

**SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2022 AND 2021**



SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND

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ANNUAL STATEMENT FOR THE FISCAL YEAR ENDED JUNE 30, 2022

New Jersey Department of Insurance Joint Insurance Fund Code: _____

Joint Insurance Fund Name: School Pool For Excess Liability Limits
Joint Insurance Fund

Street Address: _____ Mail Address: 6000 Sagemore Drive, Suite 6203
 _____ P.O. Box 449
 _____ Marlton, NJ 08053

Primary location of books and records: 6000 Sagemore Drive, Suite 6203
Marlton, NJ 08053

Statement Contact Person: Brad Hoffman Phone No. (856) 446-9132

BOARD OF TRUSTEES

Chairperson	<u>Thomas P. Grossi</u>	<u>Christopher Veneziani</u>
Vice-Chairperson	<u>Richard J. Kaz, Jr.</u>	<u>Donna Contrevo</u>
Secretary	<u>Robert F. Wachter</u>	<u>Joseph Collins</u>
	_____	_____

BOARD OF TRUSTEES ALTERNATES

<u>Chandra Anaya</u>	<u>Scott Campell</u>
<u>Diane Fox</u>	<u>Heather Mayhew</u>
<u>Michael Colling</u>	_____
<u>Kathleen Huder</u>	_____

State of New Jersey
 County of _____

Thomas P. Grossi (Chairperson), Robert F. Wachter (Secretary), of the School Pool For Excess Liability Limits Joint Insurance Fund being duly sworn, each for him/herself deposes and says that they are the above described executive committee members of the said joint insurance fund, and that on the 30th day of June, 2022 all of the herein described assets were the absolute property of the said joint insurance fund, free and clear from any liens or claims thereon, except as herein stated, and that this annual statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to are a full and true statement of all the assets and liabilities and of the condition and affairs of the said joint insurance fund as of the 30th day of June, 2022, and of its income and deductions therefrom for the year ended on that date, according to the best of their information, knowledge and belief respectively.

 Chairperson

 Secretary

(a) Is this an original filing X Yes No

(b) If no,

(i) State the amendment number _____

(ii) Date filed _____

(iii) Number of pages attached _____

Subscribed and sworn to before me the _____ day of _____, 2023

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
School Pool For Excess Liability
Limits 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 School Pool For Excess Liability Limits Joint Insurance Fund (the "Fund") as of and for the fiscal years ended June 30, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund as of June 30, 2022 and 2021 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 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. 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.

Emphasis of Matter

Prior Period Restatement

During the fiscal year ended June 30, 2022, the Fund became aware of an allocation error between excess insurance receivable and claims expenses in the prior fiscal year. As a result, the Fund has restated unrestricted net position as of July 1, 2021 on the statement of activities to reflect the reallocation as described in Note 10 to the financial statements. Our opinion is not modified with respect to this matter.

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 generally accepted auditing standards 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 generally accepted auditing standards 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.

Board of Trustees
School Pool For Excess Liability
Limits Joint Insurance Fund

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.

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 March 10, 2023, 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
March 10, 2023

**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
School Pool For Excess Liability
Limits 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 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 School Pool For Excess Liability Limits Joint Insurance Fund (the "Fund"), as of June 30, 2022 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 March 10, 2023.

Our report on the financial statements included an additional emphasis of matter paragraph describing the restatement of the prior year financial statements resulting from an allocation error between excess insurance receivable and claims expenses. See Note 10 to the financial statements for the effect on unrestricted net position. Our opinion is not modified with respect to this matter.

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 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 or significant deficiencies may exist that were not identified.

Board of Trustees
School Pool For Excess Liability
Limits 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 and contracts, 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 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 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
March 10, 2023

School Pool For Excess Liability Limits Joint Insurance Fund

Management's Discussion and Analysis - Unaudited

This section of the annual financial report of the School Pool For Excess Liability Limits Joint Insurance Fund (the "Fund") presents a discussion and analysis of the financial performance of the Fund for the fiscal years ended June 30, 2022, 2021, and 2020. 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 comparative statements 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, 2022, 2021, and 2020.

Statement Of Net Position	<u>6/30/2022</u>	Restated <u>6/30/2021</u>	<u>6/30/2020</u>	<u>2021 to 2022 Change</u>	
				<u>Amount</u>	<u>Percentage</u>
Assets					
Cash And Cash Equivalents	\$ 6,506,303	\$ 5,819,611	\$ 6,531,589	\$ 686,692	11.8%
Investments	2,500,000	2,500,000	1,500,000	-	0.0%
Other Assets	<u>4,252,921</u>	<u>3,849,377</u>	<u>3,861,785</u>	<u>403,544</u>	<u>10.5%</u>
Total Assets	<u>13,259,224</u>	<u>12,168,988</u>	<u>11,893,374</u>	<u>1,090,236</u>	<u>9.0%</u>
Liabilities And Reserves & Net Position					
Liabilities And Reserves					
Loss Reserves	3,519,924	3,117,787	3,101,313	402,137	12.9%
Other Liabilities	<u>1,485,255</u>	<u>941,534</u>	<u>1,074,362</u>	<u>543,721</u>	<u>57.7%</u>
Total Liabilities And Reserves	<u>5,005,179</u>	<u>4,059,321</u>	<u>4,175,675</u>	<u>945,858</u>	<u>23.3%</u>
Net Position - Unrestricted	<u>\$ 8,254,045</u>	<u>\$ 8,109,667</u>	<u>\$ 7,717,699</u>	<u>\$ 144,378</u>	<u>1.8%</u>

Statement Of Revenues, Expenses, And Changes In Net Position Summary	<u>6/30/2022</u>	Restated <u>6/30/2021</u>	<u>6/30/2020</u>	<u>2021 to 2022 Change</u>	
				<u>Amount</u>	<u>Percentage</u>
Operating Revenue					
Regular Contributions & Other Income	<u>\$ 15,526,708</u>	<u>\$12,960,794</u>	<u>\$11,680,021</u>	<u>\$ 2,565,914</u>	<u>19.8%</u>
Operating Expenses					
Provision For Claims And Claims					
Adjustment Expenses (Recoveries)	861,493	423,543	(181,223)	437,950	103.4%
Insurance Premiums	13,431,104	11,181,445	9,594,963	2,249,659	20.1%
Professional & Contractual Services	<u>1,173,505</u>	<u>1,048,790</u>	<u>936,182</u>	<u>124,715</u>	<u>11.9%</u>
Total Operating Expenses	<u>15,466,102</u>	<u>12,653,778</u>	<u>10,349,922</u>	<u>2,812,324</u>	<u>22.2%</u>
Operating Income	60,606	307,016	1,330,099	(246,410)	-80.3%
Investment Income	<u>83,772</u>	<u>84,952</u>	<u>158,601</u>	<u>(1,180)</u>	<u>-1.4%</u>
Change In Net Position	<u>\$ 144,378</u>	<u>\$ 391,968</u>	<u>\$ 1,488,700</u>	<u>\$ (247,590)</u>	<u>-63.2%</u>

Financial Highlights Continued

Overall increases in total premiums reflect exposure increases within the fund membership due to the addition of thirteen (13) new Districts coupled with one District adding Workers' Compensation coverage.

During the fiscal year, the Fund continued its long-term success in controlling administrative and operating costs. The Fund saw a 10.31% increase in the Fund's overall Budget prior to the addition of new Districts. Renewal Reinsurance costs increased 13.13% while Group Insurance costs increased 13.30% and Student Accident Insurance decreased 4.80%. Operating Expenses decreased 1.76%, which is primarily a result of reducing the funding for Risk Management Services Initiatives funding.

The Fund reports an overall surplus position as well as in each individual fund year.

Economic Conditions

The decrease of 1.4% 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.

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 2018-2022. Global property market rates are skyrocketing as capacity decreases. The liability market pressures are the 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 the trend is expected to continue with dramatic premium increases and coverage restrictions. Workers' compensation costs remain relatively stable but continue to be influenced by medical inflation and increased indemnity awards. The on-going COVID-19 pandemic and the potential far-reaching impact economically is still unfolding and difficult to measure at this time. 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 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 School Pool For Excess Liability Limits 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 School Pool For Excess Liability Limits at the Fund office located 6000 at Sagemore Drive, Suite 6203, Marlton, New Jersey 08053 or by phone at (856) 446-9132.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS JOINT INSURANCE FUND
COMPARATIVE STATEMENTS OF NET POSITION
AS OF JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>Restated</u> <u>2021</u>
<u>ASSETS</u>		
Cash And Cash Equivalents	\$ 6,506,303	\$ 5,819,611
Investments	2,500,000	2,500,000
Interest Receivable	1,432	1,301
Excess Insurance Receivable	241,725	270,471
Aggregate Loss Fund Contingency		
Prospective Supplemental Contributions	3,999,112	3,577,605
Prepaid Expenses	10,652	-
	<hr/>	<hr/>
Total Assets	13,259,224	12,168,988
	<hr/>	<hr/>
<u>LIABILITIES AND RESERVES</u>		
Liabilities:		
Claims Payable	814,193	806,204
Accrued Expenses	176,564	135,330
Unearned Revenue	494,498	-
	<hr/>	<hr/>
Total Liabilities	1,485,255	941,534
	<hr/>	<hr/>
Claims Reserves:		
Case Reserves	4,031,986	3,647,192
Provision For Excess Insurance Recoverable	(512,062)	(529,405)
	<hr/>	<hr/>
Net Claims Reserves	3,519,924	3,117,787
	<hr/>	<hr/>
Total Liabilities And Reserves	5,005,179	4,059,321
	<hr/>	<hr/>
<u>NET POSITION</u>		
Unrestricted	\$ 8,254,045	\$ 8,109,667
	<hr/>	<hr/>

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

SCHOOL POOL FOR EXCESS LIABILITY LIMITS JOINT INSURANCE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>Restated</u> <u>2021</u>
Operating Revenue:		
Regular Contributions	\$ 15,105,201	\$ 12,963,007
Aggregate Loss Fund Contingency		
Prospective Supplemental Contributions Change	<u>421,507</u>	<u>(2,213)</u>
Total Operating Revenue	<u>15,526,708</u>	<u>12,960,794</u>
Operating Expenses:		
Provision For Claims And Claims Adjustment Expenses	861,493	423,543
Insurance Premiums	13,431,104	11,181,445
Administrative Expenses:		
Actuary - The Actuarial Advantage	7,065	6,925
Attorney - Various	9,520	9,500
Auditor - Bowman & Company LLP	14,996	14,420
Collaborative Network - Cloudburst Development LLC	62,807	50,000
Contingency - Various	51,567	14,577
Extranet Provider - Safe & Secure Legal Files Exchange LLC	37,471	130,452
Fund Administrator - Risk Program Administrators	4,992	5,083
General Ledger Management - Verrill & Verrill, LLC	17,700	17,450
Marketing - Various	96,454	32,384
Miscellaneous And Other Expenses - Various	24,731	7,160
Property Appraisals - Duff & Phelps, LLC	64,707	55,632
Recording Secretary	1,200	-
Safety Director - Risk Assessment Services	8,813	1,450
Treasurer - Verrill & Verrill, LLC	8,560	8,400
Underwriting Mgr - Risk Program Administrators	742,424	677,880
Website Hosting & Maintenance - Big Boom Design	<u>20,498</u>	<u>17,477</u>
Total Operating Expenses	<u>15,466,102</u>	<u>12,653,778</u>
Operating Income	60,606	307,016
Non-Operating Revenue:		
Investment Income	<u>83,772</u>	<u>84,952</u>
Change In Net Position	144,378	391,968
Net Position, Beginning	<u>8,109,667</u>	<u>7,717,699</u>
Net Position, Ending	<u>\$ 8,254,045</u>	<u>\$ 8,109,667</u>

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

SCHOOL POOL FOR EXCESS LIABILITY LIMITS JOINT INSURANCE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>Restated</u> <u>2021</u>
Cash Flows From Operating Activities:		
Receipts From Regular Contributions	\$ 15,599,699	\$ 12,963,007
Payment For Claims	(422,621)	(557,069)
Payments For Insurance Premiums	(13,398,642)	(11,169,049)
Payments To Professionals And Suppliers	<u>(1,175,385)</u>	<u>(1,033,080)</u>
Net Cash Flows Provided By Operating Activities	<u>603,051</u>	<u>203,809</u>
Cash Flows From Investing Activities:		
Purchase of Investments	-	(2,500,000)
Sale of Investments	-	1,500,000
Investment Income	<u>83,641</u>	<u>84,213</u>
Net Cash Flows Provided By (Used In) Investing Activities	<u>83,641</u>	<u>(915,787)</u>
Net Increase (Decrease) In Cash And Cash Equivalents	686,692	(711,978)
Cash And Cash Equivalents, Beginning	<u>5,819,611</u>	<u>6,531,589</u>
Cash And Cash Equivalents, Ending	<u>\$ 6,506,303</u>	<u>\$ 5,819,611</u>
Reconciliation Of Operating Income To		
Cash Flows From Operating Activities:		
Operating Income	\$ 60,606	\$ 307,016
Adjustments To Reconcile Operating Income To		
Net Cash Provided By Operating Activities:		
Changes In Assets And Liabilities:		
Excess Insurance Receivable	28,746	10,934
Aggregate Loss Fund Contingency		
Prospective Supplemental Contributions	(421,507)	2,213
Prepaid Expenses	(10,652)	-
Claims Payable	7,989	(160,934)
Accrued Expenses	41,234	28,106
Unearned Revenue	494,498	-
Case Reserves	<u>402,137</u>	<u>16,474</u>
Net Cash Flows Provided By Operating Activities	<u>\$ 603,051</u>	<u>\$ 203,809</u>

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

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 1: ORGANIZATION AND DESCRIPTION OF THE FUND

The School Pool For Excess Liability Limits Joint Insurance Fund (the "Fund") was formed on July 1, 2001, 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 and owner group delegates of the Fund may approve the membership of any New Jersey School Board Group by a two-thirds vote or may terminate any member by a two-thirds vote, after proper notice has been given. Approval of participation is granted for a specific term of three years.

During the fiscal year ended June 30, 2022, members of the Fund included the Atlantic & Cape May Counties Association of School Business Officials Joint Insurance Fund, Burlington County Insurance Pool Joint Insurance Fund, the Gloucester, Cumberland, Salem School Districts Joint Insurance Fund and the Suburban Essex Joint Insurance Fund.

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 provides the following excess coverages to its members:

- Property (including Crime, Inland Marine and Auto Physical Damage)
- General Liability
- Automobile Liability
- Workers' Compensation
- Educator's 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)

The Fund also provides aggregate excess insurance to its members. Each member's annual attachment point is set at the total of its current budgeted accumulated loss funding for specific retention plus an additional ten percent. The Fund maintains an aggregate excess loss contingency trust fund for losses in excess of the Fund's budgeted specific loss trust funds. Funding of the aggregate excess loss contingency trust fund is determined according to the Fund's bylaws.

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:

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
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. 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.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
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 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. 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.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

Investment Income Allocation

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

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.

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 and claims incurred but not 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, 2022.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

Unpaid Claims Liabilities (Cont'd)

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.

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

Aggregate Excess Insurance - The Fund secured \$2,000,000 of commercial aggregate coverage above the combined budgeted loss funds and unfunded risk windows of the Fund and its four (4) owner groups effective July 1, 2004, thus significantly reducing the likelihood of potential supplemental liabilities to each group.

The Fund has the flexibility to manage the allocation strategy for "shared" aggregate losses to minimize and/or eliminate the remaining exposure to potential supplemental liabilities. With the addition of commercial aggregate protection in 2003-2004, the loss funding was structured to maximize savings under the law of large numbers theory. The Fund and each owner group have a specific level of total funding responsibility (attachment point) that they have the flexibility of managing with or without an unfunded risk window.

The ultimate incurred losses of the Fund and each owner group are limited to each entities specific attachment point. Aggregate loss development of the Fund and each owner group beyond their applicable attachment point is shared across all groups, eroding any available loss fund surpluses as measured at a point in time. The combined funding responsibility of the Fund and its owner groups for 2021-2022 and 2020-2021 is \$22,686,336 and \$20,782,868, respectively.

The aggregation of losses up to the required combined funding level are allocated on a shared basis to erode all available budgeted loss funds before attaching to the \$2,000,000 commercial aggregate coverage.

An individual owner group may experience a reduction to available 2021-2022 budget surplus as a result of "shared" aggregate loss allocation strategy, but the owner group's ultimate liability would not exceed their respective initial level of total funding responsibility.

The Fund ceded \$28,746 and \$10,187 of losses to excess carriers during the fiscal years ended June 30, 2022 and 2021, respectively.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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

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 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.

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

In the event of any payment by the Fund, the rights of recovery of the member group on whose behalf the payment was made shall be subrogated to the rights of the Fund. 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.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
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 members' 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 and investments in certificates of deposit.

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.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 3: CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Fund's deposits might not be recovered. Although the Fund does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Fund in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Fund relative to the happening of a future condition. If the Fund had any such funds, they would be shown as Uninsured and Uncollateralized.

Of the Fund's bank balance of \$4,180,286 as of June 30, 2022, \$750,000 was insured while \$3,430,286 was collateralized under GUDPA.

Of the Fund's bank balance of \$5,826,060 as of June 30, 2021, \$750,000 was insured while \$5,076,060 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, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At June 30, 2022 and 2021, the Fund's deposits with the New Jersey Cash Management Fund were \$3,003,181 and \$672, respectively.

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 \$2,500,000 as of June 30, 2022 and 2021, respectively, were held by either the counterparty or counterparty's trust department or agent, but not in the Fund's name.

Interest Rate Risk

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

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 4: INVESTMENTS (CONT'D)

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, 2022 and 2021, 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>2022</u>	<u>2021</u>
Certificate Of Deposit	1.000%	4/12/2023	N/A	\$ 2,500,000	\$ 2,500,000
Total Investments				<u>\$ 2,500,000</u>	<u>\$ 2,500,000</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, 2022 and 2021:

The Certificate of Deposit noted above in the amount of \$2,500,000 is valued using quoted market prices for identical assets (Level 1 inputs).

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 5: 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, 2022 and 2021 and for all open Fund years net of excess insurance recoveries:

	<u>2022</u>	<u>2021</u>
Total Unpaid Claim And Claim		
Adjustment Expenses - Beginning	\$ 3,923,991	\$ 4,068,451
Incurred Claims And Claims Adjustment Expenses:		
Provision For Insured Events Of Current Fund Year	677,966	-
Changes In Provision For Insured Events Of		
Prior Fund Years	183,527	423,543
Total Incurred Claims And Claims		
Adjustment Expenses All Fund Years	861,493	423,543
Payments (Net Of Subrogation):		
Claims And Claims Adjustment Payments:		
Attributable To Insured Events Of Current Fund Year	135,191	-
Attributable To Insured Events Of Prior Fund Years	316,176	568,003
Total Payments All Fund Years	451,367	568,003
Total Unpaid Claim And Claim		
Adjustment Expenses - Ending	\$ 4,334,117	\$ 3,923,991
Analysis of Balance		
Claims Payable	\$ 814,193	\$ 806,204
Case Reserves (Net Of Recoverables)	3,519,924	3,117,787
	\$ 4,334,117	\$ 3,923,991

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 6: PROSPECTIVE SUPPLEMENTAL CONTRIBUTIONS

As of June 30, 2022 and 2021, the Fund recorded loss reserves resulting in a \$3,999,109 and \$3,577,605 deficit in its loss funds for all fund years, respectively. Should the reserves develop into actual paid claims, the Fund has calculated that the members will be assessed supplemental contributions as follows:

	<u>2022</u>	<u>2021</u>
Fund Year June 30, 2002		
Atlantic & Cape May Counties Association Of		
Business Officials JIF	\$ 84,653	\$ 76,365
Burlington County Insurance Pool JIF	182,929	165,019
Gloucester, Cumberland, Salem School Districts JIF	48,976	44,181
Suburban Essex Municipal JIF	7,784	7,022
Total Fund Year June 30, 2002	<u>324,342</u>	<u>292,587</u>
Fund Year June 30, 2003		
Atlantic & Cape May Counties Association Of		
Business Officials JIF	65,208	66,525
Burlington County Insurance Pool JIF	140,910	143,756
Gloucester, Cumberland, Salem School Districts JIF	37,726	38,488
Suburban Essex Municipal JIF	5,996	6,117
Total Fund Year June 30, 2003	<u>249,840</u>	<u>254,886</u>
Fund Year June 30, 2004		
Atlantic & Cape May Counties Association Of		
Business Officials JIF	22,272	18,909
Burlington County Insurance Pool JIF	45,881	38,954
Suburban Essex Municipal JIF	6,871	8,505
Total Fund Year June 30, 2004	<u>75,024</u>	<u>66,368</u>
Fund Year June 30, 2005		
Burlington County Insurance Pool JIF	294,952	304,955
Gloucester, Cumberland, Salem School Districts JIF	69,417	71,770
Suburban Essex Municipal JIF	54,363	56,206
Total Fund Year June 30, 2005	<u>418,732</u>	<u>432,931</u>
Fund Year June 30, 2006		
Burlington County Insurance Pool JIF	196,223	202,728
Gloucester, Cumberland, Salem School Districts JIF	109,577	111,972
Suburban Essex Municipal JIF	50,363	51,463
Total Fund Year June 30, 2006	<u>356,163</u>	<u>366,163</u>

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 6: PROSPECTIVE SUPPLEMENTAL CONTRIBUTIONS (CONT'D)

	<u>2022</u>	<u>2021</u>
Fund Year June 30, 2008		
Atlantic & Cape May Counties Association Of		
Business Officials JIF	\$ 344	\$ 344
Burlington County Insurance Pool JIF	39,450	39,450
Gloucester, Cumberland, Salem School Districts JIF	5,248	5,248
Total Fund Year June 30, 2008	<u>45,042</u>	<u>45,042</u>
Fund Year June 30, 2009		
Burlington County Insurance Pool JIF	440,540	444,624
Gloucester, Cumberland, Salem School Districts JIF	209,825	210,306
Suburban Essex Municipal JIF	62,312	62,455
Total Fund Year June 30, 2009	<u>712,677</u>	<u>717,385</u>
Fund Year June 30, 2010		
Burlington County Insurance Pool JIF	106,881	124,125
Gloucester, Cumberland, Salem School Districts JIF	6,704	7,713
Suburban Essex Municipal JIF	10,436	12,008
Total Fund Year June 30, 2010	<u>124,021</u>	<u>143,846</u>
Fund Year June 30, 2011		
Burlington County Insurance Pool JIF	6,715	6,523
Gloucester, Cumberland, Salem School Districts JIF	333,732	324,182
Suburban Essex Municipal JIF	96,710	93,942
Total Fund Year June 30, 2011	<u>437,157</u>	<u>424,647</u>
Fund Year June 30, 2014		
Atlantic & Cape May Counties Association Of		
Business Officials JIF	348,759	322,615
Burlington County Insurance Pool JIF	217,183	185,462
Suburban Essex Municipal JIF	-	2,261
Total Fund Year June 30, 2014	<u>565,942</u>	<u>510,338</u>
Fund Year June 30, 2017		
Atlantic & Cape May Counties Association Of		
Business Officials JIF	91	95
Burlington County Insurance Pool JIF	127	129
Gloucester, Cumberland, Salem School Districts JIF	68	62
Total Fund Year June 30, 2017	<u>286</u>	<u>286</u>

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 6: PROSPECTIVE SUPPLEMENTAL CONTRIBUTIONS (CONT'D)

	<u>2022</u>	<u>2021</u>
Fund Year June 30, 2018		
Atlantic & Cape May Counties Association Of Business Officials JIF	\$ 76,263	\$ 161,078
Burlington County Insurance Pool JIF	57,229	128,861
Suburban Essex Municipal JIF	<u>13,617</u>	<u>33,187</u>
Total Fund Year June 30, 2018	<u>147,109</u>	<u>323,126</u>
Fund Year June 30, 2022		
Atlantic & Cape May Counties Association Of Business Officials JIF	395,749	-
Gloucester, Cumberland, Salem School Districts JIF	97,789	-
Suburban Essex Municipal JIF	<u>49,236</u>	<u>-</u>
Total Fund Year June 30, 2022	<u>542,774</u>	<u>323,126</u>
Total Aggregate Loss Fund Contingency Prospective Supplemental Contributions	<u>\$ 3,999,109</u>	<u>\$ 3,577,605</u>
Summary By Member		
Atlantic & Cape May Counties Association Of Business Officials JIF	\$ 993,339	\$ 645,931
Burlington County Insurance Pool JIF	1,729,020	1,784,586
Gloucester, Cumberland, Salem School Districts JIF	919,062	813,922
Suburban Essex Municipal JIF	<u>357,688</u>	<u>333,166</u>
Total Aggregate Loss Fund Contingency Prospective Supplemental Contributions	<u>\$ 3,999,109</u>	<u>\$ 3,577,605</u>

Note 7: 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, 2022 represents the aggregate of claim reserves in excess of the Fund's self-insured retention limits under the excess insurance contracts.

Note 8: 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.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 9: RELATED PARTY TRANSACTIONS

Each member is an owner of the School Pool For Excess Liability Limits Joint Insurance Fund and pays excess insurance premiums to the Fund. Total excess insurance premiums paid to the Fund for the fiscal years ended June 30, 2022 and 2021 were as follows:

<u>Member</u>	<u>2022</u>	<u>2021</u>
Atlantic & Cape May Counties Association Of Business Officials JIF	\$ 4,889,355	\$ 4,319,810
Burlington County Insurance Pool JIF	7,666,352	6,442,837
Gloucester, Cumberland, Salem School Districts JIF	1,991,517	1,701,025
Suburban Essex Municipal JIF	<u>557,977</u>	<u>499,335</u>
	<u>\$ 15,105,201</u>	<u>\$ 12,963,007</u>

Note 10: RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

Excess insurance receivable was reduced by \$407,120 and the provision for claims and claims adjustment expenses was increased by \$407,120 due to an allocation error. The following represents the cumulative effects of the restatement on the respective financial statement balances of the Fund for the fiscal year ended June 30, 2021:

Statement of Net Position

	<u>Previously Reported</u>	<u>Cumulative Effect - Increase / (Decrease)</u>	<u>Restated Balance</u>
Assets			
Excess Insurance Receivable	<u>\$ 677,591</u>	<u>\$ (407,120)</u>	<u>\$ 270,471</u>
Net Position			
Unrestricted	<u>\$ 8,516,787</u>	<u>\$ (407,120)</u>	<u>\$ 8,109,667</u>

Statement of Revenues, Expenses, and Changes in Net Position Summary

	<u>Previously Reported</u>	<u>Cumulative Effect - Increase / (Decrease)</u>	<u>Restated Balance</u>
Operating Expenses			
Provision For Claims And Claims Adjustment Expenses	<u>\$ 16,423</u>	<u>\$ 407,120</u>	<u>\$ 423,543</u>
Ending Net Position	<u>\$ 8,516,787</u>	<u>\$ (407,120)</u>	<u>\$ 8,109,667</u>

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

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 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 in 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 judgements when Title 59 immunities should apply.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL POOL FOR EXCESS LIABILITY LIMITS JOINT INSURANCE FUND
RECONCILIATION OF CLAIMS LIABILITIES BY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>Educator's Legal Liability</u>	<u>Aggregate Loss Fund Contingency</u>	<u>Total</u>
Total Unpaid Claim And Claim Adjustment Expenses - Beginning	\$ -	\$ 286	\$ -	\$ 383,939	\$ -	\$ 3,539,766	\$ 3,923,991
Incurred Claims And Claims Adjustment Expenses:							
Provision For Insured Events Of Current Fund Year						677,966	677,966
Changes In Provision For Insured Events Of Prior Fund Years		244,460		544,918		(605,851)	183,527
Total Incurred Claims And Claims Adjustment Expenses All Fund Years		244,460		544,918		72,115	861,493
Payments (Net Of Subrogation):							
Claims And Claims Adjustment Payments:							
Attributable To Insured Events Of Current Fund Year				135,191			135,191
Attributable To Insured Events Of Prior Fund Years		244,460		71,716			316,176
Total Payments All Fund Years	-	244,460	-	206,907	-	-	451,367
Total Unpaid Claim And Claim Adjustment Expenses - Ending	\$ -	\$ 286	\$ -	\$ 721,950	\$ -	\$ 3,611,881	\$ 4,334,117
Analysis Of Balance:							
Claims Payable							\$ 814,193
Case Reserves (Net Of Recoverables)							3,519,924
							<u>\$ 4,334,117</u>

SCHOOL POOL FOR EXCESS LIABILITY LIMITS JOINT INSURANCE FUND
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF JUNE 30, 2022

	FUND YEAR ENDED JUNE 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net Earned Required Contribution										
And Investment Revenue:										
Earned	\$ 6,915,341	\$ 7,997,915	\$ 7,733,077	\$ 8,674,667	\$ 9,068,137	\$ 9,913,898	\$ 10,832,816	\$ 12,039,380	\$ 12,977,276	\$ 15,650,023
Ceded	6,083,425	6,777,775	7,004,354	7,537,145	7,147,053	7,570,410	8,299,559	9,600,963	11,176,945	13,431,104
Net Earned	831,916	1,220,140	728,723	1,137,522	1,921,084	2,343,488	2,533,257	2,438,417	1,800,331	2,218,919
Unallocated Expenses	615,729	610,343	656,706	731,710	837,083	883,684	988,818	941,194	1,076,621	1,146,891
Estimated Claims And										
Expenses, End of Policy Year:										
Incurred	-	459,100	380,001	-	14,000	880,754	-	-	-	677,966
Ceded	-	-	-	-	-	-	-	-	-	-
Net Incurred	-	459,100	380,001	-	14,000	880,754	-	-	-	677,966
Paid (Cumulative) As Of:										
End Of Policy Year	-	-	-	-	-	-	-	-	-	135,191
One Year Later	-	-	-	-	-	-	-	-	-	-
Two Years Later	-	-	-	-	-	-	200,000	-	-	-
Three Years Later	-	-	-	-	-	200,000	200,000	-	-	-
Four Years Later	-	-	-	-	7,120	200,000	-	-	-	-
Five Years Later	-	-	-	-	294,549	-	-	-	-	-
Six Years Later	-	-	-	-	-	-	-	-	-	-
Seven Years Later	-	-	-	-	-	-	-	-	-	-
Eight Years Later	-	-	-	-	-	-	-	-	-	-
Nine Years Later	-	-	-	-	-	-	-	-	-	-
Re-Estimated Ceded Claims										
And Expenses	-	-	-	-	-	-	-	-	-	-
Re-Estimated Net Incurred Claims										
And Expenses:										
End of Policy Year	-	459,100	380,001	-	14,000	880,754	-	-	-	677,966
One Year Later	-	583,787	285,148	-	-	68,289	-	-	-	-
Two Years Later	-	633,787	-	-	18,514	198,494	200,000	-	-	-
Three Years Later	-	781,193	-	-	-	523,126	200,000	-	-	-
Four Years Later	-	726,769	-	-	7,406	347,109	-	-	-	-
Five Years Later	-	885,462	-	-	294,835	-	-	-	-	-
Six Years Later	-	542,693	-	-	-	-	-	-	-	-
Seven Years Later	-	510,338	-	-	-	-	-	-	-	-
Eight Years Later	-	565,943	-	-	-	-	-	-	-	-
Nine Years Later	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) In Estimated Net Incurred										
Claims And Expenses From End Of Policy Year	\$ -	\$ 106,843	\$ (380,001)	\$ -	\$ 280,835	\$ (533,645)	\$ 200,000	\$ -	\$ -	\$ -

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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 for which *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, requires.

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 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.

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, reading "Dennis J. Skalkowski". The signature is written in a cursive, flowing style.

Dennis J. Skalkowski
Certified Public Accountant