

**CUMBERLAND COUNTY  
INSURANCE COMMISSION  
(A COMPONENT UNIT OF CUMBERLAND COUNTY)**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES**

**AS OF**

**DECEMBER 31, 2014**



# CUMBERLAND COUNTY INSURANCE COMMISSION

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**ANNUAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013**

New Jersey Department of Insurance Fund Code:

Joint Insurance Fund Name: Cumberland County Insurance Commission

Street Address: 9 Campus Drive 9 Campus Drive  
Parsippany, NJ 07054 Parsippany, NJ 07054

Primary location of books and records: 9 Campus Drive  
Parsippany, NJ 07054

Statement Contact Person: Pauline Kontomanolis, CPA Phone No: 201-518-7023

**EXECUTIVE COMMITTEE**

Chairperson Thomas Sheppard  
 Vice- Chairperson Gerald Seneski  
Ken Mecouch

**EXECUTIVE COMMITTEE ALTERNATES**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

State of New Jersey  
 County Of Cumberland ss

Thomas Sheppard (Chairperson), Gerald Seneski (Vice-Chairperson), of the Cumberland County Insurance Commission being duly sworn, each

for himself deposes and says that they are the above described executive committee members of the said joint insurance fund, free and clear from any liens or claims thereon, except as herein stated, and that this annual financial statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to are a full and true statement of all the assets and liabilities and of the condition and affairs of the said joint insurance fund as of the 31st day of December 2014, and of its income and deductions therefrom for the year ended on that date, according to the best of their information, knowledge and belief respectively.

\_\_\_\_\_  
 Chairperson

\_\_\_\_\_  
 Vice-Chairperson

(a) Is this an original filing?  X  Yes   No

(b) If no,  
 (i) State the amendment number \_\_\_\_\_  
 (ii) Date Filed \_\_\_\_\_  
 (iii) Number of pages attached \_\_\_\_\_

Subscribed and sworn to before me the \_\_\_\_\_ day of \_\_\_\_\_ 2015

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

The Cumberland County Insurance Commissioners  
Parsippany, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying statement of net position of the Cumberland County Insurance Commission, a component unit of the County of Cumberland, as of December 31, 2014, the related statements of revenue, expenses and changes in position and the statement of cash flows for the year then ended, 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial position of the Cumberland County Insurance Commission as of December 31, 2014 and, the results of their operations and their cash flows for the year then ended in accordance 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, budgetary comparison information, reconciliation of claims liabilities by fund and ten-year claims development information* identified 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 American Institute of Certified Public Accountants 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 Cumberland County Insurance Commission's basic financial statements. The supplementary information 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 supplemental information listed in the table of contents is the responsibility of management and was derived from and relates 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 supplemental information listed in the table of contents, are 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 May 29, 2015 on our consideration of the Cumberland County Insurance Commission's internal control over financial reporting and on 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 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 Cumberland County Insurance Commission's internal control over financial reporting and compliance.

*Kenneth W. Moore*

Kenneth W. Moore, CPA, RMA #231

*Ford Scott & Associates, LLC*

Ford Scott & Associates, LLC

May 29, 2015

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**REQUIRED SUPPLEMENTARY INFORMATION**

**MANAGEMENT DISCUSSION AND ANALYSIS**



## **CUMBERLAND COUNTY INSURANCE COMMISSION**

### Management Discussion and Analysis

This section of the annual financial report of the Cumberland County Insurance Commission (the Commission) presents a discussion and analysis of the financial performance of the Commission for the year ended December 31, 2014. Please read it in conjunction with the basic financial statements that follow this section.

#### **Overview of Basic Financial Statement**

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 workers compensation and property and casual insurance coverage for Cumberland County and related entities 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 the accrual basis of accounting.

The three basic financial statements presented are as follows:

**Net Position** – this statement presents information reflecting the Commission's assets, liabilities and net position. Net position represents the amount of total assets less total liabilities. The net position of the Commission increased \$276,948 as a result of assessments exceeding provisions for claims, excess coverage, operating expenses and surplus distribution. In addition the investment in the County Excess Liability Fund increased by a net amount of \$47,900 in 2014.

**Statement of Revenue, Expenses and Changes in Net Position** – this statement reflects the Commission's operating and non-operating revenue and expense for the year, along with a reconciliation of the beginning and ending net position. The change in net position for an enterprise Commission is similar to the net profit or loss for any other insurance company.

**Statement of Cash Flows** – this statement is presented on the direct method of reporting as required by the Governmental Accounting Standards Board (GASB). The statement reflects the cash activity for the year by major component of income and expense to reflect the change in cash from the beginning to the end of the year. The statement also provides a reconciliation of the operating income or loss to the change in cash for the year.

## Financial Highlights

The following tables summarize the financial position and results of operations for the Commission as of and for the years ended December 31, 2014 and 2013.

### Net Position Summary:

	December 31,		
	2014	2013	Variance
Assets			
Cash & Cash Equivalents	\$ 2,035,438	1,457,125	578,313
Investment Joint Venture	154,882	106,982	47,900
Other Assets	930	7,087	(6,157)
Total Assets	<u>2,191,250</u>	<u>1,571,194</u>	<u>620,056</u>
Liabilities & Net Assets			
Accounts Payable	40,146	41,163	(1,017)
Prepaid Assessments	1,506	-	1,506
Other Liabilities and Reserves	946,598	603,979	342,619
Total Liabilities	<u>988,250</u>	<u>645,142</u>	<u>343,108</u>
Net Position	<u>\$ 1,203,000</u>	<u>926,052</u>	<u>276,948</u>

Net position increased to \$1,203,000 as a result of claims, excess insurance and operating costs being lower than the assessments and an increase in the value of the investment in the joint venture of the County Excess Liability fund.. The financial position of the Commission has improved from the previous year.

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## **Statement of Revenue, Expenses and Changes in Net Position Summary**

	December		
	2014	2013	Variance
Operating Revenue			
Assessments & Other Income	<u>\$ 2,777,231</u>	<u>2,571,334</u>	<u>205,897</u>
Operating Expenses			
Net Claims and Claims Adj.	1,160,441	767,145	393,296
Excess & Group Insurance			
Premiums	1,056,912	920,110	136,802
Professional, Contractual			
& Administrative Services	330,655	312,753	17,902
Total Operating Expenses	<u>2,548,008</u>	<u>2,000,008</u>	<u>548,000</u>
Operating Income	229,223	571,326	(342,103)
Change in Investment in			
Joint Venture	47,900	93,266	(45,366)
Surplus Return	(2,109)	2,109	(4,218)
Investment Income	1,934	2,676	(742)
Change in Net Position	<u>\$ 276,948</u>	<u>669,377</u>	<u>(392,429)</u>

The net position increase of \$276,948 was primarily due to assessments exceeding claims and operating expenses. The property fund experienced losses significantly in excess of the anticipated losses. These losses were partially offset by the reduction of the actuarial determined losses for prior year workers compensation claims. In addition, the Commission's equity in the New Jersey Counties Excess Joint Insurance Fund (the Fund) increased by \$47,900 as a result of the favorable operations of the Fund. The increase is lower than the prior year since the Commission's equity percentage decreased to approximately 4.5% as a result of the Fund accepting new members with significant assessments.

### **Economic Conditions**

The overall economic conditions in the region continue to be challenging primarily due to the national fiscal issues along with a significant downturn in the gaming industry which employs a significant number of residents of Cumberland County. Severe winter weather conditions also had an impact on the claims in the property fund.

The operating expense budget is being closely monitored to compensate for the weak economic conditions.

### **Contacting the Commission's Management**

This financial report is designed to provide the Cumberland County Insurance Commission members and the Department of Banking and Insurance 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, please contact the Executive Director of the Cumberland County Insurance Commission at the office of the Director located at 9 Campus Drive, Parsippany, New Jersey 07054, or by phone at 201-881-7632.



## FINANCIAL STATEMENTS



A-1

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**A COMPONENT UNIT OF CUMBERLAND COUNTY**  
**STATEMENT OF POSITION**  
**DECEMBER 31, 2014**

**ASSETS**

Cash and Cash Equivalents	\$	2,035,438
Investment in Joint Venture		154,882
Contribution Receivable		930
Prepaid Expense		-
Other Receivables		-
 TOTAL ASSETS		 <u>2,191,250</u>

**LIABILITIES, RESERVES AND NET POSITION**

Accounts Payable		40,146
Prepaid Assessments		1,506
Claims:		
Case Reserves		311,533
IBNR Reserves		635,065
 TOTAL LIABILITIES AND RESERVES		 <u>988,250</u>
 Net Position:		
Unrestricted		<u>1,203,000</u>
TOTAL NET POSITION		1,203,000
 TOTAL LIABILITIES AND NET POSITION		 <u><u>\$ 2,191,250</u></u>

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**A COMPONENT UNIT OF CUMBERLAND COUNTY**  
**STATEMENT OF REVENUE, EXPENSES & CHANGES IN POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

Operating Revenue:	
Assessments from Participating Members	\$ 2,777,231
Total Operating Revenue	<u>2,777,231</u>
Operating Expenses:	
Provision for Claims and Claim Adjustment Expense	1,160,441
Excess Insurance	1,056,912
Administration	55,000
Executive Director	89,084
Actuary	8,022
Attorney	5,872
Auditor	6,000
Treasurer	2,645
Postage	13
Contingency	7,955
Risk Management Consultants	156,064
Total Operating Expenses	<u>2,548,008</u>
Operating Income	229,223
Non-Operating Revenue	
Change in Investment in Joint Venture	47,900
Investment Income	1,934
Total Non-Operating Revenue	<u>49,834</u>
Change in Net Position	279,057
Net Position, Beginning of Year	926,052
Surplus Distributed	(2,109)
Net Position End of Year	<u>\$ 1,203,000</u>

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**A COMPONENT UNIT OF CUMBERLAND COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

Cash flows from operating activities:	
Contributions collected	\$ 2,780,676
Reinsurance premium paid	(1,057,692)
Claims paid	(817,823)
General and Administrative expenses paid	(328,784)
Net cash provided by operating activities	<u>576,377</u>
Cash flows from investing activities:	
Investment income received	<u>1,934</u>
Net cash provided by investing activities	<u>1,934</u>
Cash flows from non capital financing activities	
None	-
Net cash used by non capital financing activities	<u>-</u>
Net increase in cash and cash equivalents	578,311
Cash and cash equivalents, beginning of year	<u>1,457,127</u>
Cash and cash equivalents, end of year	<u>\$ 2,035,438</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	229,223
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in contributions receivable	4,048
(Decrease) in accounts payable	(237)
Increase in prepaid assessments	1,506
(Decrease) in excess insurance payable	(780)
Increase in loss reserves	<u>342,617</u>
Total Adjustments	<u>347,154</u>
Net cash provided by operating activities	<u>\$ 576,377</u>

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## NOTES TO FINANCIAL STATEMENTS





**NOTE: 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Background- The Cumberland County Insurance Commission was established on September 25, 2012 in accordance Article 3 of NJSA 40A:10-1 et seq. The Commission was formed to provide cost savings for the county and local units associated with the county through the joint purchase or self-Commissioning of insurance. The Insurance Commission is a self-insured and self administered Commission established for the purpose of insuring against property damage, general liability, motor vehicle and equipment liability, and workers' compensation. The Commission is protected against large catastrophic losses through the purchase of excess liability insurance with the County Excess Liability Commission.

The Commission commenced operations October 4, 2012. The Commissioners may approve subsequent memberships by a majority vote or may terminate any member by a majority vote after proper notice has been given.

Basis of Accounting- The Commission uses the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual method of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Annual Contributions- Annual contributions, as determined by the Commission's budget, are received in three installments. Total contributions are recognized as earned revenue evenly over the fiscal contract period or periods of risk, if different.

Operating revenues are those revenues that are generated from the primary operations of the Commission. All other expenses are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operation of the Commission. All other expenses are reported as non-operating expenses.

Statement of Cash Flows- For purpose of the statement of cash flows, the Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Component Unit – since the Commission was formed by Cumberland County, New Jersey, the County Freeholders can appoint and remove the commissioners of the Commission and the Commission is economically dependent on Cumberland County, the Commission is considered a component unit of the County. However, Cumberland County reports under the New Jersey regulatory basis of accounting which does not provide for the inclusion of component units in its financial statements.

## **NOTE 2: CASH AND INVESTMENTS**

The Governmental Accounting Standards Board (GASB) requires disclosure of the level of custodial risk assumed by the Commission in its cash, cash equivalents and investments.

### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a policy for custodial credit risk, however the State of New Jersey imposes certain collateral requirements. The Commission has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA).

### Deposits

All deposits of the Commission are insured through federal depository insurance coverage, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Commission's name.

At December 31, deposits had a carrying amount of \$2,035,438 and the bank balance was \$2,131,596. Of the bank balance, \$250,000 was insured with Federal Deposit Insurance and the remaining balance is covered by GUDPA.

### Investments

As of December 31, 2014 the Commission did not have any investments.

Interest Rate Risk – the Commission's investment policy is determined by New Jersey Statutes that limit the types and duration of investment vehicles.

Credit Risk – The Commission's investments are limited by state statutes.

Concentration of Credit Risk – The Commission does not place any limitation on the amount of investment in any allowable investment vehicle. The Commission's cash management policy provides that investments are limited to the following:

- a) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America.
- b) Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- c) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located; or

- d) Bonds or other obligations, having a maturity date not exceeding 397 days, approved by the Division of Investments of the Department of Treasury for investment by local units.
- e) Debt obligations of federal agencies or government corporations with maturities not greater than five (5) years from the date of purchase, excluding mortgage backed obligations, providing that such investments are purchased through the New Jersey Division of Investment and are consistent the with Division's own investment guidelines, and providing that the investment have a fixed rate of interest not dependent on any index or external factors.
- f) Repurchase agreements fo fully collateralized securities, subject to rules and conditions established by the NJ Department of Community Affairs.

No investment or deposit shall have a maturity longer than five (5) years from the date of purchase.

### **NOTE 3: ASSESSMENTS AND BENEFITS**

The contributions by the respective participating entities are based on the annual budget using information derived from the Commission's actuary.

The Commission offers the following coverage to its members:

- a. Liability other than motor vehicle
- b. Property Damage other than motor vehicle
- c. Motor vehicle
- d. Workers Compensation

The exact terms and conditions of coverage are detailed in the Commission's Risk Management Plan. Claims made against the Commission's self-insured coverage's are administered by PERMA Risk Management Services. The Commission also maintains a contract for excess insurance, covering losses in excess of an amount established between the Commission and the insurer up to the limits of coverage set forth in the insurance contract on a specific occurrence, or per accident or annual aggregate basis.

### **NOTE 4: LOSS RESERVES**

The Commission has created a loss reserve fund which includes both the actual case reserves and the IBNR reserve for any potential unknown unreported loss. The case reserves have been recorded by the Commission's claims servicing agent, Inservco Insurance Services, Inc. Claims Management Department. The IBNR reserve has been estimated by the Commission's actuary, The Actuarial Advantage, Inc.

**NOTE 5: UNPAID CLAIMS LIABILITTIES**

As discussed in Note 4, the Commission establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustments expenses, both allocated and unallocated. Loss reserves at December 31, 2014, which have been estimated by the Commission's actuary, are as follows:

	<u>12/31/2013</u>	<u>Change</u>	<u>12/31/2014</u>
Case Reserves	\$ 120,552	190,981	311,533
Reserve for Incurred But Not Reported	<u>483,427</u>	<u>151,638</u>	<u>635,065</u>
	<u>\$ 603,979</u>	<u>342,619</u>	<u>946,598</u>

**NOTE6: INVESTMENT INCOME**

Investment income for the year ended December 31, 2014 consists of the following:

Bank Interest	\$ 1,934
Investment Income	<u>-</u>
Net Investment Income	<u>\$ 1,934</u>
Accrued Interest on Investments	<u>\$ -</u>

**NOTE 7: NET POSITION**

Total net position at December 31, 2014 for all Commission years is as follows:

Closed Years Contingency Fund Surplus	\$ -
Current Surplus Fund Years 2012-2014	<u>1,203,000</u>
	<u>\$ 1,203,000</u>

**NOTE 8 – JOINT VENTURE**

On September 25, 2012 the County of Cumberland authorized the Commission to apply for membership into the New Jersey Counties Excess Joint Insurance Fund to obtain the following coverage:

- a. Liability, other than motor vehicle
- b. Property Damage, other than motor vehicle
- c. Motor Vehicle

CUMBERLAND COUNTY INSURANCE COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

- d. Public Officials Liability/Employment Practices Liability
- e. Environmental Impairment Liability

As a member of the fund, the Commission will share in dividends or assessments for each fund year on the ratio of its assessment to the total assessments for that specific fund year. As of December 31, 2014, the Commission's percentage of the Fund year 2012 was 1.33% representing \$10,943 of the surplus, Fund year 2013 was 5.83% representing \$76,442 of the surplus and Fund year 2014 was 4.46% representing \$67,497 of the surplus. The Commission's total allocated surplus as of December 31, 2014 is \$154,882. The 2014 amount is based on unaudited information and is subject to modification.

**NOTE 9 – SUBSEQUENT EVENTS**

The Commission has evaluated subsequent events through May 29, 2015, the date which the financial statements were available to be issued and no issues were noted for adjustment or disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION





**CUMBERLAND COUNTY INSURANCE COMMISSION  
SCHEDULE OF BUDGET TO ACTUAL  
2014**

	Budget Amount	Revised	Expended	Variance
Claims				
Property	\$ 98,105	\$ 98,905	365,587	(266,682)
Liability	274,500	277,000	145,000	132,000
Auto	45,900	47,900	9,280	38,620
Workers' Compensation	905,250	909,250	640,574	268,676
Subtotal Claims	1,323,755	1,333,055	1,160,441	172,614
Excess liability Premium	641,401	703,367	703,367	-
Total Loss Fund	1,965,156	2,036,422	1,863,808	172,614
Expenses, Fees & Contingency				
Claims Adjustment	96,154	96,840	55,000	41,840
Executive Director	85,890	89,084	89,084	-
Actuary	7,734	8,022	8,022	-
Auditor	5,777	5,992	6,000	(8)
Attorney	5,661	5,872	5,872	-
Treasurer	2,550	2,645	2,645	-
Secretary	2,040	2,040		2,040
Misc. Expense & Contingency	20,307	20,646	7,968	12,678
Total Fund Expense and Contingency	226,113	231,141	174,591	56,550
Risk Managers	151,059	156,123	156,064	59
CEL JIF Ancillary Coverage				
POL/EPL	129,665	131,199	131,199	-
Excess Liability	174,967	149,275	149,275	-
Crime Policy	14,700	14,988	14,988	-
Medical Malpractice	36,356	33,845	33,845	-
Pollution Liability	-	4,721	4,721	-
Employed Lawyers Liability	3,895	3,495	3,495	-
Cyber Liability/Special Coverages		16,022	16,022	-
	<u>\$ 2,701,911</u>	<u>2,777,231</u>	<u>2,548,008</u>	<u>229,223</u>

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**RECONCILIATION OF CLAIMS LIABILITIES BY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Property Fund	General Liability Fund	Auto Liability Fund	Worker's Comp Fund	Totals
Unpaid claims and claim adjustment expenses, beginning of year	\$ 23,569	216,204	50,079	314,852	604,704
Incurred claims and claim adjustment expenses:					
Provision for insured events of the current period	375,000	200,000	54,148	568,333	1,197,481
Changes in provision for insured events of prior fund years	(9,414)	(55,000)	(44,868)	72,241	(37,041)
Total incurred claims and claim adjustment expenses	<u>389,155</u>	<u>361,204</u>	<u>59,359</u>	<u>955,426</u>	<u>1,765,144</u>
Payments:					
Claims and claim adjustments expenses attributable to insured events of the current period	363,569	4,331	10,329	227,398	605,627
Claims and claim adjustments expenses attributable to insured events of prior years	14,155	-	(1,336)	200,100	212,919
Total Payments	<u>377,724</u>	<u>4,331</u>	<u>8,993</u>	<u>427,498</u>	<u>818,546</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 11,431</u>	<u>356,873</u>	<u>50,366</u>	<u>527,928</u>	<u>946,598</u>

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**TEN-YEAR CLAIMS DEVELOPMENT INFORMATION**

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net earned required contribution			
and investment revenue:			
Earned	\$ 502,006	2,571,333	2,777,231
Ceded	169,580	920,110	1,056,912
	<u>332,426</u>	<u>1,651,223</u>	<u>1,720,319</u>
Unallocated expenses	<u>23,781</u>	<u>312,792</u>	<u>330,615</u>
Estimated claims and expenses, end of policy year:			
Incurred	65,696	772,867	1,197,481
Ceded			
Net Incurred	<u>65,696</u>	<u>772,867</u>	<u>1,197,481</u>
Paid (cumulative) as of:			
End of policy year	1,302	197,321	605,627
One year later	31,540	407,115	
Two years later	33,942		
Reestimated incurred claims and expenses			
End of policy year	65,696	772,867	1,197,481
One year later	59,974	741,577	
Two years later	54,223		
Increase/(decrease) in estimated incurred claims and expense from end of policy year	<u>\$ (11,473)</u>	<u>(31,290)</u>	<u>-</u>

Note: 2012 was the initial period of operations for the Commission

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## SUPPLEMENTAL INFORMATION



**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL BALANCE SHEET**  
**DECEMBER 31, 2014**

I. ASSETS:	
Cash and Cash Equivalents	\$ 2,035,438
Investment in Joint Venture	154,882
Contribution Receivable	930
TOTAL ASSETS	2,191,250
II. LIABILITIES:	
Claims:	
Case Reserves	311,533
IBNR Reserve	635,065
Subtotal Claims	946,598
Expenses (Unpaid):	
Operating	40,146
Subtotal Expenses	40,146
Other Liabilities:	
Prepaid Assessments	1,506
Subtotal Other Liabilities	1,506
TOTAL LIABILITIES	988,250
NET CURRENT SURPLUS	\$ 1,203,000

SCHEDULE B

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL OPERATING RESULTS ANALYSIS**  
**FUND YEARS 2012 THROUGH 2014**  
**FOR PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2014**

UNDERWRITING INCOME:	
Regular Contributions (Earned)	\$ 5,850,570
TOTAL INCOME	<u>5,850,570</u>
INCURRED LIABILITIES:	
Claims:	
Paid	1,046,684
Case Reserves	310,479
IBNR Reserve	636,118
Subtotal Claims	<u>1,993,281</u>
Excess Insurance:	
Subtotal Excess Insurance	<u>-</u>
Limited Incurred Claims (Claims-Excess)	<u>1,993,281</u>
Expenses:	
Excess Insurance Premiums	2,146,602
Operating	667,191
Subtotal Expenses	<u>2,813,793</u>
TOTAL INCURRED LIABILITIES	<u>4,807,074</u>
UNDERWRITING SURPLUS	1,043,496
INVESTMENT INCOME (EARNED)	4,623
SURPLUS RETURNED	2,109
INVESTMENT IN JOINT VENTURE	154,881
GROSS OPERATING SURPLUS	<u>1,205,109</u>
RETURN OF SURPLUS	
Paid	2,109
Subtotal Return of Surplus	<u>2,109</u>
NET CURRENT SURPLUS	<u>\$ 1,203,000</u>



**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR OPERATING RESULTS ANALYSIS**  
**FUND YEAR 2012**  
**FOR PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2014**

UNDERWRITING INCOME:	
Regular Contributions (Earned)	\$ 502,006
TOTAL INCOME	<u>502,006</u>
INCURRED LIABILITIES:	
Claims:	
Paid	33,942
Case Reserves	6,523
IBNR Reserve	13,758
Subtotal Claims	<u>54,223</u>
Expenses:	
Excess Insurance Premiums	169,580
Operating	23,781
Subtotal Expenses	<u>193,361</u>
TOTAL INCURRED LIABILITIES (LIMITED CLAIMS AND EXPENSES)	<u>247,584</u>
UNDERWRITING SURPLUS	254,422
INVESTMENT INCOME (EARNED)	898
SURPLUS RETURNED	2,109
INVESTMENT IN JOINT VENTURE	10,942
GROSS OPERATING SURPLUS	<u>268,371</u>
RETURN OF SURPLUS	
Paid	2,109
Subtotal Return of Surplus	<u>2,109</u>
NET CURRENT SURPLUS	<u>\$ 266,262</u>

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR OPERATING RESULTS ANALYSIS**  
**FUND YEAR 2013**  
**FOR PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2014**

UNDERWRITING INCOME:	
Regular Contributions (Earned)	\$ 2,571,333
TOTAL INCOME	<u>2,571,333</u>
INCURRED LIABILITIES:	
Claims:	
Paid	407,115
Case Reserves	133,488
IBNR Reserve	200,974
Subtotal Claims	<u>741,577</u>
Excess Insurance:	
Received	-
Recoverable	-
Subtotal Excess Insurance	<u>-</u>
Limited Incurred Claims (Claims-Excess)	<u>741,577</u>
Less Refunds	(16,380)
Expenses:	
Excess Insurance Premiums	920,110
Operating	312,792
Subtotal Expenses	<u>1,232,902</u>
TOTAL INCURRED LIABILITIES (LIMITED CLAIMS AND EXPENSES)	<u>1,974,479</u>
UNDERWRITING SURPLUS	596,854
INVESTMENT INCOME (EARNED)	3,124
INVESTMENT IN JOINT VENTURE	76,442
GROSS OPERATING SURPLUS	<u>676,420</u>
RETURN OF SURPLUS	
None	
Subtotal Return of Surplus	<u>-</u>
NET CURRENT SURPLUS	<u><u>\$ 676,420</u></u>

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR OPERATING RESULTS ANALYSIS**  
**FUND YEAR 2014**  
**FOR PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2014**

UNDERWRITING INCOME:	
Regular Contributions (Earned)	\$ 2,777,231
TOTAL INCOME	<u>2,777,231</u>
INCURRED LIABILITIES:	
Claims:	
Paid	605,627
Case Reserves	170,468
IBNR Reserve	421,386
Subtotal Claims	<u>1,197,481</u>
Expenses:	
Excess Insurance Premiums	1,056,912
Operating	330,615
Subtotal Expenses	<u>1,387,527</u>
TOTAL INCURRED LIABILITIES (LIMITED CLAIMS AND EXPENSES)	<u>2,585,008</u>
UNDERWRITING SURPLUS	192,223
INVESTMENT INCOME (EARNED)	598
INVESTMENT IN JOINT VENTURE	67,497
GROSS OPERATING SURPLUS	<u>260,318</u>
RETURN OF SURPLUS	
None	
Subtotal Return of Surplus	<u>-</u>
NET CURRENT SURPLUS	<u><u>\$ 260,318</u></u>

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR ACCOUNT OPERATING ANALYSIS**  
**FUND YEAR 2012**  
**FOR THE PERIOD FROM INCEPTION TO DECEMBER 31, 2014**

	Property Fund	General Liability Fund	Auto Liability Fund	Workers Compensation Fund	NJ CEL	Expense and Contingency Fund	Totals
1. UNDERWRITING INCOME:							
Regular Contributions (Earned)	\$ 13,037	61,586	7,816	176,278	169,580	73,709	502,006
TOTAL INCOME	13,037	61,586	7,816	176,278	169,580	73,709	502,006
2. INCURRED LIABILITIES:							
Claims (Limited Incurred) Expenses	-	15,000	1,500	37,723	169,580	23,781	54,223
Total Liabilities	-	15,000	1,500	37,723	169,580	23,781	193,361
3. UNDERWRITING SURPLUS	13,037	46,586	6,316	138,555	-	49,928	254,422
4. ADJUSTMENTS:							
Investment in Joint Venture Surplus Return					10,942		10,942
Investment Income Transfers	42	193	26	492	7	138	2,109
Total Adjustments	42	193	26	492	13,058	138	898
5. GROSS OPERATING SURPLUS (DEFICIT)	13,079	46,779	6,342	139,047	13,058	50,066	268,371
6. UNREALIZED LOSS							
7. RETURN OF SURPLUS (PAID AND AUTHORIZED)					(2,109)		(2,109)
7. NET CURRENT SURPLUS (Deficit)	\$ 13,079	46,779	6,342	139,047	10,949	50,066	266,262

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR ACCOUNT OPERATING ANALYSIS**  
**FUND YEAR 2013**  
**FOR THE PERIOD FROM JANUARY 1, 2013 TO DECEMBER 31, 2014**

	Property Fund	General Liability Fund	Auto Liability Fund	Workers Compensation Fund	NJ CEL	Expense and Contingency Fund	Totals
1. UNDERWRITING INCOME:							
Regular Contributions (Earned)	\$ 72,486	274,500	45,900	887,500	920,110	370,837	2,571,333
TOTAL INCOME	<u>72,486</u>	<u>274,500</u>	<u>45,900</u>	<u>887,500</u>	<u>920,110</u>	<u>370,837</u>	<u>2,571,333</u>
2. INCURRED LIABILITIES:							
Claims (Limited Incurred) Expenses	58,586	150,000	5,632	527,359	920,110	312,792	741,577
Total Liabilities	<u>58,586</u>	<u>150,000</u>	<u>5,632</u>	<u>527,359</u>	<u>920,110</u>	<u>312,792</u>	<u>1,232,902</u>
3. UNDERWRITING SURPLUS	<u>13,900</u>	<u>124,500</u>	<u>40,268</u>	<u>360,141</u>	<u>-</u>	<u>58,045</u>	<u>596,854</u>
4. ADJUSTMENTS:							
Investment in Joint Venture Surplus Return					76,442		76,442
Investment Income Transfers	74	742	116	1,959	73	160	-
Total Adjustments	<u>74</u>	<u>742</u>	<u>116</u>	<u>1,959</u>	<u>76,515</u>	<u>160</u>	<u>79,566</u>
5. GROSS OPERATING SURPLUS (DEFICIT)	13,974	125,242	40,384	362,100	76,515	58,205	676,420
6. UNREALIZED LOSS							
7. RETURN OF SURPLUS (PAID AND AUTHORIZED)							
7. NET CURRENT SURPLUS (Deficit)	<u>\$ 13,974</u>	<u>125,242</u>	<u>40,384</u>	<u>362,100</u>	<u>76,515</u>	<u>58,205</u>	<u>676,420</u>

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR ACCOUNT OPERATING ANALYSIS**  
**FUND YEAR 2014**  
**FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2014**

	Property Fund	General Liability Fund	Auto Liability Fund	Workers Compensation Fund	NJ CEL	Expense and Contingency Fund	Totals
1. UNDERWRITING INCOME:							
Regular Contributions (Earned)	\$ 98,905	277,000	47,900	909,250	1,056,912	387,264	2,777,231
TOTAL INCOME	98,905	277,000	47,900	909,250	1,056,912	387,264	2,777,231
2. INCURRED LIABILITIES:							
Claims (Limited Incurred) Expenses	375,000	200,000	54,148	568,333	1,056,912	330,615	1,197,481
Total Liabilities	375,000	200,000	54,148	568,333	1,056,912	330,615	2,585,008
3. UNDERWRITING SURPLUS	(276,095)	77,000	(6,248)	340,917	-	56,649	192,223
4. ADJUSTMENTS:							
Investment in Joint Venture Surplus Return	-	149	20	413	67,497	-	67,497
Investment Income Transfers	-	-	-	-	16	-	598
Total Adjustments	-	149	20	413	67,513	-	68,095
5. GROSS OPERATING SURPLUS (DEFICIT)	(276,095)	77,149	(6,228)	341,330	67,513	56,649	260,318
6. UNREALIZED LOSS							
7. RETURN OF SURPLUS (PAID AND AUTHORIZED)							
7. NET CURRENT SURPLUS (Deficit)	\$ (276,095)	77,149	(6,228)	341,330	67,513	56,649	260,318

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR ACCOUNT CLAIMS ANALYSIS**  
**FUND YEAR 2012**  
**FOR THE PERIOD FROM INCEPTION TO DECEMBER 31, 2014**

	<b>Property Fund</b>	<b>General Liability Fund</b>	<b>Auto Liability Fund</b>	<b>Workers Compensation Fund</b>	<b>Totals</b>
Paid Claims	\$ -	2,796	-	31,146	33,942
Case Reserves	-	1,000	-	5,523	6,523
IBNR Reserves	-	11,204	1,500	1,054	13,758
Subtotal	<u>-</u>	<u>15,000</u>	<u>1,500</u>	<u>37,723</u>	<u>54,223</u>
Excess Insurance: Received Recoverable Total Excess Insurance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Limited Incurred Claims	<u>-</u>	<u>15,000</u>	<u>1,500</u>	<u>37,723</u>	<u>54,223</u>
Number of Claims	-	9	-	13	22
Cost/Claims	\$ -	1,667	-	2,902	2,465

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR ACCOUNT CLAIMS ANALYSIS**  
**FUND YEAR 2013**  
**FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2014**

	<b>Property Fund</b>	<b>General Liability Fund</b>	<b>Auto Liability Fund</b>	<b>Workers Compensation Fund</b>	<b>Totals</b>
Paid Claims	\$ 58,586	1,000	585	346,944	407,115
Case Reserves	-	33,500	-	99,988	133,488
IBNR Reserves	-	115,500	5,047	80,427	200,974
Subtotal	<u>58,586</u>	<u>150,000</u>	<u>5,632</u>	<u>527,359</u>	<u>741,577</u>
Excess Insurance: Received Recoverable					-
Total Excess Insurance	-	-	-	-	-
Limited Incurred Claims	<u>58,586</u>	<u>150,000</u>	<u>5,632</u>	<u>527,359</u>	<u>741,577</u>
Number of Claims**	12	20	4	78	114
Cost/Claims	\$ 4,882	7,500	1,408	6,761	6,505
** Excludes Claims where no Liability was Identified	3	13	2	17	35



**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR ACCOUNT CLAIMS ANALYSIS**  
**FUND YEAR 2014**  
**FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2014**

	<b>Property Fund</b>	<b>General Liability Fund</b>	<b>Auto Liability Fund</b>	<b>Workers Compensation Fund</b>	<b>Totals</b>
Paid Claims	\$ 363,569	4,331	10,329	227,398	605,627
Case Reserves	17,405	23,600	23,424	106,039	170,468
IBNR Reserves	(5,974)	172,069	20,395	234,896	421,386
Subtotal	<u>375,000</u>	<u>200,000</u>	<u>54,148</u>	<u>568,333</u>	<u>1,197,481</u>
Excess Insurance: Received Recoverable					-
Total Excess Insurance	-	-	-	-	-
Limited Incurred Claims	<u>375,000</u>	<u>200,000</u>	<u>54,148</u>	<u>568,333</u>	<u>1,197,481</u>
Number of Claims**	4	14	19	79	116
Cost/Claims	\$ 93,750	14,286	2,850	7,194	10,323
** Excludes Claims where no Liability was Identified	2	44	7	16	69

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR EXPENSE ANALYSIS**  
**FUND YEAR 2012**  
**FOR THE PERIOD FROM INCEPTION TO DECEMBER 31, 2014**

	<u>Paid</u>	<u>Unpaid</u>	<u>Totals</u>
1. EXCESS INSURANCE			
County Excess Liability	\$ 169,580		\$ 169,580
Subtotal Excess Insurance	<u>169,580</u>	<u>-</u>	<u>169,580</u>
2. OPERATING EXPENSES:			
Actuary	1,875		1,875
Executive Director	16,295		16,295
Advertising	611		611
Auditor	5,000		5,000
Subtotal Operating	<u>23,781</u>	<u>-</u>	<u>23,781</u>
Total Expense	<u><u>193,361</u></u>	<u><u>-</u></u>	<u><u>193,361</u></u>

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR EXPENSE ANALYSIS**  
**FUND YEAR 2013**  
**FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2014**

	<u>Paid</u>	<u>Unpaid</u>	<u>Totals</u>
1. EXCESS INSURANCE			
County Excess Liability	\$ 920,110		\$ 920,110
Subtotal Excess Insurance	<u>920,110</u>	<u>-</u>	<u>920,110</u>
2. OPERATING EXPENSES:			
Claims Administration	54,000		54,000
Executive Director	84,206		84,206
Actuary	7,500		7,500
Attorney	5,000		5,000
Auditor	5,500		5,500
Treasurer	2,500		2,500
Postage	12		12
Miscellaneous	3,062		3,062
Risk Management Consultant	151,012		151,012
Subtotal Operating	<u>312,792</u>	<u>-</u>	<u>312,792</u>
Total Expense	<u><u>1,232,902</u></u>	<u><u>-</u></u>	<u><u>1,232,902</u></u>

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR EXPENSE ANALYSIS**  
**FUND YEAR 2014**  
**FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2014**

	<u>Paid</u>	<u>Unpaid</u>	<u>Totals</u>
1. EXCESS INSURANCE			
County Excess Liability	\$ 1,031,272	25,640	\$ 1,056,912
Subtotal Excess Insurance	<u>1,031,272</u>	<u>25,640</u>	<u>1,056,912</u>
2. OPERATING EXPENSES:			
Claims Administration	49,500	5,500	55,000
Executive Director	89,084		89,084
Actuary	8,022		8,022
Attorney	5,872		5,872
Auditor	-	6,000	6,000
Treasurer	2,645		2,645
Postage	9	4	13
Miscellaneous	4,913	3,002	7,915
Risk Management Consultant	156,064		156,064
Subtotal Operating	<u>316,109</u>	<u>14,506</u>	<u>330,615</u>
Total Expense	<u><u>1,347,381</u></u>	<u><u>40,146</u></u>	<u><u>1,387,527</u></u>

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR PROGRAM SUMMARY**  
**FUND YEAR 2014**  
**FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2014**

	<b><u>Property Insurance Fund</u></b>	<b><u>Liability Insurance Fund</u></b>	<b><u>Auto Insurance Fund</u></b>	<b><u>Workers Compensation Fund</u></b>
Limits	\$ 260,000,000	20,750,000	20,750,000	Statutory
Fund Retention:				
Specific	100,000	250,000	250,000	250,000
Excess Insurers:	CEL	CEL	CEL	CEL
	Zurich	Star	Star	Star
Number Participants	3	3	3	3
Incurred Liabilities	375,000	200,000	54,148	568,333

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**STATE REQUIRED SUPPORTING SCHEDULE**  
**ANALYSIS OF CASH AND INVESTMENTS**  
**DECEMBER 31, 2014**

<b>Bank</b>	<b>Account Name, Number</b>	<b>Amount</b>
Cape Bank	Municipal Checking -XXXXX5167	\$ 2,131,596
		2,131,596
Plus: Deposits in Transit and Outstanding Transfers		-
Less: Outstanding Checks and Outstanding Transfers		96,158
		\$ 2,035,438

**ANALYSIS OF RECEIVABLES**  
**DECEMBER 31, 2014**

Accrued Interest Receivable	\$ -
Contribution Receivable	\$ 930

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**STATE REQUIRED SUPPORTING SCHEDULE**  
**ANALYSIS OF EXPENSES PAYABLE**  
**DECEMBER 31, 2014**

Administrative Expenses Payable:

Claims Administration	\$ 5,500
Auditor	6,000
Postage	4
Miscellaneous	3,002
	<hr/>
	\$ 14,506
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# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

The Cumberland County Insurance Commission  
Parsippany, New Jersey

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, the financial statements as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated May 29, 2015.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 from 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*.

## **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.

*Kenneth W. Moore*

Kenneth W. Moore, CPA RMA #231

*Ford Scott & Associates, LLC*

Ford Scott & Associates, LLC

May 29, 2015

## SUMMARY OF FINDINGS AND RESPONSES

None