

**GLOUCESTER COUNTY INSURANCE COMMISSION**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**



*75 YEARS OF SERVICE*

*1939-2014*

# GLOUCESTER COUNTY INSURANCE COMMISSION

## TABLE OF CONTENTS

### Page No.

Independent Auditors' Report	1
Independent Auditor's 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	4
Management's Discussion and Analysis	6

### Financial Statements

Exhibit A-1	Comparative Statements of Net Position	9
Exhibit A-2	Comparative Statements of Revenues, Expenses and Changes in Net Position	10
Exhibit A-3	Comparative Statements of Cash Flows	11
	Notes to Financial Statements	12

### Required Supplementary Information

Schedule 1	Reconciliation of Property and Casualty Claims Liabilities by Fund	22
Schedule 1A	Reconciliation of Health Claims Liabilities by Fund	23
Schedule 2	Three-Year Property and Casualty Claims Development Information	24

### Supplementary Information

Schedule B-1a	Statement of Fund Year 2013 Property and Casualty Accounts Operating Results Analysis	26
Schedule B-1b	Statement of Fund Year 2012 Property and Casualty Accounts Operating Results Analysis	27
Schedule B-1c	Statement of Fund Year 2011 Property and Casualty Accounts Operating Results Analysis	28
Schedule B-1d	Statement of Fund Year 2010 Property and Casualty Accounts Operating Results Analysis	29
Schedule B-2a	Statement of Fund Year 2013 Property and Casualty Claims Analysis	30
Schedule B-2b	Statement of Fund Year 2012 Property and Casualty Claims Analysis	31
Schedule B-2c	Statement of Fund Year 2011 Property and Casualty Claims Analysis	32
Schedule B-2d	Statement of Fund Year 2010 Property and Casualty Claims Analysis	33
Schedule B-3a	Statement of 2013 Health Accounts Operating Results	34
Schedule B-3b	Statement of 2012 Health Accounts Operating Results	35
Schedule B-3c	Statement of 2011 Health Accounts Operating Results	36
Schedule B-3d	Statement of 2010 Health Accounts Operating Results	37
Schedule B-4a	Statement of Fund Year 2013 Program Summary – Statutory Basis	38
Schedule B-4b	Statement of Fund Year 2012 Program Summary – Statutory Basis	39
Schedule B-4c	Statement of Fund Year 2011 Program Summary – Statutory Basis	40
Schedule B-4d	Statement of Fund Year 2010 Program Summary – Statutory Basis	41

GLOUCESTER COUNTY INSURANCE COMMISSION

TABLE OF CONTENTS

Page No.

Schedule of Findings and Recommendations

Schedule of Findings and Recommendations	43
Schedule of Financial Statement Findings	43
Summary Schedule of Prior Year Audit Findings as Prepared by Management	43
Appreciation	43

**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Gloucester County Insurance Commission  
9 Campus Drive  
Suite 16  
Parsippany, NJ 07054

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Gloucester County Insurance Commission (the "Commission") as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Gloucester County Insurance Commission as of December 31, 2013 and 2012 and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gloucester County Insurance Commission'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 September 25, 2014 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control over financial reporting and compliance.

Respectfully Submitted,

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

Bowman & Company LLP  
Certified Public Accountants  
& Consultants

Woodbury, New Jersey  
September 25, 2014

**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 AUDITORS' REPORT**

Board of Commissioners  
Gloucester County Insurance Commission  
9 Campus Drive  
Suite 16  
Parsippany, NJ 07054

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 Division of Local Government Services, Department of Community Affairs of the State of New Jersey, the financial statements of the Gloucester County Insurance Commission (the "Commission") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collective comprise the Commission's basic financial statements, and have issued our report thereon dated September 25, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Purpose of this Report**

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

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Bowman & Company LLP", is written over the printed name of the firm.

Bowman & Company LLP  
Certified Public Accountants  
& Consultants

Woodbury, New Jersey  
September 25, 2014



# **GLOUCESTER COUNTY INSURANCE COMMISSION**

## **Management's Discussion and Analysis**

This section of the annual financial report of the Commission presents a discussion and analysis of the financial performance of the Commission for the years ended December 31, 2013, 2012, and 2011. Please read it in conjunction with the basic financial statements that follow this section.

### **Overview of Basic Financial Statements**

The Commission'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 Commission is to provide property and casualty insurance coverage and medical and other health insurance coverages for Gloucester County Proper and its' inter-agencies that are members of the Commission. The Commission 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:

**Statement of Net Position** – This statement presents information reflecting the Commission's assets, liabilities, and net position. Net Position represents the amount of total assets less total liabilities.

**Statement of Revenues, Expenses, and Changes in Net Position** – This statement reflects the Commission'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.

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

## Financial Highlights

The following tables summarize the Net Position and results of operations for the Commission as of and for the years ended December 31, 2013, 2012, and 2011.

Summary Statement of Net Position					
	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>Change \$</u>	<u>Change %</u>
Assets:					
Cash & Cash Equivalents	\$4,701,675	\$ 4,321,404	\$ 4,739,872	\$ 380,271	8.8%
Investment in Joint Venture	977,428	620,917	343,393	356,511	57.4%
Receivables	<u>545,807</u>	<u>311,085</u>	<u>622,300</u>	<u>234,722</u>	<u>75.5%</u>
Total Assets	<u>\$6,224,910</u>	<u>\$ 5,253,406</u>	<u>\$ 5,705,565</u>	<u>\$ 971,504</u>	<u>18.5%</u>
Liabilities & Net Position					
Liabilities:					
Loss Reserves	3,654,037	3,208,407	4,668,597	445,630	13.9%
Other Liabilities & Reserves	<u>55,885</u>	<u>318,347</u>	<u>218,406</u>	<u>(262,462)</u>	<u>-82.4%</u>
Total Liabilities	<u>3,709,922</u>	<u>3,526,754</u>	<u>4,887,003</u>	<u>183,168</u>	<u>5.2%</u>
Net Position - Unrestricted	<u>\$2,514,988</u>	<u>\$ 1,726,652</u>	<u>\$ 818,562</u>	<u>\$ 788,336</u>	<u>45.7%</u>

Summary of Statement of Revenues, Expenditures, and Changes in Net Position					
	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>Change \$</u>	<u>Change %</u>
Operating Revenue:					
Regular Contributions and Other Income	<u>\$6,561,329</u>	<u>\$22,047,976</u>	<u>\$ 42,586,916</u>	<u>\$ (15,486,647)</u>	<u>-70.2%</u>
Operating Expenses:					
Provision for Claims and Claims Expense	2,876,980	16,595,852	36,757,141	(13,718,872)	-82.7%
Premium for Property and Casualty Excess Insurance Expense	2,559,344	2,425,887	2,307,853	133,457	5.5%
Stop Loss Health Coverage Fees	-	649,451	1,848,318	(649,451)	-100.0%
Administrative and Operating Expenses	<u>693,188</u>	<u>1,750,050</u>	<u>3,044,937</u>	<u>(1,056,862)</u>	<u>-60.4%</u>
Total Operating Expenses	<u>6,129,512</u>	<u>21,421,240</u>	<u>43,958,249</u>	<u>(15,291,728)</u>	<u>-71.4%</u>
Operating Income (Loss)	431,817	626,736	(1,371,333)	(194,919)	-31.1%
Non-Operating Revenue:					
Investment Income	8	3,830	5,856	(3,822)	-99.8%
Change in Investment in Joint Venture	<u>356,511</u>	<u>277,524</u>	<u>269,824</u>	<u>78,987</u>	<u>28.5%</u>
Change In Net Position	<u>\$ 788,336</u>	<u>\$ 908,090</u>	<u>\$ (1,095,653)</u>	<u>\$ (119,754)</u>	<u>-13.2%</u>

## **Financial Highlights Continued**

On March 1, 2010, the Gloucester County Board of Chosen Freeholders adopted a resolution which authorized the establishment of the Gloucester County Insurance Commission. The Commission was established under N.J.S.A. 40A:10-6 which authorizes a governing body of any local unit to establish an Insurance Commission for the purposes provided by law. This was based on the County's determination that cost savings and efficiencies can be achieved if the County Proper and its inter-agencies share the cost of insurance, claim management and services, a safety and loss control program and consolidation of insurance policies.

The Gloucester County Insurance Commission's total assets at the end of the fourth year of operations were \$6,224,910, and total liabilities were \$3,709,923 resulting in unrestricted net Position of \$2,514,988. The Investment in Joint Ventures represents the Commission's share of net position in the New Jersey Counties Excess Joint Insurance Fund.

Effective July 1, 2012, the Commission no longer offered medical and prescription coverage, therefore revenue and expenses decreased dramatically in 2013.

Insurance premiums represent the assessment paid to the New Jersey Counties Excess Joint Insurance Fund were \$2,559,344. That Fund is a cost sharing excess fund that assumes risk on behalf of the Commission and the other members of that Fund, the Camden County Insurance Fund Commission, Cumberland County Insurance Fund Commission, Burlington County Insurance Commission, Salem County Insurance Fund Commission and Union County.

In 2013, investment income was \$8 due to the low interest rate environment which limited the ability of the Commission to earn investment income during this reporting period.

## **Economic Conditions**

The future financial position of the Commission will be impacted by trends in medical costs which affect workers compensation costs. The Commission will attempt to offset these trends by reducing accident frequency and severity, and by streamlining claims processing and management.

Effective July 1, 2012 the Commission no longer offered medical and prescription coverages to any member. The Commission does continue to offer dental coverage to electing members.

## **Contacting the Fund's Management**

This financial report is designed to provide the Gloucester County Insurance Fund Commission members and the Division of Local Government Services, Department of Community Affairs of the State of New Jersey with a general overview of the Commission's finances and to demonstrate the Commission'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 County Insurance Fund Commission office located at 9 Campus Drive, Suite 16, Parsippany, New Jersey 07054 or by phone at (201) 881-7632.

GLOUCESTER COUNTY INSURANCE COMMISSION  
COMPARATIVE STATEMENTS OF NET POSITION  
AS OF DECEMBER 31, 2013 and 2012

	2013			2012		
	<u>Total</u>	<u>Health</u>	<u>Property &amp; Casualty</u>	<u>Total</u>	<u>Health</u>	<u>Property &amp; Casualty</u>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 4,701,675	216,026	4,485,649	\$ 4,321,404	399,632	3,921,772
Contributions Receivable	1,365		1,365	16,741		16,741
Surplus Return Receivable	148,760		148,760	-		
Reimbursements Receivable	395,682		395,682	294,344	126,326	168,018
Investment in Joint Venture	977,428		977,428	620,917		620,917
	6,224,910	216,026	6,008,884	5,253,406	525,958	4,727,448
<b>LIABILITIES AND RESERVES</b>						
Liabilities:						
Accrued Administrative Expenses	16,597	2,640	13,957	19,171	2,696	16,475
Accrued Property and Casualty Excess Insurance	5,473		5,473	3,848		3,848
Claims Payable	33,815	33,815		26,107	26,107	
Accrued State Surcharge	-			269,221	269,221	
Total Liabilities	55,885	36,455	19,430	318,347	298,024	20,323
Claims Reserves:						
Case Reserves	2,547,170		2,547,170	2,047,907		2,047,907
IBNR Reserves	1,346,438	41,893	1,304,545	1,391,243	90,450	1,300,793
Less Reserve Discount	(239,571)		(239,571)	(230,743)		(230,743)
Total Reserves	3,654,037	41,893	3,612,144	3,208,407	90,450	3,117,957
Total Liabilities and Reserves	3,709,922	78,348	3,631,574	3,526,754	388,474	3,138,280
<b>NET POSITION</b>						
Unrestricted	\$ 2,514,988	\$ 137,678	\$ 2,377,310	\$ 1,726,652	\$ 137,484	\$ 1,589,168

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

GLoucester County Insurance Commission  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

	2013			2012		
	<u>Total</u>	<u>Health</u>	<u>Property &amp; Casualty</u>	<u>Total</u>	<u>Health</u>	<u>Property &amp; Casualty</u>
Operating Revenue:						
Regular Contributions	\$ 6,412,569	\$ 666,004	\$ 5,746,565	\$ 22,047,976	\$ 16,430,914	\$ 5,617,062
CEL Dividend	148,760		148,760	-		
Total Operating Revenue	6,561,329	666,004	5,895,325	22,047,976	16,430,914	5,617,062
Operating Expenses:						
Provision for Claims and Claims Adjustment Expenses	2,876,980	553,539	2,323,441	16,595,852	14,719,976	1,875,876
Premium for Property and Casualty Excess Insurance	2,559,344		2,559,344	2,425,887		2,425,887
Stop Loss Health Coverage Fees	-			849,451	849,451	
Administrative Expenses:						
Actuary	7,500		7,500	7,500		7,500
Attorney	33,847		33,847	39,471		39,471
Auditor	12,000		12,000	22,000		22,000
Claims Administrators	172,119	94,619	77,500	608,226	530,726	77,500
Fund Administrator	163,000	31,784	131,216	477,801	346,587	131,214
Miscellaneous Expenses	4,829		4,829	3,328		3,328
Postage	17		17	-		
Risk Management Consultants	252,628	(5,212)	257,840	255,840		255,840
State Retiree Surcharge	(8,912)	(8,912)		79,724	79,724	
Underwriting Manager	56,160		56,160	56,160		56,160
Total Operating Expenses	6,129,512	665,818	5,463,694	21,421,240	16,526,464	4,894,776
Operating Income (Loss)	431,817	186	431,631	626,736	(95,550)	722,286
Non-Operating Revenue:						
Change in Investment in Joint Venture	356,511		356,511	277,524		277,524
Investment Income	8	8		3,830	1,031	2,799
Total Non-Operating Revenue	356,519	8	356,511	281,354	1,031	280,323
Change in Net Position	788,336	194	788,142	908,090	(94,519)	1,002,609
Net Position - Beginning of Year	1,726,652	137,484	1,589,168	818,562	232,003	586,559
Net Position - End of Year	\$ 2,514,988	\$ 137,678	\$ 2,377,310	\$ 1,726,652	\$ 137,484	\$ 1,589,168

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

GLoucester County Insurance Commission  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

	2013			2012		
	Total	Health	Property & Casualty	Total	Health	Property & Casualty
Cash Flows Provided By (Used In) Operating Activities:						
Cash Flows From Operating Activities:						
Receipts From Regular Contributions	\$ 6,427,945	\$ 666,004	\$ 5,761,941	\$ 22,163,097	\$ 16,551,728	\$ 5,611,369
Payments For Claim Payments	(2,524,980)	(468,062)	(2,056,918)	(17,833,838)	(16,448,754)	(1,385,084)
Payments For Property and Casualty Excess Insurance	(2,557,719)		(2,557,719)	(2,432,056)		(2,432,056)
Payments For Stop Loss Health Coverage Fees	(269,221)	(269,221)		(769,728)	(769,728)	
Payments To Professionals and Suppliers	(695,762)	(112,335)	(583,427)	(1,549,770)	(954,341)	(595,429)
Net Cash Flows Provided By (Used In) Operating Activities	380,263	(183,614)	563,877	(422,295)	(1,621,095)	1,198,800
Cash Flows From Investing Activities:						
Investment Income	8	8		3,830	1,031	2,799
Net Increase (Decrease) in Cash and Cash Equivalents	380,271	(183,606)	563,877	(418,465)	(1,620,064)	1,201,599
Cash and Cash Equivalents - Beginning of Year	4,321,404	399,632	3,921,772	4,739,872	2,019,699	2,720,173
Cash and Cash Equivalents - End of Year	\$ 4,701,675	\$ 216,026	\$ 4,485,649	\$ 4,321,407	\$ 399,635	\$ 3,921,772
Reconciliation of Operating Income (Loss) to Cash Flows From Operating Activities:						
Operating Income (Loss)	\$ 431,817	\$ 186	\$ 431,631	\$ 626,736	\$ (95,550)	\$ 722,286
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:						
Changes in Assets and Liabilities:						
Contributions Receivable	15,376		15,376	115,121	120,814	(5,693)
Surplus Return Receivable	(148,760)		(148,760)	-		
Reimbursements Receivable	(101,338)	126,326	(227,664)	196,097	311,581	(115,484)
Prepaid Expenses	-			-		
Accrued Administrative Expenses	(2,574)	(56)	(2,518)	280	2,696	(2,416)
Accrued Property and Casualty Excess Insurance	1,625		1,625	(6,169)		(6,169)
Claims Payable	7,708	7,708		26,107	26,107	
Accrued State Surcharge Payable	(269,221)	(269,221)		79,723	79,723	
Claims Reserves	445,630	(48,557)	494,187	(1,460,190)	(2,066,466)	606,276
Net Cash Flows Provided By (Used In) Operating Activities	\$ 380,263	\$ (183,614)	\$ 563,877	\$ (422,295)	\$ (1,621,095)	\$ 1,198,800
Supplemental Disclosure - Noncash Activity:						
Change in Investment in Joint Venture	\$ 356,511	\$ -	\$ 356,511	\$ 277,524	\$ -	\$ 277,524

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

**GLOUCESTER COUNTY INSURANCE COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1: ORGANIZATION AND DESCRIPTION OF THE COMMISSION**

Effective March 1, 2010 the Gloucester County Insurance Commission (the "Commission") was formed in accordance with P.L. 1992, C.51, entitled "An Act Concerning Insurance Funds for Local Units of Government", and supplementing Chapter 10 of Title 40A:10-6. The Commission is operated in accordance with regulations of the Division of Local Government Services of the Department of Community Affairs for the purpose of securing significant savings in insurance cost as well as providing stability in coverage.

The Board of Commissioners of the Commission may approve subsequent membership by a majority vote of the commissioners or may terminate any member by a majority vote, after proper notice has been given. Early terminations require prior approval by the Commissioners.

During 2013, members of the Commission included the Gloucester County, Gloucester County College, Gloucester County Improvement Authority, Gloucester County Utility Authority, Gloucester County Library, Gloucester County Division of Social Services for property casualty and health insurance coverages, Gloucester County Special Services School District, and Gloucester County Vocational Technical Schools were health insurance members only.

All members' property and casualty assessments, including a reserve for contingencies, are based on annual actuarial assumptions determined by the Commission's Actuary and on monthly and quarterly adjustments determined by the Commission's Actuary and Program Manager based on actual loss experience.

All members' health coverage contributions are assessed monthly based on the members' census data, including a pro rata amount of the current estimates of projected losses, administrative expenses and the cost of stop loss insurance. The Commissioner of 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 Commission offers the following property and casualty coverage's to its members:

- Workers' Compensation including Employers' Liability.
- General Liability other than motor vehicles.
- Property damage other than motor vehicles.
- Automobile Liability and damage.

Effective July 1, 2012, the Commission no longer offered medical and prescription coverages to any member. The Commission continues to offer dental coverage to electing members.

Through membership in the New Jersey Counties Excess Joint Insurance Fund, the Commission offers the following ancillary insurance coverage to its members:

- Public Officials Liability/School Board Legal/Employment Practices Liability
- Crime
- Pollution Liability
- Medical Professional Liability
- Employed Lawyers Liability

**GLOUCESTER COUNTY INSURANCE COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1: ORGANIZATION AND DESCRIPTION OF THE COMMISSION (CONT'D)**

The Commission provides coverage on a self-insured basis and secures excess insurance in a form and an amount from an insurance company acceptable to the Commissioner of Insurance.

**PROPERTY AND CASUALTY INSURANCE**

The limits of Commission liability per occurrence for property and casualty coverages net of member entity deductibles for 2013 were as follows:

Property	\$100,000
Auto	\$250,000
General Liability	\$250,000
Workers Compensation	\$250,000

Coverage in excess of the Commission's retention limits is provided through the Commission's membership in the New Jersey Counties Excess Joint Insurance Fund (the "CEL")

**HEALTH INSURANCE**

The Commission continues to offer dental coverage to electing members.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the more significant policies followed by the Gloucester County Insurance Commission (the "Commission") in the preparation of the accompanying financial statements:

**Component Unit**

Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, provide guidance that all entities associated with a primary government are potential component units, and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39.

In addition, GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. In addition, GASB Statement No. 61 clarifies the manner in which component units are presented, whether discretely presented, blended, or included in the fiduciary fund financial statements.

As of December 31, 2013, it has been determined by the Commission that no component unit exists. In addition, the Commission is not includable in any other reporting entity on the basis of such criteria.



**GLOUCESTER COUNTY INSURANCE COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Basis of Presentation**

The financial statements of the Commission 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.

**Cash, Cash Equivalents and Investments**

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

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

Additionally, the Commission has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

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

**GLOUCESTER COUNTY INSURANCE COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Cash, Cash Equivalents and Investments (Cont'd)**

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.

**Property and Casualty Assessments**

Annual assessments are based on loss funds as determined by the Commission's actuary and are received in three installments. Total contributions are recognized as earned revenue evenly over the fiscal contract period or period of risk, if different. All past due contributions bear interest at the rate established annually by the Executive Committee. The established interest rate for 2013 was 10% per annum from the due date for any delinquent contributions.

**Health Coverage Assessments**

During the period coverages were available, members were assessed monthly contributions based on a pro rata amount of the current estimates of projected losses, administrative expenses and the cost of stop loss insurance.

**Supplemental Assessments**

The Executive Committee shall by majority vote levy upon the participating county agencies additional assessments wherever needed to supplement the Commission's claim, loss retention or administrative accounts, after consideration of anticipated investment income, to assure the payment of the Commission's obligations. Supplemental contributions to cover a deficit are recognized as revenue upon approval whether or not actually received.

**Interest Income Allocation**

Interest income was allocated based on the ratio of monthly average invested cash balances by line of coverage to the total amount invested applied to interest income credited for the month.

**Unpaid Claims Liabilities – Property and Casualty**

The Commission establishes property and casualty 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.

**GLOUCESTER COUNTY INSURANCE COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

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

**Unpaid Claims Liabilities – Property and Casualty (Cont'd)**

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, Inservco, Inc.

B. Claims Incurred But Not Reported (IBNR) Reserve

In order to recognize claims incurred but not reported, a reserve is calculated by the Commission's actuary, The Actuarial Advantage Inc.

Case and IBNR Reserves represent the estimated liability on expected future development on claims already reported to the Commission 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 Commission and industry data, case basis evaluations and other statistical analyses, and represent estimates of the ultimate net cost of all losses incurred through December 31, 2013. These liabilities are subject to variability between estimated ultimate losses determined as described and the actual experience as it emerges, including the impact of future changes in claim severity and frequency and other factors.

**Excess Coverage – Property and Casualty**

Coverage in excess of the Commission's property and casualty self-insured retention limits is provided through the Commission's membership in the New Jersey Counties Excess Joint Insurance Fund as described in Note 7.

**Subrogation – Property and Casualty**

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

**Refunds**

As per Article VIII of the Commission's Rules and Regulations, any monies for a Fund year in excess of the amount necessary to Commission all obligations for that fiscal year as certified by an actuary may be declared to be refundable by the Commission. A refund for any fiscal year shall be paid only in proportion to the member's participation in the Commission for such year. Payment of a refund shall not be contingent on the member's continued membership in the Commission. The Commission may apply a refund to any arrearage owed by the member to the Commission. Otherwise, at the option of the member, the refund may be retained by the Commission and applied towards the member's next annual contribution.

**Administrative Expenses**

Administrative expenses are comprised mainly of compensation for services rendered by servicing organizations submitted and approved by a majority of the Commissioners/Executive Committee. In instances where invoices have not been submitted for specific periods, the maximum allowable contract amount has been accrued.

**Income Taxes**

The Commission is exempt from income taxes under Section 115 of the Internal Revenue Code.

**GLOUCESTER COUNTY INSURANCE COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

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

**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 Commission 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 on investments in debt securities and positive changes in the Commission's investment in the New Jersey Counties Excess Joint Insurance Fund.

Operating expenses include expenses associated with the fund operations, including claims expense, insurance and administrative expenses. Non-operating expenses include changes in the Commission's investment in the New Jersey Counties Excess Joint Insurance Fund.

**Use of Estimates**

Management of the Commission has made certain estimates and assumptions relating to the reporting of assets, liabilities and revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results may differ from those estimates.

**Note 3: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits might not be recovered. Although the Commission 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 Commission 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 Commission relative to the happening of a future condition. If the Commission had any such funds, they would be shown as Uninsured and Uncollateralized.

Of the Commission's bank balance of \$4,904,417 as of December 31, 2013, \$250,000 was insured while \$4,654,417 was collateralized under GUDPA.

Of the Commission's bank balance of \$4,431,948 as of December 31, 2012, \$317,681 was insured while \$4,114,267 was collateralized under GUDPA.

**GLOUCESTER COUNTY INSURANCE COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 4: INVESTMENT IN JOINT VENTURE**

As discussed in Note 7, the Commission is a member of the New Jersey Counties Excess Joint Insurance Fund (the "CEL"). The CEL is carrying the individual fund year surplus as unrestricted net assets on the Statement of Net Assets. The allocations of those funds attributed to the CEL's individual members are based on the member's percentage of assessments. The Commission's allocated share of surplus for the years ended December 31, 2013 and 2012 was \$977,428 and \$620,917, respectively.

**Note 5: CHANGES IN UNPAID CLAIMS LIABILITIES**

As discussed in Note 2, the Commission 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 Commission during the initial period ended December 31, 2013 or all open Commission years net of excess insurance recoveries:

	<u>Total</u>	<u>Health</u>	<u>Property and Casualty</u>
Total unpaid claim and claim adjustment expenses all Fund years - Beginning of Year	\$ 3,208,407	\$ 90,450	\$ 3,117,957
Incurring claims and claims adjustment expenses:			
Provision for insured events of current fund year	2,657,628	556,473	2,101,155
Changes in provision for insured events of prior fund years	219,352	(2,934)	222,286
Total incurred claims and claims adjustment expenses all Fund years	<u>6,085,387</u>	<u>643,989</u>	<u>5,441,398</u>
Payments (Net of Recoveries):			
Claims and claim adjustments expenses:			
Attributable to insured events of current fund year	1,302,927	514,580	788,347
Attributable to insured events of prior fund years	<u>1,128,423</u>	<u>87,516</u>	<u>1,040,907</u>
Total Payments all Fund years	<u>2,431,350</u>	<u>602,096</u>	<u>1,829,254</u>
Total unpaid claim and claim adjustment expenses all Fund years - End of Year	<u><u>\$ 3,654,037</u></u>	<u><u>\$ 41,893</u></u>	<u><u>\$ 3,612,144</u></u>

**GLOUCESTER COUNTY INSURANCE COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 5: CHANGES IN UNPAID CLAIMS LIABILITIES (CONT'D)**

The following represents changes in those aggregate undiscounted reported and unreported liabilities for the Commission during the initial period ended December 31, 2012 for all open Commission years net of excess insurance recoveries:

	<u>Total</u>	<u>Health</u>	<u>Property and Casualty</u>
Total unpaid claim and claim adjustment expenses all Fund years - Beginning of Year	\$ 4,668,597	\$ 2,156,916	\$ 2,511,681
Incurred claims and claims adjustment expenses:			
Provision for insured events of current fund year	16,841,479	14,776,244	2,065,235
Changes in provision for insured events of prior fund years	(245,626)	(56,268)	(189,358)
Total incurred claims and claims adjustment expenses all Fund years	<u>21,264,450</u>	<u>16,876,892</u>	<u>4,387,558</u>
Payments (Net of Recoveries):			
Claims and claim adjustments expenses:			
Attributable to insured events of current fund year	15,173,719	14,685,794	487,925
Attributable to insured events of prior fund years	<u>2,882,324</u>	<u>2,100,648</u>	<u>781,676</u>
Total Payments all Fund years	<u>18,056,043</u>	<u>16,786,442</u>	<u>1,269,601</u>
Total unpaid claim and claim adjustment expenses all Fund years - End of Year	<u>\$ 3,208,407</u>	<u>\$ 90,450</u>	<u>\$ 3,117,957</u>

**Note 6: STATE HEALTH BENEFITS PROGRAM SURCHARGE**

Chapter 8, Public Law 1993, provides for insurers of school districts that do not participate in the State Health Benefits Program (SHBP) to pay an annual surcharge to the program. The surcharge is determined by the State Treasurer and is based on a percentage of the total claims paid for the coverage of employees of the nonparticipating school districts. The surcharge is to compensate the SHBP for the excess cost of the health coverage of the school district's eligible retirees (25 or more years of credited service in a State-administered pension fund, or retired on disability with fewer years of service), who are covered in the SHBP.

As of December 31, 2013 and 2012, the Commission has accrued surcharge liabilities of \$0 and \$269,221, respectively.

**GLOUCESTER COUNTY INSURANCE COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 7: MEMBERSHIP IN JOINT INSURANCE FUNDS**

**New Jersey Counties Excess Joint Insurance Fund**

Effective March 1, 2010 the Commission became a member of the New Jersey Counties Excess Joint Insurance Fund (the "CEL"). The CEL is a risk-sharing public entity risk pool that is a self-administered group of county insurance fund commissions established for the purpose of providing excess insurance coverage to participating property and casualty members. Each member appoints an official to represent their respective insurance fund commission for the purpose of creating a governing body from which officers for the CEL are elected.

As a member of the CEL, the Commission could be subject to supplemental assessments in the event of deficiencies. If the assets of the CEL were to be exhausted, members would become jointly and severally liable for the CEL's liabilities.

The CEL can declare and distribute dividends to members upon approval of the State of New Jersey Department of Insurance. These distributions are divided among the members in the same ratio as their individual assessment relates to the total assessment of the membership for that fund year.

**Selected Financial Information**

Selected summarized financial information for the New Jersey Counties Excess Joint Insurance Fund as of December 31, 2013 is as follows:

Total Assets	\$ 9,849,417
Total Liabilities	\$ 6,063,038
Net Position	\$ 3,786,379
Total Revenue	\$ 13,040,794
Total Expenses	\$ 10,856,623
Change In Net Position	\$ 1,576,620
Distributions to Members	\$ 607,551

Financial statements for the New Jersey Counties Excess Joint Insurance Fund are available at the office of the Fund's Executive Director:

PERMA  
9 Campus Drive, Suite 16  
Parsippany, New Jersey 07054  
201-881-7632

**GLOUCESTER COUNTY INSURANCE COMMISSION**  
**REQUIRED SUPPLEMENTARY INFORMATION**



GLoucester County Insurance Commission  
RECONCILIATION OF PROPERTY AND CASUALTY CLAIMS LIABILITIES BY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>Total</u>
Total unpaid claims and claim adjustment expenses - Beginning of Year	\$ 149,047	\$ 1,092,924	\$ 269,309	\$ 1,606,677	\$ 3,117,957
Incurred claims and claims adjustment expenses:					
Provision for insured events of current fund year	149,296	369,578	37,858	1,544,423	2,101,155
Changes in provision for insured events of prior fund years	(130,240)	(32,436)	94,419	290,543	222,286
Total incurred claims and claims adjustment expenses all Fund years	168,103	1,430,066	401,586	3,441,643	5,441,398
Payments:					
Claims and claims adjustment expenses:					
Attributable to insured events of current fund year	140,350	6,178	7,835	633,984	788,347
Attributable to insured events of prior fund years	18,807	341,059	22,480	658,561	1,040,907
Total payments all Fund years	159,157	347,237	30,315	1,292,545	1,829,254
Total unpaid claims and claim adjustment expenses - End of Year	\$ 8,946	\$ 1,082,829	\$ 371,271	\$ 2,149,098	\$ 3,612,144

GLOUCESTER COUNTY INSURANCE COMMISSION  
RECONCILIATION OF HEALTH CLAIMS LIABILITIES BY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Medical</u>	<u>Prescription</u>	<u>Dental</u>	<u>Total</u>
Total unpaid claims and claim adjustment expenses - Beginning of Year	\$ 50,000	\$ -	\$ 40,450	\$ 90,450
Incurred claims and claims adjustment expenses:				
Provision for insured events of current fund year			556,473	556,473
Changes in provision for insured events of prior fund years	41,306		(44,240)	(2,934)
Total incurred claims and claims adjustment expenses all Fund years	91,306		552,683	643,989
Payments:				
Claims and claims adjustment expenses (Net of Recoveries):				
Attributable to insured events of current fund year	91,306		514,580	514,580
Attributable to insured events of prior fund years			(3,790)	87,516
Total payments all Fund years	91,306		510,790	602,096
Total unpaid claims and claim adjustment expenses - End of Year	\$ -	\$ -	\$ 41,893	\$ 41,893

GLOUCESTER COUNTY INSURANCE COMMISSION  
FOUR-YEAR PROPERTY AND CASUALTY CLAIMS DEVELOPMENT INFORMATION  
AS OF DECEMBER 31, 2013

	FUND YEAR ENDED DECEMBER 31			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Net Earned Required Contribution and Investment Revenue:				
Earned	\$ 4,248,250	\$ 5,533,255	\$ 5,659,948	\$ 5,746,565
Ceded	1,583,834	2,307,853	2,425,887	2,559,344
	2,664,416	3,225,402	3,234,061	3,187,221
Unallocated Expenses	478,405	549,614	585,191	580,908
Estimated Claims and Expenses, End of Policy Year:				
Incurred	2,120,491	2,667,010	2,065,235	2,101,155
Ceded				
Net Incurred	2,120,491	2,667,010	2,065,235	2,101,155
Paid (Cumulative) as of:				
End of Policy Year	508,994	938,354	487,925	788,347
One Year Later	1,067,746	1,330,572	769,532	
Two Years Later	1,457,205	1,846,634		
Three Years Later	1,700,443			
Reestimated Ceded Claims and Expenses				
Reestimated Incurred Claims and Expenses:				
End of Policy Year	2,120,491	2,667,010	2,065,235	2,101,155
One Year Later	1,850,771	2,426,430	1,672,321	
Two Years Later	1,901,994	2,921,378		
Three Years Later	2,022,246			
Change in Estimated Incurred Claims and Expenses from End of Policy Year	\$ (98,245)	\$ 254,368	\$ (392,914)	\$ -

**GLOUCESTER COUNTY INSURANCE COMMISSION**  
**SUPPLEMENTARY INFORMATION**

GLOUCESTER COUNTY INSURANCE COMMISSION  
STATEMENT OF FUND YEAR 2013 PROPERTY AND CASUALTY ACCOUNTS OPERATING RESULTS ANALYSIS  
FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2013

Coverages and Other Accounts

	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>CEL</u>	<u>Expense &amp; Contingency</u>	<u>Total</u>
Underwriting Income:							
Regular Contributions	\$ 243,372	\$ 969,800	\$ 68,650	\$ 1,292,157	\$ 2,559,664	\$ 612,922	\$ 5,746,565
Incurred Liabilities:							
Claims	149,296	369,578	37,858	1,544,423			2,101,155
Expenses					2,559,344	580,908	3,140,252
Total Liabilities	149,296	369,578	37,858	1,544,423	2,559,344	580,908	5,241,407
Underwriting Surplus (Deficit)	94,076	600,222	30,792	(252,266)	320	32,014	505,158
Adjustments:							
Investment Income							-
Permanent Transfers							-
Total Adjustments	-	-	-	-	-	-	-
Gross Statutory Surplus (Deficit)	\$ 94,076	\$ 600,222	\$ 30,792	\$ (252,266)	\$ 320	\$ 32,014	505,158
Investment in Joint Venture							267,707
Net Position							\$ 772,865

GLOUCESTER COUNTY INSURANCE COMMISSION  
STATEMENT OF FUND YEAR 2012 PROPERTY AND CASUALTY ACCOUNTS OPERATING RESULTS ANALYSIS  
FOR THE PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2013

	<u>Coverages and Other Accounts</u>					
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>CEL</u>	<u>Expense &amp; Contingency</u> <u>Total</u>
Underwriting Income:						
Regular Contributions	\$ 239,354	\$ 969,800	\$ 68,650	\$ 1,292,157	\$ 2,425,887	\$ 621,214
CEL Dividend					41,957	\$ 5,617,062
						41,957
Total Income	239,354	969,800	68,650	1,292,157	2,467,844	621,214
						5,659,019
Incurred Liabilities:						
Claims	57,908	137,152	266,126	1,211,135		1,672,321
Expenses					2,425,887	585,191
						3,011,078
Total Liabilities	57,908	137,152	266,126	1,211,135	2,425,887	585,191
						4,683,399
Underwriting Surplus (Deficit)	181,446	832,648	(197,476)	81,022	41,957	36,023
						975,620
Adjustments:						
Investment Income	84	368	23	422		32
Permanent Transfers						929
						-
Total Adjustments	84	368	23	422	-	32
						929
Gross Statutory Surplus (Deficit)	\$ 181,530	\$ 833,016	\$ (197,453)	\$ 81,444	\$ 41,957	\$ 36,055
						976,549
Investment in Joint Venture						159,368
Net Position						\$ 1,135,917

GLOUCESTER COUNTY INSURANCE COMMISSION  
STATEMENT OF FUND YEAR 2011 PROPERTY AND CASUALTY ACCOUNTS OPERATING RESULTS ANALYSIS  
FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2013

	<u>Coverages and Other Accounts</u>					
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>CEL</u>	<u>Expense &amp; Contingency</u> <u>Total</u>
Underwriting Income:						
Regular Contributions	\$ 234,258	\$ 969,800	\$ 68,650	\$ 1,260,640	\$ 2,307,853	\$ 616,141
CEL Dividend					73,557	
						73,557
Total Income	234,258	969,800	68,650	1,260,640	2,381,410	616,141
						5,530,899
Incurred Liabilities:						
Claims	211,641	789,295	128,931	1,791,511		2,921,378
Expenses					2,307,853	549,614
						2,857,467
Total Liabilities	211,641	789,295	128,931	1,791,511	2,307,853	549,614
						5,778,845
Underwriting Surplus (Deficit)	22,617	180,505	(60,281)	(530,871)	73,557	66,527
						(247,946)
Adjustments:						
Investment Income	60	1,293	79	779	11	134
Permanent Transfers						2,356
						-
Total Adjustments	60	1,293	79	779	11	134
						2,356
Gross Statutory Surplus (Deficit)	\$ 22,677	\$ 181,798	\$ (60,202)	\$ (530,092)	\$ 73,568	\$ 66,661
						(245,590)
Investment in Joint Venture						280,681
Net Position						\$ 35,091

GLOUCESTER COUNTY INSURANCE COMMISSION  
STATEMENT OF FUND YEAR 2010 PROPERTY AND CASUALTY ACCOUNTS OPERATING RESULTS ANALYSIS  
FOR THE PERIOD MARCH 1, 2010 (DATE OF INCEPTION) TO DECEMBER 31, 2013

	<u>Coverages and Other Accounts</u>					
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>CEL</u>	<u>Expense &amp; Contingency</u> <u>Total</u>
Underwriting Income:						
Regular Contributions	\$ 183,654	\$ 813,038	\$ 57,553	\$ 1,044,196	\$ 1,596,572	\$ 4,211,054
CEL Dividend					33,246	33,246
Total Income	183,654	813,038	57,553	1,044,196	1,629,818	4,244,300
Incurred Liabilities:						
Claims	83,686	394,640	10,818	1,533,102	1,583,834	2,022,246
Expenses						2,062,239
Total Liabilities	83,686	394,640	10,818	1,533,102	1,583,834	4,084,485
Underwriting Surplus (Deficit)	99,968	418,398	46,735	(488,906)	45,984	159,815
Adjustments:						
Investment Income	417	2,051	104	982	135	261
Permanent Transfers						-
Total Adjustments	417	2,051	104	982	135	261
Gross Statutory Surplus (Deficit)	\$ 100,385	\$ 420,449	\$ 46,839	\$ (487,924)	\$ 46,119	\$ 37,897
Investment in Joint Venture						269,672
Net Position						\$ 433,437



GLOUCESTER COUNTY INSURANCE COMMISSION  
STATEMENT OF FUND YEAR 2013 PROPERTY AND CASUALTY CLAIMS ACCOUNTS ANALYSIS  
FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2013

	<u>Coverages</u>				
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>Total</u>
Paid Claims (Net of Recoveries) \$	140,350	\$ 6,178	\$ 7,835	\$ 633,984	\$ 788,347
Case Reserves	15,291	(48,910)	(9,925)	568,251	524,707
IBNR Reserves	(6,350)	455,519	43,665	417,408	910,242
Reserve Discount	5	(43,209)	(3,717)	(75,220)	(122,141)
Subtotal	149,296	369,578	37,858	1,544,423	2,101,155
Excess Insurance Received Recoverable					-
Subtotal	-	-	-	-	-
Limited Incurred Claims	\$ 149,296	\$ 369,578	\$ 37,858	\$ 1,544,423	\$ 2,101,155
Number of Claims	12	34	9	126	181
Average Cost Per Claim	\$ 12,441	\$ 10,870	\$ 4,206	\$ 12,257	\$ 11,609

GLOUCESTER COUNTY INSURANCE COMMISSION  
STATEMENT OF FUND YEAR 2012 PROPERTY AND CASUALTY CLAIMS ACCOUNTS ANALYSIS  
FOR THE PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2013

	<u>Coverages</u>				
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>Total</u>
Paid Claims (Net of Recoveries) \$	57,908	\$ 4,955	\$ 22,568	\$ 684,101	\$ 769,532
Case Reserves		3,420	230,879	482,492	716,791
IBNR Reserves		141,845	29,406	65,612	236,863
Reserve Discount		(13,068)	(16,727)	(21,070)	(50,865)
Subtotal	57,908	137,152	266,126	1,211,135	1,672,321
Excess Insurance Received Recoverable					-
Subtotal	-	-	-	-	-
Limited Incurred Claims	\$ 57,908	\$ 137,152	\$ 266,126	\$ 1,211,135	\$ 1,672,321
Number of Claims	18	95	12	127	252
Average Cost Per Claim	\$ 3,217	\$ 1,444	\$ 22,177	\$ 9,536	\$ 6,636

GLOUCESTER COUNTY INSURANCE COMMISSION  
STATEMENT OF FUND YEAR 2011 PROPERTY AND CASUALTY CLAIMS ACCOUNTS ANALYSIS  
FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2013

	<u>Coverages</u>				
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>Total</u>
Paid Claims (Net of Recoveries) \$	211,641	\$ 306,771	\$ 32,480	\$ 1,295,742	\$ 1,846,634
Case Reserves		427,572	83,564	483,797	994,933
IBNR Reserves		64,540	14,375	45,575	124,490
Reserve Discount		(9,588)	(1,488)	(33,603)	(44,679)
Subtotal	211,641	789,295	128,931	1,791,511	2,921,378
Excess Insurance Received Recoverable					-
Subtotal	-	-	-	-	-
Limited Incurred Claims	\$ 211,641	\$ 789,295	\$ 128,931	\$ 1,791,511	\$ 2,921,378
Number of Claims	32	77	14	146	269
Average Cost Per Claim	\$ 6,614	\$ 10,251	\$ 9,209	\$ 12,271	\$ 10,860

GLOUCESTER COUNTY INSURANCE COMMISSION  
STATEMENT OF FUND YEAR 2010 PROPERTY AND CASUALTY CLAIMS ACCOUNTS ANALYSIS  
FOR THE PERIOD MARCH 1, 2010 (DATE OF INCEPTION) TO DECEMBER 31, 2013

	<u>Coverages</u>				
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>Total</u>
Paid Claims (Net of Recoveries) \$	83,686	\$ 289,932	\$ 9,579	\$ 1,317,246	\$ 1,700,443
Case Reserves		103,921	1,239	205,579	310,739
IBNR Reserves		6,147		26,803	32,950
Reserve Discount		(5,360)		(16,526)	(21,886)
Subtotal	83,686	394,640	10,818	1,533,102	2,022,246
Excess Insurance Received					-
Recoverable					-
Subtotal	-	-	-	-	-
Limited Incurred Claims	\$ 83,686	\$ 394,640	\$ 10,818	\$ 1,533,102	\$ 2,022,246
Number of Claims	33	73	16	136	258
Average Cost Per Claim	\$ 2,536	\$ 5,406	\$ 676	\$ 11,273	\$ 7,838

GLOUCESTER COUNTY INSURANCE COMMISSION  
STATEMENT OF 2013 HEALTH ACCOUNTS OPERATING RESULTS  
FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2013

	<u>Medical</u>	<u>Prescription</u>	<u>Dental</u>	<u>Reinsurance</u>	<u>Administrative</u>	<u>Total</u>
Income:						
Regular Contributions	\$ -	\$ -	\$ 544,814	\$ -	\$ 121,191	\$ 666,005
Other Income						-
Investment Income						-
Total Income	-	-	544,814	-	121,191	666,005
Incurred Liabilities:						
Claims Paid (Net of Refunds)			514,580			514,580
Actuarial Liability			41,893			41,893
Administrative Expenses					121,190	121,190
Total Liabilities	-	-	556,473	-	121,190	677,663
Net Position (Deficit)	\$ -	\$ -	\$ (11,659)	\$ -	\$ 1	\$ (11,658)

GLOUCESTER COUNTY INSURANCE COMMISSION  
STATEMENT OF 2012 HEALTH ACCOUNTS OPERATING RESULTS  
FOR THE PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2012

	<u>Medical</u>	<u>Prescription</u>	<u>Dental</u>	<u>Reinsurance</u>	<u>Administrative</u>	<u>Total</u>
Income:						
Regular Contributions	\$ 9,519,776	\$ 4,523,574	\$ 624,391	\$ 849,451	\$ 913,721	\$ 16,430,913
Investment Income	291	79	2	1		373
Total Income	9,520,067	4,523,653	624,393	849,452	913,721	16,431,286
Incurred Liabilities:						
Claims Paid (Net of Refunds)	9,768,775	4,486,746	517,789	849,451		14,773,310
Stop Loss Fees					74,196	849,451
State Surcharge					877,313	74,196
Administrative Expenses						877,313
Total Liabilities	9,768,775	4,486,746	517,789	849,451	951,509	16,574,270
Net Position (Deficit)	\$ (248,708)	\$ 36,907	\$ 106,604	\$ 1	\$ (37,788)	\$ (142,984)

GLOUCESTER COUNTY INSURANCE COMMISSION  
STATEMENT OF 2011 HEALTH ACCOUNTS OPERATING RESULTS  
FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2011

	<u>Medical</u>	<u>Prescription</u>	<u>Dental</u>	<u>Reinsurance</u>	<u>Administrative</u>	<u>Total</u>
Income:						
Regular Contributions	\$ 21,501,235	\$ 10,826,965	\$ 627,977	\$ 1,848,318	\$ 2,324,618	\$ 37,129,113
Other Income					461	461
Investment Income	655	109	16		2	782
Total Income	21,501,890	10,827,074	627,993	1,848,318	2,325,081	37,130,356
Incurred Liabilities:						
Claims Paid (Net of Refunds)	24,414,370	9,418,611	579,562			34,412,543
Stop Loss Fees				1,848,318		1,848,318
State Surcharge					161,622	161,622
Administrative Expenses					2,324,618	2,324,618
Total Liabilities	24,414,370	9,418,611	579,562	1,848,318	2,486,240	38,747,101
Net Position (Deficit)	\$ (2,912,480)	\$ 1,408,463	\$ 48,431	\$ -	\$ (161,159)	\$ (1,616,745)

GLOUCESTER COUNTY INSURANCE COMMISSION  
STATEMENT OF 2010 HEALTH ACCOUNTS OPERATING RESULTS  
FOR THE PERIOD MARCH 1, 2010 (DATE OF INCEPTION) TO DECEMBER 31, 2013

	<u>Medical</u>	<u>Prescription</u>	<u>Dental</u>	<u>Administrative</u>	<u>Total</u>
Income:					
Regular Contributions	\$ 18,146,279	\$ 6,581,740	\$ 612,067	\$ 1,789,771	\$ 27,129,857
Investment Income	5,180	474	307	21	5,982
Total Income	18,151,459	6,582,214	612,374	1,789,792	27,135,839
Incurred Liabilities:					
Claims Paid (Net of Refunds)	14,507,912	7,720,713	432,140		22,660,765
Less Excess Insurance Recoveries	(136,689)				(136,689)
Stop Loss Fees	887,697				887,697
State Surcharge				24,492	24,492
Administrative Expenses				1,790,509	1,790,509
Total Liabilities	15,258,920	7,720,713	432,140	1,815,001	25,226,774
Net Position (Deficit)	\$ 2,892,539	\$ (1,138,499)	\$ 180,234	\$ (25,209)	\$ 1,909,065



GLOUCESTER COUNTY INSURANCE COMMISSION  
STATEMENT OF FUND YEAR 2013 PROGRAM SUMMARY  
FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2013

	<u>Coverages</u>			
	<u>Property</u>	<u>General Liability</u>	<u>Auto</u>	<u>Workers Compensation</u>
Limits	\$260,000,000	\$20,250,000	\$20,250,000	STATUTORY
Fund Retention	\$100,000	\$250,000	\$250,000	\$250,000
Excess Insurers	Zurich RSUI	CEL Underwriters at Lloyds Starr Indemnity	CEL Underwriters at Lloyds Starr Indemnity	CEL Wesco Safety National
Number of Participants	5	5	5	5
Incurred Liabilities:				
Claims (Schedule B-1a)	\$149,296	\$369,578	\$37,858	\$1,544,423
Administrative Expenses (1)	54,925	218,869	15,493	291,620
	<u>\$204,221</u>	<u>\$588,447</u>	<u>\$53,351</u>	<u>\$1,836,043</u>

(1) Allocated on the basis of assessments and transfers by coverage to total net of Property account insurance premiums.

(3) Insurance coverages noted above are for 7/1/13-1/1/14. Coverage previously in place with CEL and Star for Liability and Workers Compensation.

GLOUCESTER COUNTY INSURANCE COMMISSION  
STATEMENT OF FUND YEAR 2012 PROGRAM SUMMARY  
FOR THE PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2013

	<u>Coverages</u>			
	<u>Property</u>	<u>General Liability</u>	<u>Auto</u>	<u>Workers Compensation</u>
Limits	\$260,000,000	\$20,500,000	\$20,500,000	STATUTORY
Fund Retention	\$100,000	\$250,000	\$250,000	\$250,000
Excess Insurers	Lexington RSUI	CEL Star	CEL Star	CEL Star
Number of Participants	5	5	5	5
Incurred Liabilities:				
Claims (Schedule B-1b)	\$57,908	\$137,152	\$266,126	\$1,211,135
Administrative Expenses (1)	54,502	220,828	15,632	294,230
	<u>\$112,410</u>	<u>\$357,980</u>	<u>\$281,758</u>	<u>\$1,505,365</u>

(1) Allocated on the basis of assessments and transfers by coverage to total net of Property account insurance premiums.

GLOUCESTER COUNTY INSURANCE COMMISSION  
STATEMENT OF FUND YEAR 2011 PROGRAM SUMMARY  
FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2013

	<u>Coverages</u>			
	<u>Property</u>	<u>General Liability</u>	<u>Auto</u>	<u>Workers Compensation</u>
Limits	\$260,000,000	\$20,500,000	\$20,500,000	STATUTORY
Fund Retention	\$100,000	\$250,000	\$250,000	\$250,000
Excess Insurers	Lexington RSUI	CEL Star	CEL Star	CEL Star
Number of Participants	5	5	5	5
Incurred Liabilities:				
Claims (Schedule B-1c)	\$211,641	\$789,295	\$128,931	\$1,791,511
Administrative Expenses (1)	50,823	210,400	14,894	273,498
	<u>\$262,464</u>	<u>\$999,695</u>	<u>\$143,825</u>	<u>\$2,065,009</u>

(1) Allocated on the basis of assessments and transfers by coverage to total net of Property account insurance premiums.

GLOUCESTER COUNTY INSURANCE COMMISSION  
STATEMENT OF FUND YEAR 2010 PROGRAM SUMMARY  
FOR THE PERIOD MARCH 1, 2010 (DATE OF INCEPTION) TO DECEMBER 31, 2013

	<u>Coverages</u>			
	<u>Property</u>	<u>General Liability</u>	<u>Auto</u>	<u>Workers Compensation</u>
Limits	\$260,000,000	\$20,500,000	\$20,500,000	STATUTORY
Fund Retention	\$100,000	\$250,000	\$250,000	\$250,000
Excess Insurers	Lexington RSUI	CEL Star	CEL Star	CEL Star
Number of Participants	5	5	5	5
Incurred Liabilities:				
Claims (Schedule B-1d)	\$83,686	\$394,640	\$10,818	\$1,533,102
Administrative Expenses (1)	41,870	185,357	13,121	238,057
	<u>\$125,556</u>	<u>\$579,997</u>	<u>\$23,939</u>	<u>\$1,771,159</u>

(1) Allocated on the basis of assessments and transfers by coverage to total net of Property account insurance premiums.

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs of the State of New Jersey.

## **SCHEDULE OF FINANCIAL STATEMENT FINDINGS**

None.

## **SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AS PREPARED BY MANAGEMENT**

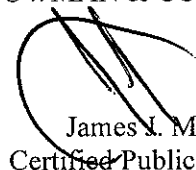
This section identifies the status of prior year audit findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

There were no findings in the prior year.

## **APPRECIATION**

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

Respectfully submitted,  
BOWMAN & COMPANY LLP

A handwritten signature in black ink, appearing to read "James J. Miles, Jr.", is written over a circular stamp. The signature is slanted and somewhat stylized.

James J. Miles, Jr.  
Certified Public Accountant