NEW JERSEY SCHOOLS INSURANCE GROUP

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED

JUNE 30, 2018 AND 2017

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

NEW JERSEY SCHOOLS INSURANCE GROUP

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

The Chairperson and Members
of the Board of Trustees
New Jersey Schools Insurance Group
Mount Laurel, 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 year ended June 30, 2018, 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 an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

601 White Horse Road | Voorhees, NJ 08043 | P 856.435.6200 | F 856.435.0440 | www.bowmanllp.com

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Group as of June 30, 2018 and the changes in its financial position and its cash flows for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Comparative Financial Statements

The comparative financial statements for the year ended June 30, 2017 were audited by a predecessor auditor. The predecessor auditor issued an unmodified opinion on those financial statements in their report dated September 23, 2017.

Required Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2018 on our consideration of the Group's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Group's internal control over financial reporting and compliance.

Respectfully Submitted,

Bowman & Company LLP

Bowman & Company LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
November 28, 2018

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

INDEPENDENT AUDITOR'S REPORT

The Chairperson and Members
of the Board of Trustees
New Jersey Schools Insurance Group
Mount Laurel, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the New Jersey Schools Insurance Group (the "Group), as of June 30, 2018 and for the fiscal year then ended, and the related notes to the financial statements, which collective comprise the Group's basic financial statements, and have issued our report thereon dated November 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

601 White Horse Road | Voorhees, NJ 08043 | P 856.435.6200 | F 856.435.0440 | www.bowmanllp.com

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Group's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and the audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Respectfully Submitted,

Bowman & Company LLP

Bowman & Company LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
November 28, 2018

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

This section of the annual financial report of the New Jersey Schools Insurance Group (the "Group) presents a discussion and analysis of the financial performance of the Group for the fiscal years ended June 30, 2018, 2017 and 2016. Please read it in conjunction with the basic financial statements that follow this section.

<u>Overview of Basic Financial Statements</u>

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 provide property and casualty insurance coverage for school districts that are members of the Group. The Group maintains separate enterprise funds by incurred years and line of coverage. The basic financial statements are presented on an accrual basis of accounting. The three basic financial statements presented are as follows:

Comparative Statements of Net Position – This statement presents information reflecting the Group's assets, deferred outflows, liabilities, deferred inflows, reserves, and net position. Net position represents the amount of total assets and deferred outflows less total liabilities, reserves and deferred inflows.

Comparative Statements of Revenues, 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.

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

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

Financial Highlights

The following tables summarize the net position and results of operations for the Group as of and for the fiscal years ended June 30, 2018, 2017 and 2016.

Statement of Net Position

	6/30/2018	6/30/2017	6/30/2016	2017 to 2018 Change Amount	2017 to 2018 Change Percentage
Assets					
Cash And Cash Equivalents	$ 158,384,192	$ 325,631,556	$ 265,785,525	$ (167,247,364)	-51.36%
Investments	180,435,386		40,000,000	180,435,386	
Capital Assets	662,110	774,210	791,566	(112,100)	-14.48%
Other Assets	2,855,368	2,367,096	4,437,325	488,272	20.63%
Total Assets	342,337,056	328,772,862	311,014,416	13,564,194	4.13%
Deferred Outflows of Resources	6,616,774	7,185,341	3,430,390	(568,567)	-7.91%
Current Liabilities					
Loss Reserves	216,538,000	218,935,000	218,760,994	(2,397,000)	-1.09%
Other Liabilities	10,603,354	7,662,278	10,152,810	2,941,076	38.38%
Total Current Liabilities	227,141,354	226,597,278	228,913,804	544,076	0.24%
Long-Term Liabilities					
Safety Grant Payable	15,985,278	8,500,000		7,485,278	88.06%
Net Pensions Liabilities	1,966,607	1,363,343	15,866,572	603,264	44.25%
Retirement Benefits	17,643,695	20,713,990	1,186,962	(3,070,295)	-14.82%
Total Long-Term Liabilities	35,595,580	30,577,333	17,053,534	5,018,247	16.41%
Total Liabilities And Reserves	262,736,934	257,174,611	245,967,338	5,562,323	2.16%
Deferred Inflows of Resources	3,636,041	120,962	255,104	3,515,079	2905.94%
Net Position					
Invested in Capital Assets	662,110	774,210	791,566	(112,100)	-14.48%
Unrestricted	81,918,745	77,888,420	67,430,798	4,030,325	5.17%
Net Position - Unrestricted	$ 82,580,855	$ 78,662,630	$ 68,222,364	$ 3,918,225	4.98%

Statement of Revenues, Expenses, and Changes in Net Position

	6/30/2018	6/30/2017	6/30/2016	2017 to 2018 Change Amount	2017 to 2018 Change Percentage
Operating Revenue					
Regular Contributions & Other Income	$ 129,340,074	$ 130,479,173	$ 124,023,823	$ (1,139,099)	-0.87%
Operating Expenses					
Provision For Claims And Claims Adj Recoveries	55,801,707	52,283,259	51,920,301	3,518,448	6.73%
Reinsurance Premiums	32,574,759	32,280,231	32,261,555	294,528	0.91%
Salaries and Fringe Benefits	9,978,144	9,995,917	8,784,418	(17,773)	-0.18%
Agent Commissions	14,654,810	14,826,534	14,673,161	(171,724)	-1.16%
Safety Grant Expense	11,485,279	8,500,000	3,000,000	2,985,279	35.12%
Professional Services	2,437,015	2,725,595	2,488,129	(288,580)	-10.59%
Other	1,810,638	390,952	367,577	1,419,686	363.14%
Depreciation	597,722	369,039	469,736	228,683	61.97%
Total Operating Expenses	129,340,074	121,371,527	113,964,877	7,968,547	6.57%
Operating Income	-	9,107,646	10,058,946	(9,107,646)	-100.00%
Investment Income	3,918,225	1,332,620	848,396	2,585,605	194.02%
Change In Net Position	$ 3,918,225	$ 10,440,266	$ 10,907,342	$ (6,522,041)	-62.47%

Financial Highlights Continued

The Group's total assets increased by 4.13% and total liabilities increased by 2.16%. Included in total liabilities, claim loss reserves decreased by 1.09%

Assessments and other income decreased by 0.87%, in part due to a decline in membership. Based on the Trustees decision to award safety grants equal to net operating income, the financial statements reflect no net operating income. Operating income prior to the accrual of safety grant awards was $11,485,279. Operating income prior to the accrual represented a decrease of $6,122,367 from the fiscal year ended June 30, 2017 when operating income prior to the accrual of safety grant awards was $17,607,646.

Investment income for the fiscal year ended June 30, 2018 increased by nearly 3 times to $3,918,225 from the prior year due to managements change in banking relationships and the investment in United States Treasury bills of $180,435,386 as of June 30, 2018.

Net Position increased by $3,918,225 due to the Trustees decision to authorize safety grant awards equal to net operating income and retain investment income as an addition to net position.

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

Economic Conditions

The Group continues to be subject to inflationary trends in insurance and claim costs. The Group will continue to monitor its claims and work with its member via the safety program to minimize the number and severity of claims.

Contacting the Fund's Management

This financial report is designed to provide the New Jersey School Insurance Group's members and the Department of Banking and Insurance of the State of New Jersey with a general overview of the Group's finances and to demonstrate the Group's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Executive Director's Office at 6000 Midlantic Drive, Mount Laurel, New Jersey 08054.

Exhibit A-1

NEW JERSEY SCHOOLS INSURANCE GROUP
COMPARATIVE STATEMENTS OF NET POSITION
AS OF JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 158,384,192	$ 325,631,556
Investments	180,435,386	
Assessment Receivable, Net	1,618,637	1,467,213
Accrued Interest and Dividends	565,988	
Reinsurance Receivable	271,276	499,271
Prepaid Expenses and Other Assets	399,467	400,612
Total Current Assets	341,674,946	327,998,652
Capital Assets	662,110	774,210
Total Assets	342,337,056	328,772,862
DEFERED OUTFLOWS OF RESOURCES		
Related to Pension	6,616,774	7,185,341
LIABILITIES AND RESERVES		
Current Liabilities:		
Unearned Assessments	357,483	418,661
Accounts Payable and Accrued Expenses	5,798,777	3,822,777
Safety Grant Payable	4,447,094	3,420,840
Total Current Liabilities	10,603,354	7,662,278
Claims Reserves:		
Case Reserves	120,466,000	120,678,000
IBNR Reserves	96,072,000	98,257,000
Total Claims Reserves	216,538,000	218,935,000
Long-Term Liabilities		
Safety Grant Payable	15,985,278	8,500,000
Other Post Employment Benefits	1,966,607	1,363,343
Net Pensions Liabilities	17,643,695	20,713,990
Total Long-Term Liabilities	35,595,580	30,577,333
Total Liabilities and Reserves	262,736,934	257,174,611
DEFERED INFLOWS OF RESOURCES		
Related to Pension	3,636,041	120,962
NET POSITION		
Investment in Capital Assets	662,110	774,210
Unrestricted	81,918,745	77,888,420
Total Net Position	$ 82,580,855	$ 78,662,630

The Accompanying Notes to Financial Statements are an Integral Part of this Statement

Exhibit A-2

NEW JERSEY SCHOOLS INSURANCE GROUP
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Operating Revenue:		
Assessments from Participating Members	$ 129,326,634	$ 129,697,236
Claims Servicing Revenue	7,510	17,749
Other Income	5,930	764,188
Total Operating Revenue	129,340,074	130,479,173
Operating Expenses:		
Provision for Claims and Claims Adjustment Expense	55,801,707	52,283,259
Reinsurance Premiums	32,574,759	32,280,231
Salaries and Fringe Benefits	9,978,144	9,995,917
Agent Commissions	14,654,810	14,826,534
Safety Grant Expense	11,485,279	8,500,000
Management Fees	675,000	675,000
Office Expenses	1,124,528	1,274,609
Consulting and Professional Fees	510,357	654,918
Travel and Meeting Expense	127,130	121,068
Other	1,810,638	390,952
Depreciation	597,722	369,039
Total Operating Expenses	129,340,074	121,371,527
Operating Income	---	9,107,646
Non-Operating Revenue:		
Investment Income	3,918,225	1,332,620
Change In Net Position	3,918,225	10,440,266
Net Position, Beginning	78,662,630	68,222,364
Net Position, Ending	$ 82,580,855	$ 78,662,630

The Accompanying Notes to Financial Statements are an Integral Part of this Statement

Exhibit A-3

NEW JERSEY SCHOOLS INSURANCE GROUP
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Assessments Received	$ 129,114,032	$ 129,689,915
Reinsurance Premiums Paid	(32,574,759)	(32,280,231)
Claims Paid	(57,970,712)	(52,109,253)
Operating Expenses Paid	(27,384,343)	(18,657,004)
Salaries and Fringe Benefits	(876,251)	(9,037,592)
Other Income Received	13,440	781,937
Net Cash Flows Provided By Operating Activities	10,321,407	18,387,772
Cash Flows From Investing Activities:		
Proceeds from the Sales and Maturities of Investment Securities	261,834,541	40,000,000
Purchase of Investments	(442,130,520)	
Purchase of Capital Assets	(485,622)	(351,683)
Investment Income	3,212,830	1,809,942
Net Cash Provided By (Used In) Investing Activities	(177,568,771)	41,458,259
Net Increase (Decrease) in Cash and Cash Equivalents	(167,247,364)	59,846,031
Cash and Cash Equivalents - Beginning	325,631,556	265,785,525
Cash and Cash Equivalents - Ending	$ 158,384,192	$ 325,631,556
Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities:		
Operating Income	---	9,107,646
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	597,722	369,039
Changes in Assets and Liabilities:		
(Increase)/Decrease in Assets		
Assessment Receivable	(151,424)	1,180,466
Reinsurance Receivable	227,995	(499,271)
Prepaid Expenses and Other Assets	1,145	911,712
Net Changes in Deferred Outflows	568,567	(134,142)
Increase/(Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	1,976,000	1,285,779
Safety Grant Payable	1,026,254	6,123,546
Reinsurance Payable		(35,689)
Change in Loss Reserves	(2,397,000)	174,006
Unearned Assessments	(61,178)	(1,187,787)
Net Pension Liability	5,018,247	4,847,418
Net Changes in Deferred Inflows	3,515,079	(3,754,951)
Net Cash Flows Provided By Operating Activities	$ 10,321,407	$ 18,387,772

The Accompanying Notes to Financial Statements are an Integral Part of this Statement

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 1: ORGANIZATION AND DESCRIPTION OF THE GROUP

The New Jersey Schools Insurance Group (the "Group") was formed 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 fiscal 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.

Membership in the Group is open to all qualified New Jersey school districts and/or educational institutions as determined by the Group's Trustees. The Boards may apply for membership by resolution of their respective Boards of Education/Trustees. All applicants to the Group must also include a letter certifying that the school district has never defaulted on a claim, and has not been canceled for non-payment of insurance premiums for a period of at least two (2) years prior to the date of application. This certification must also be included in the Members Resolution of Participation. The Trustees may approve qualified applicants by majority vote.

The Group provides coverage for workers' compensation, general and automobile liability, auto 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.

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

A summary of the risk amounts 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 2017, $350,000 per occurrence for fund years 1992 to 2002, and $500,000 per occurrence for fund years 1986 to 1991 and 2003. For periods prior to 1987, annual aggregate retention based on minimum varying percentages of standard earning premium.
General liability and automobile liability	$500,000 per occurrence for fund years 2003 to 2017, $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 2017, $150,000 per occurrence for fund year 1989 to 2001, and $250,000 per occurrence for period prior to fund year 1989.
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.

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

For fund years 2003 to 2008, the aggregate retention is $500,000 for general and automobile liability and workers' compensation losses. For fund year 2003 to 2008 there was an addition one time, inner aggregate retention of $500,000, excess of the $500,000 retention for general and automobile liability.

The Group also writes policies covering umbrella liability, equipment breakdown, cyber liability, supplemental indemnity, environmental, and crisis management. All of which are ceded 100% to reinsurance. The errors and omissions prior to 2004, and 2008 to 2018, was ceded 100% to reinsurance. During 2004 to 2008, the Group had a $1,000,000 retention.

During the fiscal year ended June 30, 2018 and 2017, there were 387 and 413 New Jersey School Districts, respectively, that were members of the Group.

The Group also provides claims processing services 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 $7,510 and $17,749 during the fiscal years ended June 30, 2018 and 2017, respectively.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant policies followed by the Group in the preparation of the accompanying financial statements:

Component Unit

In evaluating how to define the Group for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34, and GASB Statement No. 80, Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the primary entity's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the primary entity.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the primary entity. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the primary entity is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary entity could warrant its inclusion within the reporting entity.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Member Assessments are recognized as revenue at the time of assessment.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Cash, Cash Equivalents

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments, which may be purchased by New Jersey municipal units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured.

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

Cash, Cash Equivalents (Cont'd)

All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Additionally, the Group has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Investments

The Group generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The Group categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment Income Allocation

Interest accruals and interest payments on cash instruments are allocated every month based upon each line of coverage share of opening cash and investment balances.

Annual Assessments

By May 15th of each year, the gross claim Group assessment is determined by the actuary and when combined with the expense and premium projections, constitutes the Group's budget. Assessments for participating School Districts are determined by the underwriting criteria establish by the Executive Committee. Assessments are recognized over the course of the year for which coverage is being provided. The annual assessment shall be paid to the Group in one (1) installment, except for Workers' Compensation, where members may request up to a maximum of twelve (12) monthly installments. Installment billings must be paid not later than sixty (60) days after billing.

Supplemental Assessments

If the Group is unable to pay indemnification obligations and expenses from a fund administered by it, the Trustees shall by majority vote levy upon the member school districts' additional assessments wherever needed or so ordered by the Trustees or the Commissioner of Banking and Insurance to supplement the Group's claim, loss retention or administrative accounts to assure the payment of the Group's obligations.

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 assessment at the balance sheet date.

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

Assessments Receivable

Assessments receivable are unsecured, and non-interest bearing and are recorded when invoices are issued. The recording of invoices has nothing to do with financial statement presentation. Payments of assessments receivable are allocated to specific invoices identified on the members' 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.

Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the applicable fiscal year end.

Capital Assets

Capital Assets primarily consist of office furniture and equipment. Additions are recorded at cost and depreciation is provided on the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 5 years. Maintenance and repairs are charges to expense as incurred.

Deferred Outflows of Resources

The Group reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its comparative statements of net position. The only deferred outflows of resources reported in this fiscal year's financial statements are a deferred outflow of resources for contributions made to the Group's defined benefit pension plans between the measurement date of the net pension liabilities from those plans and the end of the Group's fiscal year.

Deferred Inflows of Resources

The Group's comparative statements of net position report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the Group's comparative statements of net position for a deferred amount for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of five (5) years, including the current fiscal year.

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 Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

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 (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage's such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors.

A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience.

Adjustments to claims liabilities are reflected in reserves and cumulative expenses in the periods being reported upon.

A. Reported Claims Case Reserves
Case reserves include estimated unpaid claims cost for both future payments of losses and related allocated claim adjustment expenses as reported by the claims adjuster.

B. Claims Incurred But Not Reported (IBNR) Reserve
In order to recognize claims incurred but not reported, a reserve is calculated by the Group's actuary.

Case and IBNR Reserves represent the estimated liability on expected future development on claims already reported to the Group and claims incurred but not reported and unknown loss events that are expected to become claims. The liabilities for claims and related adjustment expenses are evaluated using Group and industry data, case basis evaluations and other statistical analyses, and represent estimates of the ultimate net cost of all losses incurred through June 30, 2018.

These liabilities are subject to variability between estimated ultimate losses determined as described and the actual experience as it emerges, including the impact of future changes in claim severity, frequency, and other factors.

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

Reinsurance

Specific Excess Insurance - The Group records each claim at the estimated ultimate cost of settlement even if the costs should exceed the Group's specific claim self-insured retention level. Although the excess carrier is liable to the Group for the amounts insured, the Group remains liable to its insured's for the full amount of the policies written whether or not the excess carrier meets its obligations to the Group. Failure of the excess carrier to honor its obligations could result in losses to the Group.

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

Unpaid Claims Liabilities (Cont'd)

Reinsurance (Cont'd)

Losses ceded to excess carriers for the fiscal years ended June 30, 2018 and 2017 amounted to $1,067,080 and $11,227,704 respectively.

Fund Transfers

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

Inter-trust fund transfers may be conducted by the Group at any time. Inter-trust fund transfers require prior approval of the Department of Banking and Insurance and may be conducted only where each member participates in every loss retention fund account during that fund year.

The Commissioner of the Department of Banking and Insurance shall waive the full participation requirement provided the Group demonstrates to the Department that it maintains records of each members pro rata share of each claim or loss retention fund account, and that the transfer shall be made so that any potential dividend shall not be reduced for a member that did not participate in the account receiving the transfer.

Inter-year fund transfers require prior approval of the Department of Banking and Insurance. The Group may seek approval from the Commissioner to make inter-year fund transfers at any time from a claims or loss retention trust account from any year that has been completed for at least twenty-four 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 outlined in N.J.A.C. 11:15-4.21.

The membership for each fiscal year involving inter-year transfers must be identical between fiscal years. The Commissioner of the Department of Banking and Insurance shall waive the identical membership requirement provided the Group demonstrates to the Department that it maintains records of each members pro rata share of each claim or loss retention fund account, and that the transfer shall be made so that any potential dividend shall not be reduced for a member that did not participate in the year receiving the transfer.

Subrogation

Subrogation and all other recoverable claim amounts, excluding excess insurance, are recognized upon receipt of cash only.

Income Taxes

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

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

Net Position

In accordance with the provisions of the Governmental Accounting Standards Board Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", the Trustees have classified its net position as unrestricted. This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets" and includes net position that may be allocated for specific purposes by the Trustees.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from member contributions. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and investments in government securities

Operating expenses include expenses associated with the fund operations, including claims expense, insurance and administrative expenses.

Use of Estimates

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

Impact of Recently Issued Accounting Policies

Recently Issued and Adopted Accounting Pronouncements

For the fiscal year ended June 30, 2018, the Group adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The adoption of this Statement had no impact on the Group's financial statements.

For the fiscal year ended June 30, 2018, the Group adopted GASB Statement No. 82, Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this Statement had no impact on the Group's financial statements.

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

Recently Issued Accounting Pronouncements

GASB Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement will become effective for the Group in the year ending June 30, 2021. Management has not yet determined the impact of this Statement on the financial statements.

Note 3: CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Fund's deposits might not be recovered. Although the Group does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the Federal Deposit Insurance Corporation (FDIC) protects the first $250,000 of governmental deposits in each insured depository. Public funds owned by the Fund in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Fund relative to the happening of a future condition. If the Group had any such funds, they would be shown as Uninsured and Uncollateralized.

Of the Group's bank balance of $160,880,302 as of June 30, 2018, $250,000 was insured while $160,630,302 was collateralized under GUDPA.

Of the Group's bank balance of $327,566,886 as of June 30, 2017, $500,000 was insured while $327,066,886 was collateralized under GUDPA.

New Jersey Cash Management Fund

During the fiscal year, the Group participated in the New Jersey Cash Management Fund. The Cash Management Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At June 30, 2018 and 2017, the Group's deposits with the New Jersey Cash Management Fund were $329,865 and $325,578, respectively.

Note 4: INVESTMENTS

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Group will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Group, and are held by either the counterparty or the counterparty's trust department or agent but not in the Group's name. All of the Group's investments in United States Treasury Notes of $180,311,989 and Blackrock Liquidity Treasury Cl Adm $123,397 as of June 30, 2018 were uninsured and unregistered with securities held by either the counterparty or counterparty's trust department or agent, but not in the Group's name.

Note 4: INVESTMENTS (CONT'D)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To limit risk, the Group's investment policy provides that no investment or deposit shall have a maturity longer than five (5) years from date of purchase.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Group may purchase such as Treasury securities in order to limit the exposure of governmental units to credit risk. The Group has an investment policy that limits its investment choices.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Group does not place a limit on the amount that may be invested in any one issuer. All of the Group's investments are in debt obligations.

Concentration of Credit Risk (Cont'd)

As June 30, 2018, the Group had the following investments and maturities. The Group did not hold any investments as of June 30, 2017.

Investment	Interest Rate	Maturities	Credit Rating	Market Value
Blackrock Liquidity Treas Cl Adm			AAA	$ 123,397
US TREASURY NOTE	0.750%	2/15/2019	AAA	8,918,460
US TREASURY NOTE	0.750%	7/15/2019	AAA	8,850,960
US TREASURY NOTE	0.875%	4/15/2019	AAA	8,899,830
US TREASURY NOTE	0.875%	5/15/2019	AAA	8,886,780
US TREASURY NOTE	0.875%	7/15/2018	AAA	8,997,030
US TREASURY NOTE	0.875%	9/15/2019	AAA	8,834,760
US TREASURY NOTE	1.000%	3/15/2019	AAA	8,921,610
US TREASURY NOTE	1.000%	8/15/2018	AAA	8,990,460
US TREASURY NOTE	1.000%	9/15/2018	AAA	8,982,720
US TREASURY NOTE	1.000%	10/15/2019	AAA	8,835,840
US TREASURY NOTE	1.000%	11/15/2019	AAA	9,019,220
US TREASURY NOTE	1.125%	1/15/2019	AAA	8,949,420
US TREASURY NOTE	1.250%	11/15/2018	AAA	8,972,910
US TREASURY NOTE	1.375%	1/15/2020	AAA	9,340,020
US TREASURY NOTE	1.375%	12/15/2019	AAA	9,351,230
US TREASURY NOTE	1.375%	2/15/2020	AAA	9,035,780
US TREASURY NOTE	0.875%	10/15/2018	AAA	9,170,376
US TREASURY NOTE	1.375%	12/31/2018	AAA	9,034,536
US TREASURY NOTE	0.750%	7/31/2018	AAA	9,337,057
US TREASURY NOTE	0.750%	8/31/2018	AAA	8,982,990
				$ 180,435,386

Fair Value Measurements of Investments

The Group categorizes its fair value disclosures within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted process in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Group's fair value measurements as of June 30, 2018 includes $123,397 in Blackrock Liquidity Treasury Cl Adm, a mutual fund that invests in U.S. Treasury bills, notes, and other obligations issued or guaranteed as to principal and interest by the U.S. Treasury and United States Treasury Notes of $180,311,989. These investments are valued using quoted market prices for identical assets (Level 1 inputs).

Note 5: CAPITAL ASSETS

Capital assets balances and activity for the fiscal years ended June 30, 2018 and 2017 were as follows:

	June 30, 2018	June 30, 2017
Capital Assets Being Depreciated		
Furniture and Equipment		
Beginning of Year Balance	$ 1,322,601	$ 1,347,135
Additions	485,622	351,683
Deletions	(199,606)	(376,217)
End of Year Balance	1,608,617	1,322,601
Accumulated Depreciation		
Beginning of Year Balance	548,391	555,569
Depreciation Expense	597,722	369,039
Deletions	(199,606)	(376,217)
End of Year Balance	946,507	548,391
Net Capital Assets	$ 662,110	$ 774,210

Note 6: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts Payable and Accrued Expenses for the fiscal years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Accounts Payable - Vendors	$ 3,112,183	$ 1,341,008
Rate Stabilization Reserves - SubFunds	1,968,064	1,818,525
Pension Contribution Subsequent to Measure Date	718,530	663,244
	$ 5,798,777	$ 3,822,777

Note 7: SAFETY GRANT

During the fiscal year ended in June 30, 2009, the Group approved a new safety grant program to the membership of the Group. The Group recognized 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.

Note 7: SAFETY GRANT (CONT'D)

Based on the criteria of the grant and the review of each members' application, grants were awarded for $11,485,279 and $8,500,000 for the fiscal years ended June 30, 2018 and 2017, respectively.

Beginning with the June 30, 2017 Safety Grant Award, scheduled payments of the awards are allocated over future years. In order to be eligible to receive a scheduled payment during a fiscal year, the grant recipient must have been a member of record as of the July 1st of the payment year. Accordingly, the first scheduled payment of the June 30, 2017 is after July 1st of 2018 and will be made during the Group's 2018-2019 fiscal year. In order to qualify to receive the award payment, the grant recipient must be a member of record as of July 1, 2018.

As of June 30, 2018 and 2017 total safety grants payable, assuming all grant recipients are members of record as of July 1st of the payment year are as follows:

Year Payable	Total	Award Years 6/30/2018	6/30/2017	Prior
6/30/2019	$ 4,447,094		$ 4,000,000	$ 447,094
6/30/2020	4,500,000	$ 3,000,000	1,500,000	
6/30/2021	4,500,000	3,000,000	1,500,000	
6/30/2022	4,500,000	3,000,000	1,500,000	
6/30/2023	2,485,278	2,485,278		
	$ 20,432,372	$ 11,485,278	$ 8,500,000	$ 447,094

Note 8: CHANGES IN UNPAID CLAIMS LIABILITIES

As discussed in Note 2, the Group establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related allocated claim adjustment expenses.

The following represents changes in those aggregate undiscounted reported and unreported liabilities for the fiscal years ended June 30, 2018 and 2017 and for all open Fund years net of excess insurance recoveries:

	2018	2017
Unpaid Claims and Claim Adjustment Expenses,		
Beginning of Year	$ 218,935,000	$ 218,760,994
Incurred Claims And Claim Adjustment Expenses:		
Provision For Insured Events Of Current Fund Year	75,424,182	72,028,100
(Decrease)/Increase in Provision for Insured		
Events of Prior Years	(19,622,475)	(19,744,841)
Total Incurred Claims And Claims		
Adjustment Expenses All Fund Years	55,801,707	52,283,259
Payments:		
Claims And Claims Adjustment Expenses Attributable to		
Insured Events of the Current Period	18,653,683	14,798,100
Insured Events of Prior Years	39,545,024	37,311,153
Total Incurred Claims and Claim Adjustment Expenses	58,198,707	52,109,253
Total Unpaid Claim And Claim Adjustment Expenses		
End of Year	$ 216,538,000	$ 218,935,000

The Group maintains contracts for insurance including excess insurance covering losses in excess of an amount established between the Group 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.

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

Note 9: LONG-TERM LIABILITES

During the fiscal years ended June 30, 2018 and 2017, the following changes occurred in long-term obligations:

	June 30, 2018	June 30, 2017
Pension Liabilities		
Beginning of Year	$ 20,713,990	$ 15,866,572
Increases	7,790,013	9,020,100
Decreases	(10,860,308)	(4,172,682)
Net Pension Liability End of Year	17,643,695	20,713,990
Other Post Employment Benefits Obligation		
Beginning of Year	1,363,343	1,186,962
Increases	627,156	188,381
Decreases	(23,892)	(12,000)
Net Other Post Employment Benefits Obligation End of Year	1,966,607	1,363,343
Safety Grants Payable		
Beginning of Year	11,920,840	5,797,294
Safety Grant Award	11,485,279	8,500,000
Payments	(2,973,747)	(2,376,454)
Safety Grants Payable End of Year	20,432,372	11,920,840
Less Current Portion	(4,447,094)	(3,420,840)
Long-Term Portion of Safety Grants Payable End of Year	15,985,278	8,500,000
Total Long Term Liabilties	$ 35,595,580	$ 30,577,333

Note 10: PENSION PLANS

A substantial number of Group employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits ("the Division"). The plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
http://www.state.nj.us/treasury/pensions/financial-reports.shtml

Note 10: PENSION PLANS (CONT'D)

Plan Descriptions

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Group, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Vesting and Benefit Provisions

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

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 21, 2010
4	Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of $1/55^{th}$ 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 $1/60^{th}$ of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, 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 member 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 55 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

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017 and 7.06% in State fiscal year 2016.

Note 10: PENSION PLANS (CONT'D)

Contributions (Cont'd)

The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10% in State fiscal year 2017. Employers' contribution are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Group's contractually required contribution rate for the fiscal years ended June 30, 2018 and 2017 was 14.78% and 13.08% of the Group's covered payroll. These amounts were actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the fiscal year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2017, the Group's contractually required contribution to the pension plan for the fiscal year ended June 30, 2018 was $702,153, and was paid on April 1, 2018. Based on the PERS measurement date of June 30, 2016, the Group's contractually required contribution to the pension plan for the fiscal year ended June 30, 2017 was $621,330, which was paid on April 1, 2017. Employee contributions to the Plan during the fiscal year ended June 30, 2018 and 2017 were $410,102 and $394,361, respectively.

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

At June 30, 2018, the Group's proportionate share of the net pension liability was $17,643,695. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. 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 employers, actuarially determined. For the June 30, 2017 measurement date, the Group's proportion was .0757942739%, which was an increase of .0058550585% from its proportion measured as of June 30, 2016.

At June 30, 2017, the Group's proportionate share of the net pension liability was $20,713,990. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. 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 employers, actuarially determined. For the June 30, 2016 measurement date, the Group's proportion was .0699392154%, which was a/decrease of .0007422456% from its proportion measured as of June 30, 2015.

For the fiscal years ended June 30, 20188 and 2017, the Group recognized pension expense of $1,770,802 and $2,242,860, respectively. These amounts were based on the plan's June 30, 2017 and 2016 measurement dates, respectively.

Note 10: PENSION PLANS (CONT'D)

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

Deferred Outflows of Resources and Deferred Inflows of Resources - At June 30, 2018 and 2017, the Group reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	June 30, 2018		June 30, 2017	
	Measurement Date June 30, 2017		Measurement Date June 30, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 415,448	$ (17)	$ 385,217	$ -
Changes of Assumptions	3,554,597	3,541,565	4,290,832	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	120,142	-	789,843	-
Changes in Proportion and Differences between Group Contributions and Proportionate Share of Contributions	1,808,057	94,493	1,056,205	120,962
Group Contributions Subsequent to the Measurement Date	718,530	-	663,244	-
	$ 6,616,774	$ 3,636,041	$ 7,185,341	$ 120,962

The deferred outflows of resources related to pensions totaling $718,530 and $663,244 will be included as a reduction of the net pension liability in the fiscal years ended June 30, 2019 and 2018, respectively. This amount is based on an estimated April 1, 2019 and April 1, 2018 contractually required contribution, prorated from the pension plans measurement date of June 30, 2017 and June 30, 2016 to the Group's fiscal year end of June 30, 2018 and 2017.

Note 10: PENSION PLANS (CONT'D)

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

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - The Group will amortize the other deferred outflows of resources and deferred inflows of resources related to PERS over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between Group Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48

Note 10: PENSION PLANS (CONT'D)

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

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,		
2019	$	913,542
2020		1,124,965
2021		767,305
2022		(287,271)
2023		(256,355)
	$	2,262,186

Actuarial Assumptions

The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017 and 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	Measurement Date June 30, 2017	Measurement Date June 30, 2016
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2011 - June 30, 2014

Note 10: PENSION PLANS (CONT'D)

Actuarial Assumptions (Cont'd)

For the June 30, 2017 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For the June 30, 2016 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017 and 7.65% at June 30, 2016) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 and 2016 are summarized in the table on the following page.

Note 10: PENSION PLANS (CONT'D)

Actuarial Assumptions (Cont'd)

	Measurement Date June 30, 2017		Measurement Date June 30, 2016	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	5.00%	5.51%	5.00%	0.87%
Cash Equivalents	5.50%	1.00%	1.50%	1.74%
U.S. Treasuries	3.00%	1.87%	8.00%	1.79%
Investment Grade Credit	10.00%	3.78%	2.00%	1.67%
Public High Yield	2.50%	6.82%	2.00%	4.56%
Global Diversified Credit	5.00%	7.10%	1.50%	3.44%
Credit Oriented Hedge Funds	1.00%	6.60%	26.00%	8.53%
Debt Related Private Equity	2.00%	10.63%	13.25%	6.83%
Debt Related Real Estate	1.00%	6.61%	6.50%	9.95%
Private Real Estate	2.50%	11.83%	9.00%	12.40%
Equity Related Real Estate	6.25%	9.23%	12.50%	4.68%
U.S. Equity	30.00%	8.19%	2.00%	6.91%
Non-U.S. Developed Markets Equity	11.50%	9.00%	0.50%	5.45%
Emerging Markets Equity	6.50%	11.64%	5.00%	-0.25%
Buyouts/Venture Capital	8.25%	13.08%	5.25%	5.63%
	100.00%		100.00%	

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2017 was 5.00%. The respective single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Note 10: PENSION PLANS (CONT'D)

Actuarial Assumptions (Cont'd)

Discount Rate (Cont'd) - The discount rate used to measure the total pension liability at June 30, 2016 was 3.98%. The respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

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

The following presents the Group's proportionate share of the net pension liability at June 30, 2018, the plans measurement date, calculated using a discount rate of 5.00%, 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% lower or 1% higher than the current rates used:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Group's Proportionate Share of the Net Pension Liability	$ 21,888,202	$ 17,643,695	$ 14,107,496

The following presents the Group's proportionate share of the net pension liability at June 30, 2017, the plans measurement date, calculated using a discount rate of 3.98%, 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% lower or 1% higher than the current rates used:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Group's Proportionate Share of the Net Pension Liability	$ 25,382,576	$ 20,713,990	$ 16,859,666

Note 10: PENSION PLANS (CONT'D)

Pension Plan Fiduciary Net Position

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 respective fiduciary net position of the PERS and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR), which can be found at http://www.state.nj.us/treasury/pensions/financial-reports.shtml.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description and Benefits Provided - The Group has established a postemployment benefit plan to assist retirees in paying for medical coverage. The plan provides a lifetime monthly payment of $500 to all eligible employees with full vesting occurring at retirement age 60 with 25 years of service. No assets are accumulated in a trust. In accordance with GASB Statement 75, this plan is considered a Single Employer, Defined Benefit OPEB Plan that is not administered through a Trust that meets the criteria in paragraph 4 of GASB Statement 75.

Employees Covered by Benefit Terms - At June 30, 2018 and 2017, the following employees were covered by the benefit terms:

	June 30, 2018	June 30, 2017
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	2	2
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	-	-
Active Employees	73	73
	75	75

Total OPEB Liability

The Group's total OPEB liability of $1,966,607 as of June 30, 2018 and $1,363,343 as of June 30, 2017 was measured as of June 30, 2017. The liabilities were determined by an actuarial valuation as of July 1, 2017 with the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018.

Actuarial Assumptions and Other Inputs - The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00% Annually
Salary Increases	3.00% Annually
Discount Rate	2.80%
Healthcare Cost Trend Rates	0.00%
Retirees' Share of Benefit-Related Costs	None

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

The discount rate was based on the 20-year Municipal AA bond rate.

Mortality rates were based on RP-2014 Mortality Fully Generational using Projection Scale MP-2016.

Termination rates were based on a 2% termination rate was used for employee grades 00 to 09, 5% for grades 10 to 17 and 2% for directors.

An experience study was not performed on the actuarial assumptions used in the June 30, 2017 valuation since the plan had insufficient data to produce a study with credible results. Mortality rates and termination rates were based on standard tables either issued by the SOA or developed for the applicable grade of employee. The actuary has used his/her professional judgement in applying these assumptions to this plan.

Changes in the Total OPEB Liability

The following table shows the changes in the total OPEB liability for the years ended June 30, 2018 and 2017, respectively:

	June 30, 2018		June 30, 2017	
Balance at Beginning of Year		$ 1,363,343		$ 1,186,962
Changes for the Year:				
Service Cost	$ 573,752		$ 152,116	
Interest Cost	53,404		36,265	
Benefit Payments	(23,892)		(12,000)	
Net Changes		603,264		176,381
Balance at End of Year		$ 1,966,607		$ 1,363,343

There were no changes of benefit terms or changes of assumptions at June 30, 2018 or 2017.

Note 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the Group, as well as what the Group's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	June 30, 2018		
	1.00% Decrease (1.80%)	Current Discount Rate (2.80%)	1.00% Increase (3.80%)
Total OPEB Liability	$ 2,276,828	$ 1,966,607	$ 1,682,543

	June 30, 2017		
	1.00% Decrease (1.80%)	Current Discount Rate (2.80%)	1.00% Increase (3.80%)
Total OPEB Liability	$ 1,598,899	$ 1,363,343	$ 1,172,610

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the Group, as well as what the Group's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	June 30, 2018		
	1.00% Decrease (-1.00%)	Healthcare Cost Trend Rate (0.00%)	1.00% Increase (1.00%)
Total OPEB Liability	$ 1,929,246	$ 1,966,607	$ 1,986,273

	June 30, 2017		
	1.00% Decrease (-1.00%)	Healthcare Cost Trend Rate (0.00%)	1.00% Increase (1.00%)
Total OPEB Liability	$ 1,349,710	$ 1,363,343	$ 1,376,976

Note 12: COMMITMENTS AND CONTINGENCIES

Lease Agreement – The Group leases its office location at 6000 Midlantic Drive, Mount Laurel, NJ under the terms of a ten-year operating lease agreement dated July 14, 2015. The terms of the lease require fixed monthly base payments in addition to a proportionate share of real estate taxes and common area charges and utilities though December 31, 2025.

Future minimum payments under the lease agreement are as follows:

Fiscal Year Ended	Base Rent
6/30/2019	$ 236,360
6/30/2020	243,385
6/30/2021	250,411
6/30/2022	257,436
6/30/2023	264,462
6/30/2024	271,487
6/30/2025	278,513
6/30/2026	141,013

Total costs and expenses charged to rent expense were $436,452 and $442,261 for the years ended June 30, 2018 and 2017.

Operation – 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 had been included in the financial statements since the amounts are not reasonably estimable.

NEW JERSEY SCHOOLS INSURANCE GROUP

REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1

NEW JERSEY SCHOOLS INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Property	General Liability	Auto Liability	Workers' Compensation	Auto Physical Damage	Errors and Omissions	Total
Total Unpaid Claim And Claim Adjustment Expenses - Beginning	$ 1,603,000	$ 28,523,000	$ 9,080,000	$ 179,589,000	$ 140,000	$ -	$ 218,935,000
Incurred Claims And Claims Adjustment Expenses:							
Provision For Insured Events Of Current Fund Year	9,134,772	7,939,858	3,206,137	55,065,415	78,000	-	75,424,182
Changes In Provision For Insured Events Of Prior Fund Years	788,599	(2,729,365)	(2,582,393)	(15,797,483)	(107,436)	805,603	(19,622,475)
Total Incurred Claims And Claims Adjustment Expenses All Fund Years	9,923,371	5,210,493	623,744	39,267,932	(29,436)	805,603	55,801,707
Payments (Net Of Subrogation):							
Claims And Claims Adjustment Payments:							
Attributable To Insured Events Of Current Fund Year	4,730,567	136,858	622,843	13,163,415			18,653,683
Attributable To Insured Events Of Prior Fund Years	1,995,804	5,578,635	1,323,901	29,876,517	(1,436)	771,603	39,545,024
Total Payments All Fund Years	6,726,371	5,715,493	1,946,744	43,039,932	(1,436)	771,603	58,198,707
Total Unpaid Claim And Claim Adjustment Expenses - Ending	$ 4,800,000	$ 28,018,000	$ 7,757,000	$ 175,817,000	$ 112,000	$ 34,000	$ 216,538,000

Schedule 2

NEW JERSEY SCHOOLS INSURANCE GROUP
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF JUNE 30, 2018

	Policy Period Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Earned Required Contribution										
And Investment and Other Revenue:										
Earned	$ 98,033,808	$ 102,995,630	$ 104,185,604	$ 105,000,904	$ 114,969,485	$ 120,623,875	$ 124,104,560	$ 124,872,219	$ 131,811,792	$ 129,947,339
Ceded	19,602,011	22,722,740	23,185,771	22,927,326	26,172,619	26,839,580	29,099,924	32,261,555	32,280,230	32,574,759
Net Earned	78,431,797	80,272,890	80,999,833	82,073,578	88,796,866	93,784,295	95,004,636	92,610,664	99,531,562	97,372,580
Unallocated Expenses	24,315,109	23,606,933	23,415,577	22,124,526	22,124,526	39,075,484	28,652,057	29,783,322	36,808,036	39,894,971
Estimated Claims And										
Expenses, End of Policy Year:										
Incurred	57,714,541	64,483,752	63,426,393	66,985,183	66,404,082	78,845,561	73,996,026	66,247,665	68,985,161	75,585,827
Ceded	-	-	-	-	-	-	-	-	843,073	332,921
Net Incurred	57,714,541	64,483,752	63,426,393	66,985,183	66,404,082	78,845,561	73,996,026	66,247,665	68,142,088	75,252,906
Paid (Cumulative) As Of:										
End Of Policy Year	12,536,541	16,681,752	14,264,133	14,408,893	14,799,082	20,977,561	17,465,026	13,283,259	14,798,100	18,291,827
One Year Later	21,305,541	27,122,752	23,734,166	24,453,866	23,643,822	35,420,195	28,061,255	23,392,825	27,482,488	
Two Years Later	26,355,541	32,627,752	28,725,133	28,641,074	21,341,951	43,921,706	35,401,116	29,925,636		
Three Years Later	31,330,541	39,113,752	34,398,365	46,281,423	23,412,071	50,975,531	44,993,702			
Four Years Later	35,869,541	43,484,732	40,645,711	50,909,174	26,997,993	86,432,399				
Five Years Later	38,313,122	47,578,339	42,051,625	53,467,922	76,271,033					
Six Years Later	39,970,807	50,846,700	47,506,190	52,117,925						
Seven Years Later	41,239,794	51,562,764	48,506,589							
Eight Years Later	44,446,827	51,413,988								
Nine Years Later	45,026,177									
Re-Estimated Ceded Claims										
And Expenses	2,682,016	1,889,694	3,751,021	76,836	2,552,044	6,218,839	2,442,358	1,866,582	691,703	423,501
Re-Estimated Net Incurred Claims										
And Expenses:										
End of Policy Year	57,714,541	64,483,752	63,426,393	66,985,183	66,404,082	78,845,561	73,996,026	66,247,665	68,142,088	75,252,906
One Year Later	54,347,541	60,776,752	61,249,584	62,627,866	64,775,822	98,447,195	71,039,255	62,980,231	66,060,608	
Two Years Later	52,595,541	60,096,260	59,370,133	61,014,074	50,189,951	79,719,706	67,980,116	57,100,482		
Three Years Later	50,921,227	62,070,752	57,591,365	69,461,423	45,871,071	77,865,531	64,704,487			
Four Years Later	48,524,541	60,836,732	56,920,711	67,805,174	42,469,993	71,621,033				
Five Years Later	46,695,122	60,156,339	53,822,625	54,022,522	56,617,833					
Six Years Later	46,568,807	60,062,701	52,245,877	54,412,055						
Seven Years Later	46,412,794	59,492,294	51,714,668							
Eight Years Later	45,743,187	59,353,565								
Nine Years Later	45,171,161									
Increase (Decrease) In Estimated Net Incurred										
Claims And Expenses From End Of Policy Year	$(12,543,380)	$ (5,130,187)	$ (11,711,725)	$ (12,573,128)	$ (9,786,249)	$ (7,224,528)	$ (9,291,539)	$ (9,147,183)	$ (2,081,480)	$ -

Schedule 3

NEW JERSEY SCHOOLS INSURANCE GROUP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF GROUP'S PRORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FIVE PLAN YEARS

	Measurement Date Ending June 30,				
	2013	2014	2015	2016	2017
Group's Proportion of the Net Pension Liability	0.0616007408%	0.0650904158%	0.0706814610%	0.0699392154%	0.0757942739%
Group's Proportionate Share of the Net Pension Liability	$ 11,773,126	$ 12,186,706	$ 15,866,572	$ 20,713,990	$ 17,643,695
Group's Covered Payroll (Plan Measurement Period)	$ 4,159,680	$ 4,401,760	$ 4,855,756	$ 4,822,836	$ 5,385,532
Group's Proportionate share of the Net Pension Liability as a Percentage of Covered Payroll	283.03%	276.86%	326.76%	429.50%	327.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.72%	52.08%	47.93%	40.14%	48.10%

This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

Schedule 4

NEW JERSEY SCHOOLS INSURANCE GROUP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF GROUP'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
Contractually Required Contribution	$ 536,596	$ 607,671	$ 621,330	$ 702,153	$ 806,832
Contribution in Relation to the Contractually Required Contribution	(536,596)	(607,671)	(621,330)	(702,153)	(806,832)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Group's Covered Payroll (Fiscal Year)	$ 4,692,709	$ 4,979,739	$ 5,022,119	$ 5,367,663	$ 5,460,764
Contributions as a Percentage of Group's Covered Payroll	11.43%	12.20%	12.37%	13.08%	14.78%

This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

Schedule 5

NEW JERSEY SCHOOLS INSURANCE GROUP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE GROUP'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS

	Fiscal Year Ending June 30, 2017	Fiscal Year Ending June 30, 2018
Service Cost	$ 152,116	$ 573,752
Interest Cost	36,265	53,404
Benefit Payments	(12,000)	(23,892)
Net Change in Total OPEB Liability	176,381	603,264
Total OPEB Liability - Beginning of Fiscal Year	1,186,962	1,363,343
Total OPEB Liability - End of Fiscal Year	$ 1,363,343	$ 1,966,607
Covered-Employee Payroll	$ 5,862,754	$ 5,759,503
Total OPEB Liability as a Percentage of Covered-Employee Payroll	23.25%	34.15%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

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

NEW JERSEY SCHOOLS INSURANCE GROUP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Note 1: POSTEMPLOYMENT BENEFITS - PENSION

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

Changes in Assumptions - For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at $118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at $265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

Note 2: OTHER POSTEMPLOYMENT BENEFITS

Changes in Benefit Terms - None

Changes in Assumptions - None

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and in compliance with audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

None.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AS PREPARED BY MANAGEMENT

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

Recommendation

That the Group review investments available to the Group to maximize investment income in accordance with the cash management policy.

Status

As of June 30, 2018, the Group had $180,435,386 invested in United States Treasury bonds and $158,384.192 in cash and equivalents compared to no investments and $325,631,556 in cash and equivalents as of June 30, 2017. This change in combination with management moving banking relationships resulted in investment income of $3,918,225 for the fiscal year ended June 30, 2018 as compared to $1,332,620 for the fiscal year ended June 30, 2017.

APPRECIATION

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

Respectfully submitted,

Bowman & Company LLP
Certified Public Accountants
& Consultants

James J. Miles, Jr.
Certified Public Accountant