New Jersey Schools Insurance Group
For the Fiscal Year Ended June 30, 2015
Burlington, New Jersey

NEW JERSEY SCHOOLS INSURANCE GROUP
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Independent Auditors' Report

The Honorable Chairperson and Members
of the Board of Trustees
New Jersey Schools Insurance Group
Burlington, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the New Jersey Schools Insurance Group (the "Group") as of and for the fiscal years ended June 30, 2015 and June 30, 2014 and the related notes to the financial statements, which collectively comprise the Group's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group'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 Group's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable Chairperson and Members
of the Board of Trustees
New Jersey Schools Insurance Group
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Group as of June 30 2015 and June 30, 2014, and the changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 *to the basic financial statements, the District implemented* Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 8 to the basic financial statements.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2016 on our consideration of the Group'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 Group's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
January 20, 2016

NISIVOCCIA LLP
Valerie A Dolan

Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant

New Jersey Schools Insurance Group
Management's Discussion and Analysis
(Unaudited)

This section of the annual financial report of the Group presents a discussion and analysis of the financial performance of the Group for the fiscal years ended June 30, 2015 and 2014. Please read it in conjunction with the basic financial statements, the notes, and the supplementary schedules that follow this section.

Overview of Basic Financial Statements

The Group'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 Group is to administer a program of self funding and reinsurance to provide protection to members primarily in the areas of workers' compensation, general liability, property, errors and omissions, and crime coverage. The basic financial statements are presented on an accrual basis of accounting. The three basic financial statements presented are as follows:

Statement of Net Position - This statement presents information reflecting the Fund's assets, liabilities, deferred outflows and inflows of resources, and net position. Net position represents the amount of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources.

Statement of Revenue, Expenses, and Changes in Net Position – This statement reflects the Group's operating revenues and expenses, as well as non-operating items during the reporting period. The change in net position for an enterprise fund is similar to net profit or loss for any other insurance company.

Statement of Cash Flows – The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the fiscal year.

Financial Highlights

The following tables summarize the financial position and results of operations for the Group as of and for the fiscal years ended June 30, 2015, 2014 and 2013.

Summary Statement of Net Position

	2015	2014*	2014/2015 Percent Change	2013	2013/2014 Percent Change
Assets:					
Cash and Cash Equivalents and Investments	$287,673,393	$270,716,803	6.26%	$254,809,366	6.24%
Other Assets	6,646,713	22,698,991	-70.72%	22,704,289	-0.02%
Capital Assets	305,983	379,892	-19.46%	227,917	66.68%
Total Assets	294,626,089	293,795,686	5.75%	277,741,572	5.78%
Deferred Outflow of Resources	946,598				
Liabilities:					
Loss Reserves	213,198,000	213,382,000	-0.09%	198,995,000	7.23%
Other Liabilities	24,333,100	26,017,050	-6.47%	13,357,250	94.78%
Total Liabilities	237,531,100	239,399,050	-0.78%	212,352,250	12.74%
Deferred Inflow of Resources	726,261				
Net Position:					
Invested in Capital Assets	305,983	379,892	-19.46%	227,917	66.68%
Unrestricted	57,009,343	54,016,744	5.54%	65,161,405	-17.10%
Net Position - Unrestricted	$ 57,315,326	$ 54,396,636	5.37%	$ 65,389,322	-16.81%

* Restated

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

	2015	2014*	2014/2015 Percent Change	2013	2013/2014 Percent Change
Operating Revenue:					
Assessments and Other Income	$123,173,076	$119,852,548	2.77%	$113,723,547	5.39%
Operating Expenses:					
Provision for Claims and Claim Adjustment Expense	63,433,889	65,701,497	-3.45%	58,565,055	12.19%
Unallocated Adjustment Expenses	(66,497)	50,662	-231.26%	143,743	-64.76%
Reinsurance Premiums	29,099,924	26,839,580	8.42%	26,172,619	2.55%
Agent Commissions	15,133,038	14,483,381	4.49%	13,462,665	7.58%
Salaries & Fringe Benefits	8,267,768	19,241,939	-57.03%	7,043,173	173.20%
Professional & Contractual Services	2,436,250	2,939,850	-17.13%	2,560,426	14.82%
Safety Grant Expense	2,200,000	1,700,000	29.41%	5,175,335	-67.15%
Other	312,127	337,190	-7.43%	235,310	43.30%
Depreciation	369,371	322,462	14.55%	365,221	-11.71%
Total Operating Expenses	121,185,870	131,616,561	-7.93%	113,723,547	15.73%
Operating Income/(Loss)	1,987,206	(11,764,013)	-116.89%		100.00%
Investment Income	931,484	771,327	20.76%	1,245,938	-38.09%
Change in Net Position	$ 2,918,690	$ (10,992,686)	-126.55%	$ 1,245,938	-982.28%

* Restated

Net Position increased primarily due to investment income an increase in assessment revenue offset by an increase in claims expense, and change in net pension liability.

Economic Conditions

The Group continues to be affected by the escalation of insurance and claim costs. The Group will continue to monitor its claims and work with its members via the safety program to minimize the number and severity of claims.

Contacting the Group's Financial Management

This financial report is designed to provide the Group's members, oversight entities and creditors with a general overview of the Group's finances and to demonstrate the Group's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director's Office, 450 Veterans Drive, Burlington, New Jersey 08016.

BASIC FINANCIAL STATEMENTS

NEW JERSEY SCHOOLS INSURANCE GROUP
STATEMENT OF NET POSITION

	June 30, 2015	June 30, 2014 Restated
ASSETS:		
Cash and Cash Equivalents	$ 104,749,016	$ 102,149,821
Investments	182,924,377	168,566,982
Accrued Interest and Dividends	1,105,729	494,743
Assessment Receivable, Net	2,369,649	4,234,378
Reinsurance Receivable	2,059,120	16,747,077
Prepaid Expenses and Other Assets	1,112,215	1,222,793
Capital Assets (Net of Accumulated Depreciation of $661,538 and $1,296,559 for 2015 and 2014, respectively)	305,983	379,892
Total Assets	294,626,089	293,795,686
DEFERRED OUTFLOWS OF RESOURCES		
Changes in Assumptions- Pensions	383,215	
Changes in Proportions	563,383	
Total Deferred Outflows of Resources	946,598	
LIABILITIES:		
Curent Liabilities:		
Loss Reserves	213,198,000	213,382,000
Reserves for Unallocated Adjustment Expense	1,721,588	1,788,085
Unearned Assessments	1,555,470	1,711,496
Accounts Payable and Accrued Expenses	4,066,974	3,928,122
Safety Grant Payable	4,802,362	6,816,221
Total Current Liabilities	225,344,394	227,625,924
Long-Term Liabilities:		
Net Pension Liability	12,186,706	11,773,126
Total Long-Term Liabilities	12,186,706	11,773,126
Total Liabilities	237,531,100	239,399,050
DEFERRED INFLOWS OF RESOURCES		
Investment Gains- Pensions	726,261	
Total Deferred Inflows of Resources	726,261	
NET POSITION:		
Investment in Capital Assets	305,983	379,892
Unrestricted	57,009,343	54,016,744
Total Net Position	$ 57,315,326	$ 54,396,636

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

NEW JERSEY SCHOOLS INSURANCE GROUP
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	For the Fiscal Year Ended June 30, 2015	2014 Restated
Operating Revenue:		
Assessments from Participating Members	$ 123,126,715	$ 119,742,207
Claims Servicing Revenue	31,057	90,403
Other Income	15,304	19,938
Total Operating Revenue	123,173,076	119,852,548
Operating Expenses:		
Provision for Claims and Claim Adjustment Expense	63,433,889	65,701,497
Unallocated Adjustment Expenses	(66,497)	50,662
Reinsurance Premiums	29,099,924	26,839,580
Salaries and Fringe Benefits	8,267,768	19,241,939
Agent Commissions	15,133,038	14,483,381
Safety Grant Expense	2,200,000	1,700,000
Management Fees	506,250	843,750
Office Expenses	897,607	1,000,130
Consulting and Professional Fees	796,174	855,809
Travel and Meeting Expense	236,219	240,161
Other	312,127	337,190
Depreciation	369,371	322,462
Total Operating Expenses	121,185,870	131,616,561
Operating Income	1,987,206	(11,764,013)
Non-Operating Revenue:		
Investment Income	931,484	771,327
Total Non-Operating Revenue	931,484	771,327
Change in Net Position	2,918,690	(10,992,686)
Net Position - Beginning of Year - Restated	54,396,636	65,389,322
Net Position - End of Year	$ 57,315,326	$ 54,396,636

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

NEW JERSEY SCHOOLS INSURANCE GROUP
STATEMENT OF CASH FLOWS

	For the Fiscal Year Ended June 30, 2015	2014
Cash Flows from Operating Activities:		
Assessments Received	$ 124,835,418	$ 119,187,041
Reinsurance Premiums Paid	(29,099,924)	(26,839,580)
Claims Paid	(63,617,889)	(51,314,497)
Operating Expenses Paid	(7,157,887)	(18,106,249)
Salaries and Fringe Benefits	(8,074,525)	(7,468,813)
Other Income Received	46,361	110,341
Net Cash Provided by/(Used) for Operating Activities	16,931,554	15,568,243
Cash Flows from Investing Activities:		
Purchase of Investment Securities	(40,000,000)	(101,112,171)
Proceeds from the Sales and Maturities of Investment Securities	25,347,143	115,898,312
Interest and Dividends on Investments	320,498	813,631
Net Cash Provided by/(Used) for Investing Activities	(14,332,359)	15,599,772
Net Increase in Cash and Cash Equivalents	2,599,195	31,168,015
Cash and Cash Equivalents - Beginning of Year	102,149,821	70,981,806
Cash and Cash Equivalents - End of Year	$ 104,749,016	$ 102,149,821
Reconcilation of Operating Income to Net Cash Provided by/(Used) for Operating Activities:		
Operating Income	$ 1,987,206	$ (11,764,013)
Adjustments to Reconcile Operating Income to Net Cash Provided by/(Used) for Operating Activities:		
Depreciation	369,371	322,462
Changes in Assets and Liabilities:		
(Increase)/Decrease in Assets:		
Assessment Receivable	1,864,729	(436,293)
Reinsurance Receivable	14,687,957	336,164
Prepaid Expenses and Other Assets	110,578	63,123
Change in Assumptions-Pensions	(383,215)	
Changes in Proportion- Pensions	(563,383)	
Increase/(Decrease) in Liabilities:		
Accounts Payable	138,852	(17,475)
Safety Grant Payable	(2,013,859)	972,360
Reserve for Unpaid Claims and Allocated Adjustment Expense	(184,000)	14,387,000
Reserve for Unallocated Adjustment Expense	(66,497)	50,662
Unearned Assessments	(156,026)	(118,873)
Net Pension Liability	413,580	11,773,126
Investments Gains- Pensions	726,261	
Net Cash Provided by/(Used) for Operating Activities	$ 16,931,554	$ 15,568,243

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: NATURE OF OPERATIONS

The New Jersey Schools Insurance Group (the "Group") was created on October 3, 1983, in accordance with the New Jersey statutes (NJSA 18A:18b-1 et seq). The bylaws of the Group, as supplemented by the Risk Management Plan, set forth the various procedures which are to be followed in the organization, administration and operation of the Group. During the year ended June 30, 2014 the Bylaws were amended changing the name from New Jersey School Boards Association Insurance Group to New Jersey Schools Insurance Group.

The Group provides coverage for workers' compensation, general and automobile liability physical damage, property, errors and omissions and crime. The Group uses reinsurance agreements to reduce its exposure to large losses on the types of coverages.

A summary of the risk amounts retained by the Group, by line of coverage, are as follows:

Line of Coverage	**Retention**
Workers' compensation	\$1,000,000 per occurrence for fund years 2004 to 2015, \$350,000 per occurrence for fund years 1992 to 2002, and \$500,000 per occurance for fund years 1986 to 1991 and 2003. For periods prior to 1987, annual aggregate retention based on minimum varying percentages of standard earned premium.
General liability and automobile liability	\$500,000 per occurrence for fund years 2003 to 2015, \$100,000 per occurrence for fund years 1999 to 2002, \$250,000 per occurrence for fund years 1988 to 1998, and \$200,000 per occurrence for periods prior to fund year 1988.
Property	\$1,000,000 per occurrence for fund years 2002 to 2015, \$150,000 per occurrence for fund years 1989 to 2001, and \$250,000 per occurrence for periods prior to fund year 1989.
Errors and Omissions	\$1,000,000 per occurrence for fund years 2003 to 2008.
Crime	\$100,000 per occurrence

In, addition, there are aggregate retentions applicable to losses in excess of the per occurrence retentions. For fund years 1994 to 1998 the aggregate retention is \$250,000 for general and automobile liability losses and \$350,000 for workers' compensation losses. For fund years 1999 to 2002, the aggregate retention is \$100,000 for general and automobile liability and \$350,000 workers' compensation losses. For fund years 2003 to 2008 the aggregate retention is \$500,000 for general and automobile liability and workers' compensation losses.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 1: NATURE OF OPERATIONS (Cont'd)

The Group also writes policies covering umbrella liability, boiler, pollution, cyber liability, crisis management and errors and omissions (prior to 2004, and for the 2014 and 2015 fund year), all of which are ceded 100% to reinsurance.

During the fiscal year ended June 30, 2015 there were 400 New Jersey School Districts that were members of the Group.

The Group members are subject to supplemental assessments in the event of deficiencies. If the assets of the Group were to be exhausted, members would be responsible for the Group's liabilities. The Group considers investment income when determining if a delinquency exists. The Group also may return surpluses to members.

The Group also provides claims processing services and purchases reinsurance policies for several New Jersey School Districts. The Group does not retain any risk for these school districts. The Group had revenue from these services of $31,057 and $90,403 during the fiscal year ended June 30, 2015 and 2013, respectively.

Brokerage of policies is administered by Willis Pooling Administrative Services Corporation under contract with the Group. The Group administers the billings to members.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the Group's accounting policies are described below.

Reporting Entity

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the 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 and financial accountability. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the Group over which the Group exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Group is not includable in any other reporting entity on the basis of such criteria.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Accounting

The Group utilizes the accrual basis of accounting whereby revenue is recorded as earned and expenses are reflected as the liability is incurred. The Group utilizes total economic resources as their measurement focus. Operating revenue, such as charges for services, result from exchange transactions associated with the principal activity of the Group. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenue, such as subsidies and investment earnings, results from nonexchange transactions or ancillary activities. Nonexchange transactions, in which the Group gives or receives value without directly receiving or giving equal value in exchange, generally do not occur, with the exception of investment earnings.

Investments

Investments consist of government backed fixed maturities and are carried at fair value. Fair value has been supplied by the custodian, TD Bank. The Fund generally records certain investments at fair value and records the unrealized gains and losses as a part of investment income. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties. The fund did not have investments other than Certificates of Deposits as of June 30, 2015.

Income Taxes

The Group is an instrumentality of the State of New Jersey and therefore a governmental entity, has determined itself to be a tax-exempt organization and 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 premium projections, constitutes the Group's budget. Assessments for participating School Districts are determined by underwriting criteria established by the Executive Committee. Assessments are recognized over the course of the year for which coverage is being provided.

Assessments Receivable

Assessments receivable are unsecured and non-interest bearing and are recorded when invoices are issued and are presented in the statement of net position. The Group recorded a reserve against assessments receivables as of June 30, 2015 and 2014, in the amount of $368,792 for both years. Payments of assessments receivable are allocated to specific invoices identified on the member's invoice or if unspecified, they are applied "on account" to the member until identification is received from the member. Assessments receivable are written off when they are determined to be uncollectible.

Assessments Earned

Assessments earned are recognized on a daily pro rata basis over the term of the policy. Assessments applicable to the unexpired terms of the policies in force are reported as a liability and classified as unearned assessments at the balance sheet date.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Unpaid Claims Liabilities

The Group 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 salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as workers compensation. 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. The Group does not discount estimated claim liabilities. Adjustments to claim liabilities are changed or credited to expense in the periods in which they are made. Salvage and Subrogation, excluding reinsurance recoveries, are recognized as a reduction of claim payments upon receipt of cash. During the fiscal year ended June 30, 2015 and 2014 subrogation was $1,127,723 and $838,893, respectively.

Reinsurance

The Group uses reinsurance agreements to reduce its exposure to large losses on certain types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Group as direct insurer of the risks reinsured. The Group does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. The amounts deducted against claims expense as of June 30, 2015 and 2014 for reinsurance recoveries was $14,812,475 and $19,064,286, respectively.

Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and additions to/deductions from the PERS's net position have been determined on the same basis as they are reported by the PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 3: RESERVES FOR UNPAID CLAIMS AND ALLOCATED ADJUSTMENT EXPENSE

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 June 30, 2015. This estimate is based on the estimated ultimate cost of settling the claims considering the historical experience of the Group, various other industry statistics, including the effects of inflation and other societal or economic factors, and the Group's self-insured retention level. 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 and reinsurance coverages.

The Group has created a loss reserve for any reported and potential unreported losses which have taken place but in which the Group has not received notices or reports of losses. Loss reserves, at June 30, 2015 and 2014 which have been estimated by the Group's Actuary, are as follows:

	2015	2014
Case Reserves	$ 128,355,000	$ 130,496,000
Losses Incurred but not Reported	84,843,000	82,886,000
Total Loss Reserves	$ 213,198,000	$ 213,382,000

The following represents changes in the aggregate reserves for the Group

	2015	2014
Unpaid Claims and Claim Adjustment Expenses, Beginning of Year	$ 213,382,000	$ 198,995,000
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Period	73,996,026	75,291,363
(Decrease)/Increase in Provision for Insured Events of Prior Years	(10,562,137)	(9,589,866)
Total Incurred Claims and Claim Adjustment Expenses	63,433,889	65,701,497
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Period	17,465,026	17,423,363
Claims and Claim Adjustment Expenses Attributable to Insuranced Events of Prior Years	46,152,863	33,891,134
Total Payments	63,617,889	51,314,497
Total Unpaid Claims and Claim Adjustment Expenses, End of Year	$ 213,198,000	$ 213,382,000

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 3: RESERVES FOR UNPAID CLAIMS AND ALLOCATED ADJUSTMENT EXPENSE (Cont'd)

The Fund maintains contracts for insurance including excess insurance covering losses in excess of an amount established between the Fund and the insurer up to the limits of coverage set forth in the contract on a specific occurrence, or per accident or annual aggregate basis.

A contingent liability exists with respect to insurance coverage which would become an actual liability in the event the insuring companies, or any of them, might be unable to meet their obligations to the Fund under existing reinsurance agreements.

NOTE 4: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

GASB Statement No. 40, *Governmental Accounting Standards Deposit and Investment Risk* requires disclosure of the level of custodial credit risk assumed by the Group in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the Group ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The Group limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed in Note 5.

New Jersey statutes requires that the Group deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. The Group is also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 4: CASH AND CASH EQUIVALENTS (Cont'd)

As of June 30, 2015 and 2014 cash and cash equivalents of the Group consisted of the following:

	2015	2014
New Jersey Cash Management	$ 322,999	$ 322,792
Petty Cash	111	201
TD Bank Concentration and Checking Accounts	96,226,354	98,408,060
TD Bank Money Market	8,199,552	3,417,076
Tri-State Capital Account		1,692
	$ 104,749,016	$ 102,149,821

The carrying amount of the Group's cash and cash equivalents at June 30, 2015 was $104,749,016 and the bank balance was $109,656,318. The New Jersey Cash Management funds are unregistered and uninsured.

The carrying amount of the Group's cash and cash equivalents at June 30, 2014 was $102,149,821 and the bank balance was $105,191,820, The New Jersey Cash Management funds are unregistered and uninsured.

NOTE 5: INVESTMENTS

New Jersey statutes permit the Group to purchase the following types of securities:

(1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

(2) Government money market mutual funds;

(3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

(4) Bonds or other obligations of local units or bonds or other obligations of school districts of which the local units are part or within which the school district is located;

(5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;

(6) Local government investment pools;

(7) Deposits with the State of New Jersey Cash Management Fund; or

(8) Agreements for the repurchase of fully collateralized securities if:

(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 5: INVESTMENTS (Cont'd)

(b) the custody of collateral is transferred to a third party;

(c) the maturity of the agreement is not more than 30 days;

(d) the underlying securities are purchased through a public depository as defined in statute; and

(e) a master repurchase agreement providing for the custody and security of collateral is executed.

(9) Debt obligations of federal agencies or government corporations with maturities not to exceed 10 years from the date of purchase, excluding mortgage backed or derivative obligations, provided that the investments are purchased through the State Division of Investment and are invested consistent with the rules and regulations of the State Investment Council.

All of the Group's investments are recorded at fair value based on quoted market prices. The investments are held by the Group's custodial bank trust department in the Group's name. The bank's trust department is also its agent in purchasing and selling the securities. The investments are uninsured and unregistered. All of the funds held by the custodial bank are held in a fiduciary account in the Group's name, and are backed by the full faith credit of the U.S. Government. As such, they are protected in the event of the bankruptcy of the bank. Investments consisted of the following:

	Balance June 30,	Weighted Average Maturity in Months
Certificates of Deposit - TD Wealth Management	$ 29,707,711	36.00
TD Bank - Certificate of Deposit	20,000,000	24.00
TD Bank - Certificate of Deposit	10,042,123	24.00
TD Bank - Certificate of Deposit	10,000,000	24.00
TD Bank - Certificate of Deposit	24,500,000	24.00
TD Bank - Certificate of Deposit	24,500,000	24.00
TD Bank - Certificate of Deposit	12,104,493	36.00
TD Bank - Certificate of Deposit	12,070,050	24.00
TD Bank - Certificate of Deposit	20,000,000	24.00
TD Bank - Certificate of Deposit	20,000,000	24.00
	$ 182,924,377	26.74

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 5: INVESTMENTS (Cont'd)

	Balance June 30, 2014	
U.S. Treasury Notes	$ 19,642,607	44.51
Certificates of Deposit - TD Wealth Management	29,707,711	36.00
TD Bank - Certificate of Deposit	6,000,000	24.00
TD Bank - Certificate of Deposit	20,000,000	24.00
TD Bank - Certificate of Deposit	10,042,122	24.00
TD Bank - Certificate of Deposit	10,000,000	24.00
TD Bank - Certificate of Deposit	24,500,000	24.00
TD Bank - Certificate of Deposit	24,500,000	24.00
TD Bank - Certificate of Deposit	12,104,493	36.00
TD Bank - Certificate of Deposit	12,070,049	24.00
	$ 168,566,982	30.23

NOTE 6: SAFETY GRANT

During the fiscal year ended June 30, 2009, the Group approved a new safety grant program to the membership of the Group. The Group recognizes that in this current climate of tightening school budgets it has become increasingly difficult to spend money on safety. In an effort to help alleviate this problem, the Group approved this grant. The program is designed to help members make safety, security and educational related purchases toward loss prevention at the membership level.

Upon renewal, each member will be eligible for the grant amount defined by the Group's Trustees and allocated to sub funds and non-sub funds by the Group's independent actuary. Each sub fund members grant amount will be determined by its respective grant sub fund committee. The Group developed the guidelines, application and approval process under which all members may apply for a grant.

Based on the criteria of the grant and the review of each members' application, grants were awarded for $3,000,000 (as of June 30, 2009), $5,000,000 (as of June 30, 2010), $4,000,000 (as of June 30, 2011), $-0- (as of June 30, 2012), $5,175,335 (as of June 30, 2013) and $1,700,000 (as of June 30, 2014). In fiscal year 2015, the Trustees awarded safety grants in the amount of $2,200,000, paid $4,213,859 from the prior awarded safety grants, for which $4,802,362, is recorded as a payable as of June 30, 2015.

NOTE 7: LONG-TERM LIABILITIES

During the Fiscal year ended June 30, 2015, the following changes occurred in liabilities reported in the financials.

	Restated Balance 6/30/2014	Accrued	Retired	Balance 6/30/2015
Net Pension Liability	$ 11,773,126	$ 413,580		$ 12,186,706
	$ 11,773,126	$ 413,580	$ -0-	$ 12,186,706

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 7: LONG-TERM LIABILITIES (Cont'd)

Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2015 is $-0- and the long-term portion is $12,186,706. See Note 8 for further information on the PERS.

NOTE 8: PENSION PLANS

The Group's employees participate in a contributory, defined benefit public employee retirement system, Public Employee's Retirement System (PERS) of New Jersey.

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service. The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28. 2011
5	Members who were eligible to enroll on or after June 28, 2011

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 8: PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. The Group's contributions to PERS amounted to $551,767 for fiscal year 2015.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Group reported a liability of $12,186,706 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The Group's proportion of the net pension liability was based on a projection of the Group's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the Group's proportion was 0.065%, which was a decrease of 0.003% from its proportion measured as of June 30, 2013.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

For the fiscal year ended June 30, 2015, the Group recognized pension expense of $730,113. At June 30, 2015, the Group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	$ 383,215	
Changes in Proportion	563,383	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		$ 726,261
	$ 946,598	$ 726,261

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2015	$ (111,121)
2016	(111,121)
2017	(111,121)
2018	(111,121)
2019	70,444
Thereafter	30,994
	$ (343,046)

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Group's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Group's proportionate share of the collective net pension liability as of June 30, 2014 calculated using the discount rate as disclosed below, as well as what the Group's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Fiscal Year Ended June 30, 2014

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Groups 's proportionate share of the Net Pension Liability	$ 15,331,291	$ 12,186,706	$ 9,546,055

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 9: COMMITMENTS AND CONTINGENCIES

The Group has a lease agreement for office space in Burlington, New Jersey, through December 31, 2015 for a minimum rental commitment plus operating costs, real estate taxes, and utilities. Total rent expense amounted to $175,454 for the year ended June 30, 2015

At June 30, 2015, the minimum rental commitment for the aforementioned non-cancellable operating lease and the option period is as follows:

Year Ending June 30,	
2016	$ 69,507

In the normal course of its operations, the Group has a number of lawsuits filed by claimants in various stages. Although estimated loss reserves have been established by the Group, a number of these cases may possibly be settled for amounts in excess of the Group's loss reserves. No provision for these contingencies has been included in the financial statements since the amounts are not reasonably estimable.

NOTE 10: CAPITAL ASSETS

Capital assets balances and activity for the fiscal year ended June 30, 2015 were as follows:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital Assets Being Depreciated:				
Furniture and Equipment	$ 1,676,451	$ 295,463	$ (1,004,393)	$ 967,521
Less Accumulated Depreciation	(1,296,559)	(369,372)	1,004,393	(661,538)
Net Investment in Capital Assets	$ 379,892	$ (73,909)	$ -0-	$ 305,983
Capital Assets Being Depreciated:				
Furniture and Equipment	$ 1,490,087	$ 474,437	$ (288,073)	$ 1,676,451
Less Accumulated Depreciation	(1,262,170)	(322,462)	288,073	(1,296,559)
Net Investment in Capital Assets	$ 227,917	$ 151,975	$ -0-	$ 379,892

Equipment is recorded at cost and depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Capital assets were reviewed for impairment.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 11: POSTEMPLOYMENT BENEFIT PLAN

Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, require to account for other post-employment benefits, on an accrual basis rather than on a pay-as-you go basis.

Plan Description

The Group has established a postemployment benefit plan to assist retirees in paying for medical coverage. The plan will provide a monthly payment of $500 to all eligible employees with full vesting occurring at retirement age 60 with 25 years of service.

Funding Policy

The present value of $905,018 has been recorded as a liability and $77,943 was expensed by the Group during the fiscal year ended June 30, 2015 and is included in accounts payable and accrued expenses on the accompanying statement of net position and salaries and fringe benefits on the accompanying statement of revenues, expenses and changes in net position respectively.

Actuarial Valuations:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the Group are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Actual Methods and Assumptions

Projects of benefits for financial reporting purposes are based on the substantive Plan (as understood by the employer and Plan members) and include the type of benefits provided at the time each valuation and historical pattern of sharing of benefit costs between the Group and the Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuations, the liabilities were computed using the projected credit method and level dollar amortization over 30 years. The actuarial assumptions include a 5.00% discount rate.

Annual OPEB Cost and Net OPEB Obligation

The Group's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer. The Group has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liability over a period not to excess 30 years.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 11: POSTEMPLOYMENT BENEFIT PLAN (Cont'd)

Annual OPEB Cost and Net OPEB Obligation (Cont'd)

Benefit Obligations and Normal Cost

	2013	2014	2015
Actuarial accrued liability (AAL):			
Retired employees	$ -0-	$ -0-	$ -0-
Active employees	673,699	673,699	673,699
Unfunded actuarial accrued liability (UAAL)	$ 673,699	$ 673,699	$ 673,699
Normal Cost Component	$ 77,943	$ 77,943	$ 77,943

NOTE 12: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and Accrued Expenses for the fiscal years ended June 30, 2015 and 2014 were as follows:

	2015	2014
Accounts Payable - Vendors	$ 737,999	$ 660,426
Rate Stabilization Reserves - SubFunds	2,423,957	2,438,111
Post Employement Retirement Benefits	905,018	829,585
	$ 4,066,974	$ 3,928,122

NOTE 13: PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to record the net pension liability as of June 30, 2014 as a result of implementing Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

	Balance 6/30/14 as Previously Reported	Retroactive Adjustments	Balance 6/30/14 as Restated
Statement of Net Assets:			
Governmental Activities:			
Statement of Net Position:			
Liabilities:			
Non-Current Liabilities		$ 11,773,126	$ 11,773,126
Total Liabilities	$ 227,625,924	11,773,126	239,399,050
Net Position:			
Unrestricted/(Deficit)	65,789,870	(11,773,126)	54,016,744
Total Net Position	66,169,762	(11,773,126)	54,396,636

REQUIRED SUPPLEMENTARY INFORMATION

NEW JERSEY SCHOOLS INSURANCE GROUP
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF GROUP'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,	
	2014	2015
Group's proportion of the net pension liability	0.0616007408%	0.0650904158%
Group's proportionate share of the net pension liability	$ 11,773,126	$ 12,186,706
Group's covered employee payroll	$ 4,699,250	$ 4,979,739
Group's proportionate share of the net pension liability as a percentage of its covered employee payroll	250.53%	244.73%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

NEW JERSEY SCHOOLS INSURANCE GROUP
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF GROUP CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,	
	2014	2015
Contractually required contribution	$ 464,149	$ 536,596
Contributions in relation to the contractually required contribution	(464,149)	(536,596)
Contribution deficiency/(excess)	$ -0-	$ -0-
Group's covered employee payroll	$ 4,699,250	$ 4,979,739
Contributions as a percentage of covered employee payroll	9.88%	10.78%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

NEW JERSEY SCHOOLS INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014
(Unaudited)

	Fiscal Year Ended June 30, 2015						
	Total	Workers' Compensation	General Liability	Property	Automotive Liability	Automobile Physical Damage	Errors & Omissions
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	$213,382,000	$174,451,000	$ 25,597,000	$ 3,885,000	$ 8,836,000	$ 96,000	$ 517,000
Incurred Claims and Claim Adjustment Expenses:							
Provision for Insured Events of the Current Period	73,996,026	57,033,820	7,699,807	5,416,199	3,100,586	770,238	(24,624)
Increase/(Decrease) in Provision for Insured Events of Prior Years	(10,562,137)	(11,938,042)	(3,753,915)	3,397,865	1,455,818	(53,680)	329,817
Total Incurred Claims and Claim Adjustment Expenses	63,433,889	45,095,778	3,945,892	8,814,064	4,556,404	716,558	305,193
Payments:							
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Period	17,465,026	12,888,820	124,807	3,715,199	186,586	574,238	(24,624)
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	46,152,863	30,565,957	5,307,085	5,531,866	3,891,818	9,320	846,817
Total Payments	63,617,889	43,454,777	5,431,892	9,247,065	4,078,404	583,558	822,193
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	$213,198,000	$176,092,001	$ 24,111,000	$ 3,451,999	$ 9,314,000	$ 229,000	$ -0-

NEW JERSEY SCHOOLS INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014
(Unaudited)

	Fiscal Year Ended June 30, 2014						
	Total	Workers' Compensation	General Liability	Property	Automotive Liability	Automobile Physical Damage	Errors & Omissions
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	$198,995,000	$164,223,000	$ 26,183,000	$ 1,160,000	$ 6,567,000	$ 135,000	$ 727,000
Incurred Claims and Claim Adjustment Expenses:							
Provision for Insured Events of the Current Period	75,291,363	56,300,267	3,965,360	11,027,326	3,450,096	540,377	7,937
Increase/(Decrease) in Provision for Insured Events of Prior Years	(9,589,866)	(7,780,032)	(4,164,873)	1,690,185	423,650	(115,495)	356,699
Total Incurred Claims and Claim Adjustment Expenses	65,701,497	48,520,235	(199,513)	12,717,511	3,873,746	424,882	364,636
Payments:							
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Period	17,423,363	12,501,267	(3,408,640)	7,705,326	140,096	477,377	7,937
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	33,891,134	25,790,968	3,795,127	2,287,185	1,464,650	(13,495)	566,699
Total Payments	51,314,497	38,292,235	386,487	9,992,511	1,604,746	463,882	574,636
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	$213,382,000	$174,451,000	$ 25,597,000	$ 3,885,000	$ 8,836,000	$ 96,000	$ 517,000

NEW JERSEY SCHOOLS INSURANCE GROUP
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
(Unaudited)

	Fiscal Period Ended June 30, 2015 and Policy Period Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Required contribution and investment revenue:										
Earned	$ 86,670,269	$ 95,871,596	$ 96,114,604	$ 98,033,808	$ 102,995,630	$ 104,185,604	$ 105,000,904	$ 114,969,485	$ 120,623,875	$ 124,104,560
Ceded	14,261,188	15,933,127	16,412,244	19,602,011	22,722,740	23,185,771	22,927,326	26,172,619	26,839,580	29,099,924
Net Earned	72,409,081	79,938,469	79,702,360	78,431,797	80,272,890	80,999,833	82,073,578	88,796,866	88,796,866	93,784,295
Unallocated expenses	25,134,619	26,226,187	26,353,791	24,315,109	23,606,933	23,415,577	22,124,526	22,124,526	27,302,358	28,458,814
Estimated claims and expenses, end of policy year										
Incurred	55,228,609	60,896,351	68,482,431	57,714,541	64,483,752	63,426,393	66,985,183	66,404,082	78,845,561	73,996,026
Ceded										
Net Incurred	55,228,609	60,896,351	68,482,431	57,714,541	64,483,752	63,426,393	66,985,183	66,404,082	78,845,561	73,996,026
Net paid (cumulative) as of:										
End of policy year	10,974,609	12,236,351	14,415,431	12,536,541	16,681,752	14,264,133	14,408,893	14,799,082	20,977,561	17,465,026
One year later	19,566,609	20,311,351	24,524,664	21,305,541	27,122,752	23,734,133	24,453,866	23,643,822	35,420,195	
Two years later	25,748,609	24,950,352	29,354,664	26,355,541	32,627,752	28,725,133	28,641,074	21,341,951		
Three years later	30,425,609	29,340,352	33,200,664	31,330,541	39,113,752	34,398,365	46,281,423			
Four years later	35,229,609	32,450,352	37,438,664	35,869,541	43,484,732	40,645,711				
Five years later	38,132,609	34,351,352	39,702,664	38,313,122	47,578,339					
Six years later	39,933,609	35,643,352	40,722,113	39,970,807						
Seven years later	41,277,609	36,645,116	41,737,539							
Eight years later	41,954,062	37,864,623								
Nine years later	42,778,651									
Reestimated ceded claims and expenses										
Reestimated net incurred claims and expenses:										
End of policy year	55,228,609	60,896,351	68,482,431	57,714,541	64,483,752	63,426,393	66,545,893	66,404,082	78,845,561	73,996,026
One year later	52,639,000	56,598,000	63,759,664	54,347,541	60,776,752	61,249,584	62,627,866	63,775,822	79,447,195	
Two years later	50,143,000	52,642,352	55,515,664	52,595,541	60,096,260	59,370,133	61,014,074	50,189,951		
Three years later	49,378,609	46,570,352	52,510,664	50,921,227	62,070,752	57,591,365	69,461,423			
Four years later	46,577,609	46,311,352	50,706,522	48,524,541	60,836,732	56,920,711				
Five years later	45,649,609	46,216,489	49,759,664	46,695,122	60,156,339					
Six years later	46,542,831	44,920,352	48,946,113	46,568,807						
Seven years later	46,937,609	43,458,116	48,852,539							
Eight years later	46,609,062	42,253,623								
Nine years later	46,681,651									
Increase/(decrease) in estimated net incurred claims and expense from end of policy year	$ (8,546,958)	$ (18,642,728)	$ (19,629,892)	$ (11,145,734)	$ (4,327,413)	$ (6,505,682)	$ 2,476,240	$ (16,214,131)	$ 601,634	$ -0-

REPORT PURSUANT TO GOVERNMENT AUDITING STANDARDS

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable Chairperson and Members
of the Board of Trustees
New Jersey Schools Insurance Group
Burlington, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New Jersey Schools Insurance Group (the "Group") as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Group's basic financial statements, and have issued our report thereon dated January 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Group'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 Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the Group'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 Group'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 Group'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 result 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.

January 20, 2016
Mount Arlington, New Jersey

NISIVOCCIA LLP

Valerie A. Dolan

Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant

NEW JERSEY SCHOOLS INSURANCE GROUP
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015

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January 20, 2016

The Honorable Chairperson and Members
of the Board of Trustees
New Jersey Schools Insurance Group
Burlington, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New Jersey Schools Insurance Group (the "Group") for the fiscal year ended June 30, 2015, and have issued our report thereon dated January 20, 2016.

As part of our audit, we performed procedures required by the New Jersey Department of Community Affairs, Division of Local Government Services, and the findings and results thereof are disclosed on the following pages. This letter does not affect our report dated January 20, 2016 on the financial statements of the Group.

We will review the status of any comments made during our next audit engagement. We have already discussed any comments and suggestions made with various management personnel, and we will be pleased to discuss them in further detail at your convenience or to perform any additional study of these matters, or to assist you in implementing the recommendations or suggestions.

This report is intended solely for the information and use of the New Jersey Schools Insurance Group's trustees and management and the New Jersey Department of Community Affairs, Division of Local Government Services and the New Jersey Department of Banking and Insurance. However, this report is a matter of public record and its distribution is not limited.

NISIVOCCIA LLP

Valerie A. Dolan

Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant

NEW JERSEY SCHOOLS INSURANCE GROUP
COMMENTS AND RECOMMENDATIONS

During our audit of the payroll records/procedures we noted that improvements can be made to strengthen the controls of the Group.

1. A review reconciliation and approval of the quarterly payroll/tax reports should be implemented. This should include verifying that the data on the quarterly reports reconciles to the monthly Paychex reported data. This also involves the verification of gross pay and all deductions on each employee's paycheck before distribution of the check to the respective employee for at least one payroll to ensure accuracy. A review reconciliation is also needed each time payroll is processed. Payroll reports should be reconciled to wire payments requests prior to the wiring of any funds to the payroll provider. Paychecks should also be reviewed and verified for correct gross pay, withholdings and deductions prior to employee distribution. The review of employee payroll and deductions will ensure that the various agencies are being corrected calculated, timely submitted and in accordance with the W-4's completed by the employees. By improving the entry, reconciliation and approval process of payroll the Group will improve the controls of the payroll function.

2. Our review also revealed that the procedures for the handling of the Dependent Care funds were not made in accordance with IRS Guidelines. In July 2014, payments were processed paying participants the December 31, 2013 balance in the dependent care accounts. This reimbursement/payment was not based on each participating employee's actual ending balance/expenses incurred, but was instead distributed in equal amounts among all participating employees. The amount distributed among the employees was $6,554.90 or $655.49 per employee. This disbursement was reviewed at length at the time of the transaction and was determined that the process should not be done on a go forward basis and was discontinued with the December 31, 2014 balances. There were no reimbursements/distributions made from the December 31, 2014 dependent care accounts balances.

It is recommended that the Human Resources/Payroll be separated into two separate functions and procedures be reviewed and implemented to prepare reconciliations and verifications to ensure the accuracy of the payroll transactions.

Management's Response:

During fiscal year 2013/2014, the Comptroller had informed the HR Manager, the former Executive Director and the Nisivoccia auditors of the issues listed in #1 and #2 (above). The previous executive management did not take corrective action on these matters. As indicated above, the current Executive Director and the Comptroller have terminated the Dependent Care reimbursement process (as indicated in #2). The current Executive Director and the Comptroller are in agreement and are working on implementing the auditor's recommendation to separate Human Resources and Payroll functions.

The Comptroller and the Executive Director believe that an in-depth audit is required of all payroll functions and employee benefit transactions. This audit should be performed to reevaluate the current procedures related to these functions, to verify employee benefit programs are compliant with NJSIG policy and IRS guidelines and to initiate new procedures for reconciliations and verification of current processes to ensure accuracy of payroll and benefit transactions. We also believe that NJSIG needs to create a new position and hire an experienced payroll/benefits employee to manage all of these functions as an on-going process. The in-depth audit will also assist NJSIG with developing a job description and implementing an employment search to find a qualified candidate for this position. It is anticipated that this new position will also support Accounting Department staff responsibilities.

NEW JERSEY SCHOOLS INSURANCE GROUP
COMMENTS AND RECOMMENDATIONS

Management Suggestions

Economic Conditions and their Effect on Operations

The prolonged period of low interest we are experiencing has negatively affected the Funds investment yield and as a result Net Position. Investment income has declined from a high of more than $7,400,000 in 2008 to approximately $931,000 in 2015.

Status of Prior Year Comments and Recommendations

There were no prior year comments and recommendations.