

MERCER COUNTY INSURANCE FUND COMMISSION

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2018 AND 2017



MERCER COUNTY INSURANCE FUND COMMISSION

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Mercer County Insurance Fund Commission
9 Campus Drive
Suite 216
Parsippany, NJ 07054

Report on the Financial Statements

We have audited the accompanying financial statements of the Mercer County Insurance Fund Commission (the "Commission"), a component unit of Mercer County, New Jersey as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 audits 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission as of December 31, 2018 and 2017 and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements and are presented for purposes of additional analysis. The accompanying supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2019 on our consideration of the Commission'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 Commission's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

Bowman & Company LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
October 28, 2019

**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

Board of Commissioners
Mercer County Insurance Fund Commission
9 Campus Drive
Suite 216
Parsippany, NJ 07054

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 Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Mercer County Insurance Fund Commission (the "Commission"), a component unit of Mercer County, New Jersey as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission'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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free 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 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 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,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

Bowman & Company LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
October 28, 2019

MERCER COUNTY INSURANCE FUND COMMISSION

Management's Discussion and Analysis - Unaudited

This section of the annual financial report of the Mercer County Insurance Fund Commission (the "Commission") presents a discussion and analysis of the financial performance of the Commission for the years ended December 31, 2018, 2017 and 2016. Please read it in conjunction with the basic financial statements that follow this section.

Overview of Basic Financial Statements

The Commission's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises where applicable. The primary purpose of the Commission is to provide property and casualty insurance coverage for Mercer County Proper and its' inter-agencies that are members of the Commission. The Commission maintains separate enterprise funds by incurred years and line of coverage. The basic financial statements are presented on 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 Commission's assets, liabilities, and net position. Net position represents the amount of total assets less total liabilities.

Comparative Statements of Revenues, Expenses, and Changes in Net Position – This statement reflects the Commission'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 activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the year.

Financial Highlights

The following tables summarize the net position and results of operations for the Commission as of and for the years ended December 31, 2018, 2017 and 2016.

Summary Statement of Net Position			2018 to 2017 Change	
	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>Amount</u> <u>Percentage</u>
Assets				
Cash & Cash Equivalents	\$ 1,215,119	\$ 3,289,727	\$ 797,533	\$(2,074,608) -63.1%
Investments in Joint Ventures	1,155,179	762,925	743,967	392,254 51.4%
Contributions and Other Receivables	<u>14,647,600</u>	<u>10,026,235</u>	<u>9,256,121</u>	<u>4,621,365</u> <u>46.1%</u>
Total Assets	<u>\$17,017,898</u>	<u>\$14,078,887</u>	<u>\$10,797,621</u>	<u>\$ 2,939,011</u> <u>27.2%</u>
Liabilities, Reserves & Net Position				
Liabilities				
Loss Reserves	\$ 5,987,318	\$ 6,419,006	\$ 5,452,037	\$ (431,688) -6.7%
Other Liabilities	<u>31,884</u>	<u>9,959</u>	<u>18,445</u>	<u>21,925</u> <u>220.2%</u>
Total Liabilities & Reserves	<u>6,019,202</u>	<u>6,428,965</u>	<u>5,470,482</u>	<u>(409,763)</u> <u>-6.4%</u>
Net Position - Unrestricted	<u>\$10,998,696</u>	<u>\$ 7,649,922</u>	<u>\$ 5,327,139</u>	<u>\$ 3,348,774</u> <u>43.8%</u>

Summary Statement of Revenues, Expenses, and Changes in Net Position			2018 to 2017 Change	
	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2015</u>	<u>Amount</u> <u>Percentage</u>
Operating Revenue				
Regular Contributions	<u>\$ 7,885,866</u>	<u>\$ 8,041,934</u>	<u>\$ 7,951,456</u>	<u>\$ (156,068)</u> <u>-1.9%</u>
Operating Expenses:				
Provision for Claims and				
Claims Expense	1,866,214	2,785,941	3,518,461	(919,727) -33.0%
Insurance Premiums	2,494,914	2,389,429	2,382,227	105,485 4.4%
Administrative and Operating	<u>568,218</u>	<u>562,739</u>	<u>579,122</u>	<u>5,479</u> <u>1.0%</u>
Total Operating Expenses	<u>4,929,346</u>	<u>5,738,109</u>	<u>6,479,810</u>	<u>(808,763)</u> <u>-14.1%</u>
Operating Income	2,956,520	2,303,825	1,471,646	652,695 28.3%
Non-Operating Revenue				
New Jersey Counties Excess Joint				
Insurance Fund Dividend	22,069	-	-	22,069 100.0%
Change in Investment in Joint Venture	<u>392,254</u>	<u>18,958</u>	<u>375,137</u>	<u>373,296</u> <u>1969.1%</u>
Return of Surplus	<u>(22,069)</u>	<u>-</u>	<u>-</u>	<u>(22,069)</u> <u>100.0%</u>
Change In Net Positon	<u>\$ 3,348,774</u>	<u>\$ 2,322,783</u>	<u>\$ 1,846,783</u>	<u>\$ 1,025,991</u> <u>44.2%</u>

Financial Highlights Continued

On November 11, 2013, the Mercer County Board of Chosen Freeholders adopted a resolution, which authorized the establishment of the Mercer County Insurance Fund Commission. The Commission was established under N.J.S.A. 40A:10-6, which authorizes a governing body of any local unit to establish an Insurance Commission for the purposes, provided by law. This was based on the County's determination that cost savings and efficiencies can be achieved if the County Proper and its inter-agencies share the cost of insurance, claim management and services, a safety and loss control program and consolidation of insurance policies.

The Mercer County Insurance Fund Commission's total assets at the end of the fifth year of operations were \$17,017,898 and total liabilities were \$6,019,202 resulting in a surplus in unrestricted net position of \$10,998,696. The Investment in Joint Ventures represents the Commission's share of net position in the New Jersey Counties Excess Joint Insurance Fund (the Fund).

Insurance premiums, representing the assessment paid to the New Jersey Counties Excess Joint Insurance Fund, were \$2,494,914. The Fund is a cost sharing excess fund that assumes risk on behalf of the Commission and the other members of the Fund, Atlantic County Insurance Commission, Camden County Insurance Commission, Cumberland County Insurance Commission, Burlington County Insurance Commission, Gloucester County Insurance Commission, Hudson County, Ocean County, and Union County Insurance Fund Commission.

Economic Conditions

The future financial position of the Commission will be impacted by trends in medical costs, which affect workers compensation costs. The Commission will attempt to offset these trends by reducing accident frequency and severity, and by streamlining claims processing and management.

Contacting the Commission's Management

This financial report is designed to provide the Mercer County Insurance Fund Commission members and the Division of Local Government Services, Department of Community Affairs of the State of New Jersey with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Executive Director of the Mercer County Insurance Fund Commission office located at 9 Campus Drive, Suite 216, Parsippany, New Jersey 07054 or by phone at (201) 881-7632.

MERCER COUNTY INSURANCE FUND COMMISSION
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,215,119	\$ 3,289,727
Investment in Joint Venture	1,155,179	762,925
Contributions Receivable	14,623,518	10,026,235
Surplus Return Receivable	22,069	-
Reimbursement Receivable	<u>2,013</u>	<u>-</u>
Total Assets	<u>17,017,898</u>	<u>14,078,887</u>
<u>LIABILITIES AND RESERVES</u>		
Liabilities:		
Accrued Administrative Expenses	9,815	9,959
Authorized Return of Surplus	<u>22,069</u>	<u>-</u>
Total Liabilities	<u>31,884</u>	<u>9,959</u>
Claims Reserves:		
Case Reserves	3,371,816	3,017,957
IBNR Reserves	2,780,441	3,621,934
Less Reserve Discount	<u>(164,939)</u>	<u>(220,885)</u>
Total Reserves	<u>5,987,318</u>	<u>6,419,006</u>
Total Liabilities and Reserves	<u>6,019,202</u>	<u>6,428,965</u>
<u>NET POSITION</u>		
Unrestricted	<u>\$ 10,998,696</u>	<u>\$ 7,649,922</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MERCER COUNTY INSURANCE FUND COMMISSION
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Operating Revenue:		
Regular Contributions	\$ 7,885,866	\$ 8,041,933
Operating Expenses:		
Provision for Claims and Claims Adjustment Expenses	1,866,214	2,785,941
Premium for Excess Insurance	2,494,914	2,389,429
Administrative Expenses:		
Actuary	7,650	7,500
Auditor	9,585	9,682
Claims Administrator	190,000	190,000
Fund Administrator	163,511	160,305
Miscellaneous Expenses	4,527	4,781
Postage	21	30
Risk Management Consultants	66,000	66,000
Safety Director	126,924	124,440
Total Operating Expenses	4,929,346	5,738,108
Operating Income	2,956,520	2,303,825
Non-Operating Revenue:		
New Jersey Counties Excess Joint Insurance Fund Dividend	22,069	-
Change in Investment in Joint Venture	392,254	18,958
Total Non-Operating Revenue	414,323	18,958
Change in Net Position	3,370,843	2,322,783
Net Position - Beginning of Year	7,649,922	5,327,139
Return of Surplus	(22,069)	-
Net Position - Ending of Year	\$ 10,998,696	\$ 7,649,922

The accompanying Notes to Financial Statements are an integral part of this statement.

MERCER COUNTY INSURANCE FUND COMMISSION
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from Operating Activities:		
Receipts from Regular Contributions	\$ 3,288,583	\$ 7,271,819
Payments for Claim Payments	(2,297,902)	(1,818,972)
Payments for Insurance Premiums	(2,496,927)	(2,389,796)
Payments to Professionals and Suppliers	<u>(568,362)</u>	<u>(570,857)</u>
Net Cash Flows Provided by (Used in) Operating Activities	<u>(2,074,608)</u>	<u>2,492,194</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,074,608)	2,492,194
Cash and Cash Equivalents - Beginning of Year	<u>3,289,727</u>	<u>797,533</u>
Cash and Cash Equivalents - Ending of Year	<u><u>\$ 1,215,119</u></u>	<u><u>\$ 3,289,727</u></u>
Reconciliation of Operating Income to		
Cash Flows from Operating Activities:		
Operating Income	\$ 2,956,520	\$ 2,303,825
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
Contributions Receivable	(4,597,283)	(770,114)
Reimbursement Receivable	(2,013)	-
Accrued Administrative Expenses	(144)	(8,119)
Excess Insurance Payable	-	(367)
Claims Reserves	<u>(431,688)</u>	<u>966,969</u>
Net Cash Flows Provided by Operating Activities	<u><u>\$ (2,074,608)</u></u>	<u><u>\$ 2,492,194</u></u>
Supplemental Disclosure - Noncash Activity:		
Change in Investment in Joint Venture	<u><u>\$ 392,254</u></u>	<u><u>\$ 18,958</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MERCER COUNTY INSURANCE FUND COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 1: ORGANIZATION AND DESCRIPTION OF THE COMMISSION

On November 11, 2013, the Mercer County Insurance Fund Commission (the "Commission") was formed in accordance with P.L. 1992, C.51, entitled "An Act Concerning Insurance Funds for Local Units of Government", and supplementing Chapter 10 of Title 40A:10-6. The Commission is operated in accordance with regulations of the Division of Local Government Services, Department of Community Affairs, State of New Jersey for the purpose of securing significant savings in insurance cost as well as providing stability in coverage.

The Board of Commissioners of the Commission are appointed by the County Executive. The Commission may approve subsequent membership by a majority vote of the Commissioners or may terminate any member by a majority vote, after proper notice has been given. Early terminations require prior approval by the Commissioners.

During 2018, members of the Commission included Mercer County and Mercer County Improvement Authority.

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

The Commission offers the following primary insurance coverage to its members:

- Workers' Compensation including Employers' Liability.
- General Liability other than motor vehicles.
- Property damage other than motor vehicles.
- Automobile Liability and damage.

Through membership in the New Jersey Counties Excess Joint Insurance Fund (the "NJCEJIF"), the Commission offers the following ancillary insurance coverage to its members:

- Public Officials Liability/Employment Practices Liability
- Crime
- Pollution Liability
- Medical Professional Liability
- Employed Lawyers Liability
- Cyber Liability

The Commission provides coverage on a self-insured basis and secures excess insurance in a form and an amount from an insurance company acceptable to the Commissioner of Insurance.

PROPERTY AND CASUALTY INSURANCE

The limits of Commission liability per occurrence for property and casualty coverages net of member entity deductibles for 2018 were as follows:

Property	\$100,000
Auto	\$250,000
General Liability	\$250,000
Workers' Compensation	\$300,000

MERCER COUNTY INSURANCE FUND COMMISSION
NOTES TO FINANCIAL STATEMENTS

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

Coverage in excess of the Commission's retention limits is provided through the Commission's membership in the New Jersey Counties Excess Joint Insurance Fund.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant policies followed by the Mercer County Insurance Fund Commission in the preparation of the accompanying financial statements:

Component Unit

In evaluating how to define the Commission 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*, 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 primary entity'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 and / or its citizens.

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 Commission has no component units and is a component unit of Mercer County, New Jersey.

Basis of Presentation

The financial statements of the Commission 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.

MERCER COUNTY INSURANCE FUND COMMISSION
NOTES TO FINANCIAL STATEMENTS

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

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 and Investments

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 comparative statements 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. All other investments are stated at fair value.

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. 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.

MERCER COUNTY INSURANCE FUND COMMISSION
NOTES TO FINANCIAL STATEMENTS

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

Cash, Cash Equivalents and Investments (Cont'd)

Additionally, the Commission has adopted a cash management plan, which 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.

Annual Contributions

Annual contributions are based on loss funds as determined by the Commission's actuary and are received in three installments. Total contributions are recognized as earned revenue evenly over the annual contract period or period of risk, if different. All past due contributions bear interest at the rate established annually by the Commissioners.

Supplemental Assessments

The Commissioners shall by majority vote levy upon the participating county agencies additional assessments wherever needed to supplement the Commission's claim, loss retention or administrative accounts, after consideration of anticipated investment income, to assure the payment of the Commission's obligations. Supplemental contributions to cover a deficit are recognized as revenue upon approval whether or not actually received.

Unpaid Claims Liabilities

The Commission establishes property and casualty 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 coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are 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 service agent, Inservco, Inc.

B. **Claims Incurred But Not Reported (IBNR) Reserve**

In order to recognize claims incurred but not reported, a reserve is calculated by the Commission's actuary, The Actuarial Advantage, Inc.

MERCER COUNTY INSURANCE FUND COMMISSION
NOTES TO FINANCIAL STATEMENTS

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

Unpaid Claims Liabilities (Cont'd)

Case and IBNR Reserves represent the estimated liability on expected future development on claims already reported to the Commission plus claims incurred but not yet reported and unknown loss events that are expected to become claims. The liabilities for claims and related adjustment expenses are evaluated using Commission and industry data, case basis evaluations and other statistical analyses, and represent estimates of the ultimate net cost of all losses incurred through December 31, 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 above are adequate. The estimates are reviewed periodically and as adjustments to these liabilities become necessary, such adjustments are reflected in cumulative operations.

Excess Coverage

Coverage in excess of the Commission's self-insured retention limit is provided through the Commission's membership in the New Jersey Counties Excess Joint Insurance Fund as described in Note 6.

Subrogation

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

Refunds

As per Article VIII of the Commission's Rules and Regulations, any monies for a fund year in excess of the amount necessary to fund all obligations for that year as certified by an actuary may be declared to be refundable by the Commission. A refund for any year shall be paid only in proportion to the member's participation in the Commission for such year. Payment of a refund shall not be contingent on the member's continued membership in the Commission. The Commission may apply a refund to any arrearage owed by the member to the Commission. Otherwise, at the option of the member, the refund may be retained by the Commission and applied towards the member's next annual contribution.

Administrative Expenses

Administrative expenses are comprised mainly of compensation for services rendered by servicing organizations submitted and approved by a majority of the Commissioners. In instances where invoices have not been submitted for specific periods, the maximum allowable contract amount has been accrued.

Income Taxes

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

MERCER COUNTY INSURANCE FUND COMMISSION
NOTES TO FINANCIAL STATEMENTS

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 Commission has 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 Board.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from member contributions. Non-operating revenues principally consist of positive changes in the Commission's investment in the New Jersey Counties Excess Joint Insurance Fund. Operating expenses include expenses associated with the Commission operations, including claims expense, insurance and administrative expenses. Non-operating expenses include negative changes in the Commission's investment in the New Jersey Counties Excess Joint Insurance Fund.

Use of Estimates

Management of the Commission has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues, and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results may differ from those estimates.

Note 3: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits might not be recovered. Although the Commission 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 first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Commission 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 Commission relative to the happening of a future condition. If the Commission had any such funds, they would be shown as Uninsured and Uncollateralized.

Of the Commission's bank balance of \$1,404,273 as of December 31, 2018, \$250,000 was insured while \$1,154,273 was collateralized under GUDPA.

Of the Commission's bank balance of \$3,485,936 as of December 31, 2017, \$250,000 was insured while \$3,235,936 was collateralized under GUDPA.

MERCER COUNTY INSURANCE FUND COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 4: INVESTMENT IN JOINT VENTURE

As discussed in Note 6, the Commission is a member of the New Jersey Counties Excess Joint Insurance Fund. The NJCEJIF is carrying the individual fund year surplus as unrestricted net position on the Statement of Net Position. The allocations of those funds attributed to the NJCEJIF's individual members are based on the member's percentage of assessments. The Commission's allocated share of surplus as of December 31, 2018 and 2017 was \$1,155,179 and \$762,925, respectively.

Note 5: CHANGES IN UNPAID CLAIMS LIABILITIES

As discussed in Note 2, the Commission 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 years ended December 31, 2018 and 2017 and for all open Fund years net of excess insurance recoveries:

	<u>2018</u>	<u>2017</u>
Total unpaid claim and claim adjustment expenses all Fund years - Beginning	\$ 6,419,006	\$ 5,452,037
Incurring claims and claims adjustment expenses:		
Provision for insured events of current fund year	3,615,156	3,794,232
Changes in provision for insured events of prior fund years	<u>(1,748,942)</u>	<u>(1,008,291)</u>
Total incurred claims and claims adjustment expenses all fund years	<u>1,866,214</u>	<u>2,785,941</u>
Payments (Net of Recoveries):		
Attributable to insured events of current fund year	1,141,743	854,583
Attributable to insured events of prior fund years	<u>1,156,159</u>	<u>964,389</u>
Total payments all fund years	<u>2,297,902</u>	<u>1,818,972</u>
Total unpaid claim and claim adjustment expenses all fund years - Ending	<u>\$ 5,987,318</u>	<u>\$ 6,419,006</u>

Note 6: MEMBERSHIP IN JOINT INSURANCE FUND

New Jersey Counties Excess Joint Insurance Fund

Effective January 1, 2014, the Commission became a member of the New Jersey Counties Excess Joint Insurance Fund. The NJCEJIF is a risk-sharing public entity risk pool that is a self-administered group of county insurance fund commissions established for the purpose of providing excess insurance coverage to participating members. Each member appoints an official to represent their respective insurance fund commission for the purpose of creating a governing body from which officers for the NJCEJIF are elected.

As a member of the NJCEJIF, the Commission could be subject to supplemental assessments in the event of deficiencies. If the assets of the NJCEJIF were to be exhausted, members would become jointly and severally liable for the NJCEJIF's liabilities.

MERCER COUNTY INSURANCE FUND COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 6: MEMBERSHIP IN JOINT INSURANCE FUND (CONT'D)

New Jersey Counties Excess Joint Insurance Fund (Cont'd)

The NJCEJIF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Insurance. These distributions are divided among the members in the same ratio as their individual assessment relates to the total assessment of the membership for that fund year.

Selected Financial Information

Selected summarized financial information for the New Jersey Counties Excess Joint Insurance Fund as of December 31, 2018 is as follows:

	<u>2018</u>	<u>2017</u>
Total Assets	\$ 27,849,300	\$ 24,018,573
Total Liabilities	\$ 12,930,080	\$ 13,262,954
Net Position	\$ 14,919,220	\$ 10,755,619
Total Revenue	\$ 21,536,267	\$ 21,104,436
Total Expenses	\$ 16,582,656	\$ 18,753,988
Change in Net Position	\$ 4,453,611	\$ 2,150,448
Return of Surplus	\$ 500,000	\$ 200,000

Financial statements for the New Jersey Counties Excess Joint Insurance Fund are available at the office of the Fund's Executive Director:

PERMA
9 Campus Drive, Suite 216
Parsippany, NJ 07054
(201) 881-7632

Note 7: RELATED PARTY TRANSACTIONS

As disclosed in Note 6, the Commission is a member of the New Jersey Counties Excess Liability Joint Insurance Fund and accordingly has an ownership interest in the NJCEJIF. Excess insurance premiums paid to the NJCEJIF for the years ended December 31, 2018 and 2017 were \$2,494,914 and \$2,389,429, respectively.

Note 8: RETURN OF SURPLUS

During 2018, the Board of Commissioners approved a dividend in the amount of \$22,069 payable from the 2014 fund year.

MERCER COUNTY INSURANCE FUND COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION

MERCER COUNTY INSURANCE FUND COMMISSION
RECONCILIATION OF CLAIMS LIABILITIES BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>Total</u>
Total unpaid claims and claim adjustment expenses - Beginning	\$ 154,311	\$ 565,779	\$ 319,548	\$ 5,379,368	\$ 6,419,006
Incurring claims and claims adjustment expenses:					
Provision for insured events of current fund year	146,053	180,462	128,078	3,160,563	3,615,156
Changes in provision for insured events of prior fund years	(78,217)	(57,838)	(166,978)	(1,445,909)	(1,748,942)
Total incurred claims and claims adjustment expenses all fund years	67,836	122,624	(38,900)	1,714,654	1,866,214
Payments (Net of Recoveries):					
Attributable to insured events of current fund year	75,140	1,767	3,916	1,060,920	1,141,743
Attributable to insured events of prior fund years	75,000	(547)	2,914	1,078,792	1,156,159
Total payments all fund years	150,140	1,220	6,830	2,139,712	2,297,902
Total unpaid claims and claim adjustment expenses - Ending	\$ 72,007	\$ 687,183	\$ 273,818	\$ 4,954,310	\$ 5,987,318

MERCER COUNTY INSURANCE FUND COMMISSION
FIVE-YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF DECEMBER 31, 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net Earned Required Contribution and Investment Revenue:					
Earned	\$ 7,511,563	\$ 7,831,915	\$ 7,951,456	\$ 8,041,933	\$ 7,885,866
Ceded	2,250,966	2,437,175	2,382,227	2,389,428	2,494,914
	5,260,597	5,394,740	5,569,229	5,652,505	5,390,952
Unallocated Expenses	533,924	563,619	579,240	562,460	568,076
Estimated Claims and Expenses, End of Policy Year:					
Incurred	3,383,170	3,353,702	4,189,793	3,794,232	3,615,156
Ceded					
Net Incurred	3,383,170	3,353,702	4,189,793	3,794,232	3,615,156
Paid (Cumulative) as of:					
End of Policy Year	1,145,419	847,758	1,115,309	854,583	1,141,743
One Year Later	1,489,441	1,628,411	1,718,985	1,456,623	
Two Years Later	1,747,207	1,867,042	2,085,902		
Three Years Later	1,869,285	2,004,477			
Four Years Later (A)	1,919,055				
Reestimated Incurred Claims and Expenses:					
End of Policy Year	3,383,170	3,353,702	4,189,793	3,794,232	3,615,156
One Year Later	3,070,799	3,063,631	3,338,369	2,643,184	
Two Years Later	2,689,538	3,057,224	3,045,783		
Three Years Later	2,539,078	2,718,968			
Four Years Later (A)	2,572,026				
Change in Estimated Incurred Claims and Expenses from End of Policy Year	\$ (811,144)	\$ (634,734)	\$ (1,144,010)	\$ (1,151,048)	\$ -

MERCER COUNTY INSURANCE FUND COMMISSION
SUPPLEMENTARY INFORMATION

MERCER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2018 ACCOUNT OPERATING RESULTS ANALYSIS
FOR THE PERIOD JANUARY 1, 2018 TO DECEMBER 31, 2018

<u>Coverages and Other Accounts</u>						
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>NJCEJIF</u>	<u>Expense & Contingency</u>
	<u>Total</u>					
Underwriting Income:						
Regular Contributions	\$ 74,417	\$ 157,000	\$ 131,000	\$ 4,455,000	\$ 2,494,914	\$ 573,535
						\$ 7,885,866
Incurred Liabilities:						
Claims	146,053	180,462	128,078	3,160,563		3,615,156
Expenses					2,494,914	568,076
						3,062,990
Total Liabilities	146,053	180,462	128,078	3,160,563	2,494,914	568,076
						6,678,146
Underwriting Surplus (Deficit)	(71,636)	(23,462)	2,922	1,294,437	-	5,459
						1,207,720
Adjustments:						
Investment Income						-
Permanent Transfers						-
Total Adjustments	-	-	-	-	-	-
Gross Surplus (Deficit)	(71,636)	(23,462)	2,922	1,294,437	-	5,459
Return of Surplus						1,207,720
						-
Net Surplus (Deficit)						
Before Unallocated Investment	\$ (71,636)	\$ (23,462)	\$ 2,922	\$ 1,294,437	\$ -	\$ 5,459
						1,207,720
Investment in Joint Venture						132,021
Net Surplus						\$ 1,339,741

MERCER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2017 ACCOUNT OPERATING RESULTS ANALYSIS
FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2018

<u>Coverages and Other Accounts</u>						
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>NJCEJIF</u>	<u>Expense & Contingency</u>
	<u>Total</u>					
Underwriting Income:						
Regular Contributions	\$ 83,000	\$ 159,000	\$ 134,000	\$ 4,709,000	\$ 2,389,428	\$ 567,505
						\$ 8,041,933
Incurring Liabilities:						
Claims	76,499	192,014	142,263	2,232,408		2,643,184
Expenses					2,389,428	562,460
						2,951,888
Total Liabilities	76,499	192,014	142,263	2,232,408	2,389,428	562,460
						5,595,072
Underwriting Surplus (Deficit)	6,501	(33,014)	(8,263)	2,476,592	-	5,045
						2,446,861
Adjustments:						
Investment Income						-
Permanent Transfers						-
Total Adjustments	-	-	-	-	-	-
Gross Surplus (Deficit)	6,501	(33,014)	(8,263)	2,476,592	-	5,045
Return of Surplus						2,446,861
						-
Net Surplus (Deficit)						
Before Unallocated Investment	\$ 6,501	\$ (33,014)	\$ (8,263)	\$ 2,476,592	\$ -	\$ 5,045
						2,446,861
Investment in Joint Venture						228,287
Net Surplus						\$ 2,675,148

MERCER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2016 ACCOUNT OPERATING RESULTS ANALYSIS
FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2018

<u>Coverages and Other Accounts</u>						
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>NJCEJIF</u>	<u>Expense & Contingency</u>
	<u>Total</u>					
Underwriting Income:						
Regular Contributions	\$ 80,948	\$ 155,896	\$ 131,580	\$ 4,616,644	\$ 2,382,227	\$ 584,161
						\$ 7,951,456
Incurred Liabilities:						
Claims	99	227,138	41,601	2,776,945		3,045,783
Expenses					2,382,227	579,240
						2,961,467
Total Liabilities	99	227,138	41,601	2,776,945	2,382,227	6,007,250
Underwriting Surplus (Deficit)	80,849	(71,242)	89,979	1,839,699	-	4,921
						1,944,206
Adjustments:						
Investment Income						-
Permanent Transfers						-
Total Adjustments	-	-	-	-	-	-
Gross Surplus (Deficit)	80,849	(71,242)	89,979	1,839,699	-	4,921
Return of Surplus						-
Net Surplus (Deficit)						
Before Unallocated Investment	\$ 80,849	\$ (71,242)	\$ 89,979	\$ 1,839,699	\$ -	\$ 4,921
						1,944,206
Investment in Joint Venture						362,995
Net Surplus						\$ 2,307,201

MERCER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2015 ACCOUNT OPERATING RESULTS ANALYSIS
FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2018

<u>Coverages and Other Accounts</u>						
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>NJCEJIF</u>	<u>Expense & Contingency</u>
						<u>Total</u>
Underwriting Income:						
Regular Contributions	\$ 80,948	\$ 155,896	\$ 131,580	\$ 4,449,750	\$ 2,437,174	\$ 576,567
						\$ 7,831,915
Incurred Liabilities:						
Claims	(25)	62,175	6,969	2,649,849		2,718,968
Expenses					2,437,175	563,619
						3,000,794
Total Liabilities	(25)	62,175	6,969	2,649,849	2,437,175	563,619
						5,719,762
Underwriting Surplus (Deficit)	80,973	93,721	124,611	1,799,901	(1)	12,948
						2,112,153
Adjustments:						
Investment Income						-
Permanent Transfers						-
Total Adjustments	-	-	-	-	-	-
Gross Surplus (Deficit)	80,973	93,721	124,611	1,799,901	(1)	12,948
Return of Surplus						-
Net Surplus (Deficit)						
Before Unallocated Investment	\$ 80,973	\$ 93,721	\$ 124,611	\$ 1,799,901	\$ (1)	\$ 12,948
						2,112,153
Investment in Joint Venture						
						131,224
Net Surplus						\$ 2,243,377

MERCER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2014 ACCOUNT OPERATING RESULTS ANALYSIS
FOR THE PERIOD JANUARY 1, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2018

	<u>Coverages and Other Accounts</u>					
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>NJCEJIF</u>	<u>Expense & Contingency</u>
Underwriting Income:						
Regular Contributions	\$ 62,322	\$ 124,157	\$ 127,016	\$ 4,356,301	\$ 2,250,966	\$ 568,732
CEL Dividend					22,069	
						22,069
Total Income	62,322	124,157	127,016	4,356,301	2,273,035	568,732
						7,511,563
Incurred Liabilities:						
Claims	18,499	80,170	10,891	2,462,466		2,572,026
Expenses					2,250,966	533,924
						2,784,890
Total Liabilities	18,499	80,170	10,891	2,462,466	2,250,966	533,924
						5,356,916
Underwriting Surplus	43,823	43,987	116,125	1,893,835	22,069	34,808
						2,154,647
Adjustments:						
Investment Income						-
Permanent Transfers						-
Total Adjustments	-	-	-	-	-	-
Gross Surplus	43,823	43,987	116,125	1,893,835	22,069	34,808
Return of Surplus					22,069	
						22,069
Net Surplus						
Before Unallocated Investment	\$ 43,823	\$ 43,987	\$ 116,125	\$ 1,893,835	\$ -	\$ 34,808
						2,132,578
Investment in Joint Venture						
						300,651
Net Surplus						
						\$ 2,433,229

MERCER COUNTY INSURANCE FUND COMMISSION
 STATEMENT OF FUND YEAR 2018 CLAIMS ANALYSIS
 FOR THE PERIOD JANUARY 1, 2018 TO DECEMBER 31, 2018

	<u>Coverages</u>				
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>Total</u>
Paid Claims (Net of Recoveries)	\$ 75,140	\$ 1,767	\$ 3,916	\$ 1,060,920	\$ 1,141,743
Case Reserves	63,500	50,500	5,000	851,322	970,322
IBNR Reserves	7,676	133,532	122,084	1,293,140	1,556,432
Reserve Discount	(263)	(5,337)	(2,922)	(44,819)	(53,341)
Subtotal	146,053	180,462	128,078	3,160,563	3,615,156
Excess Insurance Received Recoverable					-
Subtotal	-	-	-	-	-
Limited Incurred Claims	\$ 146,053	\$ 180,462	\$ 128,078	\$ 3,160,563	\$ 3,615,156
Number of Claims	155	155	16	205	531
Average Cost Per Claim	\$ 942	\$ 1,164	\$ 8,005	\$ 15,417	\$ 6,808

MERCER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2017 CLAIMS ANALYSIS
FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2018

	<u>Coverages</u>				
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>Total</u>
Paid Claims (Net of Recoveries)	\$ 75,405	\$ 2,886	\$ 11,310	\$ 1,367,022	\$ 1,456,623
Case Reserves	1,000	46,383	64,470	741,318	853,171
IBNR Reserves	95	146,861	68,545	144,259	359,760
Reserve Discount	(1)	(4,116)	(2,062)	(20,191)	(26,370)
Subtotal	76,499	192,014	142,263	2,232,408	2,643,184
Excess Insurance Received Recoverable					-
Subtotal	-	-	-	-	-
Limited Incurred Claims	\$ 76,499	\$ 192,014	\$ 142,263	\$ 2,232,408	\$ 2,643,184
Number of Claims	136	112	22	173	443
Average Cost Per Claim	\$ 562	\$ 1,714	\$ 6,467	\$ 12,904	\$ 5,967

MERCER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2016 CLAIMS ANALYSIS
FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2018

	<u>Coverages</u>				
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>Total</u>
Paid Claims (Net of Recoveries)	\$ 99	\$ 9,591	\$ 22,898	\$ 2,053,314	\$ 2,085,902
Case Reserves		115,000	10,330	696,901	822,231
IBNR Reserves		105,949	8,549	45,817	160,315
Reserve Discount		(3,402)	(176)	(19,087)	(22,665)
Subtotal	99	227,138	41,601	2,776,945	3,045,783
Excess Insurance Received Recoverable					-
Subtotal	-	-	-	-	-
Limited Incurred Claims	\$ 99	\$ 227,138	\$ 41,601	\$ 2,776,945	\$ 3,045,783
Number of Claims	140	109	22	201	472
Average Cost Per Claim	\$ 1	\$ 2,084	\$ 1,891	\$ 13,816	\$ 6,453

MERCER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2015 CLAIMS ANALYSIS
FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2018

	<u>Coverages</u>					
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>Total</u>	
Paid Claims (Net of Recoveries)	\$ (25)	\$ 36,856	\$ 6,969	\$ 1,960,677	\$ 2,004,477	
Case Reserves		22,067		415,873	437,940	
IBNR Reserves		3,737		300,000	303,737	
Reserve Discount		(485)		(26,701)	(27,186)	
Subtotal	(25)	62,175	6,969	2,649,849	2,718,968	
Excess Insurance Received Recoverable						-
Subtotal	-	-	-	-	-	-
Limited Incurred Claims	\$ (25)	\$ 62,175	\$ 6,969	\$ 2,649,849	\$ 2,718,968	
Number of Claims	92	149	27	216	484	
Average Cost Per Claim	\$ (0)	\$ 417	\$ 258	\$ 12,268	\$ 5,618	

MERCER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2014 CLAIMS ANALYSIS
FOR THE PERIOD JANUARY 1, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2018

	<u>Coverages</u>				
	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>Total</u>
Paid Claims (Net of Recoveries)	\$ 18,499	\$ 3,677	\$ 10,891	\$ 1,885,988	\$ 1,919,055
Case Reserves		78,186		209,965	288,151
IBNR Reserves		196		400,000	400,196
Reserve Discount		(1,889)		(33,487)	(35,376)
Subtotal	18,499	80,170	10,891	2,462,466	2,572,026
Excess Insurance Received Recoverable					-
Subtotal	-	-	-	-	-
Limited Incurred Claims	\$ 18,499	\$ 80,170	\$ 10,891	\$ 2,462,466	\$ 2,572,026
Number of Claims	96	244	18	202	560
Average Cost Per Claim	\$ 193	\$ 329	\$ 605	\$ 12,190	\$ 4,593

MERCER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2018 PROGRAM SUMMARY
FOR THE PERIOD JANUARY 1, 2018 TO DECEMBER 31, 2018

	<u>Coverages</u>			
	<u>Property (2)</u>	<u>General Liability</u>	<u>Auto</u>	<u>Workers' Compensation</u>
Limits	\$260,000,000	\$20,250,000	\$20,250,000	STATUTORY
Fund Retention	\$100,000	\$250,000	\$250,000	\$300,000
Excess Insurers (2)	Zurich Mitsui Sumitomo Velocity Starr	NJCEJIF Underwriters at Lloyds Argonaut	NJCEJIF Underwriters at Lloyds Argonaut	NJCEJIF Underwriters at Lloyds Safety National Argonaut
Number of Participants	2	2	2	2
Incurred Liabilities:				
Claims (Schedule C-1)	\$ 146,053	\$ 180,462	\$ 128,078	\$ 3,160,563
Administrative Expenses (1)	8,775	18,514	15,448	525,339
	<u>\$ 154,828</u>	<u>\$ 198,976</u>	<u>\$ 143,526</u>	<u>\$ 3,685,902</u>

(1) Allocated on the basis of assessments and transfers by coverage.

(2) There is also an Excess Flood/Earthquake policy placed with AXIS Surplus (30%), Aspen Specialty (20%), Velocity Risk (20%), Endurance America Specialty (10%), Interstate Fire & Casualty (10%) and RSUI Indemnity (10%) included with Property Coverage.

MERCER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2017 PROGRAM SUMMARY
FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2018

	<u>Coverages</u>			
	<u>Property (2)</u>	<u>General Liability</u>	<u>Auto</u>	<u>Workers' Compensation</u>
Limits	\$260,000,000	\$20,250,000	\$20,250,000	STATUTORY
Fund Retention	\$100,000	\$250,000	\$250,000	\$300,000
Excess Insurers (2)	Zurich Mitsui Sumitomo Velocity Starr	NJCEJIF Underwriters at Lloyds National Casualty	NJCEJIF Underwriters at Lloyds National Casualty	NJCEJIF Underwriters at Lloyds Safety National
Number of Participants	2	2	2	2
Incurred Liabilities:				
Claims (Schedule C-2)	\$ 76,499	\$ 192,014	\$ 142,263	\$ 2,232,408
Administrative Expenses (1)	9,181	17,587	14,822	520,870
	<u>\$ 85,680</u>	<u>\$ 209,601</u>	<u>\$ 157,085</u>	<u>\$ 2,753,278</u>

(1) Allocated on the basis of assessments and transfers by coverage.

(2) There is also an Excess Flood/Earthquake policy placed with AXIS Surplus (30%), Aspen Specialty (20%), Velocity Risk (20%), Endurance America Specialty (10%), Interstate Fire & Casualty (10%) and RSUI Indemnity (10%) included with Property Coverage.

MERCER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2016 PROGRAM SUMMARY
FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2018

	<u>Coverages</u>			
	<u>Property (2)</u>	<u>General Liability</u>	<u>Auto</u>	<u>Workers' Compensation</u>
Limits	\$260,000,000	\$20,250,000	\$20,250,000	STATUTORY
Fund Retention	\$100,000	\$250,000	\$250,000	\$300,000
Excess Insurers (2)	Zurich Mitsui Sumitomo Scottsdale Starr	NJCEJIF Underwriters at Lloyds National Casualty	NJCEJIF Underwriters at Lloyds National Casualty	NJCEJIF Underwriters at Lloyds Safety National
Number of Participants	2	2	2	2
Incurred Liabilities:				
Claims (Schedule C-3)	\$ 99	\$ 227,138	\$ 41,601	\$ 2,776,945
Administrative Expenses (1)	9,406	18,114	15,289	536,431
	<u>\$ 9,505</u>	<u>\$ 245,252</u>	<u>\$ 56,890</u>	<u>\$ 3,313,376</u>

(1) Allocated on the basis of assessments and transfers by coverage.

(2) There is also an Excess Flood/Earthquake policy placed with Aspen Specialty (20%), AXIS Surplus (20%), United Specialty (20%), Endurance America Specialty (10%), Interstate Fire & Casualty (10%), RSUI Indemnity (10%) and Westchester Surplus (10%) included with Property Coverage.

MERCER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2015 PROGRAM SUMMARY
FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2018

	<u>Coverages</u>			
	<u>Property (2)</u>	<u>General Liability</u>	<u>Auto</u>	<u>Workers' Compensation</u>
Limits	\$260,000,000	\$20,250,000	\$20,250,000	STATUTORY
Fund Retention	\$100,000	\$250,000	\$250,000	\$250,000
Excess Insurers (2)	Zurich Mitsui Sumitomo Scottsdale Starr	NJCEJIF Underwriters at Lloyds National Casualty	NJCEJIF Underwriters at Lloyds National Casualty	NJCEJIF Underwriters at Lloyds Safety National
Number of Participants	2	2	2	2
Incurred Liabilities:				
Claims (Schedule C-4)	\$ (25)	\$ 62,175	\$ 6,969	\$ 2,649,849
Administrative Expenses (1)	9,469	18,236	15,392	520,522
	<u>\$ 9,444</u>	<u>\$ 80,411</u>	<u>\$ 22,361</u>	<u>\$ 3,170,371</u>

(1) Allocated on the basis of assessments and transfers by coverage.

(2) There is also an Excess Flood/Earthquake policy placed with AXIS Surplus (33.34%), RSUI Indemnity (33.33%) and Westchester Surplus (33.33%) included with Property Coverage.

MERCER COUNTY INSURANCE FUND COMMISSION
STATEMENT OF FUND YEAR 2014 PROGRAM SUMMARY
FOR THE PERIOD JANUARY 1, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2018

	<u>Coverages</u>			
	<u>Property</u>	<u>General Liability</u>	<u>Auto</u>	<u>Workers' Compensation</u>
Limits	\$260,000,000	\$20,250,000	\$20,250,000	STATUTORY
Fund Retention	\$100,000	\$250,000	\$250,000	\$250,000
Excess Insurers	Zurich Underwriters at Lloyds RSUI Scottsdale	NJCEJIF Underwriters at Lloyds National Casualty	NJCEJIF Underwriters at Lloyds National Casualty	NJCEJIF Underwriters at Lloyds Safety National
Number of Participants	2	2	2	2
Incurring Liabilities:				
Claims (Schedule C-5)	\$ 18,499	\$ 80,170	\$ 10,891	\$ 2,462,466
Administrative Expenses (1)	7,126	14,196	14,522	498,080
	<u>\$ 25,625</u>	<u>\$ 94,366</u>	<u>\$ 25,413</u>	<u>\$ 2,960,546</u>

(1) Allocated on the basis of assessments and transfers by coverage.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 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 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.

There were no findings in the prior year.

APPRECIATION

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

Respectfully submitted,

BOWMAN & COMPANY LLP
Certified Accountants
& Consultants

A handwritten signature in black ink, appearing to read 'J. Miles, Jr.', enclosed within a circular stamp or seal.

James J. Miles, Jr.
Certified Public Accountant

