

**GLOUCESTER, CUMBERLAND, SALEM
SCHOOL DISTRICTS JOINT INSURANCE FUND
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2024 AND 2023**



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Gloucester, Cumberland, Salem
School Districts Joint Insurance Fund
P.O. Box 449
6000 Sagemore Drive, Suite 6203
Marlton, New Jersey 08053

Report on the Audit of the Financial Statements

Opinion

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, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund as of June 30, 2024 and 2023, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Trustees
Gloucester, Cumberland, Salem
School Districts Joint Insurance Fund

Supplementary 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2025, 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 effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Respectfully Submitted,

Bowman & Company LLP

Bowman & Company LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
February 28, 2025

**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 449
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 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 June 30, 2024 and for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated February 28, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing 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 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 or significant deficiencies may exist that were not identified.

Board of Trustees
Gloucester, Cumberland, Salem
School Districts Joint Insurance Fund

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

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

Respectfully Submitted,

Bowman & Company LLP

Bowman & Company LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
February 28, 2025

**Gloucester, Cumberland, Salem School Districts
Joint Insurance Fund**

Management's Discussion and Analysis - Unaudited

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, 2024, 2023, and 2022. 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 – These statements present 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 – These statements reflect 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 comparative statements of cash flows is presented on the direct method of reporting, which reflects cash flows from operating, investing, and noncapital financing 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, 2024, 2023, and 2022.

| Net Position Summary | | | 2023 to 2024 Change | |
|---|---------------------|---------------------|---------------------|-----------------------------------|
| | <u>6/30/2024</u> | <u>6/30/2023</u> | <u>6/30/2022</u> | <u>Amount</u> <u>Percentage</u> |
| Assets | | | | |
| Cash And Cash Equivalents | \$14,050,190 | \$10,044,908 | \$12,485,893 | \$ 4,005,282 39.9% |
| Investments | - | 1,000,000 | - | (1,000,000) -100.0% |
| Other Assets | 895,812 | 4,793,221 | 1,916,553 | (3,897,409) -81.3% |
| Total Assets | <u>14,946,002</u> | <u>15,838,129</u> | <u>14,402,446</u> | <u>(892,127)</u> <u>-5.6%</u> |
| Liabilities And Reserves & Net Position | | | | |
| Liabilities And Reserves | | | | |
| Loss Reserves | 7,708,922 | 6,877,820 | 6,087,072 | 831,102 12.1% |
| Other Liabilities | 961,377 | 1,801,110 | 1,500,621 | (839,733) -46.6% |
| Total Liabilities And Reserves | <u>8,670,299</u> | <u>8,678,930</u> | <u>7,587,693</u> | <u>(8,631)</u> <u>-0.1%</u> |
| Net Position - Unrestricted | <u>\$ 6,275,703</u> | <u>\$ 7,159,199</u> | <u>\$ 6,814,753</u> | <u>\$ (883,496)</u> <u>-12.3%</u> |

| Statement of Revenues, Expenses, and Changes In Net Position Summary | | | 2023 to 2024 Change | |
|--|---------------------|---------------------|---------------------|-------------------------------------|
| | <u>6/30/2024</u> | <u>6/30/2023</u> | <u>6/30/2022</u> | <u>Amount</u> <u>Percentage</u> |
| Operating Revenue | | | | |
| Regular Contributions & Other Income | <u>\$ 7,035,645</u> | <u>\$ 6,507,034</u> | <u>\$ 6,230,739</u> | <u>\$ 528,611</u> <u>8.1%</u> |
| Operating Expenses | | | | |
| Provision For Claims and Claims | | | | |
| Adjustment Expenses | 3,871,484 | 2,991,600 | 2,693,157 | 879,884 29.4% |
| Insurance Premiums | 4,388,922 | 2,324,476 | 1,991,518 | 2,064,446 88.8% |
| Change In Provisions For SPELL | | | | |
| Aggregate Excess Insurance | (708,954) | 132,397 | 105,140 | (841,351) -635.5% |
| Professional & Contractual Services | <u>1,044,912</u> | <u>1,031,799</u> | <u>980,441</u> | <u>13,113</u> <u>1.3%</u> |
| Total Operating Expenses | <u>8,596,364</u> | <u>6,480,272</u> | <u>5,770,256</u> | <u>2,116,092</u> <u>32.7%</u> |
| Operating Income (Loss) | <u>(1,560,719)</u> | <u>26,762</u> | <u>460,483</u> | <u>(1,587,481)</u> <u>-5931.8%</u> |
| Investment Income | 677,223 | 517,684 | 93,073 | 159,539 30.8% |
| Distributions To Members | - | 200,000 | 200,000 | 200,000 -100.0% |
| Change In Net Position | <u>\$ (883,496)</u> | <u>\$ 344,446</u> | <u>\$ 353,556</u> | <u>\$(1,227,942)</u> <u>-356.5%</u> |

Financial Highlights Continued

During the fiscal year, the Fund continued its long-term success in controlling administrative and operating costs. The Fund's overall budget for the 2023-2024 Fund Year was a 8.12% increase over the 2022-2023 Fund Year. The loss funding increased 0.17% (\$5,313), the School Pool For Excess Limited Liability JIF's increase of 20.97% (\$456,477), Student Accident Insurance Premium increased 29.06% (\$42,968), and operating expense increase of 2.45% (\$21,845).

The Fund reported a deficit in the 2023-2024, 2022-2023, 2021-2022 and 2017-2018 fund years. The deficit was caused by current ultimate loss projections costs exceeding actuarial expectations. The ultimate liability to the applicable fund years were capped because of aggregate excess liability insurance protection.

Economic Conditions

The increase of 30.8% (\$159,539) in Investment Income is the result of current market conditions. The Fund regularly monitors investment maturities in reference to liabilities and market conditions. The Fund currently has investments in Certificate of Deposit.

Although the trend improved, reinsurance costs globally have continued to develop in an extended hard marketplace. Global property markets, in particular, continue to experience significant rate pressure because of catastrophic hurricane, fire, flood and hail loss events averaging between \$50+ billion annually from in 2018-2023. Global property market rates increased at a slower pace as capacity has stabilized. The United States continued to experience a materially greater number of annual weather-related / natural disaster property loss events in 2023-2024, compared to the historic average annual of eight (8) such events. The liability market continues to see pricing pressures as a result of various high dollar verdicts that are becoming more frequent across coverage lines, specifically in the area of sexual abuse and molestation. In the State of NJ, coverage for such losses has become materially restrictive and more difficult to secure due to the reviver law that provides broad expansion of the applicable statute of limitations with regard to reporting. Cyber Liability losses worldwide are driving material increases in premiums and this trend is expected to continue in some regard for stronger coverage packages. Some cyber coverage packages are seeing price stabilization or reduction as immature capacity enters the market, but the buyer needs to note that many of these pricing opportunities come with diminished coverages overall and limited services in the event of a loss. Workers' compensation costs remain relatively stable but 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, but the post-Covid 19 work environment and changing workplace landscape has brought with it some upticks in Workers' compensation loss trends that will continue to be closely monitored for longer term potential impact. Employment practice exposures are always a material concern and exposures continue to grow because 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, 2024 AND 2023

| | <u>2024</u> | <u>2023</u> |
|--|--------------|--------------|
| <u>ASSETS</u> | | |
| Cash And Cash Equivalents | 14,050,190 | 10,044,908 |
| Investments | - | 1,000,000 |
| Accrued Interest Receivable | - | 7,489 |
| Regular Contributions Receivable | 25,044 | 25,044 |
| Specific Excess Insurance Receivable | 673,351 | 3,830,329 |
| Aggregate Excess Insurance Receivable | 197,417 | 929,242 |
| Prepaid Expenses | - | 1,117 |
| | <hr/> | <hr/> |
| Total Assets | 14,946,002 | 15,838,129 |
| | <hr/> | <hr/> |
| <u>LIABILITIES AND RESERVES</u> | | |
| Liabilities: | | |
| Accrued Administrative Expenses | 24,936 | 32,343 |
| Provision For SPELL Aggregate Excess Insurance | 342,505 | 1,051,459 |
| Authorized Return Of Surplus | 534,299 | 685,457 |
| Accrued Interest On Authorized Return Of Surplus | 59,637 | 31,851 |
| | <hr/> | <hr/> |
| Total Liabilities | 961,377 | 1,801,110 |
| | <hr/> | <hr/> |
| Claims Reserves: | | |
| Case Reserves | 7,376,783 | 5,658,780 |
| IBNR Reserves | 2,708,770 | 2,690,716 |
| | <hr/> | <hr/> |
| | 10,085,553 | 8,349,496 |
| Provision For Excess Insurance Recoverable: | | |
| Specific Recoverable | (2,329,455) | (1,329,098) |
| Aggregate Recoverable | (47,176) | (142,578) |
| | <hr/> | <hr/> |
| Net Claims Reserves | 7,708,922 | 6,877,820 |
| | <hr/> | <hr/> |
| Total Liabilities And Reserves | 8,670,299 | 8,678,930 |
| | <hr/> | <hr/> |
| <u>NET POSITION</u> | | |
| Unrestricted | \$ 6,275,703 | \$ 7,159,199 |
| | <hr/> | <hr/> |

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

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, 2024 AND 2023

| | <u>2024</u> | <u>2023</u> |
|---|--------------|--------------|
| Operating Revenue: | | |
| Regular Contributions | \$ 7,035,645 | \$ 6,507,034 |
| Operating Expenses: | | |
| Provision For Claims And Claims Adjustment Expenses | 3,871,484 | 2,991,600 |
| Insurance Premiums: | | |
| Excess Insurance | 4,388,922 | 2,324,476 |
| Change In Provisions For SPELL | | |
| Aggregate Excess Insurance | (708,954) | 132,397 |
| Administrative Expenses: | | |
| Actuary - Risk Consulting Services | 19,271 | 18,893 |
| Auditor - Bowman & Company LLP | 19,261 | 18,882 |
| Claims Administration - Qual-Lynx, Inc. | 177,275 | 177,275 |
| Contingency - ARC Reprographics, Inc. | - | 1,165 |
| Fund Administrator - Risk Program Administrators | 427,512 | 415,056 |
| Attorney - Law Offices of Patrick Madden, LLC | 58,500 | 58,500 |
| Miscellaneous - Various | 5,198 | 10,855 |
| Marketing - Various | 182 | - |
| Fidelity Bond - Connor, Strong & Buckelew | 2,232 | - |
| Postage/Copies/Faxes - Various | 475 | 382 |
| Recording Secretary - Sharon Wilson | 1,500 | 1,500 |
| Right to Know Training - Risk Assessment Services, Inc. | 1,500 | 225 |
| Risk Management Consulting - Various | 173,100 | 166,940 |
| State of Fund & Annual Dinner - Various | 11,277 | 11,107 |
| Safety Consultant - Risk Assessment Services, Inc. | 47,424 | 47,424 |
| Safety Contingency - Various | - | 1,425 |
| Safety Incentive Program - Various | 73,000 | 77,500 |
| Safety Training - Risk Assessment Services, Inc. | 16,165 | 13,870 |
| Treasurer - Verrill & Verrill, LLC | 11,040 | 10,800 |
| Total Operating Expenses | 8,596,364 | 6,480,272 |
| Operating Income (Loss) | (1,560,719) | 26,762 |
| Non-Operating Revenue: | | |
| Investment Income | 677,223 | 517,684 |
| Change In Net Position | (883,496) | 544,446 |
| Net Position, Beginning | 7,159,199 | 6,814,753 |
| | 6,275,703 | 7,359,199 |
| Distributions To Members | - | 200,000 |
| Net Position, Ending | \$ 6,275,703 | \$ 7,159,199 |

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

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS JOINT INSURANCE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

| | <u>2024</u> | <u>2023</u> |
|--|-----------------------------|------------------------------|
| Cash Flows From Operating Activities: | | |
| Receipts From Regular Contributions | \$ 7,035,645 | \$ 6,507,034 |
| Payments For/From Claim Payments/Refunds | 848,421 | (5,070,031) |
| Payments For Insurance Premiums | (4,388,922) | (2,324,476) |
| Payments To Professionals And Suppliers | <u>(1,051,202)</u> | <u>(1,025,813)</u> |
| Net Cash Flows Provided By (Used In) Operating Activities | <u>2,443,942</u> | <u>(1,913,286)</u> |
| Cash Flows From Investing Activities: | | |
| Redemption Of Investments | 1,000,000 | - |
| Purchase Of Investments | - | (1,000,000) |
| Investment Income | <u>684,712</u> | <u>510,195</u> |
| Net Cash Flows Provided By (Used In) Investing Activities: | <u>1,684,712</u> | <u>(489,805)</u> |
| Cash Flows From Noncapital Financing Activities: | | |
| Distributions To Members | (151,158) | (50,325) |
| Accrued Interest On Surplus Distributions | <u>27,786</u> | <u>12,431</u> |
| Net Cash Flows Used In Noncapital Financing Activities | <u>(123,372)</u> | <u>(37,894)</u> |
| Net Increase (Decrease) In Cash And Cash Equivalents | 4,005,282 | (2,440,985) |
| Cash And Cash Equivalents, Beginning | <u>10,044,908</u> | <u>12,485,893</u> |
| Cash And Cash Equivalents, Ending | <u><u>\$ 14,050,190</u></u> | <u><u>\$ 10,044,908</u></u> |
| Reconciliation Of Operating Income (Loss) To | | |
| Cash Flows From Operating Activities: | | |
| Operating Income (Loss) | \$ (1,560,719) | \$ 26,762 |
| Adjustments To Reconcile Operating Income (Loss) | | |
| To Net Cash Provided By (Used In) Operating Activities: | | |
| Changes In Assets And Liabilities: | | |
| Excess Insurance Receivable | 3,888,803 | (2,869,179) |
| Prepaid Expenses | 1,117 | - |
| Accrued Expenses | (716,361) | 138,383 |
| Claims Reserves | <u>831,102</u> | <u>790,748</u> |
| Net Cash Flows Provided By (Used In) Operating Activities | <u><u>\$ 2,443,942</u></u> | <u><u>\$ (1,913,286)</u></u> |

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

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, 2024, members of the Fund included the following school districts: Delsea Regional High School District, Deptford Township, East Greenwich Township, Elk Township, Fairfield Township, Gateway Regional, Greenwich Township, Greenwich Township – Cumberland, Monroe Township, National Park Borough, Oldmans Township, Penns Grove-Carneys Point Regional, Pennsauken Township, Pennsville Township, Salem County Special Services School, Salem County Vocational Technical School, South Harrison Township, Stow Creek Township, Upper Deerfield Township, Wenonah Borough, Westville Borough, Woodbury Heights Borough and Woodstown–Pilesgrove Regional School.

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)
- Cyber Liability (Group Purchase)
- Violent Malicious Acts (Group Purchase)
- Disaster Management (Group Purchase)
- Unmanned Aerial Systems (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:

Component Unit

In evaluating how to define the Fund for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board ("GASB") Statements No. 14, *The Financial Reporting Entity*, as amended. 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.

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

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

Component Unit (Cont'd)

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 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.

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 comparative statements 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 governmental units.

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 (Cont'd)

These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. 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, which requires it to deposit public funds in public depositories protected from loss under the provisions of the 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.

Investments

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

Investment Income Allocation

Interest accruals 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.

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.

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

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

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.

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 coverages 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, 2024 and 2023.

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.

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.

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)

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, 2024 and 2023, amounted to \$214,422 and \$3,939,220, respectively.

Fund Transfers

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

Intrafund transfers may be conducted by the fund at any time. Intrafund 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 member's 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.

Intra-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 intra-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 intra-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 intrafund 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 member's 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.

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.

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 (Cont'd)

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.

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.

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.

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 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.

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

Note 3: CASH AND CASH EQUIVALENTS (CONT'D)

Custodial Credit Risk (Cont'd)

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 \$11,041,021 as of June 30, 2024, \$530,196 was insured while \$10,510,825 was collateralized under GUDPA.

Of the Fund's bank balance of \$10,134,379 as of June 30, 2023, \$500,000 was insured while \$9,634,379 was collateralized under GUDPA.

New Jersey Cash Management Fund

During the fiscal year, the Fund participated in the New Jersey Cash Management Fund. The Cash Management Fund is governed by regulations of the State Investment Council, which prescribe standards designed to ensure 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, June 30, 2024 and 2023, the Fund's deposits with the New Jersey Cash Management Fund were \$3,119,167 and \$38,057, respectively.

Republic Bank Account Activity

On April 26, 2024, Republic First Bank (doing business as Republic Bank) was closed by the Pennsylvania Department of Banking and Securities, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. To protect depositors, the FDIC entered into an agreement with Fulton Bank, National Association of Lancaster, Pennsylvania to assume substantially all of the deposits and purchase substantially all of the assets of Republic Bank. As a result of the acquisition by Fulton bank, the management of the Fund does not expect to incur any losses at this time. As of June 30, 2024, the Fund had deposits on account of \$5,908,622.

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 the agent but not in the Fund's name. All of the Fund's investments in Certificates of Deposit totaling \$0 and \$1,000,000 as of June 30, 2024 and 2023, 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. In addition to the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Fund's investment policy provides that no investment or deposit shall have a maturity longer than five (5) years from the 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.

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

Note 4: INVESTMENTS (CONT'D)

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, 2023, 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> |
|------------------------|--------------------------|-------------------|--------------------------|---------------------|
| Certificate Of Deposit | 5.36% | 07/10/23 | N/A | \$ 500,000 |
| Certificate Of Deposit | 5.36% | 09/08/23 | N/A | 500,000 |
| Total Investments | | | | <u>\$ 1,000,000</u> |

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 prices 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, 2024 and 2023:

Certificates of Deposit of \$0 and \$1,000,000 as of June 30, 2024 and 2023, 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, 2024 and 2023, represents the aggregate claim reserves in excess of the Fund's self-insured retention limits under the excess insurance contracts.

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

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, 2024 and 2023, and for all open Fund years net of excess insurance recoveries:

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| Total Unpaid Claim And Claim | | |
| Adjustment Expenses - Beginning | <u>\$ 6,877,820</u> | <u>\$ 6,087,072</u> |
| Incurring Claims And Claims Adjustment Expenses: | | |
| Provision For Insured Events Of Current Fund Year | 3,999,795 | 3,109,649 |
| Changes In Provision For Insured Events Of | | |
| Prior Fund Years | <u>(128,311)</u> | <u>(118,049)</u> |
| Total Incurred Claims And Claims Adjustment | | |
| Expenses All Fund Years | <u>3,871,484</u> | <u>2,991,600</u> |
| Payments (Net Of Subrogation): | | |
| Claims And Claims Adjustment Expenses: | | |
| Attributable To Insured Events Of Current Fund Year | 1,607,957 | 735,353 |
| Attributable To Insured Events Of Prior Fund Years | <u>1,432,425</u> | <u>1,465,499</u> |
| Total Payments All Fund Years | <u>3,040,382</u> | <u>2,200,852</u> |
| Total Unpaid Claim And Claim | | |
| Adjustment Expenses - Ending | <u>\$ 7,708,922</u> | <u>\$ 6,877,820</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 \$716,573 and \$3,730,009 in its combined loss funds for all years as of June 30, 2024 and 2023, respectively. Accordingly, the Fund has recorded liabilities for accrued insurance in the combined amount of \$342,505 and \$1,051,459 as of June 30, 2024 and 2023, 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>2024</u> | <u>2023</u> |
| 2002 | \$ - | \$ 56,521 |
| 2003 | - | 37,018 |
| 2005 | - | 69,417 |
| 2006 | - | 108,856 |
| 2008 | 4,666 | 5,248 |
| 2009 | 4,721 | 209,931 |
| 2010 | 1,391 | 6,174 |
| 2011 | 237,176 | 490,911 |
| 2017 | - | 67 |
| 2023 | 94,551 | 67,316 |
| | <u>\$ 342,505</u> | <u>\$ 1,051,459</u> |

Note 9: RETURN OF SURPLUS

The Board of Trustees did not approve a surplus distribution for the fiscal year ended June 30, 2024. The Board of Trustees approved a surplus distribution in the amount of \$200,000 for the fiscal year ended June 30, 2023, and were expensed to the 2020 fund year.

Note 10: 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. The Fund has recorded liabilities for accrued insurance in the combined amounts of \$342,505 and \$1,051,459 as of June 30, 2024 and 2023, respectively, which represents the Fund's respective share of the SPELL's deficit. Excess insurance premiums paid to the SPELL as of June 30, 2024 and 2023, were \$4,388,922 and \$2,391,793, respectively.

Note 11: SUBSEQUENT EVENTS

COVID-19 Pandemic - While there are many issues that are increasing claims cost for New Jersey public entities, management is confident that the Fund and its affiliated Joint Insurance Funds/Counties are in an exceptionally strong position because of decades of conservative financial practices. Management continues to evaluate the impact of the COVID-19 pandemic on workers' compensation on the Fund.

Claims Activity - Workers' compensation claims are also expected to increase because of recent changes in the public employee pension plans that will reduce the plans' contribution to total disability claims. Fortunately, the Fund's members are experiencing a lower rate of other employee accidents because of improved safety programs. Liability claims are increasing because of the recent change in the statute of limitations for sexual molestation lawsuits and the reluctance of the NJ Court System to grant summary judgments when Title 59 immunities should apply.

**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, 2024

| | <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 | \$ 135,879 | \$ 770,440 | \$ 120,362 | \$ 4,198,028 | \$ 1,653,111 | \$ 6,877,820 |
| Incurred Claims And Claims Adjustment Expenses: | | | | | | |
| Provision For Insured Events Of Current Fund Year | 1,226,107 | 324,002 | 60,496 | 1,733,190 | 656,000 | 3,999,795 |
| Changes In Provision For Insured Events Of Prior Fund Years | 228,095 | 119,303 | (95,286) | (93,070) | (287,353) | (128,311) |
| Total Incurred Claims And Claims Adjustment Expenses All Fund Years | 1,454,202 | 443,305 | (34,790) | 1,640,120 | 368,647 | 3,871,484 |
| Payments (Net Of Subrogation): | | | | | | |
| Claims And Claims Adjustment Expenses: | | | | | | |
| Attributable To Insured Events Of Current Fund Year | 1,052,166 | 359 | 10,610 | 535,546 | 9,276 | 1,607,957 |
| Attributable To Insured Events Of Prior Fund Years | 114,077 | 77,490 | 9,164 | 964,161 | 267,533 | 1,432,425 |
| Total Payments All Fund Years | 1,166,243 | 77,849 | 19,774 | 1,499,707 | 276,809 | 3,040,382 |
| Total Unpaid Claim And Claim Adjustment Expenses - Ending | \$ 423,838 | \$ 1,135,896 | \$ 65,798 | \$ 4,338,441 | \$ 1,744,949 | \$ 7,708,922 |

GLOUCESTER, CUMBERLAND, SALEM SCHOOL DISTRICTS JOINT INSURANCE FUND
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF JUNE 30, 2024

| | FUND YEAR JUNE 30 | | | | | | | | | |
|--|-------------------|--------------|--------------|--------------|--------------|----------------|----------------|--------------|--------------|--------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Net Earned Required Contribution | | | | | | | | | | |
| And Investment Revenue: | | | | | | | | | | |
| Earned | \$ 4,425,954 | \$ 5,803,616 | \$ 6,579,791 | \$ 6,697,743 | \$ 7,356,128 | \$ 7,490,395 | \$ 5,690,206 | \$ 6,399,445 | \$ 6,649,872 | \$ 7,103,577 |
| Ceded | 1,361,497 | 1,863,386 | 2,009,479 | 1,880,601 | 2,096,133 | 2,777,873 | 1,701,025 | 1,991,517 | 2,419,028 | 2,823,922 |
| | 3,064,457 | 3,940,230 | 4,570,312 | 4,817,142 | 5,259,995 | 4,712,522 | 3,989,181 | 4,407,928 | 4,230,844 | 4,279,655 |
| Unallocated Expenses | 562,337 | 728,191 | 823,704 | 859,779 | 929,674 | 953,841 | 893,991 | 1,009,766 | 1,002,298 | 971,851 |
| Estimated Claims And | | | | | | | | | | |
| Expenses, End Of Policy Year: | | | | | | | | | | |
| Incurred | 2,554,999 | 3,079,999 | 3,046,016 | 4,373,768 | 4,150,684 | 3,836,691 | 3,233,300 | 4,598,939 | 3,109,649 | 4,608,354 |
| Ceded | 380,001 | | | 274,928 | 208,346 | | 50,000 | 583,490 | | 608,559 |
| | 2,174,998 | 3,079,999 | 3,046,016 | 4,098,840 | 3,942,338 | 3,836,691 | 3,183,300 | 4,015,449 | 3,109,649 | 3,999,795 |
| Net Incurred | | | | | | | | | | |
| Paid (Cumulative) As Of: | | | | | | | | | | |
| End Of Policy Year | 635,359 | 782,450 | 620,197 | 843,455 | 1,491,331 | 735,106 | 775,112 | 1,562,560 | 735,353 | 1,607,957 |
| One Year Later | 1,119,395 | 1,162,379 | 1,120,811 | 1,791,009 | 2,028,193 | 975,891 | 1,321,845 | 6,189,211 | 1,418,884 | |
| Two Years Later | 1,586,115 | 1,693,009 | 1,438,895 | 2,249,496 | 2,779,477 | 1,238,212 | 1,481,517 | 6,579,564 | | |
| Three Years Later | 1,767,819 | 2,102,486 | 1,798,919 | 2,987,543 | 3,332,767 | 1,408,824 | 1,492,517 | | | |
| Four Years Later | 2,022,906 | 2,296,925 | 1,939,626 | 4,252,186 | 3,395,594 | 1,480,405 | | | | |
| Five Years Later | 2,584,880 | 2,334,448 | 2,008,244 | 3,691,275 | 3,575,909 | | | | | |
| Six Years Later | 2,585,224 | 2,465,231 | 2,034,137 | 4,646,536 | | | | | | |
| Seven Years Later | 2,585,653 | 2,547,266 | 2,036,176 | | | | | | | |
| Eight Years Later | 2,587,715 | 2,564,062 | | | | | | | | |
| Nine Years Later | 2,588,280 | | | | | | | | | |
| Re-Estimated Ceded Claims | | | | | | | | | | |
| And Expenses | 363,356 | 79,414 | 7,120 | 1,119,509 | 378,393 | - | - | 4,159,618 | 550,000 | 608,559 |
| Re-Estimated Incurred Claims | | | | | | | | | | |
| And Expenses: | | | | | | | | | | |
| End Of Policy Year | 2,174,998 | 3,079,999 | 3,046,016 | 4,098,840 | 3,942,338 | 3,836,691 | 3,183,300 | 4,015,449 | 3,109,649 | 3,999,795 |
| One Year Later | 2,555,002 | 2,599,391 | 2,392,814 | 4,098,843 | 3,600,459 | 2,410,778 | 2,654,407 | 4,325,002 | 3,326,700 | |
| Two Years Later | 2,512,537 | 2,665,946 | 2,065,870 | 4,098,841 | 3,586,243 | 1,955,843 | 2,358,872 | 4,159,618 | | |
| Three Years Later | 2,458,299 | 2,773,578 | 2,208,922 | 4,098,842 | 3,462,396 | 1,809,193 | 2,023,096 | | | |
| Four Years Later | 2,331,261 | 2,740,651 | 2,236,329 | 4,098,843 | 3,498,494 | 1,768,289 | | | | |
| Five Years Later | 2,254,172 | 2,593,905 | 2,061,531 | 4,098,841 | 3,301,226 | | | | | |
| Six Years Later | 2,246,444 | 2,564,891 | 2,033,119 | 4,096,107 | | | | | | |
| Seven Years Later | 2,241,444 | 2,604,842 | 2,046,701 | | | | | | | |
| Eight Years Later | 2,236,321 | 2,653,970 | | | | | | | | |
| Nine Years Later | | | | | | | | | | |
| Increase (Decrease) In Estimated Incurred Claims | | | | | | | | | | |
| And Expenses From End Of Policy Year | \$ 61,323 | \$ (426,029) | \$ (999,315) | \$ (2,733) | \$ (641,112) | \$ (2,068,402) | \$ (1,160,204) | \$ 144,169 | \$ 217,051 | \$ - |

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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* 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.

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

BOWMAN & COMPANY
LLP Certified Public
Accountants & Consultants

Dennis J. Skalkowski

Dennis J. Skalkowski
Certified Public Accountant