

PUBLIC ENTITY JOINT INSURANCE FUND

FINANCIAL STATEMENTS AND
SUPPLEMENTAL DATA

December 31, 2016

PUBLIC ENTITY JOINT INSURANCE FUND

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

PUBLIC ENTITY JOINT INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2016

The Public Entity Joint Insurance Fund (the "Fund") is not included in any other governmental "reporting entity" as defined by Government Accounting Standards Board ("GASB") Statement No. 14. The Fund is a pooling of the resources of its constituent member local units for the purpose of providing an efficient and cost effective plan of risk management both through the pooling of risk among its members and the economies of scale in risk transfer methodologies that the size of the Fund permits. Each member local unit appoints one Commissioner to the Fund, and the Commissioners adopt budgets and set annual assessments from the members, approve annual risk management plans and oversee the operations of the Fund. The Fund is not considered a component unit of any of its member local units. In addition, the Fund does not have any component units. The following Management's Discussion and Analysis of the activities and financial performance of the Fund provide an introduction to the financial statements of the Fund as of and for the year ended December 31, 2016. Please read the following in conjunction with the Fund's basic financial statements and accompanying footnotes.

The Management's Discussion and Analysis is an element of the reporting model adopted by the GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments, issued June 1999.

FINANCIAL HIGHLIGHTS

Cash and investments increased by \$971,761 (32.9%) to \$3,924,319 in 2016 from \$2,952,558 in 2015 and total assets increased by \$938,995 (30.8%) to \$3,991,727 in 2016 from \$3,052,732 in 2015.

Claims reserves increased by \$1,064,862 (22.8%) to \$5,724,318 in 2016 from \$4,659,456 in 2015.

Net loss was \$175,117 in 2016 versus a net loss of \$905,813 in 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund is a self-supporting entity and follows business-type activities fund reporting. The Fund's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles prescribed by the GASB. Enterprise fund statements reflect short and long-term financial information about the activities and operations of the Fund. These statements are presented in a manner similar to a private business. See the notes to the financial statements for a summary of the Fund's significant accounting policies.

FINANCIAL ANALYSIS OF THE FUND

Financial Position

The following table summarizes the changes in financial position and increase/decrease in net position between December 31, 2016 and 2015:

PUBLIC ENTITY JOINT INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2016

FINANCIAL ANALYSIS OF THE FUND (CONTINUED)

Financial Position (Continued)

	2016	2015	% Increase (Decrease)
Cash, Cash Equivalents & Investments	\$ 3,924,319	\$ 2,952,558	32.91%
Deductible & Co-insurance Receivables	60,436	96,361	(37.28%)
Other Assets	6,972	3,813	82.85%
Total Assets	3,991,727	3,052,732	30.76%
Total Liabilities	5,817,140	4,703,028	23.69%
Net Position	<u>\$ (1,825,413)</u>	<u>\$ (1,650,296)</u>	10.61%

Assets

The Fund's cash flow from operations is invested in an interest-bearing custody account and with the New Jersey Cash Management Fund. The Fund utilizes a nightly sweep for investment purposes with its financial institution. During 2016, the Fund also invested its available funds in U.S. Treasury Securities and U.S. Government Agency Securities.

The Fund recorded a receivable in the amount of \$60,436 which consists of balances due from its Members representing the Members' deductible and co-insurance billings of \$22,615. The amount recorded as a receivable at December 31, 2016 is comprised of billed to Members \$22,615 and unbilled \$37,821. The unbilled deductibles will be billed as the claim is closed.

Other assets includes accrued interest in 2016. The increase in total assets from 2015 primarily resulted from an increase in funds held to meet future claim obligations.

Liabilities

The liability for unpaid losses and loss adjustment expenses reported in the financial statements includes case basis estimates of reported claims plus supplemental amounts for potential development of known claims and amounts for claims incurred but not yet reported. The ultimate liability for these claims have been calculated based upon loss projections utilizing certain assumptions and industry data. Management believes that its aggregate liability for unpaid losses and loss adjustment expenses at year end represents its best estimate, based upon the available data, of the amount necessary to cover the ultimate cost of losses; however, because of the limited population of insured risks, limited historical data and the nature of the coverage provided, it is not presently possible to determine whether actual loss experience will conform to the assumptions used in determining the estimated amounts for such liability at the statement of net position date. Accordingly, the ultimate liability could be in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operation.

Expenses payable represents the liability for expenses incurred at year-end but not paid as of the statement of net position date.

PUBLIC ENTITY JOINT INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2016

FINANCIAL ANALYSIS OF THE FUND (CONTINUED)

Results of Operations

The following table summarizes the changes in results of operations between fiscal years 2016 and 2015:

	2016	2015	% Increase (Decrease)
Revenues	\$ 6,347,966	\$ 5,864,126	8.25%
Claims	(2,395,568)	(2,875,548)	(16.69%)
Expenses	<u>(4,155,055)</u>	<u>(3,893,693)</u>	6.71%
Operating loss	(202,657)	(905,115)	(77.61%)
Investment income/(loss)	<u>27,540</u>	<u>(698)</u>	4045.56%
Change in net position	<u>\$ (175,117)</u>	<u>\$ (905,813)</u>	(80.67%)

Revenues consist of Fund member contributions. The change in revenues and expenses were in line with budgets adopted for the year as required by the Department of Banking and Insurance and the Department of Community Affairs, State of New Jersey.

Cash Flow and Liquidity

The following table summarizes the changes in cash flow and liquidity for the fiscal year ended December 31, 2016:

Cash Flows from Operating Activities:	
Cash contributions received from participants	\$ 6,696,336
Cash payments to suppliers and contractors for goods and services	(1,585,544)
Risk transfer premiums	(2,618,761)
Cash payments for costs of claims	<u>(1,544,651)</u>
Net Cash Provided by Operating Activities	947,380
Cash Flows from Investing Activities	
Purchase of Investments - Net	(845,521)
Investment income	<u>24,382</u>
Net Cash Used by Investing Activities	<u>(821,139)</u>
Net increase in Cash and Cash Equivalents	126,241
Cash and Cash Equivalents, at January 1, 2016	<u>76,701</u>
Cash and Cash Equivalents, at December 31, 2016	<u>\$ 202,942</u>

PUBLIC ENTITY JOINT INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS – (UNAUDITED)

DECEMBER 31, 2016

FINANCIAL ANALYSIS OF THE FUND (CONTINUED)

Cash Flow and Liquidity (Continued)

In order to provide for an increase in the yield on investments while managing credit risk, in 2016, the Fund continued investing in U.S. Treasury and U.S. Government Agency Securities.

The remaining amount of cash and cash equivalents held by the Fund is kept in a Governmental Unit Deposit Protection Act ("GUDPA") approved account which enables the Fund to maintain optimum liquidity. When cash is channeled into securities, the Fund's investment strategy is to invest in those assets whose maturities are similar to the actuarial expected payout of the related losses and loss adjustment expenses. The Fund has sufficient cash resources to meet its statement of net position liabilities as they become due.

DEBT ADMINISTRATION

The Fund has no debt as of the date of this report.

CONTACTING THE FUND'S MANAGEMENT

This financial report is designed to provide its constituent members and their residents and taxpayers, and the Fund's customers, investors and creditors, with a general overview of the Fund's finances and to demonstrate the Fund's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Executive Director, Public Entity Joint Insurance Fund, Jonathan Hall, NIP Group, Inc., 900 Route Nine North, Suite 503, Woodbridge, NJ 07095.

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Honorable Chairperson
and Board of Fund Commissioners of the
Public Entity Joint Insurance Fund
Woodbridge, New Jersey 07095

Report on the Financial Statements

We have audited the accompanying financial statements of the Public Entity Joint Insurance Fund, Woodbridge, State of New Jersey (the "Fund"), as of and for the year ended December 31, 2016, and the related notes to financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the State of New Jersey, Departments of Community Affairs ("DCA") and Banking and Insurance ("DOBI"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Fund'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 qualified audit opinion.

Basis for Qualified Opinion

As permitted by the DCA and DOBI, audit procedures were not extended to the underlying actuarial assumptions for Incurred but Not Reported ("IBNR") reserve balance, as these assumptions are prepared by the Fund's actuary.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Qualified Opinion

In our opinion, the financial statements referred to above, except for the effects of any potential adjustments pertaining to the unaudited IBNR reserve balance as described in the Basis for Qualified Opinion paragraph, present fairly, in all material respects, the financial position of the Fund as of December 31, 2016, and the changes in financial position and cash flows thereof 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 on pages one through four and ten year claims development information on page 19, be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The supplemental schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2017, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 Fund's internal control over financial reporting and compliance.

Mercedien, P.C.

Certified Public Accountants

May 18, 2017

BASIC FINANCIAL STATEMENTS

PUBLIC ENTITY JOINT INSURANCE FUND

STATEMENT OF NET POSITION

December 31, 2016

ASSETS

Cash & Cash Equivalents	\$ 202,942
Investments	3,721,377
Recoverables Recorded but Not Billed	37,821
Assessment/Endorsement to Members	22,615
Accrued Interest	6,972
	<hr/>
Total Assets	<u>\$ 3,991,727</u>

LIABILITIES AND NET POSITION

Liabilities

Claims

Case Reserves	\$ 2,618,993
IBNR Reserves	2,587,141
Claims Payable	518,184

Expenses

Accrued Expenses	<u>92,822</u>
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Total Liabilities	<u>5,817,140</u>
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Net Position	<u>\$ (1,825,413)</u>
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PUBLIC ENTITY JOINT INSURANCE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Year Ended December 31, 2016

REVENUES

Assessments - Participating Members	<u>\$ 6,347,965</u>
Total Revenues	<u>6,347,965</u>

EXPENSES

Provision for Claims and Claim Adjustment Expense - Net	2,395,568
Excess Insurance Premiums	2,618,761
Administrative Expenses	<u>1,536,294</u>
Total Expenses	<u>6,550,623</u>

Operating Loss (202,657)

Non-Operating Income:

Net Investment Income 27,540

Total Non-Operating Income 27,540

Net Loss (175,117)

Net Position - Beginning of Year (1,650,296)

Net Position - End of Year \$ (1,825,413)

PUBLIC ENTITY JOINT INSURANCE FUND

STATEMENT OF CASH FLOWS Year Ended December 31, 2016

Cash Flows from Operating Activities	
Cash Contributions Received from Participants and Other Sources	\$ 6,696,336
Cash Payments for Goods and Services	(1,585,544)
Cash Payments for Risk Transfer Premiums	(2,618,761)
Cash Payments for Costs of Claims, net	<u>(1,544,651)</u>
Net Cash Provided by Operating Activities	<u>947,380</u>
Cash Flows from Investing Activities	
Purchases of Investments	(845,521)
Investment Income	<u>24,382</u>
Net Cash Used by Investing Activities	<u>(821,139)</u>
Net Increase in Cash and Cash Equivalents	126,241
Cash and Cash Equivalents, Beginning of Year	76,701
Cash and Cash Equivalents, End of Year	<u><u>\$ 202,942</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	\$ (202,657)
Adjustment to Reconcile Operating Loss to Cash Provided by Operating Activities	
Change in Assets and Liabilities	
Receivables	35,925
Claim Reserves	1,064,862
Accrued Expenses	<u>49,250</u>
Net Cash Provided by Operating Activities	<u><u>\$ 947,380</u></u>

NOTES TO FINANCIAL STATEMENTS

PUBLIC ENTITY JOINT INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Fund

The Public Entity Joint Insurance Fund (the "Fund") was established, effective January 1, 2014, in accordance with P.L. 1983, c.372 of the State of New Jersey, entitled "An Act Concerning Joint Insurance Funds for Local Units of Government", codified as N.J.S.A. 40A:10-1 et seq. The Department of Banking and Insurance ("DOBI") and the Department of Community Affairs ("DCA") of the State of New Jersey have been designated by statute as oversight agencies for joint insurance funds and have issued regulations governing the operations of these funds. The Fund provides for a pooling of the participants' insurable risks and the associated resources available to manage these risks. The Fund operates in accordance with its by-laws and its Plan of Risk Management and Annual Budget.

Participating entities generally must remain in the Fund for a minimum of three (3) years unless terminated by a majority vote of the Fund Commissioners or a two-thirds vote of the Executive Committee for nonpayment of assessments or continued noncompliance after written notice to comply with the bylaws or other obligations. The Fund has eight members in total.

Member contributions to the Fund for claim payments are based on the actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

The Fund's administration is provided by an executive director/administrator. Fees paid to the administrative consultants encompass the administrative duties that are performed at the administrative consultant's office. Accordingly, the Fund does not maintain any fixed assets or incur payroll expense.

The following primary coverages are offered by the Fund to its members:

- a) Workers' Compensation
- b) General Liability
- c) Property Damage/APD
- d) Auto Liability
- e) Employment Practices Liability/Public Officials Liability

Reporting Entity

Government Accounting Standards Board ("GASB") Codification Section 2100, "Defining Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The Fund has determined that there were no additional entities required to be included in the reporting entity under the criteria as described above, in the current year. In addition, the Fund is not includable in any other reporting entity on the basis of such criteria.

PUBLIC ENTITY JOINT INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting

The financial statements of the Fund have been prepared in accordance with generally accepted accounting principles applicable to enterprise funds of State and Local Governments. The focus of enterprise funds is a measurement of economic resources, that is, the determination of net income, financial position and cash flows.

Enterprise Funds are used to account for activities that are operated in a manner similar to private business enterprises.

The Fund uses the accrual basis of accounting, whereby income is recorded as earned and expenses are recognized as incurred.

Income Taxes

The Fund is a tax-exempt organization and is not subject to either federal or state income taxes.

Assessments

The gross claim fund assessment is determined by the actuary and, when combined with expense and excess premium projections, constitutes the Fund's budget. Assessments for participating municipalities are determined by underwriting criteria established by the Executive Committee.

Unpaid Claim Liabilities

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The fund does not discount estimated claim liabilities.

In accordance with practices prescribed or permitted by the DCA and DOBI, State of New Jersey, the accountants' audit procedures were not extended to the underlying actuarial assumptions for Incurred but Not Reported (IBNR) Reserve amounts since they are prepared by the Fund's actuary.

PUBLIC ENTITY JOINT INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recoverables from Excess Carriers

The Fund uses excess insurance agreements to reduce its exposure to large losses on certain types of insured events. Excess insurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks reinsured. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

Recoverables Recorded but Not Billed

During the year ended December 31, 2016, the Fund has recorded as accounts receivable recoverables due from Members for claims expenses paid by the Fund based upon levels of self-retention. The Fund will bill these receivables to the Members when the claim is closed.

Administrative Expenses

Administrative expenses are comprised mainly of compensation for services rendered by servicing organizations and appointed officials pursuant to written fee guidelines submitted to and approved by a majority of the Commissioners.

Claims Case Reserves

Case reserves include estimated unpaid claim costs for claimants and allocated claim adjustment expenses as reported by the service agent.

Claims Incurred But Not Reported (IBNR) Reserves

In order to recognize claims incurred but not reported, a reserve is calculated by the Fund's actuary within an acceptable range from the estimated outstanding reserve.

IBNR reserves include:

- a) Known loss events that are expected to, at a later time, be presented as claims,
- b) Unknown loss events that are expected to become claims, and
- c) Expected future development on claims already reported.

Summary of Risk Management Program

A summary of the Fund's Risk Management Program is provided for in Schedule E contained in the Supplementary Information section of this report.

PUBLIC ENTITY JOINT INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes amounts on deposit, money market accounts, and short-term investments with original maturities of 90 days or less.

Deposits were with contracted depository banks in interest-bearing accounts that were insured under the New Jersey Governmental Unit Deposit Protection Act ("GUDPA"). All such deposits are held in the Fund's name.

GUDPA permits the deposit of public funds in the State of New Jersey Cash Management Fund or in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation ("FDIC") or by any other agencies of the United States that insure deposits. GUDPA requires public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

Each depository participating in the GUDPA system must pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million. The minimum 5% pledge applies to institutions that are categorized as "well capitalized" by federal banking standards. The percentage of the required pledge will increase for institutions that are less than "well capitalized."

No collateral is required for amounts covered by FDIC or National Credit Union Share Insurance Fund ("NCUSIF") insurance. The collateral which may be pledged to support these deposits includes obligations of state and federal governments, insured securities and other collateral approved by the DOBI. When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the DOBI requires additional collateral to be pledged.

If a governmental depository fails and the FDIC or NCUSIF insurance does not insure or pay out the full amount of public deposits, the collateral pledged to protect these funds would first be liquidated and paid out. If this amount is insufficient, other institutions holding public funds would be assessed pro rata up to 4% of their uninsured public funds. Although these protections do not constitute a 100% guarantee of the safety of all funds, no governmental unit under GUDPA has ever lost protected deposits.

As of December 31, 2016, the carrying value of the Fund's cash and cash equivalents was \$202,942. The Fund bank balances were \$281,683 and were exposed to risk as follows:

Insured and Collateralized	\$ 253,951
Uninsured and Collateralized	<u>27,732</u>
Total	<u><u>\$ 281,683</u></u>

PUBLIC ENTITY JOINT INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

B. CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Fund's deposits may not be returned or the Fund will not be able to recover collateral securities in the possession of an outside party. The Fund policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount covered by the FDIC. The Fund approves and designates the authorized depository institution based on an evaluation of solicited responses and certifications provided by financial institutions.

Concentration of Credit Risk – This is the risk associated with the amount of investments the Fund has with any one issuer that exceeds five percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and the New Jersey Cash Management Fund are excluded from this requirement. None of the investments held by the Fund are exposed to concentration of credit risk.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Fund does not have an investment policy regarding Credit Risk, however, the Fund had no investments that were subject to credit risks as of December 31, 2016.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations. However, its practice is to hold investments to maturity.

C. INVESTMENTS

New Jersey statutes and the cash management plan of the Fund's Board of Commissioners permit the Fund to purchase the following types of investments:

- 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 dates 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 Bonds or other obligations, having a maturity date not exceeding 397 days, approved by the Division of Investment of the Department of Treasury for investment by local units.
- d. Debt obligations of federal agencies or government corporations with maturities not greater than ten (10) years from the date of purchase, excluding mortgage backed obligations, providing that such investments are purchased through New Jersey Division of Investment and are consistent with the Division's own investment guidelines, and providing that the investment has a fixed rate of interest not dependent on any index or external factors.
- e. Repurchase agreements of fully collateralized securities, subject to rules and conditions established by the DCA.

PUBLIC ENTITY JOINT INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

C. INVESTMENTS (CONTINUED)

No investment or deposit shall have a maturity longer than ten (10) years from date of purchase. Investments are recorded at market value based on quoted market prices.

Investments at year-end are categorized to give an indication of the level of risk assumed by the Fund. The categories are described as follows:

Category A – Insured, registered or securities held by the Fund or its agent in the Fund's name.

Category B – Uninsured and unregistered with securities held by the counterparty's trust department or agent in the Fund's name.

Category C – Uninsured and unregistered with securities held by the counterparty, or its trust department or agent but not in the Fund's name.

The Fund's investments at December 31, 2016, are categorized as follows:

	<u>Risk Category</u>	<u>Cost</u>	<u>Market Value</u>
Cash Management Funds (Included in Cash and Cash Equivalents)	A	\$ 158,979	\$ 158,979
U.S. Treasury Securities	A	3,725,734	3,721,377
		<u>\$ 3,884,713</u>	<u>\$ 3,880,356</u>

Based upon existing investment policies, the Fund is generally not exposed to interest rate risk as, depending upon market conditions, investments can be held to maturity. Also, investments held are limited to U.S Treasury or U.S. Government Agency securities, thereby mitigating credit risk and concentration of credit risk nor are the Fund's deposits and investments exposed to foreign currency risks.

During the year 2016, the Fund had realized investment gains in the amount of \$9,092 and unrealized losses of \$4,357.

D. PERMANENT FUND TRANSFERS

Permanent inter-trust fund transfers are made upon the approval of the Commissioners, following prior written notification to the Commissioners of DOBI and the DCA.

Inter-year fund transfers require prior approval of the DCA and DOBI. The fund may seek approval from the Commissioners to make inter-year fund transfers at any time from a claims or loss retention trust account from any year which has been completed for at least 24 months. The inter-year fund transfer may be in any amount subject to the limitation that after the transfer, the remaining net current surplus must equal or exceed the surplus retention requirement calculated according to regulation.

PUBLIC ENTITY JOINT INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

D. PERMANENT FUND TRANSFERS (CONTINUED)

The membership for each fiscal year involving inter-year fund transfers must be identical between fiscal years. This requirement may be waived by the Commissioners provided the fund demonstrates it maintains records of each member's pro rata share of each claim or loss retention account, and that the transfer may be made so that any potential dividend shall not be reduced for a member that did not participate in the year receiving the transfer.

All fund transfers are recognized at the time actual transfers take place.

E. RETURN OF SURPLUS

Refunds are recognized upon authorization of the Commissioners. Any reserves for a Fund year in excess of the amount necessary to fund all obligations for that fiscal year as certified by the Fund's actuary may be declared to be refundable by the Fund, subject to the effective time periods set forth by regulation. The initial and any subsequent refund for any year from a Claim or Loss Retention Account is subject to the limitation that after the refund, the remaining net current surplus must equal or exceed the surplus retention requirement calculated according to regulation. A full and final refund is not allowed until all case reserves and IBNR reserves are closed.

F. MINIMUM SURPLUS (FUND BALANCE) REQUIREMENT

The State of New Jersey has no statutory minimum surplus requirement.

G. DEFICIT (NET POSITION/FUND BALANCE)

The Fund will liquidate any deficit in a fund balance year by transferring from another fund balance year or by assessing members for additional contributions, in accordance with applicable New Jersey statutes and regulations.

At December 31, 2016, the following fund years' unrestricted net position were in a deficit position:

<u>Fund Year</u>	<u>Amount</u>
2014	\$ (877,012)
2015	(1,023,660)

Management will continue to monitor each Fund year to minimize further losses and increased deficits, and will confer with the DOBI.

H. LOSS RESERVES

The liability for unpaid losses and loss adjustment expenses represents an estimate of the ultimate net cost of all losses and loss adjustment expenses incurred but not yet paid as of December 31, 2016. This estimate is based on the estimated ultimate cost of settling the claims considering the historical experience of the Fund, various other industry statistics, including effects of inflation and other societal or economic factors, and the Fund's self-insured retention level. The estimate of outstanding losses was recorded by the Fund as of December 31, 2016, based on an actuarial determined range of estimates.

PUBLIC ENTITY JOINT INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

H. LOSS RESERVES (CONTINUED)

Actuarial Standard of Practice No. 36 states, "the actuary may determine a range of reasonable estimates that reflects the uncertainties associated with analyzing the reserves due to which the management believes that the liability for unpaid losses is adequate to cover the ultimate cost of reported and unreported claims incurred but not yet paid. However, the ultimate cost may be more or less than the estimated liability." The unpaid losses are stated net of any recoveries from excess-loss insurance. The Fund has created a loss reserve for any reported and potential unreported losses which have taken place but in which the Fund has not received notices or reports of losses. Amounts shown as negative loss reserves, if any, represent payments to claims servicing agent in excess of claims paid and case reserves on the Fund's loss runs. These amounts, if any, are shown on the statement of net position as accounts receivable.

The Fund also purchases excess insurance policies, which provides coverage to the Fund for claims in excess of \$500,000 for workers' compensation claims, \$250,000 for liability claims, \$250,000 for employment practices and public official's liability, \$50,000 for auto physical damage, and \$50,000 for property claims.

The Fund established an all lines of business stop loss aggregate for the year 2016.

A contingent liability exists with respect to insurance coverage, which would become an actual liability in the event the insuring company might be unable to meet its obligations to the Fund under existing insurance agreements.

The following table sets forth the case reserves for reported claims and reserves for claims related to IBNR established for each respective fund year at December 31, 2016, which have been estimated by the Fund's actuary.

	Property Fund	General Liability Fund	Automotive Liability Fund	Workers' Compensation Fund	Total
2014 Fund Year:					
Case Reserves	\$ -	\$ 1,032,523	\$ 29,454	\$ 35,716	\$ 1,097,693
Losses Incurred But Not Reported (IBNR)	-	417,434	12,251	31,759	461,444
	<u>\$ -</u>	<u>\$ 1,449,957</u>	<u>\$ 41,705</u>	<u>\$ 67,475</u>	<u>\$ 1,559,137</u>
2015 Fund Year:					
Case Reserves	\$ 29,819	\$ 522,505	\$ 13,000	\$ 681,242	\$ 1,246,566
Losses Incurred But Not Reported (IBNR)	40,848	446,154	833	62,167	550,002
	<u>\$ 70,667</u>	<u>\$ 968,659</u>	<u>\$ 13,833</u>	<u>\$ 743,409</u>	<u>\$ 1,796,568</u>
2016 Fund Year:					
Case Reserves	\$ 127,600	\$ 60,000	\$ 6,329	\$ 80,805	\$ 274,734
Losses Incurred But Not Reported (IBNR)	117,026	1,278,182	2,386	178,101	1,575,695
	<u>\$ 244,626</u>	<u>\$ 1,338,182</u>	<u>\$ 8,715</u>	<u>\$ 258,906</u>	<u>\$ 1,850,429</u>

PUBLIC ENTITY JOINT INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

I. RELATED PARTIES

The Fund pays underwriting fees, risk management fees and claims handling fees to an affiliated company of the Fund's administrator. For the year ended December 31, 2016, the Fund paid \$1,093,069 to the Fund's administrator as per the management agreement.

J. CHANGES IN UNPAID CLAIMS AND LIABILITIES

As discussed in Note A, the Fund establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and unrelated allocated claim adjustment expenses.

The following represents changes in those aggregate undiscounted reported case reserves for the Fund during 2016 and for all open Fund years, net of excess insurance recoveries.

Total Unpaid Claims and Claim Adjustment Expenses – All Fund Years – Beginning of Year	<u>\$ 1,819,568</u>
Incurred Claims and Claims Adjustment Expenses:	
Provision for Insured Events – Current Year	557,645
Changes in Provision for Insured Events – Prior Years	<u>1,837,923</u>
Total Incurred Claims and Claim Adjustment Expenses - All Fund Years	<u>2,395,568</u>
Subtotal	4,215,136
Payments:	
Claims and Claim Adjustment Expenses	<u>(1,596,143)</u>
Total Unpaid Claims and Claim Adjustment Expenses – All Fund Years – End of Year	<u><u>\$ 2,618,993</u></u>

K. PENDING LITIGATION

The Fund has not been named in any lawsuits. In addition, there are no matters of pending or threatened litigation involving the Fund.

L. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred after the statement of net position date and through May 18, 2017, the date the financial statements were available to be issued. No subsequent events were noted that required disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC ENTITY JOINT INSURANCE FUND

TEN YEAR CLAIMS DEVELOPMENT INFORMATION

Exhibit A

	FUND YEAR		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Underwriting Income-Required Contribution	\$ 4,012,909	\$ 5,864,126	\$ 6,347,965
Investment Income	484	(698)	27,540
	<u>4,013,393</u>	<u>5,863,428</u>	<u>6,375,505</u>
Excess Insurance Premiums	1,538,932	2,424,689	2,618,761
Administrative Expenses	1,005,562	1,469,005	1,536,294
	<u>\$ 2,544,494</u>	<u>\$ 3,893,694</u>	<u>\$ 4,155,055</u>
Estimated Incurred Claims-End of Policy Year	\$ 829,676	\$ 1,092,259	\$ 557,645
Cumulative Paid Claims:			
End of Policy Year	120,933	453,920	282,911
One Year Later	279,794	1,203,432	-
Two Years Later	792,022	-	-
Three Years Later	-	-	-
Four Years Later	-	-	-
Five Years Later	-	-	-
Six Years Later	-	-	-
Seven Years Later	-	-	-
Eight Years Later	-	-	-
Nine Years Later	-	-	-
Cumulative Incurred Claims:			
End of Policy Year	829,676	1,092,259	557,645
One Year Later	1,461,023	2,449,998	-
Two Years Later	1,889,715	-	-
Three Years Later	-	-	-
Four Years Later	-	-	-
Five Years Later	-	-	-
Six Years Later	-	-	-
Seven Years Later	-	-	-
Eight Years Later	-	-	-
Nine Years Later	-	-	-
Increase in Cumulative Incurred Claims from End of Policy Year	<u>\$ (1,060,039)</u>	<u>\$ (1,357,739)</u>	<u>\$ -</u>

SUPPLEMENTAL SCHEDULES

PUBLIC ENTITY JOINT INSURANCE FUND

OPERATING RESULTS ANALYSIS – ALL YEARS COMBINED
Year Ended December 31, 2016

Schedule A

	COVERAGES AND OTHER ACCOUNTS						TOTALS
	PROPERTY	GENERAL LIABILITY	AUTOMOTIVE	WORKERS' COMPENSATION	EXCESS INSURANCE POLICIES	GENERAL AND ADMINISTRATIVE	
1. Underwriting Income							
Regular Contributions	\$ 537,673	\$ 1,858,118	\$ 462,058	\$ 2,767,658	\$ 6,569,265	\$ 4,030,229	\$ 16,225,001
2. Incurred Liabilities							
Claims	983,819	4,632,791	116,584	1,943,710	-	-	7,676,904
Expenses	-	-	-	-	6,582,382	4,010,861	10,593,243
Total Liabilities	983,819	4,632,791	116,584	1,943,710	6,582,382	4,010,861	18,270,147
3. Underwriting Surplus/(Deficit)	(446,146)	(2,774,673)	345,474	823,948	(13,117)	19,368	(2,045,145)
4. Adjustments							
Investment Activity (Realized/Unrealized)	-	-	-	-	-	27,327	27,326
Recoveries	-	192,405	-	-	-	-	192,405
Total Adjustments	-	192,405	-	-	-	27,327	219,731
5. Gross Operating Surplus/(Deficit)	(446,146)	(2,582,268)	345,474	823,948	(13,117)	46,695	(1,825,414)
6. Return of Surplus	-	-	-	-	-	-	-
7. Net Current Position/(Deficit)	\$ (446,146)	\$ (2,582,268)	\$ 345,474	\$ 823,948	\$ (13,117)	\$ 46,695	\$ (1,825,414)

PUBLIC ENTITY JOINT INSURANCE FUND

2016 FUND YEAR OPERATING RESULTS ANALYSIS
Year Ended December 31, 2016

Schedule A-1

	COVERAGES AND OTHER ACCOUNTS						TOTALS
	PROPERTY	GENERAL LIABILITY	AUTOMOTIVE	WORKERS' COMPENSATION	EXCESS INSURANCE POLICIES	GENERAL AND ADMINISTRATIVE	
1. Underwriting Income							
Regular Contributions	\$ 256,782	\$ 779,037	\$ 156,874	\$ 976,075	\$ 2,588,499	\$ 1,590,699	\$ 6,347,966
2. Incurred Liabilities							
Claims	407,896	1,339,043	11,601	374,800	-	-	2,133,340
Expenses	-	-	-	-	2,618,761	1,536,294	4,155,055
Total Liabilities	407,896	1,339,043	11,601	374,800	2,618,761	1,536,294	6,288,395
3. Underwriting Surplus/(Deficit)	(151,114)	(560,006)	145,273	601,275	(30,262)	54,405	59,571
4. Adjustments							
Investment Activity (Realized/Unrealized)	-	-	-	-	-	15,687	15,687
Recoveries	-	-	-	-	-	-	-
Total Adjustments	-	-	-	-	-	15,687	15,687
5. Gross Operating Surplus/(Deficit)	(151,114)	(560,006)	145,273	601,275	(30,262)	70,092	75,258
6. Return of Surplus	-	-	-	-	-	-	-
7. Net Current Position/(Deficit)	\$ (151,114)	\$ (560,006)	\$ 145,273	\$ 601,275	\$ (30,262)	\$ 70,092	\$ 75,258
Current Year Claims	\$ 407,896	\$ 1,339,043	\$ 11,601	\$ 374,800	\$ -	\$ -	\$ 2,133,340
Prior Year Claims	-	-	-	-	-	-	-
Change in Claims Liabilities	\$ 407,896	\$ 1,339,043	\$ 11,601	\$ 374,800	\$ -	\$ -	\$ 2,133,340

PUBLIC ENTITY JOINT INSURANCE FUND

2015 FUND YEAR OPERATING RESULTS ANALYSIS
Year Ended December 31, 2016

Schedule A-2

	COVERAGES AND OTHER ACCOUNTS						TOTALS
	PROPERTY	GENERAL LIABILITY	AUTOMOTIVE	WORKERS' COMPENSATION	EXCESS INSURANCE POLICIES	GENERAL AND ADMINISTRATIVE	
1. Underwriting Income							
Regular Contributions	\$ 206,733	\$ 651,492	\$ 116,103	\$ 1,009,664	\$ 2,412,127	\$ 1,468,007	\$ 5,864,126
2. Incurred Liabilities							
Claims	427,572	1,157,480	20,820	1,471,690	-	-	3,077,562
Expenses	-	-	-	-	2,424,689	1,469,005	3,893,694
Total Liabilities	427,572	1,157,480	20,820	1,471,690	2,424,689	1,469,005	6,971,256
3. Underwriting Surplus/(Deficit)	(220,839)	(505,988)	95,283	(462,026)	(12,562)	(998)	(1,107,130)
4. Adjustments							
Investment Activity (Realized/Unrealized)	-	-	-	-	-	5,908	5,908
Recoveries	-	77,562	-	-	-	-	77,562
Total Adjustments	-	77,562	-	-	-	5,908	83,470
5. Gross Operating Surplus/(Deficit)	(220,839)	(428,426)	95,283	(462,026)	(12,562)	4,910	(1,023,660)
6. Return of Surplus	-	-	-	-	-	-	-
7. Net Current Position/(Deficit)	\$ (220,839)	\$ (428,426)	\$ 95,283	\$ (462,026)	\$ (12,562)	\$ 4,910	\$ (1,023,660)
Current Year Claims	\$ 427,572	\$ 1,157,480	\$ 20,820	\$ 1,471,690	\$ -	\$ -	\$ 3,077,562
Prior Year Claims	317,362	949,967	98,275	1,025,592	-	-	2,391,196
Change in Claims Liabilities	\$ 110,210	\$ 207,513	\$ (77,455)	\$ 446,098	\$ -	\$ -	\$ 686,366

PUBLIC ENTITY JOINT INSURANCE FUND

2014 FUND YEAR OPERATING RESULTS ANALYSIS
Year Ended December 31, 2016

Schedule A-3

	COVERAGES AND OTHER ACCOUNTS						TOTALS
	PROPERTY	GENERAL LIABILITY	AUTOMOTIVE	WORKERS' COMPENSATION	EXCESS INSURANCE POLICIES	GENERAL AND ADMINISTRATIVE	
1. Underwriting Income							
Regular Contributions	\$ 74,158	\$ 427,589	\$ 189,081	\$ 781,919	\$ 1,568,639	\$ 971,523	\$ 4,012,909
2. Incurred Liabilities							
Claims	148,351	2,136,268	84,163	97,220	-	-	2,466,002
Expenses	-	-	-	-	1,538,932	1,005,562	2,544,494
Total Liabilities	148,351	2,136,268	84,163	97,220	1,538,932	1,005,562	5,010,496
3. Underwriting Surplus/(Deficit)	(74,193)	(1,708,679)	104,918	684,699	29,707	(34,039)	(997,587)
4. Adjustments							
Investment Activity (Realized/Unrealized)	-	-	-	-	-	5,732	5,732
Recoveries	-	114,843	-	-	-	-	114,843
Total Adjustments	-	114,843	-	-	-	5,732	120,575
5. Gross Operating Surplus/(Deficit)	(74,193)	(1,593,836)	104,918	684,699	29,707	(28,307)	(877,012)
6. Return of Surplus	-	-	-	-	-	-	-
7. Net Current Position/(Deficit)	\$ (74,193)	\$ (1,593,836)	\$ 104,918	\$ 684,699	\$ 29,707	\$ (28,307)	\$ (877,012)
Current Year Claims	\$ 148,351	\$ 2,136,268	\$ 84,163	\$ 97,220	\$ -	\$ -	\$ 2,466,002
Prior Year Claims	145,201	2,419,399	144,178	137,813	-	-	2,846,591
Change in Claims Liabilities	\$ 3,150	\$ (283,131)	\$ (60,015)	\$ (40,593)	\$ -	\$ -	\$ (380,589)

PUBLIC ENTITY JOINT INSURANCE FUND

FUND YEAR CLAIMS ANALYSIS – ALL YEARS COMBINED
Year Ended December 31, 2016

Schedule B

	<u>PROPERTY</u>	<u>GENERAL LIABILITY</u>	<u>AUTOMOTIVE</u>	<u>WORKERS' COMPENSATION</u>	<u>TOTALS</u>
Claims Incurred	\$ 668,526	\$ 875,993	\$ 52,331	\$ 873,920	\$ 2,470,770
Case Reserves	157,419	1,615,028	48,783	797,763	2,618,993
IBNR Reserves	157,874	2,141,770	15,470	272,027	2,587,141
	<u>983,819</u>	<u>4,632,791</u>	<u>116,584</u>	<u>1,943,710</u>	<u>7,676,904</u>
Subtotal					
Less:					
Recoveries	<u>-</u>	<u>192,405</u>	<u>-</u>	<u>-</u>	<u>192,405</u>
Subtotal	<u>-</u>	<u>192,405</u>	<u>-</u>	<u>-</u>	<u>192,405</u>
Claims Expense (Net)	<u>\$ 983,819</u>	<u>\$ 4,440,386</u>	<u>\$ 116,584</u>	<u>\$ 1,943,710</u>	<u>\$ 7,484,499</u>

PUBLIC ENTITY JOINT INSURANCE FUND

2016 FUND YEAR CLAIMS ANALYSIS
Year Ended December 31, 2016

Schedule B-1

	<u>PROPERTY</u>	<u>GENERAL LIABILITY</u>	<u>AUTOMOTIVE</u>	<u>WORKERS' COMPENSATION</u>	<u>TOTALS</u>
Claims Incurred	\$ 163,270	\$ 861	\$ 2,886	\$ 115,894	\$ 282,911
Case Reserves	127,600	60,000	6,329	80,805	274,734
IBNR Reserves	117,026	1,278,182	2,386	178,101	1,575,695
Subtotal	<u>407,896</u>	<u>1,339,043</u>	<u>11,601</u>	<u>374,800</u>	<u>2,133,340</u>
Less:					
Recoveries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Claims Expense (Net)	<u>\$ 407,896</u>	<u>\$ 1,339,043</u>	<u>\$ 11,601</u>	<u>\$ 374,800</u>	<u>\$ 2,133,340</u>

PUBLIC ENTITY JOINT INSURANCE FUND

2015 FUND YEAR CLAIMS ANALYSIS
Year Ended December 31, 2016

Schedule B-2

	<u>PROPERTY</u>	<u>GENERAL LIABILITY</u>	<u>AUTOMOTIVE</u>	<u>WORKERS' COMPENSATION</u>	<u>TOTALS</u>
Claims Incurred	\$ 356,905	\$ 188,821	\$ 6,987	\$ 728,281	\$ 1,280,994
Case Reserves	29,819	522,505	13,000	681,242	1,246,566
IBNR Reserves	40,848	446,154	833	62,167	550,002
Subtotal	<u>427,572</u>	<u>1,157,480</u>	<u>20,820</u>	<u>1,471,690</u>	<u>3,077,562</u>
Less:					
Recoveries	<u>-</u>	<u>77,562</u>	<u>-</u>	<u>-</u>	<u>77,562</u>
Subtotal	<u>-</u>	<u>77,562</u>	<u>-</u>	<u>-</u>	<u>77,562</u>
Claims Expense (Net)	<u><u>\$ 427,572</u></u>	<u><u>\$ 1,079,918</u></u>	<u><u>\$ 20,820</u></u>	<u><u>\$ 1,471,690</u></u>	<u><u>\$ 3,000,000</u></u>

PUBLIC ENTITY JOINT INSURANCE FUND

2014 FUND YEAR CLAIMS ANALYSIS
Year Ended December 31, 2016

Schedule B-3

	<u>PROPERTY</u>	<u>GENERAL LIABILITY</u>	<u>AUTOMOTIVE</u>	<u>WORKERS' COMPENSATION</u>	<u>TOTALS</u>
Claims Incurred	\$ 148,351	\$ 686,311	\$ 42,458	\$ 29,745	\$ 906,865
Case Reserves	-	1,032,523	29,454	35,716	1,097,693
IBNR Reserves	-	417,434	12,251	31,759	461,444
Subtotal	<u>148,351</u>	<u>2,136,268</u>	<u>84,163</u>	<u>97,220</u>	<u>2,466,002</u>
Less:					
Recoveries	-	114,843	-	-	114,843
Subtotal	<u>-</u>	<u>114,843</u>	<u>-</u>	<u>-</u>	<u>114,843</u>
Claims Expense (Net)	<u>\$ 148,351</u>	<u>\$ 2,021,425</u>	<u>\$ 84,163</u>	<u>\$ 97,220</u>	<u>\$ 2,351,159</u>

PUBLIC ENTITY JOINT INSURANCE FUND

2016 FUND YEAR EXPENSE ANALYSIS – REPORT YEAR 2016
Year Ended December 31, 2016

Schedule C-1

Excess Insurance	
Excess Insurance Premiums	<u>\$ 2,618,761</u>
Subtotal Excess Insurance	<u>2,618,761</u>
Administrative Expenses	
Legal	5,301
Treasurer	5,000
Other	
Auditor	17,442
Administrative Consultant	343,797
Safety Director	18,991
Underwriting Manager	119,475
Non-Contract Professional Services	29,694
Claims Administration	342,813
Actuary	23,000
Risk Management	<u>630,781</u>
Subtotal Administrative Expenses	<u>1,536,294</u>
Total Expenses	<u><u>\$ 4,155,055</u></u>

PUBLIC ENTITY JOINT INSURANCE FUND

2015 FUND YEAR EXPENSE ANALYSIS – REPORT YEAR 2015
Year Ended December 31, 2016

Schedule C-2

Excess Insurance	
Excess Insurance Premiums	<u>\$ 2,424,689</u>
Subtotal Excess Insurance	<u>2,424,689</u>
Administrative Expenses	
Legal	5,394
Treasurer	5,000
Other	
Auditor	17,442
Administrative Consultant	321,490
Safety Director	148,415
Underwriting Manager	111,723
Non-Contract Professional Services	27,998
Claims Administration	367,524
Actuary	25,750
Risk Management	<u>438,271</u>
Subtotal Administrative Expenses	<u>1,469,005</u>
Total Expenses	<u><u>\$ 3,893,694</u></u>

PUBLIC ENTITY JOINT INSURANCE FUND

2014 FUND YEAR EXPENSE ANALYSIS – REPORT YEAR 2014
Year Ended December 31, 2016

Schedule C-3

Excess Insurance	
Excess Insurance Premiums	<u>\$ 1,538,932</u>
Subtotal Excess Insurance	<u>1,538,932</u>
Administrative Expenses	
Legal	10,277
Treasurer	5,000
Other	
Auditor	16,000
Administrative Consultant	224,484
Safety Director	13,484
Underwriting Manager	78,430
Non-Contract Professional Services	11,136
Claims Administration	324,395
Actuary	34,000
Risk Management	<u>288,356</u>
Subtotal Administrative Expenses	<u>1,005,562</u>
Total Expenses	<u><u>\$ 2,544,494</u></u>

PUBLIC ENTITY JOINT INSURANCE FUND

CUMULATIVE OPERATING RESULTS ANALYSIS
Year Ended December 31, 2016

Schedule D

Underwriting Income	
Regular Contributions	<u>\$ 16,225,001</u>
Expenses	
Claims	
Paid	2,278,365
Case Reserves	2,618,993
IBNR Reserves	<u>2,587,141</u>
Claims - Net	<u>7,484,499</u>
Excess Insurance Premiums	6,582,382
Administrative	<u>4,010,860</u>
Total Expenses	<u>10,593,242</u>
Operating Loss	<u>(1,852,739)</u>
Non-Operating Income:	
Realized/Unrealized Gain	<u>27,326</u>
Total Non-Operating Income	<u>27,326</u>
Net Loss	<u>\$ (1,825,413)</u>
Cumulative Net Position - December 31, 2016	<u><u>\$ (1,825,413)</u></u>

PUBLIC ENTITY JOINT INSURANCE FUND

PROGRAM SUMMARY – FUND YEAR 2016
Year Ended December 31, 2016

Schedule E

Limits	Property	Liability	Automobile	Workers' Compensation	Employment Practices Liability
	\$ 350,000,000	\$ 15,000,000	\$ 15,000,000	Statutory	\$ 15,000,000
		per occurrence	per occurrence		
U.S. Treasury Securities					
Fund Retention					
Specific Aggregate:					
Property	\$ 50,000	\$ 250,000	\$ 250,000	\$ 500,000	\$ 250,000
Auto Property	\$ 50,000				
All Lines of Business					
Stop Loss Aggregate	\$ 2,897,000				
Number of Participants					
	8	8	8	8	7
Excess Coverage					
	Insurer			Retention	Limit
Property	The Travelers Insurance Co.			as noted above	\$350,000,000
Auto Phys. Damage	The Travelers Insurance Co.			as noted above	\$5,000,000
Casualty	Brit Global Specialty USA				
- General Liability				as noted above	\$10,000,000
- Auto Liability					\$10,000,000
- Public Officials Liab					\$10,000,000
- Employment Prac.					\$10,000,000
- Law Enforce. Liab.					\$10,000,000
- Employee Ben. Liab					\$10,000,000
- Workers' Comp					\$1,000,000
- Employers Liab					\$1,000,000
Equipment Breakdown	Travelers Property Casualty Co.				
				\$25,000	\$100,000,000
Crime & Bonds	Fidelity & Deposit Co. of Maryland			\$10,000	\$1,000,000
Excess Liability	Catlin Specialty Insurance Co.			\$10,000,000	\$5,000,000
XS Work Comp & Employers Liab	Safety National Casualty Corporation			\$1,500,000	Statutory / \$2,000,000
Cyber Liability	Beazley Insurance Company			\$25,000	\$1,000,000
Non-Owned Aircraft Liability	Global Aerospace			\$0	\$5,000,000
Site Pollution Liability	ACE American Insurance Co.			\$25,000	\$2,000,000
Hull & Machinery	Atlantic Specialty Insurance Co.				per schedule on file

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

To the Honorable Chairperson
and Board of Fund Commissioners of the
Public Entity Joint Insurance Fund
Woodbridge, New Jersey 07095

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements as prescribed by the State of New Jersey, Department of Community Affairs ("DCA"), and Department of Banking and Insurance ("DOBI"), the financial statements of the Public Entity Joint Insurance Fund, Woodbridge, State of New Jersey (the "Fund"), as of and for the year ended December 31, 2016, and the related notes to financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated May 18, 2017. The opinion on the Fund's financial statements was qualified as permitted by the DCA and DOBI, as audit procedures were not extended to the underlying actuarial assumptions for Incurred But Not Reported (IBNR) reserve amounts, as these assumptions are prepared by the Fund's actuary.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 Fund'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.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatements, 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 of 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 Fund'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 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mercadieu, P.C.
Certified Public Accountants

May 18, 2017

PUBLIC ENTITY JOINT INSURANCE FUND

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS
Year Ended December 31, 2016

None Reported.

PUBLIC ENTITY JOINT INSURANCE FUND

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended December 31, 2016

None Reported.