

Report of Audit

on the

Financial Statements

of the

***Union County
Insurance Fund
Commission***

for the

*Year Ended
December 31, 2018*

UNION COUNTY INSURANCE FUND COMMISSION

DECEMBER 31, 2018

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UNION COUNTY INSURANCE FUND COMMISSION

DECEMBER 31, 2018

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Union County Insurance Fund Commission
Administration Building
10 Elizabeth Plaza
Elizabeth, NJ 07202

Report on the Financial Statements

We have audited the accompanying financial statements of the Union County Insurance Fund Commission (the "Fund"), which comprise the statement of net position as of December 31, 2018 and the related statements of revenue, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis of Qualified Opinion

We did not extend our audit to the underlying actuarial assumptions for Incurred But Not Reported (IBNR) reserve amounts, since they are prepared by the Fund's actuary.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we audited the IBNR reserves, the financial statements referred to above present fairly, in all material respects, the financial position of the Union County Insurance Fund Commission as of December 31, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Union County Insurance Fund Commission's financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules listed above are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September xx, 2019 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 Union County Insurance Fund Commission's internal control over financial reporting and compliance.

September xx, 2019



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

Board of Commissioners
Union County Insurance Fund Commission
Administration Building
10 Elizabeth Plaza
Elizabeth, NJ 07202

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Union County Insurance Fund Commission (the "Fund") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Union County Insurance Fund Commission's financial statements, and have issued our report thereon dated September xx, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Union County Insurance Fund Commission'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.

September xx, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FUND'S FINANCIAL HIGHLIGHTS

Summary Statement of Net Position

	<u>December 31,</u> <u>2018</u>
Cash and cash equivalents	\$ 4,268,821
Investment in Joint Venture	<u>2,006,003</u>
Total assets	<u>\$ 6,274,824</u>
<u>Liabilities:</u>	
Accounts payable	\$ 11,045
Loss reserves	<u>4,254,566</u>
Total liabilities	<u>4,265,611</u>
Net position	<u>2,009,213</u>
Total liabilities and net position	<u>\$ 6,274,824</u>

Total assets at December 31, 2018 consisting principally of cash and cash equivalents, amounted to \$6.3 million. Loss reserves at December 31, 2018 amounted to \$4.3 million. Net position amounts to \$2.0 million which includes the investment in joint venture of \$2.0 million.

UNION COUNTY INSURANCE FUND COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

This section of the annual financial report of the Commission presents a discussion and analysis of the financial performance of the Commission for the year ended December 31, 2018. It is to be read in conjunction with the basic financial statements, the notes, and supplementary schedules that follow this section.

OVERVIEW OF ANNUAL FINANCIAL REPORT

The Commission's basic financial statements are presented in conformity with generally accepted accounting principles for governmental entities. The Commission was established for the purpose of achieving cost savings through the joint purchase or self-funding of insurance. The Commission maintains separate enterprise funds by incurred years and line of coverage. The financial statements include Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows; and Notes to Financial Statements.

The Statement of Net Position present the financial position of the Commission on a historical cost basis. This statement presents information on the Commission's assets and liabilities, with the difference reported as net position.

The Statement of Revenues, Expenses and Changes in Net Position presents the results of the business activities of the Commission over the course of the fiscal year and information as to how the net position changed during the year. The change in net position for an enterprise fund is similar to net profit or loss for any other insurance company.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event or when an obligation arises.

The Notes to Financial Statements provide required disclosures and other information that are essential to an understanding of material data provided in the basic financial statements. The notes present information that include accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

COMMISSION'S FINANCIAL HIGHLIGHTS

Summary Statement of Net Position

	<u>December 31,</u> <u>2018</u>
Cash and cash equivalents	\$ 4,268,821
Investment in Joint Venture	<u>2,006,003</u>
Total assets	<u>\$ 6,274,824</u>
<u>Liabilities:</u>	
Accounts payable	\$ 11,045
Loss reserves	<u>4,254,566</u>
Total liabilities	<u>4,265,611</u>
Net position	<u>2,009,213</u>
Total liabilities and net position	<u>\$ 6,274,824</u>

Total assets at December 31, 2018 consisting principally of cash and cash equivalents, amounted to \$6.3 million. Loss reserves at December 31, 2018 amounted to \$4.3 million. Net position amounts to \$2.0 million which includes the investment in joint venture of \$2.0 million.

Summary Statement of Revenues, Expenses and Change in Net Position

Assessments for the year amounted to \$5.7 million. The provision for claims and claims amounted to \$5.6 million. Administration expenses amounted to \$181 thousand.

	<u>Year ended December 31</u> <u>2018</u>
Operating revenues - Assessments	\$ <u>5,739,964</u>
<u>Operating expenses:</u>	
Provision for claims & claims expenses	5,605,510
Administration	<u>181,152</u>
Total operating expenses	\$ <u>5,786,662</u>
Operating income (loss)	\$ (46,698)
Interest income	49,908
County Payments to NJ Counties Excess JIF	2,518,601
Net change in investment in joint venture	<u>(512,598)</u>
Net income (loss)	\$ 2,009,213
Equity distribution to members	<u>-</u>
Increase (decrease) in net position	<u>\$ 2,009,213</u>

COMMISSION OVERVIEW

The Union County Insurance Fund Commission (the "Commission") was formed by the Union County Board of Chosen Freeholders pursuant to the authority of N.J.S.A. 40A:10-1, et seq. The Commission was established for the purpose of achieving cost savings through the joint purchase or self-funding of insurance. The Board of Commissioners is comprised of three (3) officials.

An executive director appointed by the Commissioners is responsible for the overall administration of the Commission.

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

- a) Workers' Compensation and Employers' Liability, USL&H and Harbor Marine/Jones Act
- b) General Liability including Law Enforcement Liability and Employee Benefits Liability
- c) Automobile Liability including PIP and Uninsured/Underinsured Motorists Coverage
- d) Property, Automobile Physical Damage and Boiler & Machinery

The Commission provides for excess insurance through membership in the New Jersey Counties Excess Joint Insurance Fund (NJC).

Contacting the Commission's Management

Questions concerning the Commission's annual financial report should be addressed to the Commission's Executive Director at the Union County Insurance Fund Commission, c/o PERMA, 9 Campus Drive, Parsippany, NJ 07054.

BASIC FINANCIAL STATEMENTS

UNION COUNTY INSURANCE FUND COMMISSIONSTATEMENT OF NET POSITION
DECEMBER 31, 2018Assets

Cash and Cash Equivalents	\$	4,268,821
Investment in Joint Venture		<u>2,006,003</u>
Total Assets	\$	<u><u>6,274,824</u></u>

Liabilities and Net Position

Liabilities:		
Accounts Payable	\$	11,045
Loss Reserves		<u>4,254,566</u>
Total Liabilities	\$	<u><u>4,265,611</u></u>
Net Position:		
Net Position - Unrestricted	\$	<u>2,009,213</u>
Total Net Position	\$	<u><u>2,009,213</u></u>
Total Liabilities and Net Position	\$	<u><u>6,274,824</u></u>

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

UNION COUNTY INSURANCE FUND COMMISSIONSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

Operating Revenue:		
Assessments - Participating Members	\$	<u>5,739,964</u>
Total Operating Revenue	\$	<u>5,739,964</u>
Operating Expenses:		
Provision for Claims and Claim Adjustment Expense	\$	5,605,510
Administration		<u>181,152</u>
Total Operating Expenses	\$	<u>5,786,662</u>
Operating Income (Loss)	\$	(46,698)
Non-operating Revenue:		
Interest Income		49,908
County Payments to NJ Counties Excess JIF		2,518,601
Net Change in Investment in Joint Ventures		<u>(512,598)</u>
Net Income (Loss)	\$	2,009,213
Net Position, Beginning of Year		<u>-</u>
Net Position, End of Year	\$	<u><u>2,009,213</u></u>

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

UNION COUNTY INSURANCE FUND COMMISSION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities:	
Operating Income/(Loss)	\$ (46,698)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase/(Decrease) in Accounts Payable	11,045
Increase/(Decrease) in Loss Reserves	<u>4,254,566</u>
Net Cash Provided by Operating Activities	<u>\$ 4,218,913</u>
Cash Flows from Investing Activities:	
Interest Income	<u>\$ 49,908</u>
Net Cash Provided by Investing Activities	<u>\$ 49,908</u>
Net Increase in Cash and Cash Equivalents	\$ 4,268,821
Cash and Cash Equivalents - Beginning of Year	<u>-</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 4,268,821</u></u>

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

UNION COUNTY INSURANCE FUND COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(1) ORGANIZATION AND DESCRIPTION OF THE COMMISSION

The Union County Insurance Fund Commission (the "Commission") was formed by the Union County Board of Chosen Freeholders pursuant to the authority of N.J.S.A. 40A:10-1, et seq. The Commission was established for the purpose of achieving cost savings through the joint purchase or self-funding of insurance. The Board of Commissioners is comprised of three (3) officials.

An executive director appointed by the Commissioners is responsible for the overall administration of the Commission.

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

- a) Workers' Compensation and Employers' Liability, USL&H and Harbor Marine/Jones Act
- b) General Liability including Law Enforcement Liability and Employee Benefits Liability
- c) Automobile Liability including PIP and Uninsured/Underinsured Motorists Coverage
- d) Property, Automobile Physical Damage and Boiler & Machinery

The Commission provides for excess insurance through membership in the New Jersey Counties Excess Joint Insurance Fund (NJC). Excess coverage is provided for all of the above as well as Public Officials Liability, Employment Practices Liability, Crime, Pollution Liability, Employed Lawyers Liability, and Non-Owned Aircraft Liability.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Government Accounting Standards Board ("GASB") No. 14, "The Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The Commission has determined that there were no additional entities required to be included in the reporting entity under the criteria as described above, in the current year. In addition, the Commission is not includable in any other reporting entity on the basis of such criteria.

UNION COUNTY INSURANCE FUND COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Fund Accounting

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

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

Accrual Basis of Accounting

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

Income Taxes

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

Assessments

The gross claim fund assessment is determined by the actuary and, when combined with expense and other projections, constitutes the Commission's budget.

Prepaid Expenses

Prepaid expenses consist of the prepaid portion of administrative expenses.

Deferred Revenue

Deferred revenue represents the unearned assessments.

Administrative Expenses

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

UNION COUNTY INSURANCE FUND COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unpaid Claims Liabilities

The Commission 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. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The accountants' audit procedures were not extended to the underlying actuarial assumptions for Incurred But Not Reported (IBNR) Reserve amounts since they are prepared by the Commission's Actuary.

Claims Case Reserves

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

Claims Incurred But Not Reported (IBNR) Reserve

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

IBNR reserves include:

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

UNION COUNTY INSURANCE FUND COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discount

The Commission has elected to report the estimated liability for claims reserves and IBNR on a discounted basis based on an approximate projected .5% annual interest rate which varies by coverage. As with all projections, there is an uncertainty as to whether the underlying assets and claims payments will support the projected discount.

(3) CASH AND CASH EQUIVALENTS

The Commission considers cash in banks and short-term investments with original maturities of three months or less as cash and cash equivalents.

Deposits

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), the Savings Association Insurance Fund (SAIF), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes permit the deposit of public funds only in banks which meet the requirements of the Governmental Unit Deposit Protection Act or the State of New Jersey Cash Management Fund. This Act, commonly referred to as "GUDPA", requires that banks which accept public funds to be a public depository. The statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits.

Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Commission does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2018, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balances was exposed to custodial credit risk.

Based upon the limitation set forth by New Jersey Statutes and existing investment practices, the Commission is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

Interest Rate Risk – In accordance with its cash management plan, the Commission 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 Commission limits its investments to those authorized in its cash management plan which are permitted under state statutes.

UNION COUNTY INSURANCE FUND COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(3) CASH AND CASH EQUIVALENTS (CONTINUED)

The Commission held the following cash and cash equivalents at December 31:

Checking Accounts	<u>\$ 4,268,821</u>
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The carrying amount of the Commission's cash and cash equivalents at cost at December 31, 2018 was \$4,268,821 and the bank balance was \$4,315,889. Of the bank balance, \$250,000 was covered by federal depository insurance; \$4,065,889 was covered by the collateral pool maintained by the banks as required by New Jersey statutes.

(4) FUND TRANSFERS

Permanent intertrust fund transfers and interyear fund transfers are made upon the expressed approval of the Commissioners.

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

UNION COUNTY INSURANCE FUND COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(5) MEMBERSHIP IN JOINT INSURANCE FUNDS (JOINT VENTURE)

New Jersey Counties Excess Joint Insurance Fund (NJC)

The Commission is a member of the New Jersey Counties Excess Joint Insurance Fund (NJC) which provides excess insurance for each of the coverages noted above, as well as Public Officials Liability, Employment Practices Liability, Crime, Pollution Liability, Employed Lawyers Liability, and Non-Owned Aircraft Liability.

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

The NJC can declare and distribute dividends to members upon approval of the State of New Jersey Department of Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership for that fund year. In accordance with Statement No. 10 of the Government Account Standards Board, these distributions are used to reduce the amount recorded for the Commission's membership assessment in the year in which the distribution was declared.

Selected audited financial information for the Excess Insurance Fund as of December 31, 2018 is as follows:

	New Jersey Counties Excess Joint Insurance Fund (Audited)
Total Assets	<u>\$27,849,300</u>
Total Liabilities	<u>\$12,930,080</u>
Net Position	<u>\$14,919,220</u>
Total Revenue	<u>\$21,536,267</u>
Total Operating Expenses	<u>\$16,582,656</u>
Change in Net Position for the Year Ended December 31, 2018	<u>\$ 4,453,611</u>
Distribution to Participating Members	<u>\$ 500,000</u>

The Commission records its share of the Net Position of the Joint Insurance Fund as Investment in Joint Ventures. The net change in investment value is recorded as Non-Operating Revenue. For the year ended December 31, 2018, the investment in the net position of the NJC joint venture amounted to \$2,006,003.

UNION COUNTY INSURANCE FUND COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(6) RETURN OF SURPLUS

Any moneys for a fund year in excess of the amount necessary to fund all obligations for that fiscal year as certified by the Commission's actuary may be declared to be refundable as approved by the Commissioners.

(7) MINIMUM SURPLUS REQUIREMENTS

There is no statutory minimum surplus requirements.

(8) DEFICIT FUND BALANCE

The Commission will liquidate any deficit in a fund balance by transferring from another fund or by assessing members for additional contributions.

(9) SUPPLEMENTAL ASSESSMENTS

The Commissioners shall by majority vote levy upon the member local units additional assessments wherever needed to supplement the Commission's claims, loss retention, or administrative accounts to assure the payment of the Commission's obligations.

(10) 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 reported as of December 31, 2018. This estimate is based on the estimated ultimate cost of settling the claims considering the historical experience of the Commission, various other industry statistics, including the effects of inflation and other societal or economic factors, and the Commission'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 Commission has created a loss reserve for any reported and potential unreported losses which have taken place but in which the Commission has not received notices or reports of losses.

UNION COUNTY INSURANCE FUND COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(10) LOSS RESERVES

	<u>PROPERTY FUND</u>	<u>GENERAL LIABILITY FUND</u>	<u>AUTO LIABILITY FUND</u>	<u>WORKERS' COMPENSATION FUND</u>	
<u>2018 Fund Year</u>					
Case Reserves	\$ 24,883	\$ 38,252	\$ 3,750	\$ 667,521	
Discount on Reserves	-	-	-	(101,676)	
Losses Incurred But Not Reported (IBNR)	<u>50,258</u>	<u>343,978</u>	<u>178,998</u>	<u>3,048,602</u>	
	\$ <u>75,140</u>	\$ <u>382,231</u>	\$ <u>182,748</u>	\$ <u>3,614,447</u>	
<u>Totals</u>					
Case Reserves	\$ 24,883	\$ 38,252	\$ 3,750	\$ 667,521	\$ 734,406
Discount on Reserves	-	-	-	(101,676)	(101,676)
Losses Incurred But Not Reported (IBNR)	<u>50,258</u>	<u>343,978</u>	<u>178,998</u>	<u>3,048,602</u>	<u>3,621,836</u>
	\$ <u>75,140</u>	\$ <u>382,231</u>	\$ <u>182,748</u>	\$ <u>3,614,447</u>	\$ <u>4,254,566</u>

UNION COUNTY INSURANCE FUND COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(11) CHANGES IN UNPAID CLAIMS LIABILITIES

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

The following represents changes in those aggregate undiscounted reported and unreported liabilities for the Commission during 2018 for all open fund years net of excess insurance recoveries:

Total unpaid claims and claim adjustment expenses all Fund years - beginning of year	\$	--
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fund year		5,605,510
Changes in provision for insured events of prior fund years		<u> --</u>
Total incurred claims and claim adjustment expenses all Fund years		\$5,605,510
Payments:		
Claims and claim adjustment expenses:		
Attributable to insured events of current fund year		1,350,944
Attributable to insured events of prior fund years		<u> --</u>
Total Payments all Fund years		\$1,350,944
Total unpaid claims and claim adjustment expenses all Fund years - end of year		<u>\$4,254,566</u>

UNION COUNTY INSURANCE FUND COMMISSION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(12) SUBSEQUENT EVENTS

The Union County Insurance Fund Commission has evaluated subsequent events occurring after the financial statement date through September xx, 2019, which is the date the financial statements were available to be issued. Based on this evaluation, the Union County Insurance Fund Commission has determined that no subsequent events have occurred which require disclosure in the financial statements.

(13) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

In the opinion of management, claims or lawsuits incidental to the business of the Commission have been adequately provided for in the financial statements.

SUPPLEMENTARY INFORMATION

SCHEDULE A

UNION COUNTY INSURANCE FUND COMMISSION
HISTORICAL YEAR OPERATING RESULTS ANALYSIS

FUND YEAR 2018

DECEMBER 31, 2018

<u>Underwriting Income:</u>			
Regular Contributions	\$	5,739,964.15	
Supplemental Contributions		-	
Other Income		-	
<u>Total Income</u>			\$ 5,739,964.15
<u>Incurred Liabilities:</u>			
Claims:			
Paid	\$	1,350,944.17	
Case Reserves		734,405.98	
Discount on Reserves		(101,676.00)	
IBNR Reserve		3,621,836.04	
Subtotal			\$ 5,605,510.19
Less Excess Insurance:			
Received	\$	-	
Recoverable		-	
Subtotal			-
Limited Incurred Claims			\$ 5,605,510.19
Expenses:			
Administrative		181,151.77	
Subtotal Expenses			181,151.77
<u>Total Incurred Liabilities</u>			<u>5,786,661.96</u>
<u>Underwriting Surplus/(Deficit)</u>			\$ (46,697.81)
<u>Investment Income</u>			<u>49,907.81</u>
<u>Gross Operating Surplus/(Deficit)</u>			\$ 3,210.00
<u>Return of Surplus:</u>			
Paid	\$	-	
Authorized and Unpaid		-	
Subtotal Return of Surplus			-
<u>Net Current Surplus/(Deficit)</u>			<u>\$ 3,210.00</u>

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

SCHEDULE B

UNION COUNTY INSURANCE FUND COMMISSION

HISTORICAL BALANCE SHEET

FUND YEAR 2018

DECEMBER 31, 2018

Assets:			
Cash and Investments	\$	<u>4,268,821.23</u>	
			\$ 4,268,821.23
<u>Total Assets</u>			\$ 4,268,821.23
Liabilities:			
Claims:			
Case Reserves	\$	734,405.98	
Discount on Reserves		(101,676.00)	
IBNR Reserve		<u>3,621,836.04</u>	
Subtotal Claims			\$ 4,254,566.02
Expenses (Unpaid):			
Administrative	\$	<u>11,045.21</u>	
Subtotal Expenses			<u>11,045.21</u>
<u>Total Liabilities</u>			<u>4,265,611.23</u>
Net Current Surplus/(Deficit)			\$ <u><u>3,210.00</u></u>

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

UNION COUNTY INSURANCE FUND COMMISSION

FUND YEAR OPERATING RESULTS ANALYSIS

FUND YEAR 2018

DECEMBER 31, 2018

<u>Underwriting Income:</u>		
Regular Contributions	\$ 5,739,964.15	
Supplemental Contributions	-	
Other Income	-	
<u>Total Income</u>		\$ 5,739,964.15
<u>Incurred Liabilities:</u>		
Claims:		
Paid	\$ 1,350,944.17	
Case Reserves	734,405.98	
Discount on Reserves	(101,676.00)	
IBNR Reserve	3,621,836.04	
Subtotal		\$ 5,605,510.19
Less Excess Insurance:		
Received	\$ -	
Recoverable	-	
Subtotal		-
Limited Incurred Claims		\$ 5,605,510.19
Expenses:		
Administrative	\$ 181,151.77	
Subtotal Expenses		181,151.77
<u>Total Incurred Liabilities</u>		<u>5,786,661.96</u>
<u>Underwriting Surplus/(Deficit)</u>		\$ (46,697.81)
<u>Investment Income</u>		<u>49,907.81</u>
<u>Gross Operating Surplus/(Deficit)</u>		\$ 3,210.00
<u>Return of Surplus:</u>		
Paid	\$ -	
Authorized and Unpaid		
Subtotal Return of Surplus		-
<u>Net Current Surplus/(Deficit)</u>		\$ <u>3,210.00</u>

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

SCHEDULE D

UNION COUNTY INSURANCE FUND COMMISSION

FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS - FUND YEAR 2018

DECEMBER 31, 2018

	<u>COVERAGES AND OTHER ACCOUNTS</u>					<u>TOTAL</u>
	<u>PROPERTY</u>	<u>GENERAL LIABILITY</u>	<u>AUTO LIABILITY</u>	<u>WORKERS' COMPENSATION AND INSURANCE</u>	<u>GENERAL AND ADMINISTRATIVE</u>	
<u>Underwriting Income</u>						
Regular Contributions (Earned)	\$ 320,021.00	\$ 427,942.00	\$ 259,693.00	\$ 4,546,370.00	\$ 185,938.15	\$ 5,739,964.15
Supplemental Contributions						-
Other Income (Except Investments)						-
<u>Total Income</u>	<u>\$ 320,021.00</u>	<u>\$ 427,942.00</u>	<u>\$ 259,693.00</u>	<u>\$ 4,546,370.00</u>	<u>\$ 185,938.15</u>	<u>\$ 5,739,964.15</u>
<u>Incurred Liabilities</u>						
Claims (Limited Incurred)	\$ 386,318.88	\$ 482,390.01	\$ 199,923.19	\$ 4,536,878.11	\$ 181,151.77	\$ 5,605,510.19
Expenses						181,151.77
<u>Total Liabilities</u>	<u>\$ 386,318.88</u>	<u>\$ 482,390.01</u>	<u>\$ 199,923.19</u>	<u>\$ 4,536,878.11</u>	<u>\$ 181,151.77</u>	<u>\$ 5,786,661.96</u>
<u>Underwriting Surplus/(Deficit)</u>	<u>\$ (66,297.88)</u>	<u>\$ (54,448.01)</u>	<u>\$ 59,769.81</u>	<u>\$ 9,491.89</u>	<u>\$ 4,786.38</u>	<u>\$ (46,697.81)</u>
<u>Adjustments</u>						
Investment Income	\$ 766.54	\$ 3,941.33	\$ 2,432.73	\$ 37,407.53	\$ 5,359.68	\$ 49,907.81
Transfers						-
<u>Total Adjustments</u>	<u>\$ 766.54</u>	<u>\$ 3,941.33</u>	<u>\$ 2,432.73</u>	<u>\$ 37,407.53</u>	<u>\$ 5,359.68</u>	<u>\$ 49,907.81</u>
<u>Gross Operating Surplus (Deficit)</u>	<u>\$ (65,531.34)</u>	<u>\$ (50,506.68)</u>	<u>\$ 62,202.54</u>	<u>\$ 46,899.42</u>	<u>\$ 10,146.06</u>	<u>\$ 3,210.00</u>
<u>Return of Surplus</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Net Current Surplus (Deficit)</u>	<u>\$ (65,531.34)</u>	<u>\$ (50,506.68)</u>	<u>\$ 62,202.54</u>	<u>\$ 46,899.42</u>	<u>\$ 10,146.06</u>	<u>\$ 3,210.00</u>

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

SCHEDULE E

UNION COUNTY INSURANCE FUND COMMISSION

FUND YEAR CLAIMS ANALYSIS

FUND YEAR - 2018

DECEMBER 31, 2018

	<u>COVERAGES</u>				<u>TOTAL</u>
	<u>PROPERTY</u>	<u>GENERAL LIABILITY</u>	<u>AUTO LIABILITY</u>	<u>WORKER'S COMPENSATION INSURANCE</u>	
Paid Claims	\$ 311,178.40	\$ 100,159.36	\$ 17,175.45	\$ 922,430.96	\$ 1,350,944.17
Case Reserves	24,882.72	38,252.43	3,750.00	667,520.83	734,405.98
Discount on Reserves	-	-	-	(101,676.00)	(101,676.00)
IBNR Reserve	50,257.76	343,978.22	178,997.74	3,048,602.32	3,621,836.04
Subtotal	<u>\$ 386,318.88</u>	<u>\$ 482,390.01</u>	<u>\$ 199,923.19</u>	<u>\$ 4,536,878.11</u>	<u>\$ 5,605,510.19</u>
Excess Insurance: Received	\$ -	\$ -	\$ -	\$ -	\$ -
Recoverable Subtotal	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Incurred Claims	<u>\$ 386,318.88</u>	<u>\$ 482,390.01</u>	<u>\$ 199,923.19</u>	<u>\$ 4,536,878.11</u>	<u>\$ 5,605,510.19</u>
Number of Claims	66	136	35	267	
Cost/Claim	<u>\$ 5,853.32</u>	<u>\$ 3,546.99</u>	<u>\$ 5,712.09</u>	<u>\$ 16,992.05</u>	

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

SCHEDULE F

UNION COUNTY INSURANCE FUND COMMISSION
STATEMENT OF EXPENDITURES - FUND YEAR 2018
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>BUDGET</u>	<u>EXPENDED</u>	<u>LOSS RESERVES</u>	<u>UNEXPENDED/ (OVEREXPENDED)</u>
Claims:				
Property Fund	\$ 320,021.00	\$ 311,178.40	\$ 75,140.48	\$ (66,297.88)
General Liability Fund	427,942.00	100,159.36	382,230.65	(54,448.01)
Automobile Liability Fund	259,693.00	17,175.45	182,747.74	59,769.81
Worker's Compensation Fund	4,546,370.00	922,430.96	3,614,447.15	9,491.89
Total	<u>\$ 5,554,026.00</u>	<u>\$ 1,350,944.17</u>	<u>\$ 4,254,566.02</u>	<u>\$ (51,484.19)</u>
Operating Expenses:				
Executive Director	\$ 153,686.00	\$ 153,686.00		\$ -
Actuary	7,569.00	7,569.00		-
Attorney	4,000.00	4,000.00		-
Auditor	9,344.00	9,344.00		-
Treasurer	4,000.00	4,000.00		-
General Expenses	7,335.00	2,552.77		4,782.23
Total	<u>\$ 185,934.00</u>	<u>\$ 181,151.77</u>		<u>\$ 4,782.23</u>
TOTAL	<u>\$ 5,739,960.00</u>	<u>\$ 1,532,095.94</u>	<u>\$ 4,254,566.02</u>	<u>\$ (46,701.96)</u>

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

UNION COUNTY INSURANCE FUND COMMISSION
STATE REQUIRED SUPPORTING SCHEDULE - YEAR END

ANALYSIS OF CASH AND INVESTMENTS

DECEMBER 31, 2018

<u>BANK</u>	<u>AMOUNT</u>
Investors Bank - Administrative Account	\$ 4,257,327.63
Investors Bank - Claims Account	58,561.59
	<u>\$ 4,315,889.22</u>
 Add: Deposits in Transit	 -
Less: Outstanding Checks	<u>(47,067.99)</u>
	 <u>\$ 4,268,821.23</u>

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

UNION COUNTY INSURANCE FUND COMMISSION

STATE REQUIRED SUPPORTING SCHEDULE - YEAR END REPORT

ANALYSIS OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2018

Excess Insurance Carrier	\$	<u>-</u>
	\$	<u>-</u>

ANALYSIS OF PREPAID EXPENSES

DECEMBER 31, 2018

Prepaid Expenses	\$	-
	\$	<u>-</u>

ANALYSIS OF EXPENSES PAYABLE

DECEMBER 31, 2018

Administrative Fund:		
Actuary	\$	1,669.00
Auditor		9,344.00
General Expenses		<u>32.21</u>
	\$	<u>11,045.21</u>

UNION COUNTY INSURANCE FUND COMMISSION

RECONCILIATION OF CLAIMS LIABILITIES BY FUND
FOR THE PERIOD JANUARY 1, 2018 TO DECEMBER 31, 2018

	<u>PROPERTY</u>	<u>GENERAL LIABILITY</u>	<u>AUTOMOBILE</u>	<u>WORKERS' COMPENSATION</u>	<u>TOTAL</u>
Total Unpaid Claim and Claim Adjustment Expenses - Beginning of Year	\$ -	\$ -	\$ -	\$ -	\$ -
Incurred Claims and Claims Adjustment Expenses: Provision for Insured Events of Current Fund Year	386,318.88	482,390.01	199,923.19	4,536,878.11	5,605,510.19
Changes in Provision for Insured Events of Prior Fund Years	-	-	-	-	-
Total Incurred Claims and Claims Adjustment Expenses all Fund Years	<u>\$ 386,318.88</u>	<u>\$ 482,390.01</u>	<u>\$ 199,923.19</u>	<u>\$ 4,536,878.11</u>	<u>\$ 5,605,510.19</u>
Payments:					
Claims and Claims Adjustment Expenses: Attributable to Insured Events of Current Fund Year	\$ 311,178.40	\$ 100,159.36	\$ 17,175.45	\$ 922,430.96	\$ 1,350,944.17
Attributable to Insured Events of Prior Fund Years	-	-	-	-	-
Total Payments All Fund Years	<u>\$ 311,178.40</u>	<u>\$ 100,159.36</u>	<u>\$ 17,175.45</u>	<u>\$ 922,430.96</u>	<u>\$ 1,350,944.17</u>
Total Unpaid Claim and Claim Adjustment Expenses - End of Year	<u>\$ 75,140.48</u>	<u>\$ 382,230.65</u>	<u>\$ 182,747.74</u>	<u>\$ 3,614,447.15</u>	<u>\$ 4,254,566.02</u>

UNION COUNTY INSURANCE FUND COMMISSION

DECEMBER 31, 2018

COMMENTS AND RECOMMENDATIONS

NONE