

**ATLANTIC COUNTY INSURANCE COMMISSION
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2015**

ATLANTIC COUNTY INSURANCE COMMISSION

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Atlantic County Insurance Commission
9 Campus Drive, Suite 216
Parsippany, NJ 07054

Report on the Financial Statements

We have audited the accompanying financial statements of the Atlantic County Insurance Commission (the "Commission") as of and for the years ended December 31, 2015, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Atlantic County Insurance Commission as of December 31, 2015 and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

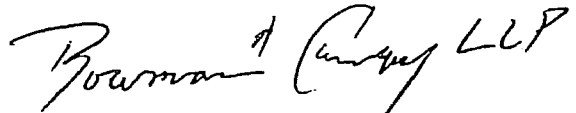
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Atlantic County Insurance Commission's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic 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.

Board of Commissioners
Atlantic County Insurance Commission

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 9, 2016 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 9, 2016

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Atlantic County Insurance Commission
9 Campus Drive, Suite 216
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, State of New Jersey, the financial statements of the Atlantic County Insurance Commission (the "Commission") as of and for the year ended December 31, 2015, 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 9, 2016.

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 opinion 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.

Board of Commissioners
Atlantic County Insurance Commission

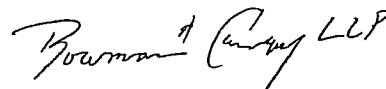
Compliance and Other Matters

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 and the 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,



Bowman & Company LLP
Certified Public Accountants
& Consultants

Woodbury, New Jersey
September 9, 2016

ATLANTIC COUNTY INSURANCE COMMISSION

Management's Discussion and Analysis Unaudited

This section of the annual financial report of the Commission presents a discussion and analysis of the financial performance of the Commission for the year ended December 31, 2015. 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 for Atlantic 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 year.

Financial Highlights

The following tables summarize the Net Position and results of operations for the Commission as of and for the year ended December 31, 2015.

Net Position Summary	
	<u>12/31/2015</u>
Assets	
Cash and Cash Equivalents	\$ 1,503,334
Investment in Joint Venture	39,258
Contributions Receivable	3,041,245
Prepaid Insurance	<u>106,497</u>
Total Assets	<u><u>\$ 4,690,334</u></u>
Liabilities, Reserves & Net Position	
Liabilities	
Loss Reserves	\$ 3,319,995
Other Liabilities & Reserves	<u>14,688</u>
Total Liabilities and Reserves	<u><u>3,334,683</u></u>
Net Position - Unrestricted	<u><u>\$ 1,355,651</u></u>

Revenues, Expenses, and Changes in Net Position Summary	
	<u>12/31/2015</u>
Operating Revenue	
Regular Contributions & Other Income	<u>\$ 7,609,294</u>
Operating Expenses:	
Provision for Claims and Claims Expense	4,024,308
Insurance Premiums	1,444,407
Administrative and Operating	<u>824,186</u>
Total Operating Expenses	6,292,901
Operating Income	1,316,393
Investment Income	-
Change in Investment in Joint Venture	<u>39,258</u>
Distributions to Members	<u>-</u>
Change In Net Positon	<u><u>\$ 1,355,651</u></u>

Financial Highlights Continued

On December 29, 2014, the Atlantic County Board of Chosen Freeholders adopted a resolution which authorized the establishment of the Atlantic 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 Atlantic County Insurance Commission's total assets at the end of the first year of operations were \$4,690,334 and total liabilities were \$3,334,683 resulting in a surplus in unrestricted net position of \$1,355,651. 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 \$1,444,407. That Fund is a cost sharing excess fund that assumes risk on behalf of the Commission and the other members of that Fund, Camden County Insurance Fund Commission, Cumberland County Insurance Commission, Burlington County Insurance Commission, Gloucester County Insurance Commission, Hudson County, Mercer County Insurance Commission, Ocean County, Salem County Insurance Fund Commission and Union County.

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.

Contacting the Fund's Management

This financial report is designed to provide the Atlantic County Insurance Commission members and the Division of Local Government Services, Department of Community Affairs, 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 Atlantic County Insurance Commission office located at 9 Campus Drive, Suite 216, Parsippany, New Jersey 07054 or by phone at (201) 881-7632.

ATLANTIC COUNTY INSURANCE COMMISSION
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2015

ASSETS

Cash and Cash Equivalents	\$ 1,503,334
Investment in Joint Venture	39,258
Contributions Receivable	3,041,245
Prepaid Insurance	<u>106,497</u>
Total Assets	<u>4,690,334</u>

LIABILITIES AND RESERVES

Liabilities:

Accrued Administrative Expenses	10,269
Due To Member	<u>4,419</u>

Total Liabilities	<u>14,688</u>
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Claims Reserves:

Case Reserves	1,326,482
IBNR Reserves	2,076,575
Less Reserve Discount	<u>(83,062)</u>

Total Reserves	<u>3,319,995</u>
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Total Liabilities and Reserves	<u>3,334,683</u>
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NET POSITION

Unrestricted	<u>\$ 1,355,651</u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

ATLANTIC COUNTY INSURANCE COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

Operating Revenue:	
Regular Contributions	\$ 7,609,294
Operating Expenses:	
Provision for Claims and Claims Adjustment Expenses	4,024,308
Premium for Excess Insurance	1,444,407
Administrative Expenses:	
Actuary	8,250
Auditor	9,300
Claims Administrator	280,000
Fund Administrator	120,000
Managed Care	190,000
Miscellaneous Expenses	11,615
Postage	21
Risk Management Consultants	200,000
Secretary	5,000
Total Operating Expenses	<u>6,292,901</u>
Operating Income	<u>1,316,393</u>
Non-Operating Revenue:	
Change in Investment in Joint Venture	<u>39,258</u>
Change in Net Position	1,355,651
Net Position - Beginning of Year	-
Distributions to Members	<u>-</u>
Net Position - End of Year	<u>\$ 1,355,651</u>

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

ATLANTIC COUNTY INSURANCE COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash Flows From Operating Activities:	
Receipts from Regular Contributions	\$ 4,568,049
Payments for Claim Payments	(699,894)
Payments for Insurance Premiums	(1,444,407)
Payments to Professionals and Suppliers	<u>(920,414)</u>
Net Cash Flows Provided By Operating Activities	<u>1,503,334</u>
Net Increase in Cash and Cash Equivalents	1,503,334
Cash and Cash Equivalents - Beginning of Year	<u>-</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,503,334</u>
Reconciliation of Operating Income to	
Cash Flows From Operating Activities:	
Operating Income	\$ 1,316,393
Adjustments to Reconcile Operating Income to	
Net Cash Provided By Operating Activities:	
Changes in Assets and Liabilities:	
Contributions Receivable	(3,041,245)
Prepaid Insurance	(106,497)
Accrued Administrative Expenses	10,269
Due To Member	4,419
Claims Reserves	<u>3,319,995</u>
Net Cash Flows Provided By Operating Activities	<u>\$ 1,503,334</u>
Supplemental Disclosure - Noncash Activity:	
Change in Investment in Joint Venture	<u>\$ 39,258</u>

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

ATLANTIC COUNTY INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 1: ORGANIZATION AND DESCRIPTION OF THE COMMISSION

Effective December 29, 2014, the Atlantic 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, Department of Community Affairs, State of New Jersey 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 2015, members of the Commission included the Atlantic County, Atlantic County Improvement Authority and Atlantic County Utility Authority.

All members' assessments, including a reserve for contingencies, are based on annual actuarial assumptions determined by the Commission's actuary. The Commissioners may order additional assessments to supplement the Commission's claim, loss retention or administrative accounts to assure the payment of the Commission's obligations.

The Commission offers the following primary insurance coverage to its members:

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

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

- Public Officials Liability/Employment Practices Liability
- Crime
- Pollution Liability
- Medical Professional Liability
- Employed Lawyers Liability
- Cyber Liability

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 2015 were as follows:

Property	\$100,000
Auto	\$500,000
General Liability	\$500,000
Workers' Compensation	\$750,000

ATLANTIC COUNTY INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS

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

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

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

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

Based upon the application of these criteria, the Commission has no component units and is not includable in any other reporting entity.

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.

ATLANTIC COUNTY INSURANCE 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 - 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.

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.

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 Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

ATLANTIC COUNTY INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS

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

Annual Contributions

Annual contributions 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 Commissioners.

Supplemental Contributions

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

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.

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.

ATLANTIC COUNTY INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS

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

Unpaid Claims Liabilities (Cont'd)

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, 2015. 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.

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

Excess Coverage

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 6.

Subrogation

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 Fund 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.

ATLANTIC COUNTY INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS

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

Income Taxes

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

Net Position

In accordance with the provisions of the Governmental Accounting Standards Board Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", the 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 Commission's 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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3: CASH AND CASH EQUIVALENTS

Custodial Credit Risk 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 \$1,518,272 as of December 31, 2015, \$250,000 was insured while \$1,268,272 was collateralized under GUDPA.

ATLANTIC COUNTY INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 4: INVESTMENT IN JOINT VENTURE

As discussed in Note 6, the Commission is a member of the New Jersey Counties Excess Joint Insurance Fund. The CEL is carrying the individual fund year surplus as unrestricted net position on the Statement of Net Position. 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, 2015 was \$39,258.

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 period ended December 31, 2015 or all open Commission years net of excess insurance recoveries:

Total unpaid claim and claim adjustment expenses all Fund years - Beginning of Year	\$ -
Incurred claims and claims adjustment expenses:	
Provision for insured events of current fund year	4,024,308
Changes in provision for insured events of prior fund years	-
Total incurred claims and claims adjustment expenses all Fund years	<u>4,024,308</u>
Payments (Net of Recoveries):	
Claims and claim adjustments expenses:	
Attributable to insured events of current fund year	704,313
Attributable to insured events of prior fund years	-
Total Payments all Fund years	<u>704,313</u>
Total unpaid claim and claim adjustment expenses all Fund years - End of Year	<u><u>\$ 3,319,995</u></u>

ATLANTIC COUNTY INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 6: **MEMBERSHIP IN JOINT INSURANCE FUNDS**

New Jersey Counties Excess Joint Insurance Fund

Effective December 29, 2014, the Commission became a member of the New Jersey Counties Excess Joint Insurance Fund. 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, 2015 is as follows:

Total Assets	<u>\$ 17,253,582</u>
Total Liabilities	<u>\$ 11,389,410</u>
Net Position	<u>\$ 5,864,172</u>
Total Revenue	<u>\$ 21,242,764</u>
Total Expenses	<u>\$ 20,584,344</u>
Change In Net Position	<u>\$ 540,598</u>
Distributions to Members	<u>\$ 150,000</u>

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 216
Parsippany, NJ 07054
(201) 881-7632

ATLANTIC COUNTY INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 7: RELATED PARTY TRANSACTIONS

As disclosed in note 6, the Commission is a member of the New Jersey Counties Excess Liability Joint Insurance Fund and accordingly has an ownership interest in the CEL. Excess insurance premiums paid to the CEL for the year ended December 31, 2015 were \$1,444,407.

ATLANTIC COUNTY INSURANCE COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION

ATLANTIC COUNTY INSURANCE COMMISSION
 RECONCILIATION OF CLAIMS LIABILITIES BY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Property	General Liability	Automobile	Workers' Compensation	Total
Total unpaid claims and claim adjustment expenses - beginning of year	\$ -	\$ -	\$ -	\$ -	\$ -
Incurrd claims and claims adjustment expenses:					
Provision for insured events of current Fund year	42,360	274,390	181,383	3,526,175	4,024,308
Changes in provision for insured events of prior Fund years					-
Total incurred claims and claims adjustment expenses all Fund years	42,360	274,390	181,383	3,526,175	4,024,308
Payments:					
Claims and claims adjustment expenses:					
Attributable to insured events of current Fund year	33,725	5,003	6,792	658,793	704,313
Attributable to insured events of prior Fund years					-
Total payments all Fund years	33,725	5,003	6,792	658,793	704,313
Total unpaid claims and claim adjustment expenses - end of year	\$ 8,635	\$ 269,387	\$ 174,591	\$ 2,867,382	\$ 3,319,995

ATLANTIC COUNTY INSURANCE COMMISSION
ONE-YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF DECEMBER 31, 2015

	<u>2015</u>
Net Earned Required Contribution and Investment Revenue:	
Earned	\$ 7,609,294
Ceded	<u>1,444,407</u>
	<u>6,164,887</u>
Unallocated Expenses	<u>824,186</u>
Estimated Claims and Expenses, End of Policy Year:	
Incurred	4,024,308
Ceded	<u> </u>
Net Incurred	<u>4,024,308</u>
Paid (Cumulative) as of: End of Policy Year	704,313
Reestimated Incurred Claims and Expenses: End of Policy Year	<u>4,024,308</u>
Change in Estimated Incurred Claims and Expenses from End of Policy Year	<u><u>\$ -</u></u>

ATLANTIC COUNTY INSURANCE COMMISSION
SUPPLEMENTARY INFORMATION

ATLANTIC COUNTY INSURANCE COMMISSION
STATEMENT OF FUND YEAR 2015 ACCOUNT OPERATING RESULTS ANALYSIS
FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2015

Coverages and Other Accounts

	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>CEL</u>	<u>Expense & Contingency</u>	<u>Total</u>
Underwriting Income:							
Regular Contributions	\$ 183,929	\$ 314,525	\$ 213,038	\$ 4,748,320	\$ 1,444,977	\$ 704,505	\$ 7,609,294
Total Income	183,929	314,525	213,038	4,748,320	1,444,977	704,505	7,609,294
Incurred Liabilities:							
Claims	42,360	274,390	181,383	3,526,175	1,444,407	824,186	4,024,308
Expenses							2,268,593
Total Liabilities	42,360	274,390	181,383	3,526,175	1,444,407	824,186	6,292,901
Underwriting Surplus (Deficit)	141,569	40,135	31,655	1,222,145	570	(119,681)	1,316,393
Adjustments:							
Investment Income							-
Permanent Transfers							-
Total Adjustments	-	-	-	-	-	-	-
Gross Surplus (Deficit)	141,569	40,135	31,655	1,222,145	570	(119,681)	1,316,393
Return of Surplus							-
Net Surplus (Deficit)	\$ 141,569	\$ 40,135	\$ 31,655	\$ 1,222,145	\$ 570	\$ (119,681)	\$ 1,316,393
Before Unallocated Investment							
Investment in Joint Venture							39,258
Net Position							\$ 1,355,651

ATLANTIC COUNTY INSURANCE COMMISSION
 STATEMENT OF FUND YEAR 2015 CLAIMS ANALYSIS
 FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2015

	<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)	\$ 33,725	\$ 5,003	\$ 6,792	\$ 658,793	\$ 704,313
Case Reserves	8,645	82,225	32,815	1,202,797	1,326,482
IBNR Reserves		192,772	145,393	1,738,410	2,076,575
Reserve Discount	(10)	(5,610)	(3,617)	(73,825)	(83,062)
Subtotal	42,360	274,390	181,383	3,526,175	4,024,308
Excess Insurance Received					-
Recoverable					-
Subtotal	-	-	-	-	-
Limited Incurred Claims	\$ 42,360	\$ 274,390	\$ 181,383	\$ 3,526,175	\$ 4,024,308
Number of Claims	37	201	41	183	462
Average Cost Per Claim	\$ 1,145	\$ 1,365	\$ 4,424	\$ 19,269	\$ 8,711

ATLANTIC COUNTY INSURANCE COMMISSION
STATEMENT OF FUND YEAR 2015 PROGRAM SUMMARY
FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2015

	<u>Coverages</u>			
	<u>Property</u>	<u>General Liability</u>	<u>Auto</u>	<u>Workers' Compensation</u>
Limits	\$260,000,000	\$15,250,000	\$15,250,000	STATUTORY
Fund Retention	\$100,000	\$500,000	\$500,000	\$750,000
Excess Insurers	Zurich Mitsui Sumitomo Scottsdale Starr	CEL Underwriters at Lloyds National Casualty	CEL Underwriters at Lloyds National Casualty	CEL Underwriters at Lloyds Safety National
Number of Participants	3	3	3	3
Incurred Liabilities:				
Claims (Schedule B-1)	\$ 42,360	\$ 274,390	\$ 181,383	\$ 3,526,175
Administrative Expenses (1)	27,765	47,479	32,159	716,783
	<u>\$ 70,125</u>	<u>\$ 321,869</u>	<u>\$ 213,542</u>	<u>\$ 4,242,958</u>

(1) Allocated on the basis of assessments and transfers by coverage.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

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, State of New Jersey.

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

None.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AS PREPARED BY MANAGEMENT

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

There were no findings in the prior year.

APPRECIATION

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

Respectfully submitted,

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



James J. Miles, Jr.
Certified Public Accountant