

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

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES**

**AS OF**

**DECEMBER 31, 2013**

**FORD, SCOTT & ASSOCIATES, LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
1535 HAVEN AVE., PO BOX 538  
OCEAN CITY, NJ 08226**



# CUMBERLAND COUNTY INSURANCE COMMISSION

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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 Tony Surace  
Vice- Chairperson Gregory Facemeyer  
Ken Mecouch

**EXECUTIVE COMMITTEE ALTERNATES**

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

State of New Jersey  
County Of Cumberland ss

Tony Surace (Chairperson), Gregory Facemeyer (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 2013, 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 \_\_\_\_\_ 2014

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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, 2013, 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, 2013 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 April 15, 2014 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 #261

*Ford Scott & Associates, LLC*

Ford Scott & Associates, LLC

April 15, 2014

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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, 2013. 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 \$669,377 as a result of assessments exceeding provisions for claims, excess coverage and operating expenses.

**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, 2013 and 2012.

### Net Position Summary:

	December 31,		
	2013	2012	Variance
Assets			
Cash & Cash Equivalents	\$ 1,457,127	491,086	966,041
Investment Joint Venture	106,982	13,716	93,266
Other Assets	7,087	16,125	(9,038)
Total Assets	<u>1,571,196</u>	<u>520,927</u>	<u>1,050,269</u>
Liabilities & Net Assets			
Accounts Payable	41,163	194,663	153,500
Prepaid Assessments	-	5,193	5,193
Other Liabilities and Reserves	603,979	64,394	(539,585)
Total Liabilities	<u>645,142</u>	<u>264,250</u>	<u>(380,892)</u>
Net Position	<u>\$ 926,054</u>	<u>256,677</u>	<u>669,377</u>

Net position increased to \$926,054 as a result of a claims, excess insurance and operating costs being lower than the assessments. 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		
	<u>2013</u>	<u>2012</u>	<u>Variance</u>
Operating Revenue			
Assessments & Other Income	<u>\$ 2,571,334</u>	<u>502,005</u>	<u>2,069,329</u>
Operating Expenses			
Net Claims and Claims Adj. Excess & Group Insurance Premiums	767,145	65,696	(701,449)
Professional, Contractual & Administrative Services	920,110	169,580	(750,530)
	312,753	23,781	(288,972)
Total Operating Expenses	<u>2,000,008</u>	<u>259,057</u>	<u>(1,740,951)</u>
Operating Income	571,326	242,948	328,378
Change in Investment in Joint Venture	93,266	13,716	79,550
Surplus Return	2,109	-	
Investment Income	2,676	13	2,663
Change in Net Position	<u>\$ 669,377</u>	<u>256,677</u>	<u>412,700</u>

The net position increase of \$669,377 was primarily due to assessments exceeding claims and operating expenses. In addition, the Commission's equity in the New Jersey Counties Excess Joint Insurance Fund increased by \$93,266 as a result of the favorable operations of the Fund and the increased equity percentage that the Commission owned. The percentage increased from 1.5% in 2012 to slightly in excess of 7% in 2013. The variances are not truly comparative since the Commission operated for only one month in 2012 but a full year in 2013.

### Economic Conditions

The overall economic conditions in the region continue to be challenging primarily due to the national fiscal issues.

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



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**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**A COMPONENT UNIT OF CUMBERLAND COUNTY**  
**STATEMENT OF POSITION**  
**DECEMBER 31, 2013**

**ASSETS**

Cash and Cash Equivalents	\$	1,457,127
Surplus Return Receivable		2,109
Investment in Joint Venture		106,982
Contribution Receivable		4,978
 TOTAL ASSETS		 <u>1,571,196</u>

**LIABILITIES, RESERVES AND NET POSITION**

Accounts Payable		41,163
Claims:		
Case Reserves		120,552
IBNR Reserves		483,427
 TOTAL LIABILITIES AND RESERVES		 <u>645,142</u>
 Net Position:		
Unrestricted		<u>926,054</u>
TOTAL NET POSITION		<u>926,054</u>
 TOTAL LIABILITIES AND NET POSITION		 <u>\$ 1,571,196</u>

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**A COMPONENT UNIT OF CUMBERLAND COUNTY**  
**STATEMENT OF REVENUE, EXPENSES & CHANGES IN POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

Operating Revenue:	
Assessments from Participating Members	\$ 2,571,334
Total Operating Revenue	<u>2,571,334</u>
Operating Expenses:	
Provision for Claims and Claim Adjustment Expense	767,145
RCF Transfer Premium	
Excess Insurance	920,110
Administration	54,000
Executive Director	84,206
Actuary	7,500
Attorney	5,000
Auditor	5,500
Treasurer	2,500
Postage	12
Miscellaneous	3,023
Risk Management Consultants	151,012
Total Operating Expenses	<u>2,000,008</u>
Operating Income	571,326
Non-Operating Revenue	
Change in Investment in Joint Venture	93,266
Surplus Return	2,109
Investment Income	2,676
Total Non-Operating Revenue	<u>98,051</u>
Change in Net Position	669,377
Net Position, Beginning of Year	256,677
Net Position End of Year	<u>\$ 926,054</u>

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**A COMPONENT UNIT OF CUMBERLAND COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

Cash flows from operating activities:	
Contributions collected	\$ 2,577,287
Reinsurance premium paid	(1,063,270)
Claims paid	(227,559)
General and Administrative expenses paid	(323,093)
Net cash provided by operating activities	<u>963,365</u>
Cash flows from investing activities:	
Investment income received	<u>2,676</u>
Net cash provided by investing activities	<u>2,676</u>
Cash flows from non capital financing activities	
Return of surplus	-
Net cash used by non capital financing activities	<u>-</u>
Net increase in cash and cash equivalents	966,041
Cash and cash equivalents, beginning of year	<u>491,086</u>
Cash and cash equivalents, end of year	<u>\$ 1,457,127</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	571,326
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in contributions receivable	11,147
(Decrease) in accounts payable	(153,500)
(Decrease) in prepaid assessments	(5,193)
Increase in loss reserves	<u>539,585</u>
Total Adjustments	<u>392,039</u>
Net cash provided by operating activities	<u>\$ 963,365</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 presents 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**

GASB statement No. 40, 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 \$1,457,126 and the bank balance was \$1,457,126. 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, 2013 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 if 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.

CUMBERLAND COUNTY INSURANCE COMMISSION  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2013

**NOTE 5: UNPAID CLAIMS LIABILITIES**

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, 2013, which have been estimated by the Commission's actuary, are as follows:

	<u>12/31/2012</u>	<u>Change</u>	<u>12/31/2013</u>
Case Reserves	\$ 16,994	103,558	120,552
Reserve for Incurred But Not Reported	47,400	436,027	483,427
	<u>\$ 64,394</u>	<u>539,585</u>	<u>603,979</u>

**NOTE 6: INVESTMENT INCOME**

Investment income for the year ended December 31, 2013 consists of the following:

Bank Interest	\$ 2,676
Investment Income	-
Net Investment Income	<u>\$ 2,676</u>
Accrued Interest on Investments	<u>\$ -</u>

**NOTE 7: NET POSITION**

Total net position at December 31, 2013 for all Commission years is as follows:

Closed Years Contingency Fund Surplus	\$ -
Current Surplus Fund Years 2012-2013	926,054
	<u>\$ 926,054</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
- d. Public Officials Liability/Employment Practices Liability

CUMBERLAND COUNTY INSURANCE COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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, 2013, the Commission's percentage of the Fund year 2012 was 1.56% representing \$11,140 of the surplus and Fund year 2013 was 7.07% representing \$95,842 of the surplus. The Commission's total allocated surplus as of December 31, 2013 is \$106,982.

**NOTE 9 – SUBSEQUENT EVENTS**

The Commission has evaluated subsequent events through April 15, 2014, the date which the financial statements were available to be issued and the following was noted for disclosure.

Effective January 1, 2014, the Commission accepted the Cumberland County Utility Authority as a member of the Commission.

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REQUIRED SUPPLEMENTARY INFORMATION





**CUMBERLAND COUNTY INSURANCE COMMISSION  
SCHEDULE OF BUDGET TO ACTUAL  
2013**

	Budget Amount	Revised	Expended	Variance
Claims				
Property	\$ 67,905	\$ 72,486	67,000	5,486
Liability	271,000	274,500	190,000	84,500
Auto	45,500	45,900	47,000	(1,100)
Workers' Compensation	855,000	887,500	463,145	424,355
Subtotal Claims	1,239,405	1,280,386	767,145	513,241
Excess liability Premium	490,824	586,007	586,007	-
Total Loss Fund	1,730,229	1,866,393	1,353,152	513,241
Expenses, Fees & Contingency				
Claims Adjustment	90,956	94,269	54,000	40,269
Executive Director	79,613	84,206	84,206	-
Actuary	7,500	7,583	7,500	83
Auditor	5,500	5,663	5,500	163
Attorney	5,000	5,550	5,000	550
Treasurer	2,500	2,500	2,500	-
Secretary	2,000	2,000		2,000
Misc. Expense & Contingency	16,424	18,007	3,035	14,972
Total Fund Expense and Contingency	209,493	219,778	161,741	58,037
Risk Managers	139,059	151,059	151,012	47
CEL JIF Ancillary Coverage				
POL/EPL	96,068	115,772	115,772	-
Excess Liability	156,464	166,635	166,635	-
Crime Policy	15,225	14,700	14,700	-
Medical Malpractice	21,356	28,456	28,456	-
Pollution Liability	-	444	444	-
Employed Lawyers Liability	-	8,096	8,096	-
	<u>\$ 2,367,894</u>	<u>2,571,333</u>	<u>2,000,008</u>	<u>571,325</u>

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

	Property Fund	General Liability Fund	Auto Liability Fund	Worker's Comp Fund	Totals
Unpaid claims and claim adjustment expenses, beginning of year	\$ 1,000	30,000	5,000	28,394	64,394
Incurred claims and claim adjustment expenses:					
Provision for insured events of the current period	68,000	200,000	50,000	454,867	772,867
Changes in provision for insured events of prior fund years	(1,000)	(10,000)	(3,000)	10,304	(3,696)
Total incurred claims and claim adjustment expenses	<u>68,000</u>	<u>220,000</u>	<u>52,000</u>	<u>493,565</u>	<u>837,261</u>
Payments:					
Claims and claim adjustments expenses attributable to insured events of the current period	44,431	1,000	1,921	149,969	197,321
Claims and claim adjustments expenses attributable to insured events of prior years	-	2,796	-	28,744	31,540
Total Payments	<u>44,431</u>	<u>3,796</u>	<u>1,921</u>	<u>178,713</u>	<u>228,861</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 23,569</u>	<u>216,204</u>	<u>50,079</u>	<u>314,852</u>	<u>608,400</u>

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

	<u>2012</u>	<u>2013</u>
Net earned required contribution and investment revenue:		
Earned	\$ 502,005	\$ 2,571,333
Ceded	<u>169,580</u>	<u>920,110</u>
	<u>332,425</u>	<u>1,651,223</u>
Unallocated expenses	<u>23,781</u>	<u>312,753</u>
Estimated claims and expenses, end of policy year:		
Incurred	65,696	772,867
Ceded		
Net Incurred	<u>65,696</u>	<u>772,867</u>
Paid (cumulative) as of:		
End of policy year	31,540	197,321
Reestimated incurred claims and expenses		
End of policy year	65,696	772,867
One year later	59,974	
Two years later		
Increase/(decrease) in estimated incurred claims and expense from end of policy year	<u>\$ (5,722)</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, 2013**

<b>I. ASSETS:</b>	
Cash and Cash Equivalents	\$ 1,457,127
Surplus Return Receivable	2,109
Investment in Joint Venture	106,982
Contribution Receivable	4,978
<b>TOTAL ASSETS</b>	<b>1,571,196</b>
 <b>II. LIABILITIES:</b>	
Claims:	
Case Reserves	120,552
IBNR Reserve	483,427
Subtotal Cliaims	<b>603,979</b>
 Expenses (Unpaid):	
Operating	41,163
Subtotal Expenses	<b>41,163</b>
<b>TOTAL LIABITILES</b>	<b>645,142</b>
<b>NET CURRENT SURPLUS</b>	<b>\$ 926,054</b>

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL OPERATING RESULTS ANALYSIS**  
**FUND YEARS 2012 THROUGH 2013**  
**FOR PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2013**

UNDERWRITING INCOME:	
Regular Contributions (Earned)	\$ 3,073,339
TOTAL INCOME	<u>3,073,339</u>
INCURRED LIABILITIES:	
Claims:	
Paid	228,861
Case Reserves	120,553
IBNR Reserve	483,427
Subtotal Claims	<u>832,841</u>
Excess Insurance:	
Received	-
Recoverable	-
Subtotal Excess Insurance	<u>-</u>
Limited Incurred Claims (Claims-Excess)	<u>832,841</u>
Expenses:	
Excess Insurance Premiums	1,089,690
Operating	336,534
Subtotal Expenses	<u>1,426,224</u>
TOTAL INCURRED LIABILITIES	<u>\$ 2,259,065</u>



**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR OPERATING RESULTS ANALYSIS**  
**FUND YEAR 2012**  
**FOR PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2013**

UNDERWRITING INCOME:	
Regular Contributions (Earned)	\$ 502,006
TOTAL INCOME	<u>502,005</u>
INCURRED LIABILITIES:	
Claims:	
Paid	31,540
Case Reserves	3,175
IBNR Reserve	25,259
Subtotal Claims	<u>59,974</u>
Expenses:	
Excess Insurance Premiums	169,580
Operating	23,781
Subtotal Expenses	<u>193,361</u>
TOTAL INCURRED LIABILITIES (LIMITED CLAIMS AND EXPENSES)	<u>253,335</u>
UNDERWRITING SURPLUS	248,671
INVESTMENT INCOME (EARNED)	649
SURPLUS RETURNED	2,109
INVESTMENT IN JOINT VENTURE	11,139
GROSS OPERATING SURPLUS	<u>262,568</u>
RETURN OF SURPLUS	
Paid	-
Authorized and Unpaid	-
Subtotal Return of Surplus	<u>-</u>
NET CURRENT SURPLUS	<u>\$ 262,568</u>

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

UNDERWRITING INCOME:	
Regular Contributions (Earned)	\$ 2,571,333
TOTAL INCOME	2,571,333
INCURRED LIABILITIES:	
Claims:	
Paid	197,321
Case Reserves	117,378
IBNR Reserve	458,168
Subtotal Claims	772,867
Expenses:	
Excess Insurance Premiums	920,110
Operating	312,753
Subtotal Expenses	1,232,863
TOTAL INCURRED LIABILITIES (LIMITED CLAIMS AND EXPENSES)	2,005,730
UNDERWRITING SURPLUS	565,603
INVESTMENT INCOME (EARNED)	2,041
SURPLUS RETURNED	-
INVESTMENT IN JOINT VENTURE	95,842
GROSS OPERATING SURPLUS	663,486
RETURN OF SURPLUS	
Paid	-
Authorized and Unpaid	-
Subtotal Return of Surplus	-
NET CURRENT SURPLUS	\$ 663,486

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR ACCOUNT OPERATING ANALYSIS**  
**FUND YEAR 2012**  
**FOR THE PERIOD FROM INCEPTION TO DECEMBER 31, 2013**

	Property Fund	General Liability Fund	Auto Liability Fund	Workers Compensation Fund	NJ CEL	Expense and Contingency Fund	Totals
<b>1. UNDERWRITING INCOME:</b>							
Regular Contributions (Earned)	\$ 13,037	61,586	7,816	176,278	169,580	73,709	502,006
<b>TOTAL INCOME</b>	<u>13,037</u>	<u>61,586</u>	<u>7,816</u>	<u>176,278</u>	<u>169,580</u>	<u>73,709</u>	<u>502,006</u>
<b>2. INCURRED LIABILITIES:</b>							
Claims (Limited Incurred) Expenses	-	20,000	2,000	37,974	169,580	23,781	59,974
<b>Total Liabilities</b>	<u>-</u>	<u>20,000</u>	<u>2,000</u>	<u>37,974</u>	<u>169,580</u>	<u>23,781</u>	<u>193,361</u>
<b>3. UNDERWRITING SURPLUS</b>	<u>13,037</u>	<u>41,586</u>	<u>5,816</u>	<u>138,304</u>	<u>-</u>	<u>49,928</u>	<u>248,671</u>
<b>4. ADJUSTMENTS:</b>							
Investment in Joint Venture Surplus Return	28	128	17	330	11,139	139	11,139
Investment Income Transfers	-	-	-	-	2,109	-	2,109
<b>Total Adjustments</b>	<u>28</u>	<u>128</u>	<u>17</u>	<u>330</u>	<u>13,255</u>	<u>139</u>	<u>13,897</u>
<b>5. GROSS OPERATING SURPLUS (DEFICIT)</b>	<u>13,065</u>	<u>41,714</u>	<u>5,833</u>	<u>138,634</u>	<u>13,255</u>	<u>50,067</u>	<u>262,568</u>
<b>6. UNREALIZED LOSS</b>							
<b>7. RETURN OF SURPLUS (PAID AND AUTHORIZED)</b>							
<b>7. NET CURRENT SURPLUS (Deficit)</b>	<u>\$ 13,065</u>	<u>41,714</u>	<u>5,833</u>	<u>138,634</u>	<u>13,255</u>	<u>50,067</u>	<u>262,568</u>

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

	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	72,486	274,500	45,900	887,500	920,110	370,837	2,571,333
2. INCURRED LIABILITIES:							
Claims (Limited Incurred) Expenses	68,000	200,000	50,000	454,867	920,110	312,753	772,867
Total Liabilities	68,000	200,000	50,000	454,867	920,110	312,753	1,232,863
3. UNDERWRITING SURPLUS	4,486	74,500	(4,100)	432,633	-	58,084	565,603
4. ADJUSTMENTS:							
Investment in Joint Venture Surplus Return					95,842		95,842
Investment Income Transfers	52	442	69	1,262	55	161	2,041
Total Adjustments	52	442	69	1,262	95,897	161	97,883
5. GROSS OPERATING SURPLUS (DEFICIT)	4,538	74,942	(4,031)	433,895	95,897	58,245	663,486
6. UNREALIZED LOSS							
7. RETURN OF SURPLUS (PAID AND AUTHORIZED)							
7. NET CURRENT SURPLUS (Deficit)	\$ 4,538	74,942	(4,031)	433,895	95,897	58,245	663,486

**CUMBERLAND COUNTY INSURANCE COMMISSION  
 HISTORICAL FUND YEAR ACCOUNT CLAIMS ANALYSIS  
 FUND YEAR 2012  
 FOR THE PERIOD FROM INCEPTION TO DECEMBER 31, 2013**

	<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	-	28,744	31,540
Case Reserves	-	1,100	-	2,075	3,175
IBNR Reserves	-	16,104	2,000	7,155	25,259
Subtotal	<u>-</u>	<u>20,000</u>	<u>2,000</u>	<u>37,974</u>	<u>59,974</u>
Excess Insurance:					
Received					-
Recoverable					
Total Excess Insurance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Limited Incurred Claims	<u>-</u>	<u>20,000</u>	<u>2,000</u>	<u>37,974</u>	<u>59,974</u>
Number of Claims	-	9	-	13	22
Cost/Claims	\$ -	2,222	-	2,921	2,726

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

	<b>Property Fund</b>	<b>General Liability Fund</b>	<b>Auto Liability Fund</b>	<b>Workers Compensation Fund</b>	<b>Totals</b>
Paid Claims	\$ 44,431	1,000	1,921	149,969	197,321
Case Reserves	25,614	52,750	18,500	20,514	117,378
IBNR Reserves	(2,045)	146,250	29,579	284,384	458,168
Subtotal	<u>68,000</u>	<u>200,000</u>	<u>50,000</u>	<u>454,867</u>	<u>772,867</u>
Excess Insurance:					
Received					-
Recoverable					
Total Excess Insurance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Limited Incurred Claims	<u>68,000</u>	<u>200,000</u>	<u>50,000</u>	<u>454,867</u>	<u>772,867</u>
Number of Claims**	12	20	4	78	114
Cost/Claims	\$ 5,667	10,000	12,500	5,832	6,780
** Excludes Claims where no Liability was Identified	3	13	2	17	35

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR EXPENSE ANALYSIS**  
**FUND YEAR 2012**  
**FOR THE PERIOD FROM INCEPTION TO DECEMBER 31, 2013**

	<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, 2013**

	<u>Paid</u>	<u>Unpaid</u>	<u>Totals</u>
1. EXCESS INSURANCE			
County Excess Liability	\$ 893,690	26,420	\$ 920,110
Subtotal Excess INSURANCE	<u>893,690</u>	<u>26,420</u>	<u>920,110</u>
2. OPERATING EXPENSES:			
Claims Administration	49,500	4,500	54,000
Executive Director	84,206		84,206
Actuary	4,475	3,025	7,500
Attorney	5,000		5,000
Auditor		5,500	5,500
Treasurer	2,500		2,500
Postage	10	2	12
Miscellaneous	2,929	94	3,023
Risk Management Consultant	150,692	320	151,012
			-
Subtotal Operating	<u>299,312</u>	<u>13,441</u>	<u>312,753</u>
Total Expense	<u><u>1,193,002</u></u>	<u><u>39,861</u></u>	<u><u>1,232,863</u></u>



**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**HISTORICAL FUND YEAR PROGRAM SUMMARY**  
**FUND YEAR 2013**  
**FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2013**

	<b>Property Insurance Fund</b>	<b>Liability Insurance Fund</b>	<b>Auto Insurance Fund</b>	<b>Workers Compensation Fund</b>
Limits	<u>\$ 260,000,000</u>	<u>20,750,000</u>	<u>20,750,000</u>	<u>Statutory</u>
Fund Retention: Specific	100,000	250,000	250,000	250,000
Excess Insurers:	CEL Zurich	CEL Star	CEL Star	CEL Star
Number Participants	3	3	3	3
Incurred Liabilities	68,000	220,000	52,000	493,565

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**STATE REQUIRED SUPPORTING SCHEDULE**  
**ANALYSIS OF CASH AND INVESTMENTS**  
**DECEMBER 31, 2013**

<b>Bank</b>	<b>Account Name, Number</b>	<b>Amount</b>
Sun National Bank	4752117690	\$ 1,457,127
		1,457,127
Plus: Deposits in Transit and Outstanding Transfers		-
Less: Outstanding Checks and Outstanding Transfers		-
		\$ 1,457,127

**ANALYSIS OF RECEIVABLES**  
**DECEMBER 31, 2013**

Accrued Interest Receivable	\$ -
Contribution Receivable	\$ 4,978

**CUMBERLAND COUNTY INSURANCE COMMISSION**  
**STATE REQUIRED SUPPORTING SCHEDULE**  
**ANALYSIS OF EXPENSES PAYABLE**  
**DECEMBER 31, 2013**

Administrative Expenses Payable:

Claims Administration	\$	4,500
Actuary		3,025
Auditor		5,500
Postage		2
Miscellaneous		94
Risk Management Consultants		320
	<u>\$</u>	<u>13,441</u>

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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, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 15, 2014.

### **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 #261

*Ford Scott & Associates, LLC*

Ford Scott & Associates, LLC

April 15, 2014

## SUMMARY OF FINDINGS AND RESPONSES

None