

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012



GLOUCESTER COUNTY INSURANCE FUND COMMISSION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Gloucester County Insurance Fund Commission (the "Commission") as of and for the years ended December 31, 2012 and 2011, 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 opinions.

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 Fund Commission as of December 31, 2012 and 2011 and the results of its operations and 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 Fund Commission's basic financial statements taken as a whole. The information included in the Supplementary schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 26, 2013 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,


Bowman & Company LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
September 26, 2013

**INDEPENDENT AUDITORS' 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**

Board of Commissioners
Gloucester County Insurance Fund 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 Fund Commission (the "Commission") as of and for the year ended December 31, 2012, 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 26, 2013.

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.

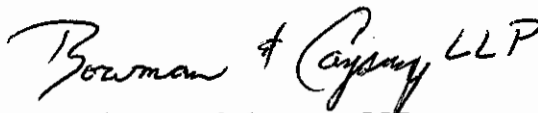
Compliance and Other Matters

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 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 in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



Bowman & Company LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
September 26, 2013

GLOUCESTER COUNTY INSURANCE FUND 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, 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 Fund'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 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.

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, 2012 and 2011.

Summary Statement of Net Position				
	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>Change \$</u>	<u>Change %</u>
Assets:				
Cash & Cash Equivalents	\$ 4,321,407	\$ 4,739,872	\$ (418,465)	-8.8%
Investment in Joint Venture	620,917	343,393	277,524	80.8%
Receivables	<u>311,082</u>	<u>622,300</u>	<u>(311,218)</u>	<u>-50.0%</u>
Total Assets	<u>\$ 5,253,406</u>	<u>\$ 5,705,565</u>	<u>\$ (452,159)</u>	<u>-7.9%</u>
Liabilities & Net Position				
Liabilities:				
Loss Reserves	3,208,407	4,668,597	(1,460,190)	-31.3%
Other Liabilities & Reserves	<u>318,347</u>	<u>218,406</u>	<u>99,941</u>	<u>45.8%</u>
Total Liabilities	<u>3,526,754</u>	<u>4,887,003</u>	<u>(1,360,249)</u>	<u>-27.8%</u>
Unrestricted Net Position	<u>\$ 1,726,652</u>	<u>\$ 818,562</u>	<u>\$ 908,090</u>	<u>110.9%</u>

Summary of Statement of Revenue, Expenditures, and Changes in Net Position				
	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>Change \$</u>	<u>Change %</u>
Operating Revenue:				
Regular Contributions and Other Income	<u>\$ 22,047,976</u>	<u>\$ 42,586,916</u>	<u>\$ (20,538,940)</u>	<u>-48.2%</u>
Operating Expenses:				
Provision for Claims and Claims Expense	16,595,852	36,757,141	(20,161,289)	-54.8%
Insurance Expense	2,425,887	2,307,853	118,034	5.1%
Stop Loss Health Coverage Fees	649,451	1,848,318	(1,198,867)	-64.9%
Administrative and Operating Expenses	<u>1,750,050</u>	<u>3,044,937</u>	<u>(1,294,887)</u>	<u>-42.5%</u>
Total Operating Expenses	<u>21,421,240</u>	<u>43,958,249</u>	<u>(22,537,009)</u>	<u>-51.3%</u>
Operating Income (Loss)	626,736	(1,371,333)	1,998,069	145.7%
Non-Operating Revenue:				
Investment Income	3,830	5,856	(2,026)	-34.6%
Change in Investment in Joint Venture	277,524	269,824	7,700	2.9%
Return of Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>0%</u>
Change In Net Position	<u>\$ 908,090</u>	<u>\$ (1,095,653)</u>	<u>\$ 2,003,743</u>	<u>182.9%</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 Fund 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 Fund Commission's total assets at the end of the third year of operations were \$5,253,406, and total liabilities were \$3,526,754 resulting in unrestricted net Position of \$1,726,652. The Investment in Joint Ventures represents the Commission's share of net position in the New Jersey Counties Excess Joint Insurance Fund.

Insurance premiums represent the assessment paid to the New Jersey Counties Excess Joint Insurance Fund were \$2,425,887. 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 and the Union County Insurance Fund Commission.

In 2012, investment income was \$3,830 due to the low interest rate environment which limited the ability of the Fund 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 May 1, 2012 the Commission no longer provides medical and prescription coverages to four of its six members and, effective July 1, 2012 the Commission no longer offers these coverages to any member.

The Commission continues 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 FUND COMMISSION
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2012 and 2011

	2012		2011	
	<u>Total</u>	<u>Health</u>	<u>Total</u>	<u>Health</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 4,321,407	\$ 399,635	\$ 4,739,872	\$ 2,019,699
Contributions Receivable	16,741	16,741	131,862	120,814
Reimbursements Receivable	294,341	126,323	490,438	437,904
Investment in Joint Venture	620,917	620,917	343,393	343,393
	<u>5,253,406</u>	<u>525,958</u>	<u>5,705,565</u>	<u>2,578,417</u>
				<u>Property & Casualty</u>
				<u>Health</u>
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GLOUCESTER COUNTY INSURANCE FUND COMMISSION
COMPARATIVE STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	2012			2011		
	Total	Health	Property & Casualty	Total	Health	Property & Casualty
Operating Revenue:						
Regular Contributions	\$ 22,047,976	\$ 16,430,914	\$ 5,617,062	\$ 42,586,455	\$ 37,129,113	\$ 5,457,342
Other Income				461	\$ 461	
Total Operating Revenue	22,047,976	16,430,914	5,617,062	42,586,916	37,129,574	5,457,342
Operating Expenses:						
Provision for Claims and Claims Adjustment Expenses	16,595,852	14,719,976	1,875,876	36,757,141	34,359,851	2,397,290
Premium for Property and Casualty Excess Insurance	2,425,887		2,425,887	2,307,853		2,307,853
Stop Loss Health Coverage Fees	849,451	849,451		1,848,318	1,848,318	
Administrative Expenses:						
Actuary	7,500		7,500	7,500		7,500
Attorney	39,471		39,471	7,333		7,333
Auditor	22,000		22,000	16,293		16,293
Claims Administrators	608,226	530,726	77,500	1,458,229	1,383,229	75,000
Fund Administrator	477,801	346,587	131,214	1,070,029	941,388	128,641
Miscellaneous Expenses	3,328		3,328	5,565	738	4,827
Risk Management Consultants	255,840		255,840	255,840		255,840
State Retiree Surcharge	79,724	79,724		167,988	167,988	
Underwriting Manager	56,160		56,160	56,160		56,160
Total Operating Expenses	21,421,240	16,526,464	4,894,776	43,958,249	38,701,512	5,256,737
Operating Income (Loss)	626,736	(95,550)	722,286	(1,371,333)	(1,571,938)	200,605
Non-Operating Revenue:						
Change in Investment in Joint Venture	277,524		277,524	269,824		269,824
Investment Income	3,830	1,031	2,799	5,856	3,116	2,740
Total Non-Operating Revenue	281,354	1,031	280,323	275,680	3,116	272,564
Change in Net Position	908,090	(94,519)	1,002,609	(1,095,653)	(1,568,822)	473,169
Net Position - Beginning of Year	818,562	232,003	586,559	1,914,215	1,800,825	113,390
Net Position - End of Year	\$ 1,726,652	\$ 137,484	\$ 1,589,168	\$ 818,562	\$ 232,003	\$ 586,559

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

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	2012			2011		
	Total	Health	Property & Casualty	Total	Health	Property & Casualty
Cash Flows Provided By (Used In) Operating Activities:						
Cash Flows From Operating Activities:						
Regular Contributions	\$ 22,163,097	\$ 16,551,728	\$ 5,611,369	\$ 42,590,210	\$ 37,131,881	\$ 5,458,329
Other Income	-			461	461	
Claim Payments	(17,833,838)	(16,448,754)	(1,385,084)	(35,897,057)	(34,346,417)	(1,550,640)
Property and Casualty Excess Insurance	(2,432,056)		(2,432,056)	(2,297,836)		(2,297,836)
Stop Loss Health Coverage Fees	(769,728)	(769,728)		(1,848,318)	(1,848,318)	
Payments to Professionals and Suppliers	(1,549,770)	(954,341)	(595,429)	(2,867,306)	(2,325,355)	(541,951)
Net Cash Flows Provided By (Used In) Operating Activities	(422,295)	(1,621,095)	1,198,800	(319,846)	(1,387,748)	1,067,902
Cash Flows From Investing Activities:						
Investment Income	3,830	1,031	2,799	5,856	3,116	2,740
Net Increase (Decrease) in Cash and Cash Equivalents	(418,465)	(1,620,064)	1,201,599	(313,990)	(1,384,632)	1,070,642
Cash and Cash Equivalents - Beginning of Year	4,739,872	2,019,699	2,720,173	5,053,962	3,404,431	1,649,531
Cash and Cash Equivalents - End of Year	\$ 4,321,407	\$ 399,635	\$ 3,921,772	\$ 4,739,972	\$ 2,019,799	\$ 2,720,173
Reconciliation of Operating Income (Loss) to Cash Flows From Operating Activities:						
Operating Income (Loss)	\$ 626,736	\$ (95,550)	\$ 722,286	\$ (1,371,333)	\$ (1,571,938)	\$ 200,605
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:						
Changes in Assets and Liabilities:						
Contributions Receivable	115,121	120,814	(5,693)	3,755	2,768	987
Reimbursements Receivable	196,097	311,581	(115,484)	(490,438)	(437,904)	(52,534)
Accrued Administrative Expenses	280	2,696	(2,416)	9,643		9,643
Accrued Property and Casualty Excess Insurance	(6,169)		(6,169)			10,017
Claims Payable	26,107	26,107		(1,000)		(1,000)
Accrued State Surcharge Payable	79,723	79,723		167,988	167,988	
Claims Reserves	(1,460,190)	(2,066,466)	606,276	1,351,522	451,338	900,184
Net Cash Flows Provided By (Used In) Operating Activities	\$ (422,295)	\$ (1,621,095)	\$ 1,198,800	\$ (329,863)	\$ (1,387,748)	\$ 1,067,902
Supplemental Disclosure - Noncash Activity:						
Change in Investment in Joint Venture	\$ 277,524	\$ -	\$ 277,524	\$ 269,824	\$ -	\$ 269,824

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

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 1: ORGANIZATION AND DESCRIPTION OF THE COMMISSION

Effective March 1, 2010 the Gloucester County Insurance Fund 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 and Urban 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 2012, 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.

The Commission offered health coverages to its members, including medical, dental and prescription. Effective May 1, 2012 the Commission no longer provided medical and prescription coverages to four of its six members and, effective July 1, 2012 the Commission no longer offers these 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 FUND COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 1: ORGANIZATION AND DESCRIPTION OF THE FUND (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 2012 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 Fund Commission (the "Commission") in the preparation of the accompanying financial statements:

Reporting Entity-Component Unit

The Commission has determined that there were no additional entities required to be included in the reporting entity under the criteria described in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14. In addition, the Commission is not includable in any other reporting entity on the basis of such criteria.

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.

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
NOTES TO FINANCIAL STATEMENTS

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

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 - Revenue is recorded on the accrual basis. 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. 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.

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
NOTES TO FINANCIAL STATEMENTS

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

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 2012 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 FUND 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, 2012. 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 FUND COMMISSION
NOTES TO FINANCIAL STATEMENTS

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

Operating and Non-Operating Revenues and Expenses

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

New Accounting Standards Adopted

During the year ended December 31, 2012, the Commission adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

Issued in November 2010, the objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements."

This Statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

Implementation of this statement had no material impact on the Commission's 2012 financial statements.

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
NOTES TO FINANCIAL STATEMENTS

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 \$4,431,948 as of December 31, 2012, \$250,000 was insured while \$4,181,948 was collateralized under GUDPA.

Of the Commission's bank balance of \$4,537,822 as of December 31, 2011, \$250,000 was insured while \$4,287,822 was collateralized under GUDPA.

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, 2012 and 2011 was \$620,917 and \$343,393, respectively.

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
NOTES TO FINANCIAL STATEMENTS

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, 2012 or all open Commission years net of excess insurance recoveries:

	<u>Total</u>	<u>Medical</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>

GLOUCESTER COUNTY INSURANCE FUND 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, 2011 for all open Commission years net of excess insurance recoveries:

	<u>Total</u>	<u>Medical</u>	<u>Property and Casualty</u>
Total unpaid claim and claim adjustment expenses all Fund years - Beginning of Year	\$ 3,317,075	\$ 1,705,578	\$ 1,611,497
Incurred claims and claims adjustment expenses:			
Provision for insured events of current fund year	37,120,116	34,453,106	2,667,010
Changes in provision for insured events of prior fund years	<u>(362,975)</u>	<u>(93,255)</u>	<u>(269,720)</u>
Total incurred claims and claims adjustment expenses all Fund years	<u>40,074,216</u>	<u>36,065,429</u>	<u>4,008,787</u>
Payments (Net of Recoveries):			
Claims and claim adjustments expenses:			
Attributable to insured events of current fund year	33,234,544	32,296,190	938,354
Attributable to insured events of prior fund years	<u>2,171,075</u>	<u>1,612,323</u>	<u>558,752</u>
Total Payments all Fund years	<u>35,405,619</u>	<u>33,908,513</u>	<u>1,497,106</u>
Total unpaid claim and claim adjustment expenses all Fund years - End of Year	<u>\$ 4,668,597</u>	<u>\$ 2,156,916</u>	<u>\$ 2,511,681</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, 2012 and 2011, the Commission has accrued surcharge liabilities of \$269,221 and \$189,498, respectively.

GLOUCESTER COUNTY INSURANCE FUND 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, 2012 is as follows:

Total Assets	\$ 6,868,168
Total Liabilities	\$ 4,658,409
Net Position	\$ 2,209,759
Total Revenue	\$ 10,940,056
Total Expenses	\$ 9,801,667
Change In Net Position	\$ 1,138,389
Distributions to Members	\$ -

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 FUND COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 2012

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
RECONCILIATION OF PROPERTY AND CASUALTY CLAIMS LIABILITIES BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<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	\$ 13,151	\$ 863,116	\$ 64,046	\$ 1,571,368	\$ 2,511,681
Incurred claims and claims adjustment expenses: Provision for insured events of current fund year	158,259	616,308	259,466	1,031,202	2,065,235
Changes in provision for insured events of prior fund years	16,722	(151,276)	149,787	(204,591)	(189,358)
Total incurred claims and claims adjustment expenses all Fund years	188,132	1,328,148	473,299	2,397,979	4,387,558
Payments:					
Claims and claims adjustment expenses: Attributable to insured events of current fund year	39,101	4,230	19,407	425,187	487,925
Attributable to insured events of prior fund years	(16)	230,994	184,583	366,115	781,676
Total payments all Fund years	39,085	235,224	203,990	791,302	1,269,601
Total unpaid claims and claim adjustment expenses - End of Year	\$ 149,047	\$ 1,092,924	\$ 269,309	\$ 1,606,677	\$ 3,117,957

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
RECONCILIATION OF HEALTH CLAIMS LIABILITIES BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Health</u>	<u>Prescription</u>	<u>Dental</u>	<u>Total</u>
Total unpaid claims and claim adjustment expenses - Beginning of Year	\$ 1,860,000	\$ 255,000	\$ 41,916	\$ 2,156,916
Incurred claims and claims adjustment expenses:				
Provision for insured events of current fund year	9,727,469	4,486,746	562,029	14,776,244
Changes in provision for insured events of prior fund years	(8,437)	(5,915)	(41,916)	(56,268)
Total incurred claims and claims adjustment expenses all Fund years	11,579,032	4,735,831	562,029	16,876,892
Payments:				
Claims and claims adjustment expenses (Net of Recoveries):				
Attributable to insured events of current fund year	9,677,469	4,486,746	521,579	14,685,794
Attributable to insured events of prior fund years	1,851,563	249,085		2,100,648
Total payments all Fund years	11,529,032	4,735,831	521,579	16,786,442
Total unpaid claims and claim adjustment expenses - End of Year	\$ 50,000	\$ -	\$ 40,450	\$ 90,450

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
THREE-YEAR PROPERTY AND CASUALTY CLAIMS DEVELOPMENT INFORMATION
AS OF DECEMBER 31, 2012

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net Earned Required Contribution and Investment Revenue:			
Earned	\$ 4,215,004	\$ 5,459,698	\$ 5,617,991
Ceded	1,583,834	2,307,853	2,425,887
	<hr/> 2,631,170	<hr/> 3,151,845	<hr/> 3,192,104
Unallocated Expenses	<hr/> 478,408	<hr/> 549,614	<hr/> 585,190
Estimated Claims and Expenses, End of Policy Year:			
Incurred	2,120,491	2,667,010	2,065,235
Ceded			
Net Incurred	<hr/> 2,120,491	<hr/> 2,667,010	<hr/> 2,065,235
Paid (Cumulative) as of:			
End of Policy Year	508,994	938,354	487,925
One Year Later	1,067,746	1,330,572	
Two Years Later	<hr/> 1,457,205		
Reestimated Incurred Claims and Expenses:			
End of Policy Year	2,120,491	2,667,010	2,065,235
One Year Later	1,850,771	2,426,430	
Two Years Later	<hr/> 1,901,994		
Change in Estimated Incurred Claims and Expenses from End of Policy Year	<hr/> <hr/> \$ (218,497)	<hr/> <hr/> \$ (240,580)	<hr/> <hr/> \$ -

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 2012

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

Coverages and Other Accounts

	Property	General Liability	Automobile	Workers' Compensation	CEL	Expense & Contingency	Total
Underwriting Income:							
Regular Contributions	\$ 239,354	\$ 969,800	\$ 68,650	\$ 1,292,157	\$ 2,425,887	\$ 621,214	\$ 5,617,062
Incurred Liabilities:							
Claims	158,259	616,308	259,466	1,031,202			2,065,235
Expenses					2,425,887	585,190	3,011,077
Total Liabilities	158,259	616,308	259,466	1,031,202	2,425,887	585,190	5,076,312
Underwriting Surplus (Deficit)	81,095	353,492	(190,816)	260,955	-	36,024	540,750
Adjustments:							
Investment Income	84	368	23	422		32	929
Permanent Transfers							-
Total Adjustments	84	368	23	422		32	929
Gross Statutory Surplus (Deficit)	\$ 81,179	\$ 353,860	\$ (190,793)	\$ 261,377	\$ -	\$ 36,056	\$ 541,679
Investment in Joint Venture							198,479
Net Position							\$ 740,158

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
 STATEMENT OF FUND YEAR 2011 PROPERTY AND CASUALTY ACCOUNTS OPERATING RESULTS ANALYSIS
 FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2012

Coverages and Other Accounts

	Property	General Liability	Automobile	Workers' Compensation	CEL	Expense & Contingency	Total
Underwriting Income:							
Regular Contributions	\$ 234,258	\$ 969,800	\$ 68,650	\$ 1,260,640	\$ 2,307,853	\$ 616,141	\$ 5,457,342
Incurred Liabilities:							
Claims	241,530	423,121	38,200	1,723,579	2,307,853	549,614	2,426,430
Expenses							2,857,467
Total Liabilities	241,530	423,121	38,200	1,723,579	2,307,853	549,614	5,283,897
Underwriting Surplus (Deficit)	(7,272)	546,679	30,450	(462,939)	-	66,527	173,445
Adjustments:							
Investment Income	60	1,293	79	779	11	134	2,356
Permanent Transfers							-
Total Adjustments	60	1,293	79	779	11	134	2,356
Gross Statutory Surplus (Deficit)	\$ (7,212)	\$ 547,972	\$ 30,529	\$ (462,160)	\$ 11	\$ 66,661	175,801
Investment in Joint Venture							223,322
Net Position							\$ 399,123

GLOUCESTER COUNTY INSURANCE FUND 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, 2012

Coverages and Other Accounts

	Property	General Liability	Automobile	Workers' Compensation	CEL	Expense & Contingency	Total
Underwriting Income:							
Regular Contributions	\$ 183,654	\$ 813,038	\$ 57,553	\$ 1,044,196	\$ 1,596,572	\$ 516,041	\$ 4,211,054
Incurring Liabilities:							
Claims	83,686	315,094	13,801	1,490,413	1,583,834	478,405	1,902,994
Expenses							2,062,239
Total Liabilities	83,686	315,094	13,801	1,490,413	1,583,834	478,405	3,965,233
Underwriting Surplus (Deficit)	99,968	497,944	43,752	(446,217)	12,738	37,636	245,821
Adjustments:							
Investment Income	417	2,051	104	982	135	261	3,950
Permanent Transfers							-
Total Adjustments	417	2,051	104	982	135	261	3,950
Gross Statutory Surplus (Deficit)	\$ 100,385	\$ 499,995	\$ 43,856	\$ (445,235)	\$ 12,873	\$ 37,897	249,771
Investment in Joint Venture							199,116
Net Position							\$ 448,887

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

	<u>Coverages</u>				<u>Total</u>
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	
Paid Claims (Net of Recoveries) \$	39,101	\$ 4,230	\$ 19,407	\$ 425,187	\$ 487,925
Case Reserves	130,000	24,800	233,615	348,996	737,411
Reserve Discount	(1,741)	(58,692)	(20,534)	(43,797)	(124,764)
IBNR Reserves	(9,101)	645,970	26,978	300,816	964,663
Subtotal	158,259	616,308	259,466	1,031,202	2,065,235
Excess Insurance Received					-
Recoverable					-
Subtotal	-	-	-	-	-
Limited Incurred Claims	\$ 158,259	\$ 616,308	\$ 259,466	\$ 1,031,202	\$ 2,065,235
Number of Claims	15	52	9	124	200
Average Cost Per Claim	\$ 10,551	\$ 11,852	\$ 28,830	\$ 8,316	\$ 10,326

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2011 PROPERTY AND CASUALTY CLAIMS ACCOUNTS ANALYSIS
FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2012

	<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	\$ 32,629	\$ 13,162	\$ 1,073,140	\$ 1,330,572
Case Reserves	30,000	285,937	8,820	592,810	917,567
Reserve Discount	(111)	(29,419)	(260)	(46,485)	(76,275)
IBNR Reserves		133,974	16,478	104,114	254,566
Subtotal	241,530	423,121	38,200	1,723,579	2,426,430
Excess Insurance Received					-
Recoverable					-
Subtotal	-	-	-	-	-
Limited Incurred Claims	\$ 241,530	\$ 423,121	\$ 38,200	\$ 1,723,579	\$ 2,426,430
Number of Claims	32	76	14	145	267
Average Cost Per Claim	\$ 7,548	\$ 5,567	\$ 2,729	\$ 11,887	\$ 9,088

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2010 PROPERTY AND CASUALTY CLAIMS ACCOUNTS ANALYSIS
FOR THE PERIOD MARCH 1, 2010 (DATE OF INCEPTION) TO DECEMBER 31, 2012

	<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	\$ 224,740	\$ 9,589	\$ 1,140,190	\$ 1,458,205
Case Reserves		56,431		336,497	392,928
Reserve Discount		(4,906)	(209)	(24,588)	(29,703)
IBNR Reserves		38,829	4,421	38,314	81,564
Subtotal	83,686	315,094	13,801	1,490,413	1,902,994
Excess Insurance Received Recoverable					-
Subtotal	-	-	-	-	-
Limited Incurred Claims	\$ 83,686	\$ 315,094	\$ 13,801	\$ 1,490,413	\$ 1,902,994
Number of Claims	33	76	16	136	261
Average Cost Per Claim	\$ 2,536	\$ 4,146	\$ 863	\$ 10,959	\$ 7,291

GLOUCESTER COUNTY INSURANCE FUND 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	\$ 9,519,777	\$ 4,523,574	\$ 624,391	\$ 849,451	\$ 913,721	\$ 16,430,914
Other Income						-
Investment Income	291	78	2			371
Total Income	9,520,068	4,523,652	624,393	849,451	913,721	16,431,285
Incurring Liabilities:						
Claims Paid (Net of Refunds)	9,677,469	4,486,746	521,579			14,685,794
Actuarial Liability	50,000		40,450			90,450
Stop Loss Fees				849,451		849,451
State Surcharge					86,342	86,342
Administrative Expenses					877,313	877,313
Total Liabilities	9,727,469	4,486,746	562,029	849,451	963,655	16,589,350
Net Position (Deficit), December 31, 2012	\$ (207,401)	\$ 36,906	\$ 62,364	\$ -	\$ (49,934)	\$ (158,065)

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF 2011 HEALTH ACCOUNTS OPERATING RESULTS
FOR THE PERIOD JANUARY 1, 2011 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	\$ 21,501,235	\$ 10,826,965	\$ 627,977	\$ 1,848,318	\$ 2,324,618	\$ 37,129,113
Other Income					461	461
Investment Income	655	108	16			779
Total Income	21,501,890	10,827,073	627,993	1,848,318	2,325,079	37,130,353
Incurred Liabilities:						
Claims Paid (Net of Refunds)	24,414,370	9,418,611	579,562			34,412,543
Actuarial Liability						-
Stop Loss Fees				1,848,318		1,848,318
State Surcharge					158,388	158,388
Administrative Expenses					2,324,617	2,324,617
Total Liabilities	24,414,370	9,418,611	579,562	1,848,318	2,483,005	38,743,866
Net Position (Deficit), December 31, 2012	\$ (2,912,480)	\$ 1,408,462	\$ 48,431	\$ -	\$ (157,926)	\$ (1,613,513)

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF 2010 HEALTH ACCOUNTS OPERATING RESULTS
FOR THE PERIOD MARCH 1, 2010 (DATE OF INCEPTION) TO DECEMBER 31, 2012

Income:					
Regular Contributions					
Investment Income					
	\$ 18,146,279	\$ 6,581,740	\$ 612,067	\$ 1,789,771	\$ 27,129,857
	5,177	474	307	21	5,979
	<u>18,151,456</u>	<u>6,582,214</u>	<u>612,374</u>	<u>1,789,792</u>	<u>27,135,836</u>
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
	<u>15,258,920</u>	<u>7,720,713</u>	<u>432,140</u>	<u>1,815,001</u>	<u>25,226,774</u>
	<u>\$ 2,892,536</u>	<u>\$ (1,138,499)</u>	<u>\$ 180,234</u>	<u>\$ (25,209)</u>	<u>\$ 1,909,062</u>
Net Position (Deficit), December 31, 2012					

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

	<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-1a)	\$158,259	\$616,308	\$259,466	\$1,031,202
Administrative Expenses (1)	54,502	220,827	15,632	294,229
	<u>\$212,761</u>	<u>\$837,135</u>	<u>\$275,098</u>	<u>\$1,325,431</u>

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

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2011 PROGRAM SUMMARY
FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2012

	<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-1a)	\$241,530	\$423,121	\$38,200	\$1,723,579
Administrative Expenses (1)	50,823	210,400	14,894	273,498
	<u>\$292,353</u>	<u>\$633,521</u>	<u>\$53,094</u>	<u>\$1,997,077</u>

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

GLOUCESTER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2010 PROGRAM SUMMARY
FOR THE PERIOD MARCH 1, 2010 (DATE OF INCEPTION) TO DECEMBER 31, 2012

	<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)	\$83,686	\$315,094	\$13,801	\$1,902,994
Administrative Expenses (1)	41,870	185,357	13,121	238,057
	<u>\$125,556</u>	<u>\$500,451</u>	<u>\$26,922</u>	<u>\$2,141,051</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

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

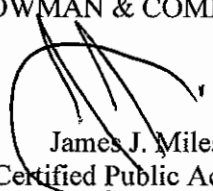
This section identifies the status of prior year audit findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

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



James J. Miles, Jr.
Certified Public Accountant