

Morris County Municipal Joint Insurance Fund
Parsippany, New Jersey

Comprehensive Annual Financial Report
For the Years Ended December 31, 2016 and 2015

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
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DECEMBER 31, 2016

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INTRODUCTORY SECTION

Morris County Municipal Joint Insurance Fund

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Parsippany, New Jersey 07054-4412
Telephone (201) 881-7632 Fax (201) 881-7633

June 21, 2017

Board of Fund Commissioners
Morris County Municipal Joint Insurance Fund
9 Campus Drive, Suite 16
Parsippany, New Jersey 07054-4412

Dear Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the Morris County Municipal Joint Insurance Fund (MCMJIF) for the year ended December 31, 2016 is hereby respectfully submitted. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the MCMJIF. We believe the data, as presented, are accurate in all material respects; that they are presented in a manner designed to fairly set forth the financial position and results of the operations of the MCMJIF as measured by the financial activity of its various membership years; and that all disclosures necessary to enable the reader to gain the maximum understanding of the MCMJIF's financial affairs have been included.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section contains this transmittal letter, a list of the MCMJIF's members, a list of the MCMJIF's officers and an organizational chart. The financial section includes a management discussion and analysis which includes discussions of the financial activities and substantive highlights of the year, the financial statements, as well as the independent auditors' opinion on the financial statements. State schedules are provided pursuant to the specifications of the New Jersey Department of Banking and Insurance, which, along with the Department of Community Affairs, exercises regulatory control over the MCMJIF. The statistical section includes selected data covering each of the last ten years that the MCMJIF has been operational.

The MCMJIF was formed under State statutes that authorize local government entities to pool resources to meet risk management needs. Specifically, the MCMJIF administers a program of self-funding and commercial insurance, and reinsurance that provides protection to members in the areas of property, workers' compensation, and automobile, general and professional liability. The MCMJIF performs a number of tasks in accomplishing its mission, including contracting for support services such as claims and litigation management, loss control services and training, financial management and reporting, actuarial services, and general management.

Economic Conditions and Outlook

The MCMJIF's economic condition and its outlook are strong. The MCMJIF has provided its members with stable assessments, a steady financial surplus, comprehensive insurance, and responsive service. These factors have resulted in growth and stability in membership, which is expected to continue in the future.

MCMJIF Initiatives

Fund Year 2016 marks the completion of 30 years of operations for the Morris County Municipal Joint, which formed in 1987 with 16 charter members.

The MEL implemented a Retrospective Rating and Premium program beginning with Fund Year 2016. Participation in the MEL's Retrospective Rating and Premium program only requires the Morris JIF to pay the MEL 85% of its rated 2016 workers' compensation and liability claims fund. The MEL will reconcile assessments at 10 years. The Morris JIF Board of Fund Commissioners elected to include this potential corridor in its budget; transferring to an aggregate loss fund contingency account as collected.

The Morris JIF purchased increased limits for first and third party Cyber Liability in 2016.

The Board of Fund Commissioners adopted an "Informal Mediation Process for Disputes" to resolve disputes members many have with the fund regarding claims.

The Morris JIF elected to participate in the Banking Services and Asset Management program of the MEL/RCF & EJIF. Effective in 2016, Investors Savings provides the banking services and Wilmington Trust provides the Asset Management.

Fund Attorney initiated a process of periodic meetings between members of the defense panel and the legal review committee.

The JIF modified its crime coverage to include "cyber social engineering" and added a sub-limit for "failure to obtain" when arising out of a member's use of an on-line vendor.

Financial Management and Control

The financial statements have been prepared in conformity with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board and necessarily include amounts based upon reliable estimates and judgments. The MCMJIF's books are maintained on a full accrual basis. A summary of significant accounting policies is discussed in more detail in the notes to the financial statements found in the financial section.

Internal Accounting Structure

The MCMJIF's accounting system is organized so that each membership year, and line of coverage within each year, can be evaluated separately. The assets, liabilities, revenues, and expenses of each year and line of coverage are reported separately on a full accrual basis. This practice is necessary because the composition of the MCMJIF's membership, and the extent of participation within each line of coverage, varies from year to year.

The MCMJIF's management is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable assurance that these objectives are being met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management. All internal control decisions are made within the above framework. Management believes that the MCMJIF's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Investment Management

MCMJIF investments are made in accordance with the Local Fiscal Affairs Law and the Fund's Cash and Investment Management Plan. Investments for the year were limited to US Treasury Securities and governmental debt, deposits in banks covered by the Governmental Unit Depository Protection Act, and

deposits in the New Jersey Cash Management Plan, which is administered by the State of New Jersey's Division of Investments. In planning and executing investments, the MCMJIF emphasizes liquidity and safety. After these objectives are met, the MCMJIF seeks to optimize investment income. The MCMJIF protects itself from realization of capital losses by maintaining the ability to hold all investments to maturity. Investments with maturities of longer than six months are made by a professional asset manager from the trust department of Wilmington Trust, who is overseen by the Fund Treasurer. Short term investments are usually limited to bank deposits and the New Jersey Cash Management Fund, and are undertaken by the Fund Treasurer.

As of December 31, 2016, the MCMJIF's portfolio consisted of the following:

Checking Accounts	\$ 2,926,699	13.63%
New Jersey Cash Management	34,917	0.16%
Money Market Accounts	55,171	0.26%
Investments	<u>18,457,111</u>	<u>85.95%</u>
	<u>\$ 21,473,898</u>	<u>100.00%</u>

Independent Audit

Nisivoccia LLP, independent accountants, provide an independent, objective review of the fairness of the MCMJIF's reported financial position and results of operations. Their audit includes procedures they deem necessary to express an opinion as to the fairness of the financial statements. Their opinion is included in the financial section of this report.

Acknowledgments

Our appreciation is extended to each MCMJIF commissioner for their commitment to risk management and intergovernmental risk pooling.

Respectfully submitted,

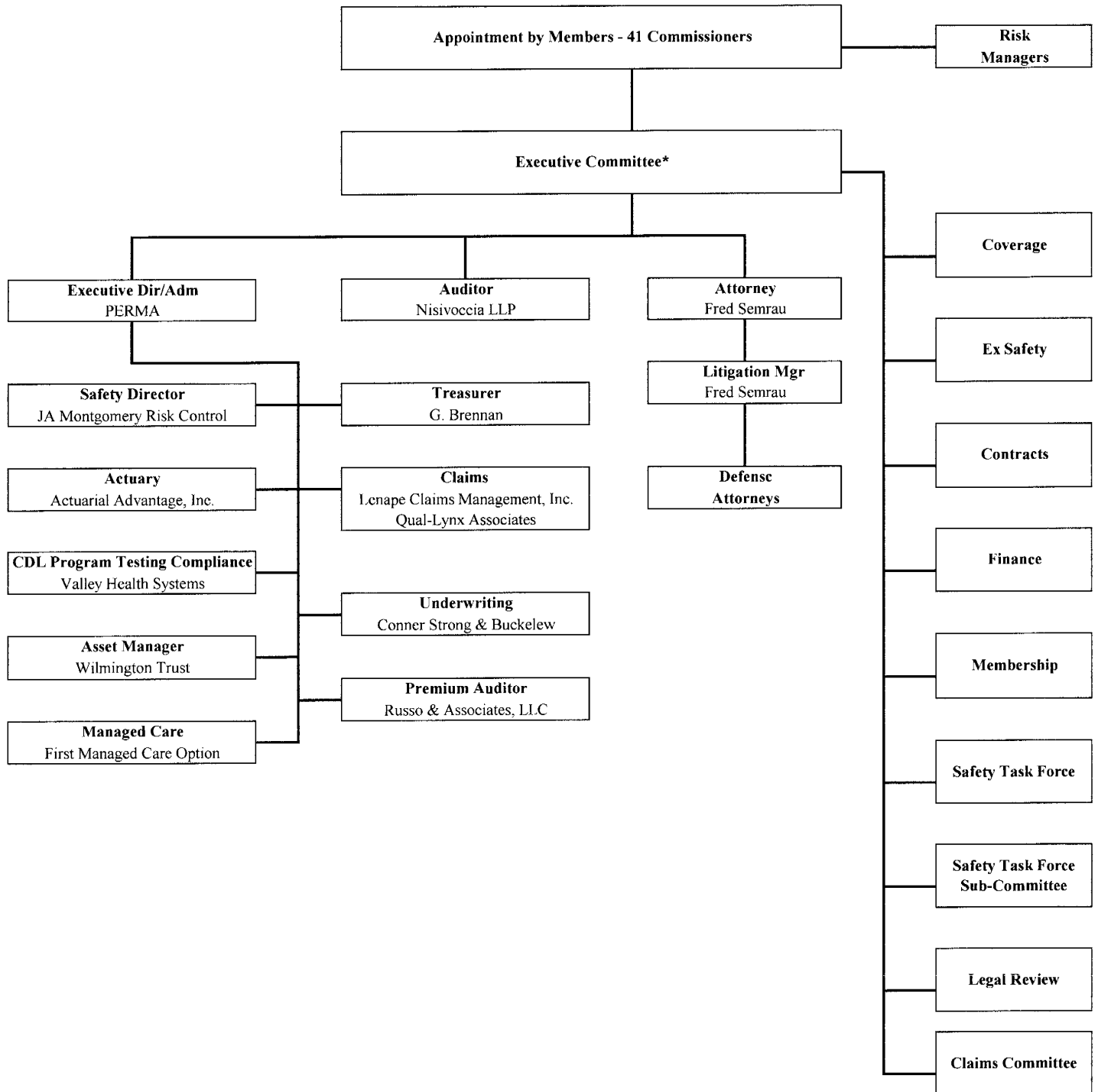
Cate Kiernan

Cate Kiernan, Executive Director

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
ROSTER OF OFFICIALS AND CONSULTANTS
DECEMBER 31, 2016

Gregory Poff	Chairman - Executive Committee
William Close	Secretary - Executive Committee
Jon Rheinhardt	Executive Committee
Ralph Blakeslee	Executive Committee
Michael Guarino	Executive Committee
Brian McNeilly	Executive Committee
Adam Brewer	Executive Committee
PERMA Risk Management Services	Administrator
Cate Kiernan	Executive Director
Grace Brennan	Treasurer
Fred Semrau, Esquire	Attorney
Fred Semrau, Esquire	Litigation Management
Nisivoccia LLP	Auditor
Actuarial Advantage, Inc.	Actuary
Lenape Claims Management, Inc.	Claims Administrators – Property, General and Automobile
Qual-Lynx Associates	Claims Administrators – Workers' Compensation
Conner Strong & Buckelew	Underwriting Manager
Wilmington Trust	Asset Manager
JA Montgomery Risk Control	Safety Director
First Managed Care Option	Managed Care
Russo & Associates LLC	Premium Auditor
Valley Health Systems	CDL Drug Testing Compliance

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND ORGANIZATIONAL CHART



* Fund operates as a Body of the Whole

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
MEMBERSHIP LISTING
AS OF DECEMBER 31, 2016

Vita Thompson, Administrator	Township of Andover
Jon Dunleavy, Mayor	Borough of Bloomingdale
Cynthia Oravits, Clerk	Town of Boonton
Barbara Shepard, Clerk	Township of Boonton
James Lampmann, Administrator	Borough of Butler
Timothy Day, Chief Financial Officer	Borough of Chatham
Tom Ciccarone, Administrator	Township of Chatham
Denean Probosco, Administrator	Borough of Chester
Michael Guarino, Chief Financial Officer	Township of Denville
Donald Travisano, Administrator	Town of Dover
Joseph Tempesta, Administrator	Township of East Hanover
Francine T. Paserchia, Clerk	Borough of Essex Fells
William Huyler, Administrator	Borough of Florham Park
Silvio Esposito, Chief Financial Officer	Township of Hanover
Eric Maurer, Administrator	Borough of Hawthorne
Unappointed, Administrator	Borough of Hopatcong
Robert Collins, Mayor	Borough of Kinnelon
Perry Mayers, Administrator	Borough of Lincoln Park
Neil Henry, Administrator/Deputy Clerk	Township of Long Hill
James Burnet, CFO/Assistant Administrator	Borough of Madison
Mary Beth Zichelli Clerk	Township of Mendham
Richard Merkt, Administrator	Borough of Mendham

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
MEMBERSHIP LISTING
AS OF DECEMBER 31, 2016

Jason Gabloff, Chief Financial Officer	Township of Millburn
Victor Canning, Township Administrator	Township of Montville
June Uhrin, Clerk	Borough of Morris Plains
Richard Sheola, Manager	Borough of Mountain Lakes
Carolyn Rinaldi, Administrator/Chief Financial Officer	Borough of Mount Arlington
Laura Harris, Administrator	Township of Mount Olive
Ralph Blakeslee, Administrator	Borough of Netcong
Mel Levine, Administrator	Borough of North Caldwell
Darren Maloney, Finance Director	Township of Randolph
Sheila Seifert, Administrator	Borough of Rockaway
Greg Poff, Administrator	Township of Rockaway
William Close, Manager	Township of Sparta
Brian McNeilly, Administrator	Borough of Stanhope
Andrew Coppola, Administrator	Township of Washington
Catherine Shanahan, Administrative Secretary	Township of West Milford
Jon Rheinhardt, Administrator/Chief Financial Officer	Borough of Wharton
David Hollberg, Administrator/Chief Financial Officer	Township of Pequannock
Scott Heck, Administrator	Borough of Ringwood
Adam Brewer, Administrator	Township of West Caldwell

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
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Independent Auditors' Report

The Honorable Chairperson and Members
 of the Board of Fund Commissioners
 Morris County Municipal Joint Insurance Fund
 Parsippany, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Morris County Municipal Joint Insurance Fund (the "Fund") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

The Honorable Chairperson and Members
of the Board of Fund Commissioners
Morris County Municipal Joint Insurance Fund
Page 2

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The introductory section, supplementary data, combining supplementary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining supplementary schedules 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 combining supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, supplementary data, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The Honorable Chairperson and Members
of the Board of Fund Commissioners
Morris County Municipal Joint Insurance Fund
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2017 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
June 21, 2017

Nisovic LLP

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
Management Discussion and Analysis
(Unaudited)

This section of the annual financial report of the Fund presents a discussion and analysis of the financial performance of the Fund for the years ended December 31, 2016 and 2015. Please read it in conjunction with the basic financial statements, the notes, and supplementary schedules that follow this section.

Overview of Basic Financial Statements

The Fund'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 Fund is to provide property and casualty insurance for the members of the Fund. The Fund 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:

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

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

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

Financial Highlights

The following tables summarize the financial position and results of operations for the Fund as of and for the years ended December 31, 2016, 2015 and 2014.

SUMMARY OF STATEMENT OF NET POSITION

	2016	2015	2016/2015 Percentage Change	2014	2015/2014 Percentage Change
ASSETS:					
Cash and Cash Equivalents,					
Investments and Receivables	\$ 21,614,053	\$ 20,218,322	6.90%	\$ 20,617,225	-1.93%
Investment in Joint Ventures	6,139,810	4,557,132	34.73%	4,584,364	-0.59%
Total Assets	27,753,863	24,775,454	12.02%	25,201,589	-1.69%
LIABILITIES:					
Loss Reserves	15,407,055	15,977,739	-3.57%	15,802,111	1.11%
Other Liabilities	168,773	165,884	1.74%	219,454	-24.41%
Total Liabilities	15,575,828	16,143,623	-3.52%	16,021,565	0.76%
UNRESTRICTED NET POSITION	\$ 12,178,035	\$ 8,631,831	41.08%	\$ 9,180,024	-5.97%

SUMMARY OF STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

	2016	2015	2016/2015 Percent Change	2014	2015/2014 Percent Change
Operating Revenue:					
Assessments and Other Income	\$ 17,484,766	\$ 17,246,259	1.38%	\$ 16,672,964	3.44%
Operating Expenses:					
Provision for Claims & Claims Expense	5,747,162	7,017,998	-18.11%	7,408,156	-5.27%
Assessment for Participation in RCF	1,320,967	1,984,218	-33.43%	1,087,659	82.43%
Assessment for Participation in MEL	4,172,255	4,389,217	-4.94%	4,296,429	2.16%
Assessment for Participation in EJIF	429,706	426,734	0.70%	430,915	-0.97%
Insurance Premiums	1,894,178	1,772,314	6.88%	1,452,391	22.03%
Administrative and Operating Expenses	2,151,438	2,300,624	-6.48%	2,330,163	-1.27%
Total Operating Expenses	15,715,706	17,891,105	-12.16%	17,005,713	5.21%
Operating Income/(Loss)	1,769,060	(644,846)	374.34%	(332,749)	-93.79%
Non-Operating Income/(Expenses):					
Change in Investment in Joint Ventures	1,582,678	(27,232)	5911.83%	(287,530)	90.53%
Investment Income	194,466	123,885	56.97%	154,722	-19.93%
Change in Net Position	\$ 3,546,204	\$ (548,193)	746.89%	\$ (465,557)	-17.75%

The Fund's asset base increased by 12.02% during the reporting period. Cash, investments and receivables increased by 6.90% and the value of its share in joint ventures increased by 34.73%. The Fund's "Investment in Joint Venture" represents its share of net position in the Municipal Excess Liability Joint Insurance Fund ("MEL"), the Municipal Excess Liability Residual Claims Fund ("RCF"), and the New Jersey Municipal Environmental Risk Management Fund ("EJIF").

The Fund's liabilities decreased by 3.52%, primarily due to a decrease in loss reserves of 3.57%.

Assessments increased by 1.38% reflecting increased claims projections in the 2016 budget while the provision for claims and claims expense decreased by 18.11%.

Investment income increased by 56.97% reflecting an improved interest rate environment.

The Fund's increase in net position of \$3,546,204 was largely due to decreases in Claim Expenses, Assessments for Participation in the RCF and MEL along with the change in joint ventures.

The future financial position of the Fund will be impacted by medical cost trends that impact upon workers compensation costs. To address this cost area, the Fund participated in "Focus Group" and "Workers Compensation Toolbox" programs. The Fund also began a program to assist member police agencies with the accreditation process – noting the program is an overall investment to help drive down future losses and is expected to result in more realized long term servings.

BASIC FINANCIAL STATEMENTS

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
STATEMENT OF NET POSITION

	December 31,	
	2016	2015
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 3,016,787	\$ 2,318,707
Investments	18,457,111	17,776,617
Accrued Interest Receivable	53,667	55,751
Due Municipal Excess Liability Residual Claims Fund	74,729	15,494
Excess Insurance Receivable		1,094
Other Receivables	11,759	50,659
Investment in Joint Ventures	6,139,810	4,557,132
Total Assets	27,753,863	24,775,454
 <u>LIABILITIES:</u>		
Loss Reserves	15,407,055	15,977,739
Accounts Payable - Vendors	146,784	135,365
Insurance Premiums Payable	21,044	21,044
Assessment Overpayments	945	9,475
Total Liabilities	15,575,828	16,143,623
 <u>NET POSITION:</u>		
Unrestricted	12,178,035	8,631,831
Total Net Position	\$ 12,178,035	\$ 8,631,831

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

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

	Year Ended December 31,	
	2016	2015
Operating Revenue:		
Assessments from Participating Members	\$ 17,483,651	\$ 17,246,259
Other Income	1,115	
Total Operating Revenue	<u>17,484,766</u>	<u>17,246,259</u>
Operating Expenses:		
Provision for Claims and Claim Adjustment Expense (Net of Reinsurance of \$291,329 and \$1,094 for 2016 and 2015, respectively)	5,747,162	7,017,998
Assessment for Participation in Municipal Excess Liability Residual Claims Fund	1,320,967	1,984,218
Assessment for Participation in Municipal Excess Liability Joint Insurance Fund	4,172,255	4,389,217
Assessment for Participation in New Jersey Municipal Environmental Risk Management Fund (Net of Dividend of \$70,045 and \$69,665 for 2016 and 2015, respectively)	429,706	426,734
Insurance Premiums	1,894,178	1,772,314
Claims Administration	469,051	518,914
Other Contractual Services	664,460	781,826
Non-Contractual Expenses	39,583	41,318
Administration	279,651	266,335
Managed Care/Employee Defense	252,530	252,530
Risk Management Fees	446,163	439,701
Total Operating Expenses	<u>15,715,706</u>	<u>17,891,105</u>
Operating (Loss)	1,769,060	(644,846)
Non-Operating Income/(Expenses):		
Change in Investment in Joint Ventures	1,582,678	(27,232)
Investment Income	194,466	123,885
Change in Net Position	3,546,204	(548,193)
Net Position - Beginning of Year	<u>8,631,831</u>	<u>9,180,024</u>
Net Position - End of Year	<u>\$ 12,178,035</u>	<u>\$ 8,631,831</u>

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

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	2016	2015
Cash Flows from Operating Activities:		
Assessments Collected	\$ 17,476,236	\$ 17,220,999
Refunds	291,330	119,097
Claims Expense	(6,609,176)	(6,961,467)
Professional and Administrative Expenses	(2,140,019)	(2,349,978)
Insurance Premiums and Assessments	(7,836,347)	(8,406,633)
Net Cash Provided/(Used) by Operating Activities	1,182,024	(377,982)
Cash Flows from Investing Activities:		
Purchase of Investment Securities	(241,357)	(766,537)
Proceeds from Sales and Maturities of Investment Securities	14,800	23,032
Investment Income	(257,387)	201,066
Net Cash Provided/(Used) by Investing Activities	(483,944)	(542,439)
Net Increase/(Decrease) in Cash and Cash Equivalents	698,080	(920,421)
Cash and Cash Equivalents, January 1	2,318,707	3,239,128
Cash and Cash Equivalents, December 31	\$ 3,016,787	\$ 2,318,707
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Operating Income/(Loss)	\$ 1,769,060	\$ (644,846)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/ (Used) by Operating Activities:		
Changes in Assets and Liabilities:		
(Increase)/Decrease in Assets:		
Other Receivables	38,900	41,439
Excess Insurance Receivable	1,094	32,290
Due from Municipal Excess Liability Residual Claims Fund	(59,235)	10,356
Due from New Jersey Environmental Risk Management Fund		60,721
Increase/(Decrease) in Liabilities:		
Loss Reserves	(570,684)	175,628
Accounts Payable	11,419	(49,354)
Insurance Premium Payable		21,044
Assessment Overpayments	(8,530)	(25,260)
Net Cash Provided/(Used) by Operating Activities	\$ 1,182,024	\$ (377,982)

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

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1: NATURE OF OPERATIONS

The Morris County Municipal Joint Insurance Fund (the "Fund") was created on January 1, 1987, in accordance with P.L. 1983, C.372, entitled "An act concerning joint insurance funds for local units of government, and supplementing Chapter 10 of Title 40A of the New Jersey statutes". The Fund is both an insured and self-administered group of municipalities established for the purpose of providing low-cost insurance coverage for the member municipalities in order to keep local property taxes at a minimum.

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

- a) Workers' Compensation and Employers' Liability
- b) Liability Other than Motor Vehicles
- c) Property Damage Other than Motor Vehicle
- d) Motor Vehicle
- e) Environmental
- f) Employment Practices Liability/Public Officials Liability
- g) Cyber Liability

The Fund is a member of the Municipal Excess Liability Joint Insurance Fund which provides excess insurance for each of the coverages noted above, except for excess property coverage which is purchased by the Fund from a commercial carrier and the Fund purchases an excess liability policy above the JIF/MEL retention from a commercial carrier; and environmental coverage. The Fund purchases primary and excess public officials/employment practices from a commercial carrier. The Fund is also a member of the New Jersey Municipal Environmental Risk Management Fund which provides environmental coverage for non-site specific incidents, site specific incidents, and Superfund buyouts. In addition, the Fund is a member of the Municipal Excess Liability Residual Claims Fund which is more fully described in Note 7.

Fund members are subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities. The Fund considers anticipated investment income when determining if a premium deficiency exists.

A participating municipality must remain in the Fund for the full term of membership unless terminated earlier by a majority vote of the Fund Commissioners or a two-thirds vote of the Executive Committee for nonpayment of assessments or continued noncompliance after written notice to comply with the bylaws or other obligations. Termination may occur only after proper notice has been given, in accordance with the Fund's bylaws. The Fund has 41 members at December 31, 2016, all of which are municipalities.

The Executive Director/Administrator is responsible for the overall administration of the Fund. Fees paid to the Executive Director encompass all administrative duties which are performed at the Executive Director's office. Accordingly, the Fund does not maintain any fixed assets or incur any payroll expense.

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. The combined financial statements include all funds of the Fund over which the Fund exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Fund is not includable in any other reporting entity on the basis of such criteria.

Basis of Accounting

The Fund utilizes the accrual basis of accounting whereby revenue is recorded as earned and expenses are reflected as the liability is incurred. The Fund utilizes total economic resources as the measurement focus.

Investments

The Fund 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 Fund categorizes its fair value measurements 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.

Income Taxes

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

Assessments

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

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

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

Unpaid Claims Liabilities

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as 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. The Fund does not discount claim liabilities. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Reinsurance

The Fund does not use reinsurance agreements to reduce its exposure to large losses. The Fund is liable for the self-insurance retention level that it contracts with the member municipalities. Losses in excess of the Fund's self-insured retention are contractual liabilities of the Municipal Excess Liability Joint Insurance Fund. Reinsurance premiums are included in the Fund's assessments for the Municipal Excess Liability Joint Insurance Fund and are readily determinable. Loss reserves were reduced by \$0 and \$0 at December 31, 2016 and 2015, respectively.

Management Estimates

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

NOTE 3: LOSS RESERVES

The liability for unpaid losses and loss adjustment expenses represents an estimate of the ultimate net cost of all losses and loss adjustment expenses incurred but not yet paid as of December 31, 2016. This estimate is based on the estimated ultimate cost of settling the claims considering the historical experience of the Fund, various other industry statistics, including the effects of inflation and other societal or economic factors, and the Fund's self-insured retention level. Management believes that the liability for unpaid losses is adequate to cover the ultimate cost of reported and unreported claims incurred but not yet paid. However, the ultimate cost may be more or less than the estimated liability. The unpaid losses are stated net of any recoveries from excess loss insurance. The Fund has created a loss reserve for any reported and potential unreported losses which have taken place but in which the Fund has not received notices or reports of losses. Amounts shown as negative loss reserves, if any, represent payments to the Claims Servicing Agent in excess of claims paid and case reserves on the Fund's loss runs. These amounts, if any, are shown on the balance sheets as accounts receivable.

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

NOTE 3: LOSS RESERVES (Cont'd)

Loss reserves, at December 31, 2016 and 2015, which have been estimated by the Fund's Actuary and Claims Servicing Agents, are as follows:

	<u>2016</u>	<u>2015</u>
Case Reserves	\$ 9,107,459	\$ 9,926,633
Losses Incurred but not Reported	<u>6,299,596</u>	<u>6,051,106</u>
Total Loss Reserves	<u>\$15,407,055</u>	<u>\$15,977,739</u>

The following represents changes in the aggregate reserves for the Fund:

	<u>2016</u>	<u>2015</u>
Unpaid Claims and Claim Adjustment Expenses, Beginning of Year	<u>\$15,977,739</u>	<u>\$15,802,111</u>
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Period	7,574,572	9,384,998
(Decrease)/Increase in Provision for Insured Events of Prior Years	<u>(1,827,410)</u>	<u>(2,367,000)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>5,747,162</u>	<u>7,017,998</u>
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Period	2,530,571	2,945,191
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>3,787,275</u>	<u>3,897,179</u>
Total Payments	<u>6,317,846</u>	<u>6,842,370</u>
Total Unpaid Claims and Claim Adjustment Expenses, End of Year	<u>\$15,407,055</u>	<u>\$15,977,739</u>

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

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
 (Continued)

NOTE 4: NET POSITION

The State of New Jersey has no statutory minimum net assets requirements.

The Fund had accumulated deficit net position accounts on a statutory basis as follows:

Fund Year 2014 - Property	\$ 151,072
Fund Year 2014 - Liability	\$ 142,340
Fund Year 2014 - Automotive	\$ 292,288
Fund Year 2014 - Worker's Compensation	\$ 326,165
Fund Year 2015 - Liability	\$ 750,887
Fund Year 2015 - Automotive	\$ 13,064
Fund Year 2015 - Worker's Compensation	\$ 389,394
Fund Year 2016 - Property	\$ 79,307

In addition, at December 31, 2016 Fund Year 2014 and 2015 had an overall deficit of \$831,231 and \$939,784, respectively.

The Fund has no current plans to assess the membership to eliminate these deficit balances.

NOTE 5: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in deposits, money market accounts, short-term investments with original maturities of three months or less.

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

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

Credit Risk – The Fund limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed in Note 6.

Custodial Credit Risk – The Fund's policy with respect to custodial credit risk requires that the Fund ensures that funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

NOTE 5: CASH AND CASH EQUIVALENTS (Cont'd)

The market value of the collateral must equal 5% of the average daily balance of public funds; and, in addition if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

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

As of December 31, cash and cash equivalents of the Fund consisted of the following:

	2016	2015
Checking Accounts	\$ 2,926,699	\$ 1,710,235
Money Market Accounts	55,171	573,696
Cash Management Funds	34,917	34,776
	\$ 3,016,787	\$ 2,318,707

The carrying amount of the Fund's cash at cost at December 31, 2016 was \$3,016,787 and the bank balance was \$3,543,475. The \$34,917 invested with the State of New Jersey Cash Management Fund is uninsured and unregistered.

The carrying amount of the Fund's cash at cost at December 31, 2015 was \$2,318,707 and the bank balance was \$2,457,885. The \$34,776 invested with the State of New Jersey Cash Management Fund is uninsured and unregistered.

NOTE 6: INVESTMENTS

The Fund implemented Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application, during the year ended December 31, 2016.

New Jersey statutes permit the Fund to purchase the following types of investments:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of local units or bonds or other obligations of school districts of which the local units are part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

NOTE 7: MEMBERSHIP IN JOINT INSURANCE FUND

Municipal Excess Liability Joint Insurance Fund:

In 1998, the Fund became a member of the Municipal Excess Liability Joint Insurance Fund (the "MEL"). Prior to 1998, the Fund's members were individual members of the MEL. The MEL provides its members with excess property, excess workers' compensation and employers' liability, excess liability other than motor vehicle, excess motor vehicle, and until 2011, public officials'/employment practices liabilities and related coverages. The MEL is an insured and a self-administered group of joint insurance funds established for the purpose of providing low cost insurance coverage for their respective members in order to keep local property taxes and user fees at a minimum. Each member JIF appoints an official to represent their respective joint insurance fund for the purpose of creating a governing body from which officers for the MEL are elected.

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

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

Municipal Excess Liability Residual Claims Fund:

In 1995, the Fund became a member of the Municipal Excess Liability Residual Claims Fund (the "Residual Fund"). The Residual Fund is a risk-sharing public entity risk pool that is a self-administered group of joint insurance funds established for the purpose of assuming and discharging the liabilities associated with loss reserves of participating members. The transfer of these loss reserves to the Residual Fund results in the closing of those fund years and the unencumbering of the net assets related to those closed fund years. Each member appoints an official to represent their respective joint insurance fund for the purpose of creating a governing body from which officers for the Residual Fund are elected.

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

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

During 2016, the Residual Fund assumed the obligation for discharging the Fund's liabilities for claims and losses for the 2012 Fund Year. Loss reserves totaling \$1,320,967 at June 30, 2016, were assumed as of June 30, 2016 in exchange for the Fund's assessment for participation in the Residual Fund of \$1,320,967.

During 2015, the Residual Fund assumed the obligation for discharging the Fund's liabilities for claims and losses for the 2011 Fund Year. Loss reserves totaling \$1,984,218 at June 30, 2015, were assumed as of June 30, 2015 in exchange for the Fund's assessment for participation in the Residual Fund of \$1,984,218.

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

NOTE 7: MEMBERSHIP IN JOINT INSURANCE FUND (Cont'd)

New Jersey Municipal Environmental Risk Management Fund:

During 1995, the Fund became a member of the New Jersey Municipal Environmental Risk Management Fund (the "Environmental Fund"). The Environmental Fund provides its members with various environmental related coverages. The Environmental Fund is a risk-sharing public entity risk pool that is both an insured and a self-administered group of joint insurance funds established for the purpose of providing low cost insurance coverage for their respective members in order to keep local property taxes and user fees at a minimum. Each member appoints an official to represent their respective joint insurance fund for the purpose of creating a governing body from which officers for the Environmental Fund are elected.

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

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

Also, during 2016 and 2015, the Fund received distributions of net position from the Environmental Fund of \$70,045 and \$69,665 respectively. The distributions were approved by the State Department of Banking and Insurance or were not acted upon by the state within the required time frame. The participating members may either receive payment or offset their subsequent year assessments with the respective share of the distribution.

The Fund's equity interest in the MEL, the Residual Fund, and the Environmental Fund was \$6,139,810 and \$4,557,132 respectively, at December 31, 2016 and 2015.

Selected, summarized unaudited financial information for the MEL, the Residual Fund, and the Environmental Fund as of December 31, 2016 is as follows:

	<u>Municipal Excess Liability Joint Insurance Fund</u>	<u>Municipal Excess Liability Residual Claims Fund</u>
Total Assets	\$ 71,535,437	\$ 92,436,187
Net Position	\$ 29,998,611	\$ 11,967,910
Total Revenue	\$ 48,842,610	\$ 25,239,408
Total Expenses	\$ 37,957,097	\$ 15,536,723
Change in Net Position	\$ 10,885,513	\$ 9,702,685
Member Dividends	\$ -0-	\$ 610,000

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

NOTE 7: MEMBERSHIP IN JOINT INSURANCE FUND (Cont'd)

	<u>New Jersey Municipal Environmental Risk Management Fund</u>
Total Assets	\$ 26,878,401
Net Position	\$ 15,189,954
Total Revenue	\$ 4,412,802
Total Expenses	\$ 4,484,781
Change in Net Position	\$ (71,979)
Member Dividends	\$ 500,004

Financial statements for the MEL, Residual Fund and the Environmental Fund are available at the office of the Funds' Executive Director:

PERMA Risk Management Services
9 Campus Drive, Suite 216
Parsippany, New Jersey, 07054-4412
(201) 881-7632

NOTE 8: CONTINGENCIES

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

NOTE 9: RELATIONSHIP WITH SUPPLEMENTARY DATA SCHEDULES

The information in the Fund's financial statements differs from the State Schedules listed in the supplementary data section as Schedules A through F. Specifically, the Schedules present historical information from the inception of each fund year. In addition, the financial statements reflect the Fund's equity interest in joint ventures. The Supplementary Data Schedules do not reflect the equity interest in the joint ventures.

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

NOTE 10: AGGREGATE EXCESS LOSS FUND CONTINENCY

The Municipal Excess Liability Joint Insurance Fund (the "MEL") has adopted a retrospective rating premium approach to implement experience rated assessments for liability and workers' compensation coverages. The MEL billed 85% of the experience rated assessment in the first year and, should a member joint insurance fund exceed that amount, an additional assessment would be calculated based on each member joint insurance fund's retrospective rating modification. The retrospective rating modification is an experience rated factor and any additional assessments would be capped at 100%, 115% or 125% of that factor. If a member joint insurance fund's liability and workers' compensation loss funds stay within the 85% threshold, there would not be an additional assessment.

In 2016, the Fund budgeted and assessed each member 100% of the MEL's layer of projected loss funds. The Fund will expense the liability and workers' compensation excess coverage premium for the actual amount billed by the MEL and record revenue at the full amount budgeted and billed its members.

The difference between the assessment billed to the Fund's members and the MEL's premium will be transferred to an Aggregate Excess Loss Fund Contingency within the Fund in January and will earn interest in the same manner as all other fund years. The net position within the Aggregate Excess Loss Fund Contingency of the Fund will be maintained by member in the same manner that the Closed Fund Years' net position is maintained. As future fund years continue to adopt this program the same process will be followed and the member shares will be maintained on a weighted average of their contributions to the Aggregate Excess Loss Fund Contingency. If the MEL bills the Fund for an additional assessment, and the member does not have enough net position in its portion of the Aggregate Excess Loss Fund Contingency, the Fund could bill the member an additional assessment.

REQUIRED SUPPLEMENTARY INFORMATION

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
COMPARATIVE RECONCILIATION OF CLAIMS LIABILITIES BY FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Unaudited)

	<u>Property</u>		<u>Liability</u>		<u>Automotive</u>		<u>Worker's Compensation</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 116,720	\$ 163,220	\$ 6,169,714	\$ 5,622,449	\$ 793,796	\$ 972,418	\$ 8,897,509	\$ 9,044,024	\$ 15,977,739	\$ 15,802,111
Incurred claims and claim adjustment expenses:										
Provision for insured events of the current period	897,572	684,999	1,497,000	2,500,000	326,000	500,000	4,854,000	5,699,999	7,574,572	9,384,998
Increases/(decreases) in provision for insured events of prior years	(77,598)	(114,357)	(889,147)	(901,037)	(67,400)	(172,503)	(793,265)	(1,179,103)	(1,827,410)	(2,367,000)
Total incurred claims and claim adjustment expenses	819,974	570,642	607,853	1,598,963	258,600	327,497	4,060,735	4,520,896	5,747,162	7,017,998
Payments:										
Claims and claim adjustment expenses attributable to insured events of the current period	784,018	573,339	53,485	92,870	30,594	69,337	1,662,474	2,209,645	2,530,571	2,945,191
Claims and claim adjustment expenses attributable to insured events of prior years	38,726	43,803	970,717	958,828	199,342	436,782	2,578,490	2,457,766	3,787,275	3,897,179
Total payments	822,744	617,142	1,024,202	1,051,698	229,936	506,119	4,240,964	4,667,411	6,317,846	6,842,370
Total unpaid claims and claim adjustment expenses at end of year	\$ 113,950	\$ 116,720	\$ 5,753,365	\$ 6,169,714	\$ 822,460	\$ 793,796	\$ 8,717,280	\$ 8,897,509	\$ 15,407,055	\$ 15,977,739

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
(Unaudited)

	Fiscal Period Ended December 31, 2016 and Policy Period Ended December 31,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Required contribution and investment revenue:										
Earned	\$ 12,641,331	\$ 13,627,091	\$ 15,203,364	\$ 16,020,620	\$ 16,639,763	\$ 14,741,556	\$ 15,108,984	\$ 16,777,720	\$ 17,297,655	\$ 17,200,690
Ceded	4,754,191	6,551,280	7,371,583	7,165,898	6,192,878	5,439,284	5,438,825	6,245,722	6,657,930	6,566,183
	<u>7,887,140</u>	<u>7,075,811</u>	<u>7,831,781</u>	<u>8,854,722</u>	<u>10,446,885</u>	<u>9,302,272</u>	<u>9,670,159</u>	<u>10,531,998</u>	<u>10,639,725</u>	<u>10,634,507</u>
Unallocated expenses	<u>3,353,094</u>	<u>1,727,949</u>	<u>1,969,691</u>	<u>2,255,888</u>	<u>2,228,792</u>	<u>2,143,981</u>	<u>2,121,451</u>	<u>2,327,572</u>	<u>2,182,263</u>	<u>2,151,420</u>
Estimated claims and expenses, end of policy year										
Incurred	4,775,862	6,204,283	6,020,000	6,060,000	7,824,482	7,739,362	7,445,001	9,576,769	9,384,998	7,641,888
Ceded					529,473	340,612		126,769		67,316
Net Incurred	<u>4,775,862</u>	<u>6,204,283</u>	<u>6,020,000</u>	<u>6,060,000</u>	<u>7,295,009</u>	<u>7,398,750</u>	<u>7,445,001</u>	<u>9,450,000</u>	<u>9,384,998</u>	<u>7,574,572</u>
Paid (cumulative) as of:										
End of policy year	1,651,666	2,090,477	2,324,329	1,795,225	2,405,737	2,102,648	2,096,266	2,935,290	2,945,191	2,530,571
One year later	2,950,619	3,244,964	3,779,633	2,715,225	4,038,485	3,187,312	3,263,332	4,573,586	4,284,370	
Two years later	4,241,413	4,608,648	5,257,294	3,399,091	4,697,445	3,834,726	3,928,700	5,747,714		
Three years later	5,279,890	5,683,085	6,910,690	4,642,359	5,828,096	4,745,282	4,638,270			
Four years later	5,646,113	6,162,616	7,208,128	5,013,866	6,511,055	5,309,680				
Five years later	5,646,113	6,162,616	7,208,128	5,385,373	6,511,055					
Six years later	5,646,113	6,162,616	7,208,128	5,385,373						
Seven years later	5,646,113	6,162,616	7,208,128							
Eight years later	5,646,113	6,162,616								
Nine years later	5,646,113									
Reestimated ceded claims and expenses	1,124,286	1,318,582	1,464,133	1,087,659	557,516	1,236,101	101,660	172,399	173,417	67,316
Reestimated incurred claims and expense:										
End of policy year	4,775,862	6,204,283	6,020,000	6,060,000	7,295,009	7,398,750	7,445,001	9,450,000	9,384,998	7,574,572
One year later	5,356,284	5,715,001	7,034,999	5,190,559	7,885,099	7,138,849	6,786,947	9,330,997	9,397,246	
Two years later	6,089,243	6,902,281	8,276,951	6,042,505	8,452,239	7,215,099	6,897,067	9,285,657		
Three years later	6,628,599	7,252,280	8,657,360	6,233,175	8,211,508	6,557,436	6,350,505			
Four years later	5,646,113	6,162,616	7,208,128	5,013,866	6,511,055	5,309,680				
Five years later	5,646,113	6,162,616	7,208,128	5,385,373	6,511,055					
Six years later	5,646,113	6,162,616	7,208,128	5,385,373						
Seven years later	5,646,113	6,162,616	7,208,128							
Eight years later	5,646,113	6,162,616								
Nine years later	5,646,113									
Increase/(decrease) in estimated incurred claims and expense from end of policy year	<u>\$ 870,251</u>	<u>\$ (41,667)</u>	<u>\$ 1,188,128</u>	<u>\$ (674,627)</u>	<u>\$ (783,954)</u>	<u>\$ (2,089,070)</u>	<u>\$ (1,094,496)</u>	<u>\$ (164,343)</u>	<u>\$ 12,248</u>	<u>\$ -0-</u>

COMBINING SUPPLEMENTARY SCHEDULES

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
COMBINING SCHEDULE OF NET POSITION
DECEMBER 31, 2016

<u>ASSETS</u>	Fund Year						Total
	Closed Years	Aggregate Excess Loss Contingency	2013	2014	2015	2016	
Cash and Cash Equivalents	\$ 697,536	\$ 41,037	\$ 434,906	\$ 372,348	\$ 578,207	\$ 892,753	\$ 3,016,787
Investments	4,360,112	256,512	2,718,481	2,327,446	3,614,222	5,180,338	18,457,111
Accrued Interest Receivable	13,526	609	7,051	6,919	9,543	16,019	53,667
Due Municipal Excess Liability							
Residual Claims Fund	74,729						74,729
Other Receivables	8,477					3,282	11,759
Investment in Joint Ventures	3,983,116		679,025	762,523	391,557	323,589	6,139,810
Total Assets	9,137,496	298,158	3,839,463	3,469,236	4,593,529	6,415,981	27,753,863
 <u>LIABILITIES:</u>							
Loss Reserves			1,712,235	3,537,944	5,112,876	5,044,000	15,407,055
Accounts Payable - Vendors					28,880	117,904	146,784
Insurance Premium Payable						21,044	21,044
Assessment Overpayments		16				929	945
Total Liabilities		16	1,712,235	3,537,944	5,141,756	5,183,877	15,575,828
 <u>NET POSITION:</u>							
Unrestricted/(Deficit)	9,137,496	298,142	2,127,228	(68,708)	(548,227)	1,232,104	12,178,035
Total Net Position	\$ 9,137,496	\$ 298,142	\$ 2,127,228	\$ (68,708)	\$ (548,227)	\$ 1,232,104	\$ 12,178,035

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2016

	Fund Year						Total
	Closed Years	Aggregate Excess Loss Contingency	2013	2014	2015	2016	
Operating Revenue:							
Assessments from Participating Members		\$ 297,793				\$ 17,185,858	\$ 17,483,651
Other Income						1,115	1,115
Total Operating Revenue		297,793				17,186,973	17,484,766
Operating Expenses:							
Provision for Claims and Claim Adjustment Expenses	\$ (1,247,754)		\$ (546,563)	\$ (45,340)	\$ 12,247	7,574,572	5,747,162
Assessment for Participation in Municipal Excess Liability Residual Claims Fund	1,320,967						1,320,967
Assessment for Participation in Municipal Excess Liability Joint Insurance Fund						4,172,255	4,172,255
Assessment for Participation in New Jersey Municipal Environmental Risk Management Fund	(70,045)					499,751	429,706
Insurance Premiums						1,894,178	1,894,178
Claims Administration						469,051	469,051
Other Contractual Services						664,460	664,460
Non-Contractual Services					18	39,565	39,583
Administration						279,651	279,651
Managed Care/Employee Defense						252,530	252,530
Risk Management Consultants						446,163	446,163
Total Operating Expenses	3,168		(546,563)	(45,340)	12,265	16,292,176	15,715,706
Operating Income/(Loss)	(3,168)	297,793	546,563	45,340	(12,265)	894,797	1,769,060
Non-Operating Revenue/(Expenses)							
Change in Investment in Joint Ventures	585,774		235,040	343,374	94,901	323,589	1,582,678
Investment Income	60,844	349	34,279	36,252	49,024	13,718	194,466
Change in Net Position	643,450	298,142	815,882	424,966	131,660	1,232,104	3,546,204
Net Position/(Deficit) - Beginning of Year	8,494,046		1,311,346	(493,674)	(679,887)		8,631,831
Net Position/(Deficit) - End of Year	\$ 9,137,496	\$ 298,142	\$ 2,127,228	\$ (68,708)	\$ (548,227)	\$ 1,232,104	\$ 12,178,035

SUPPLEMENTARY DATA

Schedule A

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
HISTORICAL OPERATING RESULTS ANALYSIS
FUND YEARS - CLOSED, CONTINGENCY, 2013, 2014, 2015 and 2016
DECEMBER 31, 2016
(UNAUDITED)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 271,260,204		
Supplemental Contributions	402		
Other Income (except investments)	75,152		
Total Income			\$ 271,335,758
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	104,952,265		
Case Reserves	9,107,459		
Imprest Account			
IBNR Reserve	6,299,596		
Subtotal		\$ 120,359,320	
Less Excess Insurance:			
Received	1,750,893		
Receivable			
Recoverable			
Subtotal		1,750,893	
Limited Incurred Claims (claims-excess)		118,608,427	
<u>Expenses:</u>			
Excess Insurance Premiums	105,757,613		
Administrative	37,546,024		
Other	3,556,440		
Subtotal Expenses		146,860,077	
<u>Total Incurred Liabilities</u>			
(limited claims and expenses)			265,468,504
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			5,867,254
4. <u>Investment Income (Earned)</u>			11,447,284
4a <u>Transfer from/(to) Other Fund Years</u>			_____
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			17,314,538
6. <u>Return of Surplus:</u>			
Paid	11,276,314		
Authorized and Unpaid			
Subtotal Return of Surplus		11,276,314	
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ 6,038,224

Schedule B

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
HISTORICAL BALANCE SHEET
FUND YEARS - CLOSED YEARS, CONTINGENCY, 2013, 2014, 2015 and 2016
DECEMBER 31, 2016
(UNAUDITED)

1. <u>Assets:</u>			
Cash and Investments (1)	\$ 21,473,898		
		\$ 21,473,898	
<u>Receivables (1):</u>			
Excess Insurance			
Assessments			
Other	140,155		
Total Receivables		140,155	
<u>Total Assets</u>			\$ 21,614,053
2. <u>Liabilities:</u>			
<u>Claims:</u>			
Case Reserves	9,107,459		
Imprest Account Reconciliation			
IBNR Reserve (2)	6,299,596		
Subtotal Claims		15,407,055	
<u>Expenses (unpaid) (1):</u>			
Excess Insurance	21,044		
Administrative	146,784		
Subtotal Expenses		167,828	
<u>Other Liabilities:</u>			
Unearned Contributions			
Authorized Return of Surplus			
Miscellaneous Liabilities (1)	945		
Subtotal		945	
<u>Total Liabilities</u>			15,575,828
NET CURRENT SURPLUS/(DEFICIT) = 1-2			\$ 6,038,225

Notes: (1) attach schedule itemizing these categories
(2) attach an opinion from the actuary

Schedule C

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - CLOSED
DECEMBER 31, 2016
(UNAUDITED)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 204,862,388		
Supplemental Contributions	402		
Other Income (except investments)	74,037		
Total Income			\$ 204,936,827
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	87,236,548		
Case Reserves			
Imprest Account			
IBNR Reserve			
Subtotal		\$ 87,236,548	
Less Excess Insurance:			
Received	1,236,101		
Receivable			
Recoverable			
Subtotal		1,236,101	
Limited Incurred Claims (claims-excess)		86,000,447	
<u>Expenses:</u>			
Excess Insurance Premiums	80,848,953		
Administrative	29,740,045		
Worker's Compensation	2,579,713		
Subtotal Expenses		113,168,711	
<u>Total Incurred Liabilities</u> (limited claims and expenses)			<u>199,169,158</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			5,767,669
4. <u>Investment Income (Earned)</u>			11,163,025
4a. <u>Transfer from/(to) Other Fund Years</u>			<u>(500,000)</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			16,430,694
6. <u>Return of Surplus:</u>			
Paid	11,276,314		
Authorized and Unpaid			
Subtotal Return of Surplus		<u>11,276,314</u>	
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 5,154,380</u>

Schedule C

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - AGGREGATE EXCESS LOSS CONTINGENCY FUND
DECEMBER 31, 2016
(UNAUDITED)

1.	<u>Underwriting Income:</u>		
	Regular Contributions (earned)	\$	297,793
	Supplemental Contributions		
	Other Income (except investments)		
	Total Income		\$ 297,793
2.	<u>Incurred Liabilities:</u>		
	<u>Claims:</u>		
	Paid		
	Case Reserves		
	Imprest Account		
	IBNR Reserve		
	Subtotal		
	Less Excess Insurance:		
	Received		
	Receivable		
	Recoverable		
	Subtotal		
	Limited Incurred Claims (claims-excess)		
	<u>Expenses:</u>		
	Excess Insurance Premiums		
	Administrative		
	Worker's Compensation		
	Subtotal Expenses		
	<u>Total Incurred Liabilities</u>		
	(limited claims and expenses)		
3.	<u>Underwriting Surplus/(Deficit) = 1-2</u>		297,793
4.	<u>Investment Income (Earned)</u>		348
4a	<u>Transfer from/(to) Other Fund Years</u>		
5.	<u>Gross Operating Surplus/(Deficit) = 3+4</u>		298,141
6.	<u>Return of Surplus:</u>		
	Paid		
	Authorized and Unpaid		
	Subtotal Return of Surplus		
7.	<u>Net Current Surplus/(Deficit) = 5-6</u>	\$	<u>298,141</u>

Schedule C

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2013
DECEMBER 31, 2016
(UNAUDITED)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 14,985,204		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 14,985,204
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	4,739,930		
Case Reserves	1,523,071		
Imprest Account			
IBNR Reserve	189,164		
Subtotal		\$ 6,452,165	
Less Excess Insurance:			
Received	101,660		
Receivable			
Recoverable			
Subtotal		101,660	
Limited Incurred Claims (claims-excess)		6,350,505	
<u>Expenses:</u>			
Excess Insurance Premiums	5,438,825		
Administrative	1,897,404		
Other	224,047		
Subtotal Expenses		7,560,276	
<u>Total Incurred Liabilities</u>			
(limited claims and expenses)			13,910,781
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			1,074,423
4. <u>Investment Income (Earned)</u>			123,780
4a <u>Transfers from/(to) Other Fund Years</u>			250,000
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			1,448,203
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
Subtotal Return of Surplus			
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ 1,448,203

Schedule C

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2014
DECEMBER 31, 2016
(UNAUDITED)

1.	<u>Underwriting Income:</u>		
	Regular Contributions (earned)	\$ 16,682,702	
	Supplemental Contributions		
	Other Income (except investments)		
	Total Income		\$ 16,682,702
2.	<u>Incurred Liabilities:</u>		
	<u>Claims:</u>		
	Paid	5,920,113	
	Case Reserves	2,794,456	
	Imprest Account		
	IBNR Reserve	743,487	
	Subtotal		\$ 9,458,056
	Less Excess Insurance:		
	Received	172,399	
	Receivable		
	Recoverable		
	Subtotal		172,399
	Limited Incurred Claims (claims-excess)		9,285,657
	<u>Expenses:</u>		
	Excess Insurance Premiums	6,245,722	
	Administrative	2,079,952	
	Other	247,620	
	Subtotal Expenses		8,573,294
	<u>Total Incurred Liabilities</u>		
	(limited claims and expenses)		<u>17,858,951</u>
3.	<u>Underwriting Surplus/(Deficit) = 1-2</u>		(1,176,249)
4.	<u>Investment Income (Earned)</u>		95,018
4a	<u>Transfer from/(to) Other Fund Years</u>		<u>250,000</u>
5.	<u>Gross Operating Surplus/(Deficit) = 3+4</u>		(831,231)
6.	<u>Return of Surplus:</u>		
	Paid		
	Authorized and Unpaid		
	Subtotal Return of Surplus		
7.	<u>Net Current Surplus/(Deficit) = 5-6</u>		<u>\$ (831,231)</u>

Schedule C

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2015
DECEMBER 31, 2016
(UNAUDITED)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 17,246,259		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 17,246,259
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	4,457,787		
Case Reserves	2,821,792		
Imprest Account			
IBNR Reserve	2,291,084		
Subtotal		\$ 9,570,663	
Less Excess Insurance:			
Received	173,417		
Receivable			
Recoverable			
Subtotal		173,417	
Limited Incurred Claims (claims-excess)		9,397,246	
<u>Expenses:</u>			
Excess Insurance Premiums	6,657,930		
Administrative	1,929,733		
Other	252,530		
Subtotal Expenses		8,840,193	
<u>Total Incurred Liabilities</u>			
(limited claims and expenses)			<u>18,237,439</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			(991,180)
4. <u>Investment Income (Earned)</u>			51,396
4a <u>Transfer from/(to) Other Fund Years</u>			<u> </u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			(939,784)
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
Subtotal Return of Surplus			<u> </u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ (939,784)</u>

Schedule C

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2016
DECEMBER 31, 2016
(UNAUDITED)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 17,185,858		
Supplemental Contributions			
Other Income (except investments)	1,115		
Total Income			\$ 17,186,973
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	2,597,887		
Case Reserves	1,968,140		
Imprest Account			
IBNR Reserve	3,075,861		
Subtotal		\$ 7,641,888	
Less Excess Insurance:			
Received	67,316		
Receivable			
Recoverable			
Subtotal		67,316	
Limited Incurred Claims (claims-excess)		7,574,572	
<u>Expenses:</u>			
Excess Insurance Premiums	6,566,183		
Administrative	1,898,890		
Other	252,530		
Subtotal Expenses		8,717,603	
<u>Total Incurred Liabilities</u>			
(limited claims and expenses)			16,292,175
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			894,798
4. <u>Investment Income (Earned)</u>			13,717
4a <u>Transfer from/(to) Other Fund Years</u>			_____
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			908,515
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
Subtotal Return of Surplus		_____	
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ 908,515

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2013
DECEMBER 31, 2016
(UNAUDITED)

	Coverages and Other Accounts								Total
	Property	Liability	Automotive	Worker's Compensation	Excess Insurance Coverage	Environmental	Public Official's/ Employment Practices	General and Administrative	
1. <u>Underwriting Income</u>									
Regular Contributions (earned)	\$ 734,793	\$ 1,563,137	\$ 324,221	\$ 5,140,000	\$ 3,653,006	\$ 444,495	\$ 1,320,099	\$ 1,805,453	\$ 14,985,204
Supplemental Contributions									
Other Income (except investments)									
Total Income	<u>734,793</u>	<u>1,563,137</u>	<u>324,221</u>	<u>5,140,000</u>	<u>3,653,006</u>	<u>444,495</u>	<u>1,320,099</u>	<u>1,805,453</u>	<u>14,985,204</u>
2. <u>Incurred Liabilities</u>									
Claims (limited incurred)	661,535	837,023	81,947	4,770,000					6,350,505
Expenses	18,793	2,926		223,552	3,653,006	444,495	1,320,100	1,897,404	7,560,276
Total Liabilities	<u>680,328</u>	<u>839,949</u>	<u>81,947</u>	<u>4,993,552</u>	<u>3,653,006</u>	<u>444,495</u>	<u>1,320,100</u>	<u>1,897,404</u>	<u>13,910,781</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>54,465</u>	<u>723,188</u>	<u>242,274</u>	<u>146,448</u>			<u>(1)</u>	<u>(91,951)</u>	<u>1,074,423</u>
4. <u>Adjustments</u>									
Investment Income	2,800	36,878	6,935	63,853				13,314	123,780
Transfers							1	249,999	250,000
Total Adjustments	<u>2,800</u>	<u>36,878</u>	<u>6,935</u>	<u>63,853</u>			<u>1</u>	<u>263,313</u>	<u>373,780</u>
5. Gross Operating Surplus	<u>57,265</u>	<u>760,066</u>	<u>249,209</u>	<u>210,301</u>				<u>171,362</u>	<u>1,448,203</u>
6. Return of Surplus									
7. Net Current Surplus	<u>\$ 57,265</u>	<u>\$ 760,066</u>	<u>\$ 249,209</u>	<u>\$ 210,301</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 171,362</u>	<u>\$ 1,448,203</u>

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
 FUND YEAR - 2014
 DECEMBER 31, 2016
 (UNAUDITED)

	Coverages and Other Accounts									
	Property	Liability	Automotive	Worker's Compensation	Loss Fund Contingency	Excess Insurance Coverage	Environmental	Public Official's/ Employment Practices	General and Administrative	Total
1. <u>Underwriting Income</u>										
Regular Contributions (earned)	\$ 818,638	\$ 1,741,222	\$ 353,762	\$ 5,637,602	\$ 25,000	\$ 4,301,694	\$ 491,636	\$ 1,432,759	\$ 1,880,389	\$ 16,682,702
Supplemental Contributions										
Other Income (except investments)										
Total Income	<u>818,638</u>	<u>1,741,222</u>	<u>353,762</u>	<u>5,637,602</u>	<u>25,000</u>	<u>4,301,694</u>	<u>491,636</u>	<u>1,432,759</u>	<u>1,880,389</u>	<u>16,682,702</u>
2. <u>Incurred Liabilities</u>										
Claims (limited incurred)	950,659	1,915,999	648,999	5,770,000						9,285,657
Expenses	19,630			247,620		4,301,695	491,636	1,432,761	2,079,952	8,573,294
Total Liabilities	<u>970,289</u>	<u>1,915,999</u>	<u>648,999</u>	<u>6,017,620</u>		<u>4,301,695</u>	<u>491,636</u>	<u>1,432,761</u>	<u>2,079,952</u>	<u>17,858,951</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>(151,651)</u>	<u>(174,777)</u>	<u>(295,237)</u>	<u>(380,018)</u>	<u>25,000</u>	<u>(1)</u>		<u>(2)</u>	<u>(199,563)</u>	<u>(1,176,249)</u>
4. <u>Adjustments</u>										
Investment Income	579	32,437	2,949	53,853	178				5,022	95,018
Transfers						1		2	249,997	250,000
Total Adjustments	<u>579</u>	<u>32,437</u>	<u>2,949</u>	<u>53,853</u>	<u>178</u>	<u>1</u>		<u>2</u>	<u>255,019</u>	<u>345,018</u>
5. Gross Operating Surplus	<u>(151,072)</u>	<u>(142,340)</u>	<u>(292,288)</u>	<u>(326,165)</u>	<u>25,178</u>				<u>55,456</u>	<u>(831,231)</u>
6. Return of Surplus										
7. Net Current Surplus	<u>\$ (151,072)</u>	<u>\$ (142,340)</u>	<u>\$ (292,288)</u>	<u>\$ (326,165)</u>	<u>\$ 25,178</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 55,456</u>	<u>\$ (831,231)</u>

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2015
DECEMBER 31, 2016
 (UNAUDITED)

	Coverages and Other Accounts									Total
	Property	Liability	Automotive	Worker's Compensation	Loss Fund Contingency	Excess Insurance Coverage	Environmental	Public Officials/ Employment Practices	General and Administrative	
1. <u>Underwriting Income</u>										
Regular Contributions (earned)	\$ 812,709	\$ 1,935,089	\$ 367,765	\$ 5,499,385	\$ 25,000	\$ 4,389,217	\$ 496,399	\$ 1,753,225	\$ 1,967,470	\$ 17,246,259
Supplemental Contributions										
Other Income (except investments)										
Total Income	<u>812,709</u>	<u>1,935,089</u>	<u>367,765</u>	<u>5,499,385</u>	<u>25,000</u>	<u>4,389,217</u>	<u>496,399</u>	<u>1,753,225</u>	<u>1,967,470</u>	<u>17,246,259</u>
2. <u>Incurred Liabilities</u>										
Claims (limited incurred)	646,223	2,705,023	384,001	5,661,999						9,397,246
Expenses	19,091			252,530		4,389,217	496,399	1,753,223	1,929,733	8,840,193
Total Liabilities	<u>665,314</u>	<u>2,705,023</u>	<u>384,001</u>	<u>5,914,529</u>		<u>4,389,217</u>	<u>496,399</u>	<u>1,753,223</u>	<u>1,929,733</u>	<u>18,237,439</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>147,395</u>	<u>(769,934)</u>	<u>(16,236)</u>	<u>(415,144)</u>	<u>25,000</u>			<u>2</u>	<u>37,737</u>	<u>(991,180)</u>
4. <u>Adjustments</u>										
Investment Income	2,034	19,047	3,172	25,750	(14)				1,407	51,396
Transfers								(2)	2	
Total Adjustments	<u>2,034</u>	<u>19,047</u>	<u>3,172</u>	<u>25,750</u>	<u>(14)</u>			<u>(2)</u>	<u>1,409</u>	<u>51,396</u>
5. Gross Operating Surplus	<u>149,429</u>	<u>(750,887)</u>	<u>(13,064)</u>	<u>(389,394)</u>	<u>24,986</u>				<u>39,146</u>	<u>(939,784)</u>
6. Return of Surplus										
7. Net Current Surplus	<u>\$ 149,429</u>	<u>\$ (750,887)</u>	<u>\$ (13,064)</u>	<u>\$ (389,394)</u>	<u>\$ 24,986</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 39,146</u>	<u>\$ (939,784)</u>

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2016
DECEMBER 31, 2016
(UNAUDITED)

	Coverages and Other Accounts								Total
	Property	Liability	Automotive	Worker's Compensation	Excess Insurance Coverage	Environmental	Public Officials/ Employment Practices	General and Administrative	
1. <u>Underwriting Income</u>									
Regular Contributions (earned)	\$ 837,730	\$ 1,867,887	\$ 343,393	\$ 5,549,748	\$ 4,172,255	\$ 499,751	\$ 1,874,480	\$ 2,040,614	\$ 17,185,858
Supplemental Contributions									
Other Income (except investments)								1,115	1,115
Total Income	<u>837,730</u>	<u>1,867,887</u>	<u>343,393</u>	<u>5,549,748</u>	<u>4,172,255</u>	<u>499,751</u>	<u>1,874,480</u>	<u>2,041,729</u>	<u>17,186,973</u>
2. <u>Incurred Liabilities</u>									
Claims (limited incurred)	897,572	1,497,000	326,000	4,854,000					7,574,572
Expenses	19,465			252,530	4,172,254	499,751	1,874,713	1,898,890	8,717,603
Total Liabilities	<u>917,037</u>	<u>1,497,000</u>	<u>326,000</u>	<u>5,106,530</u>	<u>4,172,254</u>	<u>499,751</u>	<u>1,874,713</u>	<u>1,898,890</u>	<u>16,292,175</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>(79,307)</u>	<u>370,887</u>	<u>17,393</u>	<u>443,218</u>	<u>1</u>		<u>(233)</u>	<u>142,839</u>	<u>894,798</u>
4. <u>Adjustments</u>									
Investment Income								13,717	13,717
Transfers					(1)		233	(232)	
Total Adjustments					<u>(1)</u>		<u>233</u>	<u>13,485</u>	<u>13,717</u>
5. Gross Operating Surplus	<u>(79,307)</u>	<u>370,887</u>	<u>17,393</u>	<u>443,218</u>				<u>156,324</u>	<u>908,515</u>
6. Return of Surplus									
7. Net Current Surplus	<u>\$ (79,307)</u>	<u>\$ 370,887</u>	<u>\$ 17,393</u>	<u>\$ 443,218</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 156,324</u>	<u>\$ 908,515</u>

Schedule E

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2013
DECEMBER 31, 2016
(UNAUDITED)

	Coverages				Total
	Property	Liability	Automotive	Workers' Compensation	
Paid Claims	\$ 763,195	\$ 394,734	\$ 81,947	\$ 3,500,054	\$ 4,739,930
Case Reserves		343,017		1,180,054	1,523,071
Imprest Account					
IBNR Reserve		99,272		89,892	189,164
Subtotal	<u>763,195</u>	<u>837,023</u>	<u>81,947</u>	<u>4,770,000</u>	<u>6,452,165</u>
Excess Insurance					
Received	101,660				101,660
Receivable					
Recoverable					
Subtotal	<u>101,660</u>				<u>101,660</u>
Incurred Claims	<u>661,535</u>	<u>837,023</u>	<u>81,947</u>	<u>4,770,000</u>	<u>\$ 6,350,505</u>
Number of Claims	194	195	90	522	
Cost/Claim	<u>\$ 3,410</u>	<u>\$ 4,292</u>	<u>\$ 911</u>	<u>\$ 9,138</u>	

Schedule E

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2014
DECEMBER 31, 2016
(UNAUDITED)

	<u>Coverages</u>				<u>Total</u>
	<u>Property</u>	<u>Liability</u>	<u>Automotive</u>	<u>Workers' Compensation</u>	
Paid Claims	\$ 1,121,558	\$ 425,683	\$ 404,751	\$ 3,968,121	\$ 5,920,113
Case Reserves		1,007,244	171,897	1,615,315	2,794,456
Imprest Account					
IBNR Reserve		483,072	73,851	186,564	743,487
Subtotal	<u>1,121,558</u>	<u>1,915,999</u>	<u>650,499</u>	<u>5,770,000</u>	<u>9,458,056</u>
Excess Insurance					
Received	170,899		1,500		172,399
Receivable					
Recoverable					
Subtotal	<u>170,899</u>		<u>1,500</u>		<u>172,399</u>
Incurred Claims	<u>950,659</u>	<u>1,915,999</u>	<u>648,999</u>	<u>5,770,000</u>	<u>\$ 9,285,657</u>
Number of Claims	257	244	147	559	
Cost/Claim	<u>\$ 3,699</u>	<u>\$ 7,852</u>	<u>\$ 4,415</u>	<u>\$ 10,322</u>	

Schedule E

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2015
DECEMBER 31, 2016
(UNAUDITED)

	<u>Coverages</u>				<u>Total</u>
	<u>Property</u>	<u>Liability</u>	<u>Automotive</u>	<u>Workers' Compensation</u>	
Paid Claims	\$ 819,244	\$ 327,780	\$ 102,696	\$ 3,208,067	\$ 4,457,787
Case Reserves	396	724,499	51,228	2,045,669	2,821,792
Imprest Account					
IBNR Reserve		1,652,744	230,077	408,263	2,291,084
Subtotal	<u>819,640</u>	<u>2,705,023</u>	<u>384,001</u>	<u>5,661,999</u>	<u>9,570,663</u>
Excess Insurance					
Received	173,417				173,417
Receivable					
Recoverable					
Subtotal	<u>173,417</u>				<u>173,417</u>
Incurred Claims	<u>646,223</u>	<u>2,705,023</u>	<u>384,001</u>	<u>5,661,999</u>	<u>\$ 9,397,246</u>
Number of Claims	190	237	105	543	
Cost/Claim	<u>\$ 3,401</u>	<u>\$ 11,414</u>	<u>\$ 3,657</u>	<u>\$ 10,427</u>	

Schedule E

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2016
DECEMBER 31, 2016
(UNAUDITED)

	<u>Coverages</u>				<u>Total</u>
	<u>Property</u>	<u>Liability</u>	<u>Automotive</u>	<u>Workers' Compensation</u>	
Paid Claims	\$ 851,334	\$ 53,485	\$ 30,594	\$ 1,662,474	\$ 2,597,887
Case Reserves	123,554	182,675	41,792	1,620,119	1,968,140
Imprest Account					
IBNR Reserve	<u>(10,000)</u>	<u>1,260,840</u>	<u>253,614</u>	<u>1,571,407</u>	<u>3,075,861</u>
Subtotal	<u>964,888</u>	<u>1,497,000</u>	<u>326,000</u>	<u>4,854,000</u>	<u>7,641,888</u>
Excess Insurance					
Received	67,316				67,316
Receivable					
Recoverable					
Subtotal	<u>67,316</u>				<u>67,316</u>
Incurred Claims	<u>897,572</u>	<u>1,497,000</u>	<u>326,000</u>	<u>4,854,000</u>	<u>\$ 7,574,572</u>
Number of Claims	213	183	77	508	
Cost/Claim	<u>\$ 4,214</u>	<u>\$ 8,180</u>	<u>\$ 4,234</u>	<u>\$ 9,555</u>	

Schedule F

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2013
DECEMBER 31, 2016
(UNAUDITED)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Property	\$ 18,793		\$ 18,793
Liability	2,431		2,431
Environmental	444,495		444,495
Public Officials Liability/Employment Practices Liability	1,320,100		1,320,100
Excess Insurance Coverage	3,653,006		3,653,006
Subtotal Excess	<u>5,438,825</u>		<u>5,438,825</u>
2. <u>Administrative Expenses</u>			
Claims Administration	463,487		463,487
Safety Services and Program Administration	538,353		538,353
Administration	230,615		230,615
Actuary	36,845		36,845
Attorney	26,010		26,010
External Auditor	17,496		17,496
Litigation Management	172,356		172,356
Treasurer	22,889		22,889
Underwriting Manager	10,664		10,664
Internal Auditor	16,440		16,440
Non-Contracted Expenses	30,722		30,722
Risk Management Consultants	331,527		331,527
Subtotal Administrative	<u>1,897,404</u>		<u>1,897,404</u>
3. <u>Other</u>			
Liability Expense/Legal	495		495
Worker's Compensation/Managed Care	223,552		223,552
Subtotal Other	<u>223,552</u>		<u>224,047</u>
Total Expenses = 1+2+3	<u>\$ 7,559,781</u>	<u>\$ -0-</u>	<u>\$ 7,560,276</u>

Schedule F

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2014
DECEMBER 31, 2016
(UNAUDITED)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Property	\$ 19,630		\$ 19,630
Environmental	491,636		491,636
Public Officials Liability/Employment			
Practices Liability	1,432,761		1,432,761
Excess Insurance Coverage	4,301,695		4,301,695
Subtotal Excess	<u>6,245,722</u>		<u>6,245,722</u>
2. <u>Administrative Expenses</u>			
Municipal Employee Defense			
Claims Administration	508,821		508,821
Safety Services and Program	573,848		573,848
Administration	253,720		253,720
Actuary	37,582		37,582
Attorney	26,227		26,227
External Auditor	17,846		17,846
Litigation Management	186,227		186,227
Treasurer	23,347		23,347
Underwriting Manager	10,873		10,873
Non-Contracted Expenses	42,431		42,431
Internal Auditor	18,373		18,373
Risk Management Consultants	380,657		380,657
Subtotal Administrative	<u>2,079,952</u>		<u>2,079,952</u>
3. <u>Other</u>			
Worker's Compensation/Managed Care	247,620		247,620
Subtotal Other	<u>247,620</u>		<u>247,620</u>
Total Expenses = 1+2+3	<u>\$ 8,573,294</u>	<u>\$ -0-</u>	<u>\$ 8,573,294</u>

Schedule F

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2015
DECEMBER 31, 2016
(UNAUDITED)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Property	\$ 19,091		\$ 19,091
Environmental	496,399		496,399
Public Officials Liability/Employment			
Practices Liability	1,753,223		1,753,223
Excess Insurance Coverage	4,389,217		4,389,217
Subtotal Excess	<u>6,657,930</u>		<u>6,657,930</u>
2. <u>Administrative Expenses</u>			
Claims Administration	518,914		518,914
Safety Services and Program	337,502		337,502
Administration	266,335		266,335
Actuary	38,334		38,334
Attorney	27,061		27,061
External Auditor	18,203		18,203
Litigation Management	189,921		189,921
Treasurer	23,814		23,814
Underwriting Manager	11,095		11,095
Non-Contracted Expenses	41,315		41,315
Internal Auditor	17,959		17,959
Risk Management Consultants	410,400	\$ 28,880	439,280
Subtotal Administrative	<u>1,900,853</u>	<u>28,880</u>	<u>1,929,733</u>
3. <u>Other</u>			
Worker's Compensation/Managed Care	252,530		252,530
Subtotal Other	<u>252,530</u>		<u>252,530</u>
Total Expenses = 1+2+3	<u>\$ 8,811,313</u>	<u>\$ 28,880</u>	<u>\$ 8,840,193</u>

Schedule F

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2016
DECEMBER 31, 2016
(UNAUDITED)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Property	\$ 19,465		\$ 19,465
Environmental	499,751		499,751
Public Officials Liability/Employment Practices Liability	1,874,713		1,874,713
Excess Insurance Coverage	4,172,254		4,172,254
Subtotal Excess	<u>6,566,183</u>		<u>6,566,183</u>
2. <u>Administrative Expenses</u>			
Claims Administration	469,051		469,051
Safety Services and Program Administration	319,788	\$ 10,257	330,045
Actuary	279,651		279,651
Attorney	39,101		39,101
Attorney	27,602		27,602
External Auditor		18,568	18,568
Litigation Management	193,719		193,719
Treasurer	24,290		24,290
Underwriting Manager	11,317		11,317
Non-Contracted Expenses	39,711	1,354	41,065
Internal Auditor	18,318		18,318
Risk Management Consultants	358,438	87,725	446,163
Subtotal Administrative	<u>1,780,986</u>	<u>117,904</u>	<u>1,898,890</u>
3. <u>Other</u>			
Worker's Compensation/Managed Care	231,486	21,044	252,530
Subtotal Other	<u>231,486</u>	<u>21,044</u>	<u>252,530</u>
Total Expenses = 1+2+3	<u>\$ 8,578,655</u>	<u>\$ 138,948</u>	<u>\$ 8,717,603</u>

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
PROGRAM SUMMARY
FUND YEAR - 2016
DECEMBER 31, 2016
 (UNAUDITED)

COVERAGES

	<u>Crime</u>	<u>Property</u>	<u>Liability</u>	<u>Automotive</u>	<u>Workers' Compensation</u>	<u>Public Officials/ Employment Practices</u>	<u>Environmental</u>	<u>Cyber Liability</u>
1. <u>Limits</u>	\$50,000 per loss	\$125 million per occurrence Blanket Limit	\$300,000 per occurrence	\$300,000 per occurrence	\$300,000 per occurrence	\$2,000,000 QBE Specialty Insurance	\$1,000,000 Third Party \$1,000,000 Foreclosed Property \$1,000,000 First Party \$1,000,000 Public Officials \$500,000 Legal Services	XL Caitlin \$3,000,000 First Party \$3,000,000 Third Party \$6,000,000 Combined Policy Aggregate Limit
2. <u>Fund Retention</u>								
<u>Specific</u>	\$50,000 JIF does not provide for statutory positions	\$50,000	\$300,000	\$300,000	\$300,000	None. Various member deductible and co-insurance		
<u>Aggregate</u>								
3. <u>Excess Insurance</u>	Municipal Excess Liability Joint Insurance Fund provides \$950,000 in excess of Joint Insurance Fund self-insured retention of \$50,000 Statutory Positions Covered By Endorsement, Subject to application & approval process	Zurich Insurance & MEL MEL takes \$450,000 excess of \$50,000 and Zurich attaches at \$500,000	Municipal Excess Liability Joint Insurance Fund provides \$1,450,000 in excess of \$300,000 for both liability and automotive, and \$1,700,000 in excess of \$300,000 for Worker's Compensation. General Reinsurance Company provides \$3,250,000 in excess of \$1,750,000 for both liability and automotive. The \$3,250,000 excess \$1,750,000 layer is subject to a \$3,500,000 per member local unit annual aggregate limit. Safety Mutual provides Statutory in excess of \$2,000,000 for Workers' Compensation and \$5,000,000 for Employers liability. Munich ReAmerican provides optional excess liability.			General reinsurance provides reinsurance to Municipal Excess Liability Joint Insurance Fund for optional limits of \$1,000,000 excess of \$2,000,000 up to \$8,000,000 in excess of \$2,000,000	Aggregate \$5,000,000 Liberty International	Aggregate \$5,000,000 Liberty International
4. <u>Number of Participants</u>	41	41	41	41	41	41	41	41
5. <u>Incurred Liabilities</u>		\$917,037	\$1,497,000	\$326,000	\$5,106,530	\$1,874,713	\$499,751	
6. <u>Exposure Units</u>	3,070 Employees	\$1,229,729,424 Property Values	481,804 Population	2,921 Vehicles	\$285,603,047 Payroll	481,804 Population 3,096 - Employees	484,034 Population	3,070 Employees
7. <u>Liabilities/Unit</u>		\$0.001	\$3.11	\$111.61	\$0.02	\$3.89	\$1.03	

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
STATE REQUIRED SUPPORTING
SCHEDULE - ANNUAL REPORT
ANALYSIS OF CASH AND INVESTMENTS
DECEMBER 31, 2016
(UNAUDITED)

<u>Bank</u>	<u>Account Description</u>	<u>Amount</u>
Investor's Bank	Operating	\$ 3,134,738
Investor's Bank	Worker's Compensation	195,605
Investor's Bank	Liability Claims	123,044
US Treasury Note	Investment	18,457,111
Wilmington Trust US Government Money Market	Money Market	55,171
New Jersey Cash Management Fund	Cash Management	34,917
		<u>22,000,586</u>
Add: Deposit in Transit		206,157
		<u>22,206,743</u>
Less: Outstanding Checks		732,845
		<u><u>\$ 21,473,898</u></u>

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
STATE REQUIRED SUPPORTING
SCHEDULE - ANNUAL REPORT
ANALYSIS OF OTHER RECEIVABLES
DECEMBER 31, 2016
(UNAUDITED)

Due from the Municipal Excess Liability Residual Claims Fund	\$ 74,729
Due from Town of Dover	3,282
Due from Netcong Borough	8,477
Accrued Interest Receivable	53,667
	<u>140,155</u>
	<u><u>\$ 140,155</u></u>

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
STATE REQUIRED SUPPORTING
SCHEDULE - ANNUAL REPORT
ANALYSIS OF INSURANCE PREMIUMS PAYABLE
DECEMBER 31, 2016
(UNAUDITED)

Fund Year 2016:		
Worker's Compensation Liability		\$ <u>21,044</u>

ANALYSIS OF ADMINISTRATIVE EXPENSES PAYABLE
DECEMBER 31, 2016
(UNAUDITED)

Fund Year 2015:		
Risk Management Consultants		\$ 28,880
Fund Year 2016:		
Risk Management Consultants		87,725
External Audit		18,568
Safety and Education		10,257
Non-Contracted Expenses		<u>1,354</u>
		<u>\$ 146,784</u>

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
STATE REQUIRED SUPPORTING
SCHEDULE - ANNUAL REPORT
ANALYSIS OF MISCELLANEOUS LIABILITIES
DECEMBER 31, 2016
 (UNAUDITED)

Fund Year 2016:

Assessment Overpayment	\$ 929
Fund Year Aggregate Excess Loss Contingency:	
Assessment Overpayment	<u>16</u>
	<u><u>\$ 945</u></u>

REPORT PURSUANT TO GOVERNMENT AUDITING STANDARDS



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

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

Independent Auditors' Report

The Honorable Chairperson and Members
 of the Board of Fund Commissioners
 Morris County Municipal Joint Insurance Fund
 Parsippany, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Morris County Municipal Joint Insurance Fund (the "Fund") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated June 21, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

The Honorable Chairperson and Members
of the Board of Fund Commissioners
Morris County Municipal Joint Insurance Fund
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey
June 21, 2017

Nicivon LLP

STATISTICAL SECTION

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
NET POSITION BY COMPONENT
LAST TEN YEARS
(Unaudited)

	December 31,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-Type Activities										
Unrestricted	\$ 11,865,919	\$ 11,702,735	\$ 12,188,170	\$ 11,288,204	\$ 11,920,742	\$ 9,573,823	\$ 9,645,581	\$ 9,180,024	\$ 8,631,831	\$ 12,178,035
Total Business-Type Activities Net Position	\$ 11,865,919	\$ 11,702,735	\$ 12,188,170	\$ 11,288,204	\$ 11,920,742	\$ 9,573,823	\$ 9,645,581	\$ 9,180,024	\$ 8,631,831	\$ 12,178,035

Source - Insurance Fund Financial Records.

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
SCHEDULE OF CHANGE IN NET POSITION
LAST TEN YEARS
(Unaudited)

	Year Ended December 31,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenue:										
Assessments from Participating Members	\$ 12,208,853	\$ 13,304,956	\$ 14,948,524	\$ 15,782,428	\$ 16,459,982	\$ 14,651,332	\$ 14,989,848	\$ 16,672,964	\$ 17,246,259	\$ 17,483,651
Investment Income	904,778	620,927	288,846	182,145	440,217	172,294	80,361	154,722	123,885	194,466
Other Income										1,115
Change in Investment in Joint Venture	414,270	982,916	(483,056)	103,844	314,525	(208,577)	551,073	(287,530)	(27,232)	1,582,678
Total Revenue	13,527,901	14,908,799	14,754,314	16,068,417	17,214,724	14,615,049	15,621,282	16,540,156	17,342,912	19,261,910
Expenses:										
Provision for Claims and Claim Adjustment Expense	4,254,718	6,792,392	5,843,970	8,329,752	7,035,033	8,131,531	6,493,678	7,408,156	7,017,998	5,747,162
Assessment for Participation in Municipal Excess										
Liability Residual Claims Fund	731,883	627,610	565,094	661,729	1,124,286	1,318,327	1,464,133	1,087,659	1,984,218	1,320,967
Assessment for Participation in Municipal Excess										
Liability Joint Insurance Fund	4,323,878	4,778,092	5,388,832	5,563,060	4,299,657	3,820,200	3,655,300	4,296,429	4,389,217	4,172,255
Assessment for Participation in New Jersey Municipal										
Environmental Risk Management Fund	410,714	434,128	495,212	333,753	389,322	439,600	381,796	430,915	426,734	429,706
Insurance Premiums	19,599	20,733	23,406	23,025	1,386,428	1,182,456	1,338,892	1,452,391	1,772,314	1,894,178
Claims Administration	468,175	519,324	586,142	601,671	463,704	454,399	463,487	508,821	518,914	469,051
Other Contractual Services	392,656	409,156	461,175	526,428	942,652	760,721	936,653	896,935	781,826	664,460
Non-Contractual Expenses	42,124	45,150	23,720	40,479	17,600	58,683	30,722	42,410	41,318	39,583
Administration	195,180	206,325	230,578	232,688	226,092	226,092	230,615	253,720	266,335	279,651
Managed Care	197,550	213,930	220,347	225,856	229,466	218,811	223,552	247,620	252,530	252,530
Risk Management Fees	268,651	325,143	430,403	429,942	467,946	351,148	330,696	380,657	439,701	446,163
Total Expenses	11,305,128	14,371,983	14,268,879	16,968,383	16,582,186	16,961,968	15,549,524	17,005,713	17,891,105	15,715,706
Change in Net Position	\$ 2,222,773	\$ 536,816	\$ 485,435	\$ (899,966)	\$ 632,538	\$ (2,346,919)	\$ 71,758	\$ (465,557)	\$ (548,193)	\$ 3,546,204
Member Dividends	\$ 700,000	\$ 700,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Source - Insurance Fund Financial Records.

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
MEMBER GROWTH ANALYSIS - BY FUND YEAR
FOR THE TEN-YEAR PERIOD ENDED DECEMBER 31, 2016
(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total number of members	39	39	40	39	41	39	39	42	41	41
Total employees	3,046	3,265	3,698	3,639	3,709	3,042	2,956	2,858	3,011	3,070
Total annual payrolls	\$ 229,450,272	\$ 242,176,664	\$ 264,874,239	\$ 281,095,644	\$ 296,320,970	\$ 255,056,486	\$ 253,156,570	\$ 264,389,153	\$ 278,801,690	\$ 385,603,047
Total member assessments	\$ 12,208,451	\$ 13,304,956	\$ 14,948,524	\$ 15,782,428	\$ 16,459,982	\$ 14,646,240	\$ 14,985,204	\$ 16,682,702	\$ 17,246,259	\$ 17,186,973
Total number of claims	987	1,208	1,271	1,192	1,531	1,013	1,001	1,207	1,075	981
Total reported losses	\$ 6,504,092	\$ 7,061,336	\$ 8,345,227	\$ 5,909,944	\$ 7,686,424	\$ 6,138,582	\$ 6,161,341	\$ 8,542,170	\$ 7,106,162	\$ 4,498,711

Note - Beginning in 2016, member assessments include aggregate excess loss contingency assessments.

Source - Insurance Fund - Treasurer's Records

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
REPORTED LOSS HISTORY - BY FUND YEAR
FOR THE TEN-YEAR PERIOD ENDED DECEMBER 31, 2016
(Unaudited)

During its years of existence, the Fund has incurred the following reported losses (paid claims plus case reserves from claims incurred by Fund members). The claims reflect both the impact of increase in membership, the delay in claims reaching the Fund's coverages, and the changes in the average cost per claim. These amounts do not include incurred but not reported ("IBNR") claim estimates.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Property	\$ 604,598	\$ 652,280	\$ 862,360	\$ 458,174	\$ 706,499	\$ 477,137	\$ 661,535	\$ 950,659	\$ 646,223	\$ 907,572
Liability	1,444,031	2,228,072	1,348,606	1,250,264	1,429,747	1,354,836	737,751	1,432,927	1,052,279	236,160
Automotive	225,682	261,058	846,871	402,581	616,412	234,930	81,947	575,148	153,924	72,386
Workers' Compensation	4,229,781	3,919,926	5,287,390	3,798,925	4,933,766	4,071,679	4,680,108	5,583,436	5,253,736	3,282,593
Total	<u>\$ 6,504,092</u>	<u>\$ 7,061,336</u>	<u>\$ 8,345,227</u>	<u>\$ 5,909,944</u>	<u>\$ 7,686,424</u>	<u>\$ 6,138,582</u>	<u>\$ 6,161,341</u>	<u>\$ 8,542,170</u>	<u>\$ 7,106,162</u>	<u>\$ 4,498,711</u>
Total number of claims	<u>987</u>	<u>1,208</u>	<u>1,271</u>	<u>1,192</u>	<u>1,531</u>	<u>1,013</u>	<u>1,001</u>	<u>1,207</u>	<u>1,075</u>	<u>981</u>
Average cost per claim	<u>\$ 6,590</u>	<u>\$ 5,845</u>	<u>\$ 6,566</u>	<u>\$ 4,958</u>	<u>\$ 5,021</u>	<u>\$ 6,060</u>	<u>\$ 6,155</u>	<u>\$ 7,077</u>	<u>\$ 6,610</u>	<u>\$ 4,586</u>

Source - Insurance Fund- Third Party Claims Administrator

MORRIS COUNTY MUNICIPAL JOINT INSURANCE FUND
REPORTED CLAIM ACTIVITY - BY FUND YEAR
FOR THE TEN-YEAR PERIOD ENDED DECEMBER 31, 2016
(Unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Property	187	247	249	213	271	211	194	257	190	213
Liability	209	289	278	286	415	221	195	244	237	183
Automotive	99	102	109	108	150	68	90	147	105	77
Workers' Compensation	<u>492</u>	<u>570</u>	<u>635</u>	<u>585</u>	<u>695</u>	<u>513</u>	<u>522</u>	<u>559</u>	<u>543</u>	<u>508</u>
Total	<u>987</u>	<u>1,208</u>	<u>1,271</u>	<u>1,192</u>	<u>1,531</u>	<u>1,013</u>	<u>1,001</u>	<u>1,207</u>	<u>1,075</u>	<u>981</u>
Claims settled in full	987	1,208	1,271	1,192	1,531	1,013	950	1,116	971	558
Claims pending							51	91	104	423
Total	<u>987</u>	<u>1,208</u>	<u>1,271</u>	<u>1,192</u>	<u>1,531</u>	<u>1,013</u>	<u>1,001</u>	<u>1,207</u>	<u>1,075</u>	<u>981</u>

Source - Insurance Fund - Third Party Claims Administrator