,749
Total Incurred Claims And Claims Adjustment Expenses All Fund Years	369,677	711,518	24,927	1,328,471	653,155	3,087,748
Payments (Net Of Subrogation):						
Claims And Claims Adjustment Expenses:						
Attributable To Insured Events Of Current Fund Year	320,311	100	3,838	420,131	38,070	782,450
Attributable To Insured Events Of Prior Fund Years	193,262	148,117	1,942	931,844	86,509	1,361,674
Total Payments All Fund Years	513,573	148,217	5,780	1,351,975	124,579	2,144,124
Total Unpaid Claim And Claim Adjustment Expenses (Recoveries) - Ending	\$ (63,850)	\$ 1,184,184	\$ 48,261	\$ 2,856,382	\$ 1,088,279	\$ 5,113,256

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS JOINT INSURANCE FUND
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF JUNE 30, 2016

	Policy Period Ended June 30									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net Earned Required Contribution										
And Investment Revenue:										
Earned	\$ 2,986,742	\$ 3,675,199	\$ 3,669,842	\$ 3,785,401	\$ 4,107,549	\$ 3,728,576	\$ 3,874,061	\$ 3,999,253	\$ 4,317,714	\$ 5,634,954
Ceded	680,205	916,116	1,119,877	984,085	1,568,053	1,027,457	1,057,285	1,112,761	1,211,497	1,613,386
	2,306,537	2,759,083	2,549,965	2,801,316	2,539,496	2,701,119	2,816,776	2,886,492	3,106,217	4,021,568
Unallocated Expenses	380,051	485,664	501,932	495,387	516,090	529,577	550,443	553,858	552,055	667,512
Estimated Claims And										
Expenses, End Of Policy Year:										
Incurred	2,168,000	2,143,940	2,546,631	3,755,101	2,383,001	2,233,325	2,581,572	2,350,900	2,554,999	3,079,999
Ceded	216,396	-	172,500	1,157,100	-	-	358,573	232,101	380,001	-
	1,951,604	2,143,940	2,374,131	2,598,001	2,383,001	2,233,325	2,222,999	2,118,799	2,174,998	3,079,999
Net Incurred										
Paid (Cumulative) As Of:										
End Of Policy Year	525,899	684,648	561,479	620,225	626,721	777,105	843,296	773,860	635,359	782,450
One Year Later	906,206	1,067,436	998,686	1,742,271	1,148,010	1,546,707	1,649,817	1,604,686	1,119,395	
Two Years Later	1,172,737	1,421,671	1,275,787	2,114,760	1,387,489	1,920,350	1,877,851	2,038,063		
Three Years Later	1,391,121	1,734,440	1,398,117	2,363,876	1,555,742	2,377,893	2,133,091			
Four Years Later	1,678,277	1,896,122	1,618,488	2,378,817	1,683,140	2,506,605				
Five Years Later	1,691,187	2,018,646	1,746,594	2,390,102	1,716,323					
Six Years Later	1,860,716	2,047,999	1,748,223	2,404,920						
Seven Years Later	1,861,298	2,059,040	1,749,505							
Eight Years Later	1,862,649	2,149,258								
Nine Years Later	1,905,443									
Re-Estimated Ceded Claims										
And Expenses	325,542	18,385	115,233	24,260	-	233,419	870,450	798,787	795,653	-
Re-Estimated Incurred Claims										
And Expenses:										
End Of Policy Year	1,951,604	2,143,940	2,374,131	2,598,001	2,383,001	2,233,325	2,222,999	2,118,799	2,174,998	3,079,999
One Year Later	1,849,339	1,953,448	1,972,131	2,598,000	2,381,449	2,423,325	1,932,107	2,350,901	2,555,002	
Two Years Later	1,854,367	2,051,838	1,761,830	2,597,999	1,901,451	2,425,000	2,073,710	2,350,902		
Three Years Later	1,669,368	2,056,636	1,852,803	2,486,347	1,790,513	2,425,000	2,166,609			
Four Years Later	1,515,823	2,115,823	1,721,504	2,502,606	1,827,513	2,401,666				
Five Years Later	1,559,169	2,205,375	1,659,138	2,501,252	1,820,513					
Six Years Later	1,538,104	2,201,374	1,685,138	2,465,264						
Seven Years Later	1,538,107	2,187,374	1,672,007							
Eight Years Later	1,538,118	2,184,965								
Nine Years Later	1,582,501									
Increase (Decrease) In Estimated Incurred Claims										
And Expenses From End Of Policy Year	\$ (369,103)	\$ 41,025	\$ (702,124)	\$ (132,737)	\$ (562,488)	\$ 168,341	\$ (56,390)	\$ 232,103	\$ 380,004	\$ -

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 be 'J. Miles', enclosed within a circular stamp or seal.

James J. Miles
Certified Public Accountant