

**MUNICIPAL EXCESS LIABILITY**

**RESIDUAL CLAIMS FUND**

**REPORT OF AUDIT**

**FOR THE YEARS ENDED**  
**DECEMBER 31, 2017 AND 2016**

# MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Municipal Excess Liability  
Residual Claims Fund  
Parsippany, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Municipal Excess Liability Residual Claims Fund (the "Fund") as of December 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, 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 misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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, the audit requirements prescribed by the Departments of Community Affairs and Insurance, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Excess Liability Residual Claims Fund as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows 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 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 the 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.

Board of Commissioners  
Municipal Excess Liability  
Residual Claims Fund  
Page 3.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprises the Municipal Excess Liability Residual Claims Fund's financial statements. The supplementary data schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements, but is presented as additional analytical data as required by the Departments of Community Affairs and Insurance, State of New Jersey.

The supplementary data schedules 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 them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2018 on our consideration of the Municipal Excess Liability Residual Claims 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 Municipal Excess Liability Residual Claims Fund's internal control over financial reporting and compliance.

Very truly yours,

*Ferraioli, Wielkocz, Cerullo & Cuva, P.A.*

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants  
Pompton Lakes, New Jersey

May 9, 2018





**Required Supplementary Information**

## **MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND**

### **Management Discussion and Analysis**

This section of the annual financial report of the Fund presents a discussion and analysis of the financial performance of the Fund for the year ended December 31, 2017 and 2016. Please read it in conjunction with the basic financial statements 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 a facility to member joint insurance funds so that residual claim liabilities may be extinguished by transfer thus allowing for fund year closure. 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:

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

**Comparative Statement of Revenues, 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.

**Comparative 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, 2017 and 2016.

**Summary of Statement of Net Position**

	2017	2016	Change \$	Change %
<b>Assets</b>				
Cash, Cash Equivalents, Investments, and Interest Receivable	\$ 93,289,301	\$ 86,118,736	\$ 7,170,565	8.3%
Other Accounts Receivable	\$ 2,106,073	\$ 6,317,451	\$ (4,211,378)	-66.7%
Total Assets	<u>\$ 95,395,374</u>	<u>\$ 92,436,187</u>	<u>\$ 2,959,187</u>	<u>3.2%</u>
<b>Liabilities and Fund Equity</b>				
<b>Liabilities</b>				
Accounts Payable and Other Liabilities	\$ 97,478	\$ 2,031,724	\$ (1,934,246)	-95.2%
Fund Equity Dividends Payable	\$ 620,000	\$ 610,000	\$ 10,000	1.6%
Loss Reserves	\$ 82,719,511	\$ 77,826,553	\$ 4,892,958	6.3%
Total Liability	<u>\$ 83,436,989</u>	<u>\$ 80,468,277</u>	<u>\$ 2,968,712</u>	<u>3.7%</u>
Unrestricted Net Position	<u>\$ 11,958,385</u>	<u>\$ 11,967,910</u>	<u>\$ (9,525)</u>	<u>-0.1%</u>

**Summary of Statement of Revenue, Expenditures and Changes in Net Position**

	2017	2016	Change \$	Change %
<b>Operating Revenue</b>				
Assessments and Other Income	\$ 26,246,781	\$ 24,571,403	\$ 1,675,378	6.8%
<b>Operating Expenses</b>				
Net Claims and Claims Adjustment Expenses	\$ 25,805,789	\$ 15,026,790	\$ 10,778,999	71.7%
Professional, Claims, and Administrative Services	\$ 513,160	\$ 509,933	\$ 3,227	0.6%
Total Operating Expenses	\$ 26,318,949	\$ 15,536,723	\$ 10,782,226	69.4%
Operating Income/(Loss)	\$ (72,168)	\$ 9,034,680	\$ (9,106,848)	-100.8%
Investment Income	\$ 682,643	\$ 668,005	\$ 14,638	2.2%
Return of Surplus	\$ 620,000	\$ 610,000	\$ 10,000	1.6%
<b>Increase/(Decrease) In Net Position</b>	<u>\$ (9,525)</u>	<u>\$ 9,092,685</u>	<u>\$ (9,102,210)</u>	<u>-100.1%</u>

The Municipal Excess Liability Residual Claims Fund's (RCF) total assets increased by 3.2% during the reporting period. Cash, Cash Equivalents, Investments, and Interest Receivable increased by 8.3%, while other accounts receivable decrease by 66.7%.

The RCF's total liabilities increased by 3.7% primarily due to a 6.3% increase in loss reserves.

Assessments and other income increased 6.8%, reflecting an increased budget for claims. Net Claims and Claims Adjustment Expenses increased by 71.7%. Consequently, net position decreased \$9,525 or 100.1%.

Investment income increased 2.2%. The RCF's combined surplus for all years was \$11,958,385 in 2017 compared to \$11,967,910 at the end of 2016.

## **Economic Conditions**

Workers compensation costs are impacted by inflationary medical costs. Additionally, workers compensation disability awards are rising faster than the rate of inflation in the economy. The RCF is adjusting to these conditions by attempting to effectively manage residual claims and by taking such trends into consideration in developing future assessments.

## **Basic Financial Statements**

**Municipal Excess Liability Residual Claims Fund**

**Comparative Statement of Net Position**

**Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 35,182,461	\$ 28,424,041
Investments	57,896,252	57,500,314
Other Accounts Receivable	2,106,073	6,317,451
Accrued Interest Receivable	210,588	194,381
	<u>95,395,374</u>	<u>92,436,187</u>
<b>TOTAL ASSETS</b>	<b>\$ 95,395,374</b>	<b>\$ 92,436,187</b>
 <b>LIABILITIES AND RESERVES</b>		
Accounts Payable	\$ 22,272	\$ 26,726
Other Liabilities	75,206	2,004,998
Fund Equity Dividends Payable	620,000	610,000
Loss Reserves	82,719,511	77,826,553
	<u>83,436,989</u>	<u>80,468,277</u>
<b>TOTAL LIABILITIES AND RESERVES</b>	<b>83,436,989</b>	<b>80,468,277</b>
 <b>NET POSITION</b>		
Unrestricted	<u>11,958,385</u>	<u>11,967,910</u>
<b>TOTAL LIABILITIES, RESERVES AND NET POSITION</b>	<b>\$ 95,395,374</b>	<b>\$ 92,436,187</b>

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

Municipal Excess Liability Residual Claims Fund

Comparative Statement of Revenues, Expenses and Changes in Net Position.

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Operating Revenue:</u>		
Assessments From Participating Joint Insurance Funds	\$ 26,246,781	\$ 24,571,403
Total Operating Revenue	<u>26,246,781</u>	<u>24,571,403</u>
 <u>Operating Expenses:</u>		
Provision for Claims and Claim Adjustment Expense	25,805,789	15,026,790
Professional Services	397,884	364,480
Claims Administration	58,050	56,912
Other Expenses - Administration	57,226	88,541
Total Operating Expenses	<u>26,318,949</u>	<u>15,536,723</u>
Operating Income/(Loss)	(72,168)	9,034,680
 Non-operating Revenue/Expenses:		
Investment Income	682,643	668,005
Return of Surplus	<u>(620,000)</u>	<u>(610,000)</u>
Change in Net Position	(9,525)	9,092,685
Total Net Position - January 1,	<u>11,967,910</u>	<u>2,875,225</u>
Total Net Position - December 31,	<u>\$ 11,958,385</u>	<u>\$ 11,967,910</u>

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

## Municipal Excess Liability Residual Claims Fund

## Comparative Statement of Cash Flows

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Receipts from Member Contributions	\$ 26,246,781	\$ 39,513,044
Payment of Claims	(18,696,451)	(19,536,289)
Payments to Vendors	(442,408)	(509,414)
	<u>7,107,922</u>	<u>19,467,341</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Investing Activities:		
Purchase of Investments of Investment Securities	(57,896,252)	(57,500,314)
Proceeds from Maturity of Investment Securities	57,500,314	54,399,930
Investment Income	666,436	556,904
	<u>270,498</u>	<u>(2,543,480)</u>
Net Cash Provided (Used) by Investing Activities		
Cash Flows from Noncapital Financing Activities:		
Fund Equity Distribution to Participating Members	(620,000)	(610,000)
	<u>(620,000)</u>	<u>(610,000)</u>
Net Cash (Used) by Noncapital Financing Activities		
Net Increase (Decrease) in Cash	6,758,420	16,313,861
Cash and Cash Equivalents - January 1	<u>28,424,041</u>	<u>12,110,180</u>
Cash and Cash Equivalents - December 31	<u>\$ 35,182,461</u>	<u>\$ 28,424,041</u>
Reconciliation of Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (72,168)	\$ 9,034,680
Adjustment to Reconcile Operating Income/ (Loss) to Net Cash Provided/(Used) by Operating Activities		
Changes in Assets and Liabilities:		
(Increase)/Decrease in Assessments Receivable	-	14,941,641
(Increase)/Decrease in Other Accounts Receivable	4,211,378	(4,026,493)
Increase/(Decrease) in Accounts Payable	(4,454)	519
Increase/(Decrease) in Other Liabilities	(1,929,792)	(210,277)
Increase/(Decrease) in Loss Reserves	4,892,958	(282,729)
	<u>7,107,922</u>	<u>19,467,341</u>
Net Cash Provided (Used) by Operating Activities		

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



**Notes to Financial Statements**

**MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 1: NATURE OF OPERATIONS**

The Municipal Excess Liability Residual Claims Fund ("RCF") commenced operations on December 1, 1995, 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 a risk sharing public entity risk pool that is a self administered group of Joint Insurance Funds.

The Municipal Excess Liability Residual Claims Fund was formed in order to assume the liabilities for the loss and allocated loss adjustment expenses of several New Jersey Municipal Joint Insurance Funds in order to permit them to close out older fund years. Currently, the JIF's cannot close out a fund year until all claims have been paid, a process that typically takes ten or more years. The transfer of these loss reserves to the Fund allows the member JIF's to close out these older fund years. The JIF's which have elected to be included in the Fund are listed below:

Atlantic County	Ocean County
Bergen County	Professional Municipal Management
Burlington County	South Bergen County
Camden County	Suburban Essex County
Monmouth County	Suburban Municipal
Morris County	Gloucester, Salem, Cumberland Counties
New Jersey Public Housing Authority	Municipal Excess Liability
New Jersey Utilities Authority	Central Jersey
Bergen Municipal Excess Liability	

The Municipal Excess Liability Residual Claims Fund has fourteen fund years for insurance coverages. The Residual Legacy Account is for the closed fund years 1995 through 2004 for all outstanding liabilities, for the member JIFs fund years 1995 through 2004, as of December 31, 2014. The RCF's 2005 through 2017 fund years are the 2001 through 2013 fund years, respectively, for JIFs listed above.

The coverages involved include primary general liability, primary automobile liability, primary workers compensation, excess general liability, excess automobile liability, excess workers compensation, public officials liability and property.

**MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**(continued)**

**NOTE 1: NATURE OF OPERATIONS, (continued)**

A participating Joint Insurance Fund must remain in the Fund for the full term of membership unless earlier terminated by a majority vote of the Fund Commissioners or a two-thirds vote of the Executive Committee for nonpayment of assessments or continued non-compliance 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 17 members at December 31, 2017, all of which are Joint Insurance Funds.

An application for new membership in the Fund may be approved by a majority vote of the Fund Commissioners or two-thirds vote of the full authorized membership of the Executive Committee based on the criteria established in the bylaws.

A Loss Contingency Fund has been established by budget appropriation to cover possible underassessment or overclaims in the Fund's residual risk coverage.

On September 2, 2015, the Board of Fund Commissioners passed a resolution to establish a Residual Legacy Account to transfer the outstanding liabilities (Case Reserves and IBNR) as of December 31, 2014 for fund years 1995 through 2004. In addition, all remaining assets for the fund years 1995 through 2004 shall be transferred to the Closed Fund Year Account.

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.

**NOTE 1A: OTHER SERVICES**

In addition to the above, the Fund is providing services to the Central Jersey Joint Insurance Fund. The Fund is processing the run-in claims associated with the unpaid liabilities for the Townships of Edison and Woodbridge workers' compensation, auto liability and general liability, public officials/employment practices liability and police professional liability claims incurred through 12:01 a.m. July 1, 1998. The Fund is to be reimbursed for all run-in claims as well as interest on any cash flow deficits and administrative or other expenses incurred by the Fund by the Townships of Edison and Woodbridge. As of December 31, 2017, the Central Jersey Joint Insurance Fund owed the Fund a total of \$7,706.

**MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**(continued)**

**NOTE 1A: OTHER SERVICES, (continued)**

Also, in addition to the above, the Fund is providing services to the Township of Brick. The Fund is processing the run-in claims associated with the unpaid liabilities for the Township of Brick workers' compensation, auto liability and general liability, public officials/employment practices liability and police professional liability claims incurred through 12:01 a.m. January 1, 1999. The Fund is to be reimbursed for all run-in claims as well as interest on any cash flow deficits and administrative or other expenses incurred by the Fund by the Township of Brick. As of December 31, 2017, the Fund owed the Township of Brick a total of \$5,198 due to refunds received by the Fund.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies followed by the Municipal Excess Liability Residual Claims Fund (the "Fund") in the preparation of the accompanying financial statements is set forth below:

Reporting Entity

Government Accounting Standards Board Publication Codification of Government Accounting and Financial Reporting Standards, Section 2100, "Defining Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government and financial accountability. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The Fund 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 Fund is not includable in any other reporting entity on the basis of such criteria.

Basis of Accounting

The accounting policies of the Fund conform to accounting principles generally accepted in the United States of America as applicable to government entities. 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 their measurement focus. Operating revenue, such as charges for services, result from exchange transactions

**MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**(continued)**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

associated with the principal activity of the Fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenue, such as subsidies and investment earnings, results from nonexchange transactions or ancillary activities. Nonexchange transactions, in which the Fund gives or receives value without directly receiving or giving equal value in exchange, generally do not occur, with the exception of investment earnings.

Cash and Investments

Cash and investments are stated at fair value, adjusted for amortization/accretion of premium or discount and are limited by N.J.S.A. 40A:5-15.1.

Income Taxes

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

Assessments

Assessments are computed annually by the Fund Actuary and Administrator and paid by the participating members in accordance with the Fund bylaws.

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 (IBNR). 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 discounts claim liabilities for financial reporting purposes. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

**MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**(continued)**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

Reinsurance

The Fund does not use reinsurance agreements to reduce its exposure to large losses. The Fund is liable for the self-insured retention level that it has contracted with the member Joint Insurance Funds. The Fund has established aggregate excess loss contingency funds instead of the purchase of aggregate reinsurance.

The Fund has elected not to allocate general and administrative expenses to prior fund years.

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, 2017. This estimate is based on the estimated ultimate cost of settling the claims considering the historical experience of the member joint insurance funds, 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.

Loss reserves, at December 31, 2017 which have been estimated by the Fund's Actuary and Servicing Agencies, are as follows:

<u>Residual Legacy Account (1995-2004 Fund Years)</u>	<u>Total</u>	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>
Case Reserves	2,423,718			2,423,718
Losses Incurred but not Reported ("IBNR")	32,000			32,000
	<u>2,455,718</u>	<u>0</u>		<u>2,455,718</u>

**MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**(continued)**

**NOTE 3: LOSS RESERVES, (continued)**

<u>2005 Fund Year</u>	<u>Total</u>	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>
Case Reserves	575,959			575,959
Losses Incurred but not Reported ("IBNR")	<u>33,000</u>	<u>0</u>	<u>0</u>	<u>33,000</u>
	<u>608,959</u>	<u>0</u>	<u>0</u>	<u>608,959</u>
<u>2006 Fund Year</u>	<u>Total</u>	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>
Case Reserves	886,331			886,331
Losses Incurred but not Reported ("IBNR")	<u>4,000</u>	<u>0</u>	<u>0</u>	<u>4,000</u>
	<u>890,331</u>	<u>0</u>	<u>0</u>	<u>890,331</u>
<u>2007 Fund Year</u>	<u>Total</u>	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>
Case Reserves	2,256,724		26,136	2,230,588
Losses Incurred but not Reported ("IBNR")	<u>17,000</u>	<u>0</u>	<u>26,136</u>	<u>17,000</u>
	<u>2,273,724</u>	<u>0</u>	<u>26,136</u>	<u>2,247,588</u>
<u>2008 Fund Year</u>	<u>Total</u>	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>
Case Reserves	2,992,293			2,992,293
Losses Incurred but not Reported ("IBNR")	<u>33,000</u>	<u>0</u>	<u>0</u>	<u>33,000</u>
	<u>3,025,293</u>	<u>0</u>	<u>0</u>	<u>3,025,293</u>
<u>2009 Fund Year</u>	<u>Total</u>	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>
Case Reserves	1,712,531			1,712,531
Losses Incurred but not Reported ("IBNR")	<u>64,000</u>	<u>0</u>	<u>0</u>	<u>64,000</u>
	<u>1,776,531</u>	<u>0</u>	<u>0</u>	<u>1,776,531</u>
<u>2010 Fund Year</u>	<u>Total</u>	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>
Case Reserves	2,526,513			2,526,513
Losses Incurred but not Reported ("IBNR")	<u>75,000</u>	<u>0</u>	<u>0</u>	<u>75,000</u>
	<u>2,601,513</u>	<u>0</u>	<u>0</u>	<u>2,601,513</u>

**MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**(continued)**

**NOTE 3: LOSS RESERVES, (continued)**

<u>2011 Fund Year</u>	<u>Total</u>	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>
Case Reserves	6,277,739		134,699	6,143,040
Losses Incurred but not Reported ("IBNR")	<u>60,000</u>	<u>—</u>	<u>—</u>	<u>60,000</u>
	<u>6,337,739</u>	<u>0</u>	<u>134,699</u>	<u>6,203,040</u>
<u>2012 Fund Year</u>	<u>Total</u>	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>
Case Reserves	6,359,194		306,062	6,053,132
Losses Incurred but not Reported ("IBNR")	<u>478,000</u>	<u>—</u>	<u>7,000</u>	<u>471,100</u>
	<u>6,837,294</u>	<u>0</u>	<u>313,062</u>	<u>6,524,232</u>
<u>2013 Fund Year</u>	<u>Total</u>	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>
Case Reserves	5,407,586		299,299	5,108,287
Losses Incurred but not Reported ("IBNR")	<u>1,088,000</u>	<u>—</u>	<u>95,000</u>	<u>993,000</u>
	<u>6,495,586</u>	<u>0</u>	<u>394,299</u>	<u>6,101,287</u>
<u>2014 Fund Year</u>	<u>Total</u>	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>
Case Reserves	6,061,216		757,088	5,304,128
Losses Incurred but not Reported ("IBNR")	<u>1,830,000</u>	<u>—</u>	<u>400,000</u>	<u>1,430,000</u>
	<u>7,891,216</u>	<u>0</u>	<u>1,157,088</u>	<u>6,734,128</u>
<u>2015 Fund Year</u>	<u>Total</u>	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>
Case Reserves	7,038,044		567,011	6,471,033
Losses Incurred but not Reported ("IBNR")	<u>3,203,000</u>	<u>—</u>	<u>635,000</u>	<u>2,568,000</u>
	<u>10,241,044</u>	<u>0</u>	<u>1,202,011</u>	<u>9,039,033</u>
<u>2016 Fund Year</u>	<u>Total</u>	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>
Case Reserves	7,566,572		1,854,536	5,712,036
Losses Incurred but not Reported ("IBNR")	<u>3,586,000</u>	<u>—</u>	<u>793,000</u>	<u>2,793,000</u>
	<u>11,152,572</u>	<u>0</u>	<u>2,647,536</u>	<u>8,505,036</u>



**MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**(continued)**

**NOTE 3: LOSS RESERVES, (continued)**

<u>2017 Fund Year</u>	<u>Total</u>	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>
Case Reserves	15,579,091		5,457,001	10,122,090
Losses Incurred but not Reported ("IBNR")	<u>4,553,000</u>	<u>0</u>	<u>1,271,000</u>	<u>3,282,000</u>
	<u>20,132,091</u>		<u>6,728,001</u>	<u>13,404,090</u>

<u>All Fund Years at December 31,</u>	<u>2017</u>	<u>2016</u>
Case Reserves	67,663,511	64,085,553
Losses Incurred but not Reported ("IBNR")	<u>15,056,000</u>	<u>13,741,000</u>
Total Loss Reserves	<u>82,719,511</u>	<u>77,826,553</u>

The following represents changes in the aggregate reserves for the Fund for the current and prior period:

	<u>2017</u>	<u>2016</u>
Unpaid Claims and claim adjustment expenses, beginning of year	<u>77,826,553</u>	<u>78,109,282</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fund year	20,132,091	16,528,364
Increase/(Decrease) in provision for insured events of prior fund years	<u>5,673,698</u>	<u>(1,501,574)</u>
Total incurred claims and claim adjustment expenses	<u>25,805,789</u>	<u>15,026,790</u>
	<u>103,632,342</u>	<u>93,136,072</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fund year	<u>3,657,318</u>	<u>3,892,548</u>
Claims and claim adjustment expenses attributable to insured events of prior fund years	<u>17,255,513</u>	<u>11,416,971</u>
Total payments	<u>20,912,831</u>	<u>15,309,519</u>
Total unpaid claims and claim adjustment expenses, end of year	<u>82,719,511</u>	<u>77,826,553</u>

In accordance with the method allowed by GASB Statement No. 10, the Fund elected to discount its loss reserves. Fund believes that the discounting of loss reserves presents a more accurate presentation of the current loss reserves to be paid in future periods.

At December 31, 2017, \$88,038,511 claims and claim adjustment expenses are presented at their net present value of \$82,719,511. These claims are discounted at an annual rate of 1.79%.

**MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**(continued)**

**NOTE 3: LOSS RESERVES, (continued)**

At December 31, 2016, \$82,163,553 claims and claim adjustment expenses are presented at their net present value of \$77,826,553. These claims are discounted at an annual rate of 1.79%.

The Fund also maintains aggregate loss contingency funds in lieu of purchasing aggregate excess insurance or reinsurance which would cap its total exposure for residual claims incurred by the Fund during a fund year.

**NOTE 4: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. The Fund's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2017, \$-0- of the Fund's bank balance of \$35,208,027 was exposed to custodial credit risk.

**NOTE 5: INVESTMENTS**

**Investment Rate Risk**

The Fund has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk**

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the town is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk**

The Fund places no limit on the amount the Fund may invest in any one issuer.

**MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**(continued)**

**NOTE 5: INVESTMENTS, (continued)**

Investments are recorded at fair value. Adjustments are made for any premium or discount, which is amortized over the maturity of the investment. All of the investments are held by the Fund's custodial bank trust department in the Fund's name and would be considered as Category 3 funds since the bank's trust department is also its agent in purchasing and selling the securities. Investments at December 31, 2017 consisted of the following:

	<u>Market Value/ Carrying Amount</u>	<u>Book Value Cost</u>
U.S. Treasury Notes	46,215,696	46,511,437
Federal National Mortgage Assoc.	1,497,630	1,499,835
Cash Income/Money Market	<u>10,182,926</u>	<u>10,182,926</u>
	<u>57,896,252</u>	<u>58,194,198</u>

**NOTE 6: FUND EQUITY DISTRIBUTION PAYABLE**

During 2017, the Fund declared a distribution of fund equity of \$620,000 from the 2017 fund year administrative contingency reserve account. The distribution was approved by the State Department of Banking and Insurance. At December 31, 2017, the 2017 distribution was not disbursed to the members and could be utilized to offset 2018 assessments.

**NOTE 7: NET POSITION**

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

The Fund had individual deficit accounts on a statutory basis of accounting as follows:

Fund Year 2005 - Property	13,632
Fund Year 2005 - Liability	2,400,985
Fund Year 2006 - Property	372,147
Fund Year 2006 - Liability	1,648,385
Fund Year 2006 - Worker's Compensation	835,895

**MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**(continued)**

**NOTE 7: NET POSITION, (continued)**

Fund Year 2007 - Property	40,949
Fund Year 2007 - Liability	2,765,900
Fund Year 2007 - Worker's Compensation	1,900,972
Fund Year 2008 - Property	264,493
Fund Year 2008 - Worker's Compensation	870,254
Fund Year 2009 - Property	21,126
Fund Year 2010 - Liability	354,723
Fund Year 2011 - Property	122,153
Fund Year 2011 - Liability	111,522
Fund Year 2011 - Worker's Compensation	3,540,374
Fund Year 2012 - Property	73,373
Fund Year 2012 - Worker's Compensation	3,438,218
Fund Year 2012 - Faithful Performance Bond	102,967
Fund Year 2013 - Worker's Compensation	1,092,302
Fund Year 2014 - Property	62,775
Fund Year 2014 - Worker's Compensation	2,429,160
Fund Year 2015 - Property	273,274
Fund Year 2016 - Property	16,351
Fund Year 2017 - Worker's Compensation	1,215,150

The Fund has no current plans to assess the membership to eliminate this deficit balance.

**NOTE 8: TRANSFERS**

An Intertrust Fund Transfer is a transfer of funds from one claim or loss retention fund account in a fiscal year to another account within the same fiscal year. An Interyear Fund Transfer is a transfer from a claim or loss retention trust account for a fiscal year, to a claim or loss retention trust account of similar risk of liability for a different fiscal year. All transfers must be approved by the Commissioners of the Departments of Community Affairs and Insurance. During 2017, there were no Intertrust Fund Transfers.

**MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**(continued)**

**NOTE 9: RELATED PARTY TRANSACTIONS**

The Fund currently employs the Fund Attorney to manage public officials' liability and employment practices liability coverage, and are also one of four third party claims administrators. The contracts for each position are on an annual basis. The Fund incurred expenses of \$40,157 for legal work as the Fund Attorney at December 31, 2017. The Fund also incurred \$11,589 in expenses for third party claims administration of liability claims during 2017.

**NOTE 10: 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 11: RELATIONSHIP WITH STATE SCHEDULES**

The information in the Fund's financial statements differ 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 discounting of loss reserves at the financial statement date. The Supplementary Schedules do not reflect the discounting of loss reserves.

**NOTE 12: SUBSEQUENT EVENTS**

The Fund has evaluated subsequent events through May 9, 2018, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

**Supplemental Schedules**

ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

New Jersey Department of Insurance Joint Insurance Fund Code:

Joint Insurance Fund Name: Municipal Excess Liability Residual Claims Fund

Street Address/Mail Address: PERMA Risk Management Services
9 Campus Drive
Suite 216
Parsippany, New Jersey 07054-4412

Primary location of books and records: PERMA Risk Management Services,
9 Campus Drive, Suite 216
Parsippany, New Jersey 07054-4412

Statement Contact Person: Pauline Kontomanolis Phone Number: (201) 881-7632

EXECUTIVE COMMITTEE

Chairman: Robert Law
Secretary: Gregory Franz

Paul Tomasko Tom Nolan
James Gildea Joseph Wolk
John Clarke

EXECUTIVE COMMITTEE ALTERNATES

David Matchett Jon Rheinhardt
Brian Bigler Tom Merchel
Joseph Catenaro Sherry Sims
Robert Landolfi Veronica Laureigh
Richard Hirsch William Northgrave

State of New Jersey
County of Morris

Robert Law, Chairman, and Gregory Franz, Secretary, of the Municipal Excess Liability Residual Claims Fund being duly sworn, each for himself deposes and says that they are the above described executive committee members of the said joint insurance fund, and that on the 31st day of December last, all of the herein described assets were the absolute property of said joint insurance fund, free and clear from any liens or claims thereon, except as herein stated, and that this annual statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to are a full and true statements of all the assets and liabilities and of the condition and affairs of the said joint insurance fund as of the 31st day of December, 2017 and of its income and deductions therefrom for the year ended on that date, according to the best of their information, knowledge and belief respectively.

Chairman

Secretary

(a) Is this an original filing? [X] Yes \_\_\_ No

(b) If no,

(i) State the amendment number \_\_\_\_\_

(ii) Date filed \_\_\_\_\_

(iii) Number of pages attached \_\_\_\_\_

Subscribed and sworn to before me the
\_\_\_\_\_ day of \_\_\_\_\_, 2018

## Municipal Excess Liability Residual Claims Fund

## Historical Operating Results Analysis

## All Fund Years

December 31, 2017  
(unaudited)

1 . <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 433,239,791		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 433,239,791
2 . <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	345,518,814		
Case Reserves	72,982,511		
Imprest Account	-		
IBNR Reserve	15,056,000		
Subtotal		\$ 433,557,325	
Less Excess Insurance:			
Received	13,975,681		
Recoverable	-		
Subtotal		13,975,681	
Limited Incurred Claims (claims-excess)		419,581,644	
<u>Expenses:</u>			
Excess Insurance Premiums	500,000		
Administrative	7,856,671		
Subtotal Expenses		8,356,671	
Total Incurred Liabilities (limited claims and expenses)			427,938,315
3 . <u>Underwriting Surplus/(Deficit) = 1-2</u>			5,301,476
4 . <u>Investment Income (Earned)</u>			24,134,415
5 . <u>Gross Operating Surplus/(Deficit) = 3+4</u>			29,435,891
6 . <u>Return of Surplus:</u>			
Paid	22,176,506		
Authorized and Unpaid	620,000		
Subtotal Return of Surplus			22,796,506
7 . <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ 6,639,385

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## Municipal Excess Liability Residual Claims Fund

## Historical Balance Sheet

All fund Years

December 31, 2017  
(unaudited)

1 . <u>Assets:</u>			
Cash and Investments	\$	<u>93,078,713</u>	\$ 93,078,713
<u>Receivables :</u>			
Assessments		-	
Other		<u>2,316,661</u>	
Total Receivables			2,316,661
Prepaid Expenses			
Other Assets			
<u>Total Assets</u>			<u>\$ 95,395,374</u>
2 . <u>Liabilities:</u>			
<u>Claims:</u>			
Case Reserves		72,982,511	
Less Excess Insurance Recoverable		-	
IBNR Reserve		<u>15,056,000</u>	
Subtotal Claims			88,038,511
<u>Expenses (unpaid)</u>			
Excess Insurance		-	
Administrative		<u>22,272</u>	
Subtotal Expenses			22,272
<u>Other Liabilities:</u>			
Unearned Contributions			
Authorized Return of Surplus		620,000	
Miscellaneous Liabilities		<u>75,206</u>	
Subtotal			695,206
<u>Total Liabilities</u>			<u>88,755,989</u>
<u>Net Current Surplus/(Deficit) = 1-2</u>			<u>\$ 6,639,385</u>

See Independent Auditor's Report

**Municipal Excess Liability Residual Claims Fund**  
**Fund Year Operating Results Analysis**  
**Closed Fund Year Account - (Fund Years 1995-2004)**

**December 31, 2017**  
**(unaudited)**

1 . <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	139,083,207	
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 139,083,207
2 . <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		131,259,845	
Case Reserves			
Imprest Account			
IBNR Reserve			
Subtotal			\$ 131,259,845
Less Excess Insurance:			
Received			
Recoverable			
Subtotal			-
Limited Incurred Claims (claims-excess)			131,259,845
<u>Expenses:</u>			
Excess Insurance Premiums		500,000	
Administrative		2,747,231	
Subtotal Expenses			3,247,231
Total Incurred Liabilities (limited claims and expenses)			134,507,076
3 . <u>Underwriting Surplus/(Deficit) = 1-2</u>			4,576,131
4 . <u>Investment Income (Earned)</u>			17,959,828
5 . <u>Gross Operating Surplus/(Deficit) = 3+4</u>			22,535,959
6 . <u>Return of Surplus:</u>			
Paid		17,136,506	
Authorized and Unpaid			
Subtotal Return of Surplus			17,136,506
7 . <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ 5,399,453

See Independent Auditor's Report

## Municipal Excess Liability Residual Claims Fund

## Fund Year Operating Results Analysis

## Residual Legacy Account (Fund Years - 1995-2004)

December 31, 2017  
(unaudited)

1 . <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ -
2 . <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	(5,760,496)		
Case Reserves	2,481,718		
Imprest Account	-		
IBNR Reserve	32,000		
Subtotal		\$ (3,246,778)	
Less Excess Insurance:			
Received	-		
Recoverable	-		
Subtotal			
Limited Incurred Claims (claims-excess)			(3,246,778)
<u>Expenses:</u>			
Excess Insurance Premiums			
Administrative			
Subtotal Expenses		-	
Total Incurred Liabilities (limited claims and expenses)			(3,246,778)
3 . <u>Underwriting Surplus/(Deficit) = 1-2</u>			3,246,778
4 . <u>Investment Income (Earned)</u>			50,500
5 . <u>Gross Operating Surplus/(Deficit) = 3+4</u>			3,297,278
6 . <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
Subtotal Return of Surplus			-
7 . <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ <u>3,297,278</u>

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## Municipal Excess Liability Residual Claims Fund

## Fund Year Operating Results Analysis

Fund Year - 2005

December 31, 2017  
(unaudited)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	12,817,958	
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 12,817,958
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		13,719,509	
Case Reserves		602,959	
Imprest Account		-	
IBNR Reserve		33,000	
Subtotal	\$		14,355,468
Less Excess Insurance:			
Received		899,192	
Recoverable		-	
Subtotal			899,192
Limited Incurred Claims (claims-excess)			13,456,276
<u>Expenses:</u>			
Excess Insurance Premiums			
Administrative		312,087	
Subtotal Expenses			312,087
Total Incurred Liabilities (limited claims and expenses)			13,768,363
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			(950,405)
4. <u>Investment Income (Earned)</u>			1,077,986
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			127,581
6. <u>Return of Surplus:</u>			
Paid		335,000	
Authorized and Unpaid			
Subtotal Return of Surplus			335,000
7. <u>Net Current Surplus/(Deficit) = 5-6</u>	\$		<u>(207,419)</u>

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## Municipal Excess Liability Residual Claims Fund

## Fund Year Operating Results Analysis

Fund Year - 2006

December 31, 2017  
(unaudited)

1 . <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	15,301,117	
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 15,301,117
2 . <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		22,768,151	
Case Reserves		938,331	
Imprest Account		-	
IBNR Reserve		4,000	
Subtotal	\$		23,710,482
Less Excess Insurance:			
Received		6,083,278	
Recoverable		-	
Subtotal			6,083,278
Limited Incurred Claims (claims-excess)			17,627,204
<u>Expenses:</u>			
Excess Insurance Premiums			
Administrative		323,486	
Subtotal Expenses			323,486
Total Incurred Liabilities (limited claims and expenses)			17,950,690
3 . <u>Underwriting Surplus/(Deficit) = 1-2</u>			(2,649,573)
4 . <u>Investment Income (Earned)</u>			774,996
5 . <u>Gross Operating Surplus/(Deficit) = 3+4</u>			(1,874,577)
6 . <u>Return of Surplus:</u>			
Paid		340,000	
Authorized and Unpaid			
Subtotal Return of Surplus			340,000
7 . <u>Net Current Surplus/(Deficit) = 5-6</u>	\$		<u>(2,214,577)</u>

See Independent Auditor's Report

## Municipal Excess Liability Residual Claims Fund

## Fund Year Operating Results Analysis

Fund Year - 2007

December 31, 2017  
(unaudited)

1 . <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	18,226,495	
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 18,226,495
2 . <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		20,143,703	
Case Reserves		2,406,724	
Imprest Account		-	
IBNR Reserve		17,000	
Subtotal	\$		22,567,427
Less Excess Insurance:			
Received		40,313	
Recoverable		-	
Subtotal			40,313
Limited Incurred Claims (claims-excess)			22,527,114
<u>Expenses:</u>			
Excess Insurance Premiums			
Administrative		326,421	
Subtotal Expenses			326,421
Total Incurred Liabilities (limited claims and expenses)			22,853,535
3 . <u>Underwriting Surplus/(Deficit) = 1-2</u>			(4,627,040)
4 . <u>Investment Income (Earned)</u>			870,417
5 . <u>Gross Operating Surplus/(Deficit) = 3+4</u>			(3,756,623)
6 . <u>Return of Surplus:</u>			
Paid		350,000	
Authorized and Unpaid			
Subtotal Return of Surplus			350,000
7 . <u>Net Current Surplus/(Deficit) = 5-6</u>	\$		(4,106,623)

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## Municipal Excess Liability Residual Claims Fund

## Fund Year Operating Results Analysis

Fund Year - 2008

December 31, 2017  
(unaudited)

1 . <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	19,702,521	
Supplemental Contributions			
Other Income (except investments)			
Total Income		<hr/>	\$ 19,702,521
2 . <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		20,534,739	
Case Reserves		3,184,293	
Imprest Account		-	
IBNR Reserve		33,000	
Subtotal	\$	<hr/>	23,752,032
Less Excess Insurance:			
Received		3,429,318	
Recoverable		-	
Subtotal		<hr/>	3,429,318
Limited Incurred Claims (claims-excess)			<hr/> 20,322,714
<u>Expenses:</u>			
Excess Insurance Premiums			
Administrative		334,914	
Subtotal Expenses		<hr/>	334,914
Total Incurred Liabilities (limited claims and expenses)			<hr/> 20,657,628
3 . <u>Underwriting Surplus/(Deficit) = 1-2</u>			(955,107)
4 . <u>Investment Income (Earned)</u>			<hr/> 721,025
5 . <u>Gross Operating Surplus/(Deficit) = 3+4</u>			(234,082)
6 . <u>Return of Surplus:</u>			
Paid		375,000	
Authorized and Unpaid			
Subtotal Return of Surplus		<hr/>	375,000
7 . <u>Net Current Surplus/(Deficit) = 5-6</u>	\$		<hr/> <hr/> (609,082)

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## Municipal Excess Liability Residual Claims Fund

## Fund Year Operating Results Analysis

Fund Year - 2009

December 31, 2017  
(unaudited)

1 . <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	23,081,541	
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 23,081,541
2 . <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		20,446,906	
Case Reserves		1,825,531	
Imprest Account		-	
IBNR Reserve		64,000	
Subtotal	\$		22,336,437
Less Excess Insurance:			
Received		3,086,070	
Recoverable		-	
Subtotal			3,086,070
Limited Incurred Claims (claims-excess)			19,250,367
<u>Expenses:</u>			
Excess Insurance Premiums			
Administrative		344,890	
Subtotal Expenses			344,890
Total Incurred Liabilities (limited claims and expenses)			19,595,257
3 . <u>Underwriting Surplus/(Deficit) = 1-2</u>			3,486,284
4 . <u>Investment Income (Earned)</u>			612,738
5 . <u>Gross Operating Surplus/(Deficit) = 3+4</u>			4,099,022
6 . <u>Return of Surplus:</u>			
Paid		380,000	
Authorized and Unpaid			
Subtotal Return of Surplus			380,000
7 . <u>Net Current Surplus/(Deficit) = 5-6</u>	\$		3,719,022

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## Municipal Excess Liability Residual Claims Fund

## Fund Year Operating Results Analysis

Fund Year - 2010

December 31, 2017  
(unaudited)

1 . <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	21,564,040	
Supplemental Contributions			
Other Income (except investments)			
Total Income		<hr/>	\$ 21,564,040
2 . <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		17,305,641	
Case Reserves		2,698,513	
Imprest Account		-	
IBNR Reserve		75,000	
Subtotal		<hr/>	\$ 20,079,154
Less Excess Insurance:			
Received		-	
Recoverable		-	
Subtotal		<hr/>	-
Limited Incurred Claims (claims-excess)			<hr/> 20,079,154
<u>Expenses:</u>			
Excess Insurance Premiums			
Administrative		350,137	
Subtotal Expenses		<hr/>	350,137
Total Incurred Liabilities (limited claims and expenses)			<hr/> 20,429,291
3 . <u>Underwriting Surplus/(Deficit) = 1-2</u>			1,134,749
4 . <u>Investment Income (Earned)</u>			<hr/> 400,355
5 . <u>Gross Operating Surplus/(Deficit) = 3+4</u>			1,535,104
6 . <u>Return of Surplus:</u>			
Paid		400,000	
Authorized and Unpaid			
Subtotal Return of Surplus		<hr/>	<hr/> 400,000
7 . <u>Net Current Surplus/(Deficit) = 5-6</u>			<hr/> <hr/> \$ 1,135,104

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## Municipal Excess Liability Residual Claims Fund

## Fund Year Operating Results Analysis

Fund Year - 2011

December 31, 2017  
(unaudited)

1 . <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	23,778,245	
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 23,778,245
2 . <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		20,162,525	
Case Reserves		6,700,739	
Imprest Account		-	
IBNR Reserve		60,000	
Subtotal	\$		26,923,264
Less Excess Insurance:			
Received		-	
Recoverable		-	
Subtotal			-
Limited Incurred Claims (claims-excess)			26,923,264
<u>Expenses:</u>			
Excess Insurance Premiums			
Administrative		354,501	
Subtotal Expenses			354,501
Total Incurred Liabilities (limited claims and expenses)			27,277,765
3 . <u>Underwriting Surplus/(Deficit) = 1-2</u>			(3,499,520)
4 . <u>Investment Income (Earned)</u>			332,832
5 . <u>Gross Operating Surplus/(Deficit) = 3+4</u>			(3,166,688)
6 . <u>Return of Surplus:</u>			
Paid		400,000	
Authorized and Unpaid			
Subtotal Return of Surplus			400,000
7 . <u>Net Current Surplus/(Deficit) = 5-6</u>	\$		(3,566,688)

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## Municipal Excess Liability Residual Claims Fund

## Fund Year Operating Results Analysis

Fund Year - 2012

December 31, 2017  
(unaudited)

1 . <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	29,802,024	
Supplemental Contributions			
Other Income (except investments)			
Total Income		<hr/>	\$ 29,802,024
2 . <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		24,321,533	
Case Reserves		6,819,194	
Imprest Account		-	
IBNR Reserve		478,000	
Subtotal	\$	<hr/>	31,618,727
Less Excess Insurance:			
Received		437,510	
Recoverable		-	
Subtotal		<hr/>	437,510
Limited Incurred Claims (claims-excess)			<hr/> 31,181,217
<u>Expenses:</u>			
Excess Insurance Premiums			
Administrative		365,468	
Subtotal Expenses		<hr/>	365,468
Total Incurred Liabilities (limited claims and expenses)			<hr/> 31,546,685
3 . <u>Underwriting Surplus/(Deficit) = 1-2</u>			(1,744,661)
4 . <u>Investment Income (Earned)</u>			<hr/> 295,769
5 . <u>Gross Operating Surplus/(Deficit) = 3+4</u>			(1,448,892)
6 . <u>Return of Surplus:</u>			
Paid		400,000	
Authorized and Unpaid			
Subtotal Return of Surplus		<hr/>	400,000
7 . <u>Net Current Surplus/(Deficit) = 5-6</u>	\$		<hr/> <hr/> (1,848,892)

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## Municipal Excess Liability Residual Claims Fund

## Fund Year Operating Results Analysis

Fund Year - 2013

December 31, 2017  
(unaudited)

1 . <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	24,974,946	
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 24,974,946
2 . <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		17,531,244	
Case Reserves		5,871,586	
Imprest Account		-	
IBNR Reserve		1,088,000	
Subtotal	\$		24,490,830
Less Excess Insurance:			
Received		-	
Recoverable		-	
Subtotal			-
Limited Incurred Claims (claims-excess)			24,490,830
<u>Expenses:</u>			
Excess Insurance Premiums			
Administrative		432,269	
Subtotal Expenses			432,269
Total Incurred Liabilities (limited claims and expenses)			24,923,099
3 . <u>Underwriting Surplus/(Deficit) = 1-2</u>			51,847
4 . <u>Investment Income (Earned)</u>			353,102
5 . <u>Gross Operating Surplus/(Deficit) = 3+4</u>			404,949
6 . <u>Return of Surplus:</u>			
Paid		400,000	
Authorized and Unpaid			
Subtotal Return of Surplus			400,000
7 . <u>Net Current Surplus/(Deficit) = 5-6</u>	\$		4,949

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## Municipal Excess Liability Residual Claims Fund

## Fund Year Operating Results Analysis

Fund Year - 2014

December 31, 2017  
(unaudited)

1 . <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	26,866,461	
Supplemental Contributions			
Other Income (except investments)			
Total Income		<hr/>	\$ 26,866,461
2 . <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		16,959,065	
Case Reserves		6,625,216	
Imprest Account		-	
IBNR Reserve		1,830,000	
Subtotal		<hr/>	\$ 25,414,281
Less Excess Insurance:			
Received		-	
Recoverable		-	
Subtotal		<hr/>	-
Limited Incurred Claims (claims-excess)			<hr/> 25,414,281
<u>Expenses:</u>			
Excess Insurance Premiums			
Administrative		449,560	
Subtotal Expenses		<hr/>	449,560
Total Incurred Liabilities (limited claims and expenses)			<hr/> 25,863,841
3 . <u>Underwriting Surplus/(Deficit) = 1-2</u>			1,002,620
4 . <u>Investment Income (Earned)</u>			<hr/> 325,741
5 . <u>Gross Operating Surplus/(Deficit) = 3+4</u>			1,328,361
6 . <u>Return of Surplus:</u>			
Paid		450,000	
Authorized and Unpaid			
Subtotal Return of Surplus		<hr/>	<hr/> 450,000
7 . <u>Net Current Surplus/(Deficit) = 5-6</u>			<hr/> <hr/> \$ 878,361

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## Municipal Excess Liability Residual Claims Fund

## Fund Year Operating Results Analysis

Fund Year - 2015

December 31, 2017  
(unaudited)

1 . <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	27,223,055	
Supplemental Contributions			
Other Income (except investments)			
Total Income		<hr/>	\$ 27,223,055
2 . <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		12,060,668	
Case Reserves		7,759,044	
Imprest Account		-	
IBNR Reserve		3,203,000	
Subtotal		<hr/>	\$ 23,022,712
Less Excess Insurance:			
Received		-	
Recoverable		-	
Subtotal		<hr/>	-
Limited Incurred Claims (claims-excess)			<hr/> 23,022,712
<u>Expenses:</u>			
Excess Insurance Premiums			
Administrative		492,614	
Subtotal Expenses		<hr/>	492,614
Total Incurred Liabilities (limited claims and expenses)			<hr/> 23,515,326
3 . <u>Underwriting Surplus/(Deficit) = 1-2</u>			3,707,729
4 . <u>Investment Income (Earned)</u>			<hr/> 235,933
5 . <u>Gross Operating Surplus/(Deficit) = 3+4</u>			3,943,662
6 . <u>Return of Surplus:</u>			
Paid		600,000	
Authorized and Unpaid			
Subtotal Return of Surplus		<hr/>	<hr/> 600,000
7 . <u>Net Current Surplus/(Deficit) = 5-6</u>			<hr/> <hr/> \$ 3,343,662

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## Municipal Excess Liability Residual Claims Fund

## Fund Year Operating Results Analysis

Fund Year - 2016

December 31, 2017

(unaudited)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	24,571,400	
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 24,571,400
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		10,408,463	
Case Reserves		8,292,572	
Imprest Account		-	
IBNR Reserve		3,586,000	
Subtotal	\$		22,287,035
Less Excess Insurance:			
Received		-	
Recoverable		-	
Subtotal			-
Limited Incurred Claims (claims-excess)			22,287,035
<u>Expenses:</u>			
Excess Insurance Premiums			
Administrative		517,128	
Subtotal Expenses			517,128
Total Incurred Liabilities (limited claims and expenses)			22,804,163
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			1,767,237
4. <u>Investment Income (Earned)</u>			94,013
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			1,861,250
6. <u>Return of Surplus:</u>			
Paid		610,000	
Authorized and Unpaid			
Subtotal Return of Surplus			610,000
7. <u>Net Current Surplus/(Deficit) = 5-6</u>	\$		1,251,250

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## Municipal Excess Liability Residual Claims Fund

## Fund Year Operating Results Analysis

Fund Year - 2017

December 31, 2017  
(unaudited)

1 . <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	26,246,781	
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 26,246,781
2 . <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		3,657,318	
Case Reserves		16,776,091	
Imprest Account		-	
IBNR Reserve		4,553,000	
Subtotal	\$		24,986,409
Less Excess Insurance:			
Received		-	
Recoverable		-	
Subtotal			-
Limited Incurred Claims (claims-excess)			24,986,409
<u>Expenses:</u>			
Excess Insurance Premiums			
Administrative		505,965	
Subtotal Expenses			505,965
Total Incurred Liabilities (limited claims and expenses)			25,492,374
3 . <u>Underwriting Surplus/(Deficit) = 1-2</u>			754,407
4 . <u>Investment Income (Earned)</u>			29,180
5 . <u>Gross Operating Surplus/(Deficit) = 3+4</u>			783,587
6 . <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid		620,000	
Subtotal Return of Surplus			620,000
7 . <u>Net Current Surplus/(Deficit) = 5-6</u>	\$		163,587

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Municipal Excess Liability Residual Claims Fund  
 Fund Year Account Operating Results Analysis  
 Residual Legacy Account (Fund Years - 1995-2004)

December 31, 2017  
 (unaudited)

	Coverages and Other Accounts							Totals
	Property Fund	Faithful Perf. Bond Fund	Liability Fund	Worker's Compensation Fund	Loss Contingency Fund	General and Administrative Fund		
1 . Underwriting Income	\$	\$	\$	\$	\$	\$	\$	\$
Regular Contributions (earned)								
Supplemental Contributions	-	-	-	-	-	-	-	-
Other Income (except investments)								
Total Income								
2 . Incurred Liabilities								
Claims (limited incurred)	(18,635)	(7,159)	(58,309)	(3,162,675)	-	-	-	(3,246,778)
Excess Insurance (Recovery) Expenses	-	-	-	-	-	-	-	-
Total Liabilities	(18,635)	(7,159)	(58,309)	(3,162,675)	-	-	-	(3,246,778)
3 . Underwriting Surplus/(Deficit)	18,635	7,159	58,309	3,162,675	-	-	-	3,246,778
4 . Adjustments								
Investment Income	291	28	8,599	41,431	-	151	-	50,500
Transfers	-	-	-	-	-	-	-	-
Total Adjustments	291	28	8,599	41,431	-	151	-	50,500
5 . Gross Operating Surplus/(Deficit)	18,926	7,187	66,908	3,204,106	-	151	-	3,297,278
6 . Return of Surplus								
7 . Net Current Surplus/(Deficit)	\$ 18,926	\$ 7,187	\$ 66,908	\$ 3,204,106	\$ -	\$ 151	\$ -	\$ 3,297,278

Municipal Excess Liability Residual Claims Fund

Fund Year Account Operating Results Analysis

Fund Year - 2005

December 31, 2017  
(unaudited)

	Coverages and Other Accounts							Totals
	Property Fund	Faithful Perf. Bond Fund	Liability Fund	Worker's Compensation Fund	Loss Contingency Fund	General and Administrative Fund		
1 . Underwriting Income								
Regular Contributions (earned)	\$ 4,896	\$ -	\$ 3,630,264	\$ 8,012,798	\$ 500,000	\$ 670,000	\$ 12,817,958	
Supplemental Contributions	4,896	-	3,630,264	8,012,798	500,000	670,000	12,817,958	-
Other Income (except investments)	18,924	-	6,076,713	7,360,639	-	-	13,456,276	-
Total Income	18,924	-	6,076,713	7,360,639	-	312,087	312,087	13,768,363
2 . Incurred Liabilities	(14,028)	-	(2,446,449)	652,159	500,000	357,913	(950,405)	
Claims (limited incurred)	396	-	45,464	923,607	101,150	7,369	1,077,986	
Excess Insurance (Recovery) Expenses	-	-	-	-	-	-	-	
Total Liabilities	396	-	45,464	923,607	101,150	7,369	1,077,986	
3 . Underwriting Surplus/(Deficit)	(13,632)	-	(2,400,985)	1,575,766	601,150	365,282	127,581	
4 . Adjustments	-	-	-	-	-	(335,000)	(335,000)	
Investment Income Transfers	-	-	-	-	-	-	-	
Total Adjustments	-	-	-	-	-	-	-	
5 . Gross Operating Surplus/(Deficit)	(13,632)	-	(2,400,985)	1,575,766	601,150	365,282	127,581	
6 . Return of Surplus	-	-	-	-	-	(335,000)	(335,000)	
7 . Net Current Surplus/(Deficit)	\$ (13,632)	\$ -	\$ (2,400,985)	\$ 1,575,766	\$ 601,150	\$ 30,282	\$ (207,419)	

Municipal Excess Liability Residual Claims Fund

Fund Year Account Operating Results Analysis

Fund Year - 2006

December 31, 2017  
(unaudited)

	Coverages and Other Accounts							Totals
	Property Fund	Faithful Perf. Bond Fund	Liability Fund	Worker's Compensation Fund	Loss Contingency Fund	General and Administrative Fund		
1 . Underwriting Income	\$ 19,165	\$ 22,249	\$ 5,397,487	\$ 8,687,216	\$ 500,000	\$ 675,000	\$ 15,301,117	
Regular Contributions (earned)								
Supplemental Contributions	19,165	22,249	5,397,487	8,687,216	500,000	675,000	15,301,117	
Other Income (except investments)							-	
Total Income								
2 . Incurred Liabilities	391,312	-	7,151,893	10,083,999	-	-	17,627,204	
Claims (limited incurred)								
Excess Insurance (Recovery)	-	-	-	-	-	323,486	323,486	
Expenses	391,312	-	7,151,893	10,083,999	-	323,486	17,950,690	
Total Liabilities	(372,147)	22,249	(1,754,406)	(1,396,783)	500,000	351,514	(2,649,573)	
3 . Underwriting Surplus/(Deficit)								
4 . Adjustments	-	3,369	106,021	560,888	78,025	26,693	774,996	
Investment Income								
Transfers	-	-	-	-	-	-	-	
Total Adjustments	-	3,369	106,021	560,888	78,025	26,693	774,996	
5 . Gross Operating Surplus/(Deficit)	(372,147)	25,618	(1,648,385)	(835,895)	578,025	378,207	(1,874,577)	
6 . Return of Surplus	-	-	-	-	-	(340,000)	(340,000)	
7 . Net Current Surplus/(Deficit)	\$ (372,147)	\$ 25,618	\$ (1,648,385)	\$ (835,895)	\$ 578,025	\$ 38,207	\$ (2,214,577)	

Municipal Excess Liability Residual Claims Fund

Fund Year Account Operating Results Analysis

Fund Year - 2007

December 31, 2017  
(unaudited)

	Coverages and Other Accounts							Totals
	Property Fund	Faithful Perf. Bond Fund	Liability Fund	Worker's Compensation Fund	Loss Contingency Fund	General and Administrative Fund		
1 . Underwriting Income								
Regular Contributions (earned)	\$ 15,288	\$ 5,286	\$ 5,724,442	\$ 11,291,479	\$ 500,000	\$ 690,000	\$ 18,226,495	
Supplemental Contributions	15,288	5,286	5,724,442	11,291,479	500,000	690,000	18,226,495	-
Other Income (except investments)	58,247	(16,490)	8,685,662	13,799,695	-	-	22,527,114	-
Total Income	58,247	(16,490)	8,685,662	13,799,695	-	326,421	326,421	326,421
2 . Incurred Liabilities								
Claims (limited incurred)	-	-	-	-	-	-	-	-
Excess Insurance (Recovery) Expenses	58,247	(16,490)	8,685,662	13,799,695	-	326,421	326,421	22,853,535
Total Liabilities	(42,959)	21,776	(2,961,220)	(2,508,216)	500,000	363,579	(4,627,040)	
3 . Underwriting Surplus/(Deficit)								
4 . Adjustments								
Investment Income	2,010	1,188	195,230	607,244	57,199	7,546	870,417	
Transfers	-	-	-	-	-	-	-	-
Total Adjustments	2,010	1,188	195,230	607,244	57,199	7,546	870,417	
5 . Gross Operating Surplus/(Deficit)	(40,949)	22,964	(2,765,990)	(1,900,972)	557,199	371,125	(3,756,623)	
6 . Return of Surplus	-	-	-	-	-	(350,000)	(350,000)	
7 . Net Current Surplus/(Deficit)	\$ (40,949)	\$ 22,964	(2,765,990)	(1,900,972)	\$ 557,199	\$ 21,125	\$ (4,106,623)	

Municipal Excess Liability Residual Claims Fund

Fund Year Account Operating Results Analysis

Fund Year - 2008

December 31, 2017  
(unaudited)

	Coverages and Other Accounts							Totals
	Property Fund	Faithful Perf. Bond Fund	Liability Fund	Worker's Compensation Fund	Loss Contingency Fund	General and Administrative Fund		
1 . Underwriting Income	\$ 8,477	\$ -	\$ 7,064,807	\$ 11,779,237	\$ 500,000	\$ 350,000	\$ 19,702,521	
Regular Contributions (earned)								
Supplemental Contributions	8,477	-	7,064,807	11,779,237	500,000	350,000	19,702,521	
Other Income (except investments)								
Total Income								
2 . Incurred Liabilities	272,970	-	6,861,277	13,188,467	-	-	20,322,714	
Claims (limited incurred)								
Excess Insurance (Recovery)	-	-	-	-	-	334,914	334,914	
Expenses	272,970	-	6,861,277	13,188,467	-	334,914	20,657,628	
Total Liabilities	(264,493)	-	203,530	(1,409,230)	500,000	15,086	(955,107)	
3 . Underwriting Surplus/(Deficit)								
4 . Adjustments								
Investment Income	-	-	160,156	538,976	17,367	4,526	721,025	
Transfers	-	-	-	-	-	-	-	
Total Adjustments	-	-	160,156	538,976	17,367	4,526	721,025	
5 . Gross Operating Surplus/(Deficit)	(264,493)	-	363,686	(870,254)	517,367	19,612	(234,082)	
6 . Return of Surplus	-	-	-	-	(375,000)	-	(375,000)	
7 . Net Current Surplus/(Deficit)	\$ (264,493)	\$ -	\$ 363,686	\$ (870,254)	\$ 142,367	\$ 19,612	\$ (609,082)	

Municipal Excess Liability Residual Claims Fund

Fund Year Account Operating Results Analysis

Fund Year - 2009

December 31, 2017  
(unaudited)

	Coverages and Other Accounts							Totals
	Property Fund	Faithful Perf. Bond Fund	Liability Fund	Worker's Compensation Fund	Loss Contingency Fund	General and Administrative Fund		
1 . Underwriting Income	\$ 27,071	\$ -	\$ 10,205,231	\$ 11,974,239	\$ 500,000	\$ 375,000	\$ 23,081,541	
Regular Contributions (earned)								
Supplemental Contributions	27,071	-	10,205,231	11,974,239	500,000	375,000	23,081,541	
Other Income (except investments)								
Total Income	49,224	-	8,446,769	10,754,374	-	-	19,250,367	
2 . Incurred Liabilities								
Claims (limited incurred)								
Excess Insurance (Recovery)	-	-	-	-	-	344,890	344,890	
Expenses	49,224	-	8,446,769	10,754,374	-	344,890	19,595,257	
Total Liabilities	(22,153)	-	1,758,462	1,219,865	500,000	30,110	3,486,284	
3 . Underwriting Surplus/(Deficit)								
4 . Adjustments								
Investment Income	1,027	-	174,016	420,395	11,502	5,798	612,738	
Transfers	-	-	-	-	-	-	-	
Total Adjustments	1,027	-	174,016	420,395	11,502	5,798	612,738	
5 . Gross Operating Surplus/(Deficit)	(21,126)	-	1,932,478	1,640,260	511,502	35,908	4,099,022	
6 . Return of Surplus								
	-	-	-	-	(380,000)	-	(380,000)	
7 . Net Current Surplus/(Deficit)	\$ (21,126)	\$ -	\$ 1,932,478	\$ 1,640,260	\$ 131,502	\$ 35,908	\$ 3,719,022	

Municipal Excess Liability Residual Claims Fund

Fund Year Account Operating Results Analysis

Fund Year - 2010

December 31, 2017  
(unaudited)

	Coverages and Other Accounts							Totals
	Property Fund	Faithful Perf. Bond Fund	Liability Fund	Worker's Compensation Fund	Loss Contingency Fund	General and Administrative Fund		
1 . Underwriting Income								
Regular Contributions (earned)	\$ 107,789	\$ 1,010	\$ 9,215,026	\$ 11,360,215	\$ 500,000	\$ 380,000	\$ 21,564,040	
Supplemental Contributions	107,789	1,010	9,215,026	11,360,215	500,000	380,000	21,564,040	-
Other Income (except investments)	1,122	-	9,645,007	10,441,025	-	-	20,087,154	-
Total Income	1,122	-	9,645,007	10,441,025	-	350,137	350,137	20,437,291
2 . Incurred Liabilities								
Claims (limited incurred)								
Excess Insurance (Recovery) Expenses	106,667	1,010	(429,981)	919,190	500,000	29,863	1,126,749	
Total Liabilities	106,667	1,010	(429,981)	919,190	500,000	29,863	1,126,749	
3 . Underwriting Surplus/(Deficit)								
4 . Adjustments								
Investment Income	4,798	49	75,258	307,467	10,372	2,411	400,355	
Transfers	-	-	-	-	-	-	-	
Total Adjustments	4,798	49	75,258	307,467	10,372	2,411	400,355	
5 . Gross Operating Surplus/(Deficit)	111,465	1,059	(354,723)	1,226,657	510,372	32,274	1,527,104	
6 . Return of Surplus	-	-	-	-	(400,000)	-	(400,000)	
7 . Net Current Surplus/(Deficit)	\$ 111,465	\$ 1,059	\$ (354,723)	\$ 1,226,657	\$ 110,372	\$ 32,274	\$ 1,127,104	

Municipal Excess Liability Residual Claims Fund

Fund Year Account Operating Results Analysis

Fund Year - 2011

December 31, 2017  
(unaudited)

	Coverages and Other Accounts							Totals
	Property Fund	Faithful Perf. Bond Fund	Liability Fund	Worker's Compensation Fund	Loss Contingency Fund	General and Administrative Fund		
1 . Underwriting Income	\$ 46,929	\$ 14,176	\$ 8,172,510	\$ 14,644,630	\$ 500,000	\$ 400,000	\$ 23,778,245	
Regular Contributions (earned)								
Supplemental Contributions	46,929	14,176	8,172,510	14,644,630	500,000	400,000	23,778,245	
Other Income (except investments)							-	
Total Income								
2 . Incurred Liabilities	169,506	-	8,357,324	18,433,434	-	-	26,960,264	
Claims (limited incurred)								
Excess Insurance (Recovery) Expenses	-	-	-	-	-	354,501	354,501	
Total Liabilities	169,506	-	8,357,324	18,433,434	-	354,501	27,314,765	
3 . Underwriting Surplus/(Deficit)	(122,577)	14,176	(184,814)	(3,788,804)	500,000	45,499	(3,536,520)	
4 . Adjustments	424	936	73,292	248,430	7,705	2,045	332,832	
Investment Income Transfers	-	-	-	-	-	-	-	
Total Adjustments	424	936	73,292	248,430	7,705	2,045	332,832	
5 . Gross Operating Surplus/(Deficit)	(122,153)	15,112	(111,522)	(3,540,374)	507,705	47,544	(3,203,688)	
6 . Return of Surplus	-	-	-	-	(400,000)	-	(400,000)	
7 . Net Current Surplus/(Deficit)	\$ (122,153)	\$ 15,112	\$ (111,522)	\$ (3,540,374)	\$ 107,705	\$ 47,544	\$ (3,603,688)	



Municipal Excess Liability Residual Claims Fund

Fund Year Account Operating Results Analysis

Fund Year - 2012

December 31, 2017  
(unaudited)

	Coverages and Other Accounts							Totals
	Property Fund	Faithful Perf. Bond Fund	Liability Fund	Worker's Compensation Fund	Loss Contingency Fund	General and Administrative Fund		
1 . Underwriting Income								
Regular Contributions (earned)	\$ 29,304	\$ 22,026	\$ 10,967,322	\$ 17,883,372	\$ 500,000	\$ 400,000	\$	\$ 29,802,024
Supplemental Contributions								
Other Income (except investments)								
Total Income	29,304	22,026	10,967,322	17,883,372	500,000	400,000		29,802,024
2 . Incurred Liabilities								
Claims (limited incurred)	102,686	124,984	9,419,488	21,538,059	-	-	-	31,185,217
Excess Insurance (Recovery) Expenses	-	-	-	-	-	365,468	-	365,468
Total Liabilities	102,686	124,984	9,419,488	21,538,059	-	365,468	-	31,550,685
3 . Underwriting Surplus/(Deficit)	(73,382)	(102,958)	1,547,834	(3,654,687)	500,000	34,532		(1,748,661)
4 . Adjustments								
Investment Income Transfers	9	(9)	74,604	216,469	3,096	1,600		295,769
Total Adjustments	9	(9)	74,604	216,469	3,096	1,600		295,769
5 . Gross Operating Surplus/(Deficit)	(73,373)	(102,967)	1,622,438	(3,438,218)	503,096	36,132		(1,452,892)
6 . Return of Surplus	-	-	-	-	(400,000)	-		(400,000)
7 . Net Current Surplus/(Deficit)	\$ (73,373)	\$ (102,967)	\$ 1,622,438	\$ (3,438,218)	\$ 103,096	\$ 36,132	\$	\$ (1,852,892)

Municipal Excess Liability Residual Claims Fund

Fund Year Account Operating Results Analysis

Fund Year - 2013

December 31, 2017  
(unaudited)

	Coverages and Other Accounts							Totals
	Property Fund	Faithful Perf. Bond Fund	Liability Fund	Worker's Compensation Fund	Loss Contingency Fund	General and Administrative Fund		
1 . Underwriting Income	\$ 44,165	\$ 326,323	\$ 8,475,769	\$ 15,228,689	\$ 500,000	\$ 400,000	\$ 24,974,946	
Regular Contributions (earned)								
Supplemental Contributions	44,165	326,323	8,475,769	15,228,689	500,000	400,000	24,974,946	
Other Income (except investments)								
Total Income								
2 . Incurred Liabilities	13,048	(1,032)	7,918,481	16,560,333	-	-	24,490,830	
Claims (limited incurred)								
Excess Insurance (Recovery)	-	-	-	-	-	432,269	432,269	
Expenses	13,048	(1,032)	7,918,481	16,560,333	-	432,269	24,923,099	
Total Liabilities								
3 . Underwriting Surplus/(Deficit)	31,117	327,355	557,288	(1,331,644)	500,000	(32,269)	51,847	
4 . Adjustments	1,559	9,516	69,427	239,342	4,861	28,397	353,102	
Investment Income					(5,000)	5,000	-	
Transfers	-	-	-	-	(139)	33,397	353,102	
Total Adjustments	1,559	9,516	69,427	239,342	499,861	1,128	404,949	
5 . Gross Operating Surplus/(Deficit)	32,676	336,871	626,715	(1,092,302)	499,861	1,128	404,949	
6 . Return of Surplus	-	-	-	-	(400,000)	-	(400,000)	
7 . Net Current Surplus/(Deficit)	\$ 32,676	\$ 336,871	\$ 626,715	\$ (1,092,302)	\$ 99,861	\$ 1,128	\$ 4,949	

Municipal Excess Liability Residual Claims Fund

Fund Year Account Operating Results Analysis

Fund Year - 2014

December 31, 2017  
(unaudited)

	Coverages and Other Accounts							Totals
	Property Fund	Faithful Perf. Bond Fund	Liability Fund	Worker's Compensation Fund	Loss Contingency Fund	General and Administrative Fund		
1 . Underwriting Income	\$ 20,051	\$ -	\$ 11,619,440	\$ 14,326,970	\$ 500,000	\$ 400,000	\$ 26,866,461	
Regular Contributions (earned)								
Supplemental Contributions	20,051	-	11,619,440	14,326,970	500,000	400,000	26,866,461	
Other Income (except investments)								
Total Income	82,834	-	8,389,177	16,942,270	-	-	25,414,281	
2 . Incurred Liabilities								
Claims (limited incurred)	-	-	-	-	-	449,560	449,560	
Excess Insurance (Recovery) Expenses	82,834	-	8,389,177	16,942,270	-	449,560	25,863,841	
Total Liabilities	(62,783)	-	3,230,263	(2,615,300)	500,000	(49,560)	1,002,620	
3 . Underwriting Surplus/(Deficit)								
4 . Adjustments								
Investment Income	8	-	135,477	186,140	2,445	1,671	325,741	
Transfers	-	-	-	-	(50,000)	50,000	-	
Total Adjustments	8	-	135,477	186,140	(47,555)	51,671	325,741	
5 . Gross Operating Surplus/(Deficit)	(62,775)	-	3,365,740	(2,429,160)	452,445	2,111	1,328,361	
6 . Return of Surplus								
	-	-	-	-	(450,000)	-	(450,000)	
7 . Net Current Surplus/(Deficit)	\$ (62,775)	\$ -	\$ 3,365,740	\$ (2,429,160)	\$ 2,445	\$ 2,111	\$ 878,361	

Municipal Excess Liability Residual Claims Fund

Fund Year Account Operating Results Analysis

Fund Year - 2015

December 31, 2017  
(unaudited)

	Coverages and Other Accounts							Totals
	Property Fund	Faithful Perf. Bond Fund	Liability Fund	Worker's Compensation Fund	Loss Contingency Fund	General and Administrative Fund		
1 . Underwriting Income	\$ 32,408	\$ -	\$ 9,085,292	\$ 16,955,355	\$ 600,000	\$ 550,000	\$ 27,223,055	
Regular Contributions (earned)								
Supplemental Contributions	32,408	-	9,085,292	16,955,355	600,000	550,000	27,223,055	
Other Income (except investments)								
Total Income								
2 . Incurred Liabilities	305,682	-	8,212,886	14,504,144	-	-	23,022,712	
Claims (limited incurred)								
Excess Insurance (Recovery)	-	-	-	-	-	492,614	492,614	
Expenses	305,682	-	8,212,886	14,504,144	-	492,614	23,515,326	
Total Liabilities	(273,274)	-	872,406	2,451,211	600,000	57,386	3,707,729	
3 . Underwriting Surplus/(Deficit)								
4 . Adjustments	-	-	42,965	191,611	(366)	1,723	235,933	
Investment Income						(366)	-	
Transfers	-	-	42,965	191,611	-	1,357	235,933	
Total Adjustments	(273,274)	-	915,371	2,642,822	600,000	58,743	3,943,662	
5 . Gross Operating Surplus/(Deficit)								
6 . Return of Surplus	-	-	-	-	(600,000)	-	(600,000)	
7 . Net Current Surplus/(Deficit)	\$ (273,274)	\$ -	\$ 915,371	\$ 2,642,822	\$ -	\$ 58,743	\$ 3,343,662	

Municipal Excess Liability Residual Claims Fund

Fund Year Account Operating Results Analysis

Fund Year - 2016

December 31, 2017  
(unaudited)

	Coverages and Other Accounts							Totals
	Property Fund	Faithful Perf. Bond Fund	Liability Fund	Worker's Compensation Fund	Loss Contingency Fund	General and Administrative Fund		
1 . Underwriting Income	\$ 2,579	\$ -	\$ 11,152,491	\$ 12,191,330	\$ 625,000	\$ 600,000	\$ 24,571,400	
Regular Contributions (earned)								
Supplemental Contributions	2,579	-	11,152,491	12,191,330	625,000	600,000	24,571,400	
Other Income (except investments)								
Total Income								
2 . Incurred Liabilities	18,937	-	10,087,621	12,180,477	-	-	22,287,035	
Claims (limited incurred)								
Excess Insurance (Recovery)	-	-	-	-	-	517,128	517,128	
Expenses	18,937	-	10,087,621	12,180,477	-	517,128	22,804,163	
Total Liabilities	(16,358)	-	1,064,870	10,853	625,000	82,872	1,767,237	
3 . Underwriting Surplus/(Deficit)								
4 . Adjustments	7	-	34,983	58,870	(423)	576	94,013	
Investment Income								
Transfers	-	-	-	-	-	-	-	
Total Adjustments	7	-	34,983	58,870	(423)	576	94,013	
5 . Gross Operating Surplus/(Deficit)	(16,351)	-	1,099,853	69,723	624,577	83,448	1,861,250	
6 . Return of Surplus	-	-	-	-	(610,000)	-	(610,000)	
7 . Net Current Surplus/(Deficit)	\$ (16,351)	\$ -	\$ 1,099,853	\$ 69,723	\$ 14,577	\$ 83,448	\$ 1,251,250	

Municipal Excess Liability Residual Claims Fund

Fund Year Account Operating Results Analysis

Fund Year - 2017

December 31, 2017  
(unaudited)

	Coverages and Other Accounts							Totals
	Property Fund	Faithful Perf. Bond Fund	Liability Fund	Worker's Compensation Fund	Loss Contingency Fund	General and Administrative Fund		
1 . Underwriting Income	\$ 55,406	\$ 43,629	\$ 10,309,122	\$ 14,603,624	\$ 625,000	\$ 610,000	\$ 26,246,781	
Regular Contributions (earned)								
Supplemental Contributions	55,406	43,629	10,309,122	14,603,624	625,000	610,000	26,246,781	
Other Income (except investments)								
Total Income								
2 . Incurred Liabilities	(3,551)	(10,004)	9,180,035	15,819,929	-	-	24,986,409	
Claims (limited incurred)								
Excess Insurance (Recovery)	-	-	-	-	-	505,965	505,965	
Expenses	(3,551)	(10,004)	9,180,035	15,819,929	-	505,965	25,492,374	
Total Liabilities								
3 . Underwriting Surplus/(Deficit)	58,957	53,633	1,129,087	(1,216,305)	625,000	104,035	754,407	
4 . Adjustments								
Investment Income	-	3	25,266	1,155	2	2,754	29,180	
Transfers	-	-	-	-	-	-	-	
Total Adjustments								
5 . Gross Operating Surplus/(Deficit)	58,957	53,636	1,154,353	(1,215,150)	625,002	106,789	783,587	
6 . Return of Surplus	-	-	-	-	(620,000)	-	(620,000)	
7 . Net Current Surplus/(Deficit)	\$ 58,957	\$ 53,636	\$ 1,154,353	\$ (1,215,150)	\$ 5,002	\$ 106,789	\$ 163,587	

**Municipal Excess Liability Residual Claims Fund**

**Fund Year Claims Analysis**

**Residual Legacy Account (Fund Years - 1995-2004)**

**December 31, 2017  
(unaudited)**

	Coverages				Totals
	Property	Faithful Perf. Bond Fund	Liability	Worker's Compensation Insurance	
Paid Claims	\$ (18,635)	\$ (7,159)	\$ (58,309)	\$ (5,676,393)	\$ (5,760,496)
Case Reserves				2,481,718	2,481,718
Imprest Account				32,000	-
IBNR Reserve				(3,162,675)	32,000
Subtotal	<u>(18,635)</u>	<u>(7,159)</u>	<u>(58,309)</u>	<u>(3,162,675)</u>	<u>(3,246,778)</u>
Excess Insurance Received					-
Recoverable					-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Incurring Claims	<u>(18,635)</u>	<u>(7,159)</u>	<u>(58,309)</u>	<u>(3,162,675)</u>	<u>(3,246,778)</u>

Municipal Excess Liability Residual Claims Fund

Fund Year Claims Analysis

Fund Year - 2005

December 31, 2017  
(unaudited)

	Coverages				Totals
	Property	Faithful Perf. Bond Fund	Liability	Worker's Compensation Insurance	
Paid Claims	\$ 18,924	\$ -	\$ 6,975,905	\$ 6,724,680	\$ 13,719,509
Case Reserves				602,959	602,959
Imprest Account					-
IBNR Reserve				33,000	33,000
Subtotal	18,924	-	6,975,905	7,360,639	14,355,468
Excess Insurance Received			899,192		899,192
Recoverable					-
Subtotal	-	-	899,192	-	899,192
Incurred Claims	\$ 18,924	\$ -	\$ 6,076,713	\$ 7,360,639	\$ 13,456,276



Municipal Excess Liability Residual Claims Fund

Fund Year Claims Analysis

Fund Year - 2006

December 31, 2017  
(unaudited)

	Coverages				Totals
	Property	Faithful Perf. Bond Fund	Liability	Worker's Compensation Insurance	
Paid Claims	\$ 391,312	\$ -	\$ 13,119,235	\$ 9,257,604	\$ 22,768,151
Case Reserves				938,331	938,331
Imprest Account					-
IBNR Reserve				4,000	4,000
Subtotal	<u>391,312</u>	<u>-</u>	<u>13,119,235</u>	<u>10,199,935</u>	<u>23,710,482</u>
Excess Insurance Received			5,967,342	115,936	6,083,278
Recoverable Subtotal	<u>-</u>	<u>-</u>	<u>5,967,342</u>	<u>115,936</u>	<u>6,083,278</u>
Incurred Claims	<u>\$ 391,312</u>	<u>\$ -</u>	<u>\$ 7,151,893</u>	<u>\$ 10,083,999</u>	<u>\$ 17,627,204</u>

Municipal Excess Liability Residual Claims Fund

Fund Year Claims Analysis

Fund Year - 2007

December 31, 2017  
(unaudited)

	Coverages				Totals
	Property	Faithful Perf. Bond Fund	Liability	Worker's Compensation Insurance	
Paid Claims	\$ 58,247	\$ (16,490)	\$ 8,699,839	\$ 11,402,107	\$ 20,143,703
Case Reserves			26,136	2,380,588	2,406,724
Imprest Account				17,000	-
IBNR Reserve					17,000
Subtotal	<u>58,247</u>	<u>(16,490)</u>	<u>8,725,975</u>	<u>13,799,695</u>	<u>22,567,427</u>
Excess Insurance Received			40,313		40,313
Recoverable					-
Subtotal	<u>-</u>	<u>-</u>	<u>40,313</u>	<u>-</u>	<u>40,313</u>
Incurred Claims	<u>\$ 58,247</u>	<u>\$ (16,490)</u>	<u>\$ 8,685,662</u>	<u>\$ 13,799,695</u>	<u>\$ 22,527,114</u>

Municipal Excess Liability Residual Claims Fund

Fund Year Claims Analysis

Fund Year - 2008

December 31, 2017  
(unaudited)

	Coverages				Totals
	Property	Faithful Perf. Bond Fund	Liability	Worker's Compensation Insurance	
Paid Claims	\$ 272,970	\$ -	\$ 10,290,595	\$ 9,971,174	\$ 20,534,739
Case Reserves				3,184,293	3,184,293
Imprest Account					-
IBNR Reserve				33,000	33,000
Subtotal	<u>272,970</u>	<u>-</u>	<u>10,290,595</u>	<u>13,188,467</u>	<u>23,752,032</u>
Excess Insurance Received			3,429,318		3,429,318
Recoverable					-
Subtotal	<u>-</u>	<u>-</u>	<u>3,429,318</u>	<u>-</u>	<u>3,429,318</u>
Incurred Claims	<u>\$ 272,970</u>	<u>\$ -</u>	<u>\$ 6,861,277</u>	<u>\$ 13,188,467</u>	<u>\$ 20,322,714</u>

**Municipal Excess Liability Residual Claims Fund**

**Fund Year Claims Analysis**

**Fund Year - 2009**

**December 31, 2017**  
**(unaudited)**

	Coverages				Totals
	Property	Faithful Perf. Bond Fund	Liability	Worker's Compensation Insurance	
Paid Claims	\$ 49,224	\$ -	\$ 11,532,839	\$ 8,864,843	\$ 20,446,906
Case Reserves				1,825,531	1,825,531
Imprest Account					-
IBNR Reserve				64,000	64,000
Subtotal	<u>49,224</u>	<u>-</u>	<u>11,532,839</u>	<u>10,754,374</u>	<u>22,336,437</u>
Excess Insurance Received			3,086,070		3,086,070
Recoverable					-
Subtotal	<u>-</u>	<u>-</u>	<u>3,086,070</u>	<u>-</u>	<u>3,086,070</u>
Incurred Claims	<u>\$ 49,224</u>	<u>\$ -</u>	<u>\$ 8,446,769</u>	<u>\$ 10,754,374</u>	<u>\$ 19,250,367</u>

**Municipal Excess Liability Residual Claims Fund**

**Fund Year Claims Analysis**

**Fund Year - 2010**

**December 31, 2017  
(unaudited)**

	Coverages				Totals
	Property	Faithful Perf. Bond Fund	Liability	Worker's Compensation Insurance	
Paid Claims	\$ 1,122	\$ -	\$ 9,637,007	\$ 7,667,512	\$ 17,305,641
Case Reserves				2,698,513	2,698,513
Imprest Account					-
IBNR Reserve				75,000	75,000
Subtotal	<u>1,122</u>	<u>-</u>	<u>9,637,007</u>	<u>10,441,025</u>	<u>20,079,154</u>
Excess Insurance Received					-
Recoverable					-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Incurred Claims	<u>\$ 1,122</u>	<u>\$ -</u>	<u>\$ 9,637,007</u>	<u>\$ 10,441,025</u>	<u>\$ 20,079,154</u>

**Municipal Excess Liability Residual Claims Fund**

**Fund Year Claims Analysis**

**Fund Year - 2011**

**December 31, 2017  
(unaudited)**

	Coverages				Totals
	Property	Faithful Perf. Bond Fund	Liability	Worker's Compensation Insurance	
Paid Claims	\$ 169,506	\$ -	\$ 8,222,625	\$ 11,770,394	\$ 20,162,525
Case Reserves			134,699	6,566,040	6,700,739
Imprest Account					-
IBNR Reserve				60,000	60,000
Subtotal	<u>169,506</u>	<u>-</u>	<u>8,357,324</u>	<u>18,396,434</u>	<u>26,923,264</u>
Excess Insurance Received					-
Recoverable					-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Incurred Claims	<u>\$ 169,506</u>	<u>\$ -</u>	<u>\$ 8,357,324</u>	<u>\$ 18,396,434</u>	<u>\$ 26,923,264</u>

**Municipal Excess Liability Residual Claims Fund**

**Fund Year Claims Analysis**

**Fund Year - 2012**

**December 31, 2017  
(unaudited)**

	Coverages				Totals
	Property	Faithful Perf. Bond Fund	Liability	Worker's Compensation Insurance	
Paid Claims	\$ 102,686	\$ 124,984	\$ 9,543,936	\$ 14,549,927	\$ 24,321,533
Case Reserves			306,062	6,513,132	6,819,194
Imprest Account					-
IBNR Reserve			7,000	471,000	478,000
Subtotal	<u>102,686</u>	<u>124,984</u>	<u>9,856,998</u>	<u>21,534,059</u>	<u>31,618,727</u>
Excess Insurance Received			437,510		437,510
Recoverable					-
Subtotal	<u>-</u>	<u>-</u>	<u>437,510</u>	<u>-</u>	<u>437,510</u>
Incurred Claims	<u>\$ 102,686</u>	<u>\$ 124,984</u>	<u>\$ 9,419,488</u>	<u>\$ 21,534,059</u>	<u>\$ 31,181,217</u>

**Municipal Excess Liability Residual Claims Fund**

**Fund Year Claims Analysis**

**Fund Year - 2013**

**December 31, 2017  
(unaudited)**

	Coverages				Totals
	Property	Faithful Perf. Bond Fund	Liability	Worker's Compensation Insurance	
Paid Claims	\$ 13,048	\$ (1,032)	\$ 7,524,182	\$ 9,995,046	\$ 17,531,244
Case Reserves			299,299	5,572,287	5,871,586
Imprest Account					-
IBNR Reserve			95,000	993,000	1,088,000
Subtotal	<u>13,048</u>	<u>(1,032)</u>	<u>7,918,481</u>	<u>16,560,333</u>	<u>24,490,830</u>
Excess Insurance Received					-
Recoverable					-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Incurred Claims	<u>\$ 13,048</u>	<u>\$ (1,032)</u>	<u>\$ 7,918,481</u>	<u>\$ 16,560,333</u>	<u>\$ 24,490,830</u>



**Municipal Excess Liability Residual Claims Fund**

**Fund Year Claims Analysis**

**Fund Year - 2014**

**December 31, 2017  
(unaudited)**

	Coverages				Totals
	Property	Faithful Perf. Bond Fund	Liability	Worker's Compensation Insurance	
Paid Claims	\$ 82,834	\$ -	\$ 7,232,089	\$ 9,644,142	\$ 16,959,065
Case Reserves			757,088	5,868,128	6,625,216
Imprest Account					-
IBNR Reserve			400,000	1,430,000	1,830,000
Subtotal	82,834	-	8,389,177	16,942,270	25,414,281
Excess Insurance Received					-
Recoverable					-
Subtotal	-	-	-	-	-
Incurred Claims	\$ 82,834	\$ -	\$ 8,389,177	\$ 16,942,270	\$ 25,414,281

**Municipal Excess Liability Residual Claims Fund**

**Fund Year Claims Analysis**

**Fund Year - 2015**

**December 31, 2017  
(unaudited)**

	Coverages				Totals
	Property	Faithful Perf. Bond Fund	Liability	Worker's Compensation Insurance	
Paid Claims	\$ 305,682	\$ -	\$ 7,010,875	\$ 4,744,111	\$ 12,060,668
Case Reserves			567,011	7,192,033	7,759,044
Imprest Account					-
IBNR Reserve			635,000	2,568,000	3,203,000
Subtotal	<u>305,682</u>	<u>-</u>	<u>8,212,886</u>	<u>14,504,144</u>	<u>23,022,712</u>
Excess Insurance Received					-
Recoverable					-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Incurred Claims	<u>\$ 305,682</u>	<u>\$ -</u>	<u>\$ 8,212,886</u>	<u>\$ 14,504,144</u>	<u>\$ 23,022,712</u>

Municipal Excess Liability Residual Claims Fund

Fund Year Claims Analysis

Fund Year - 2016

December 31, 2017  
(unaudited)

	Coverages				Totals
	Property	Faithful Perf. Bond Fund	Liability	Worker's Compensation Insurance	
Paid Claims	\$ 18,937	\$ -	\$ 7,440,085	\$ 2,949,441	\$ 10,408,463
Case Reserves			1,854,536	6,438,036	8,292,572
Imprest Account					-
IBNR Reserve			793,000	2,793,000	3,586,000
Subtotal	<u>18,937</u>	<u>-</u>	<u>10,087,621</u>	<u>12,180,477</u>	<u>22,287,035</u>
Excess Insurance Received					-
Recoverable					-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Incurred Claims	<u>\$ 18,937</u>	<u>\$ -</u>	<u>\$ 10,087,621</u>	<u>\$ 12,180,477</u>	<u>\$ 22,287,035</u>

**Municipal Excess Liability Residual Claims Fund**

**Fund Year Claims Analysis**

**Fund Year - 2017**

**December 31, 2017  
(unaudited)**

	Coverages				Totals
	Property	Faithful Perf. Bond Fund	Liability	Worker's Compensation Insurance	
Paid Claims	\$ (3,551)	\$ (10,004)	\$ 2,452,034	\$ 1,218,839	\$ 3,657,318
Case Reserves			5,457,001	11,319,090	16,776,091
Imprest Account					-
IBNR Reserve			1,271,000	3,282,000	4,553,000
Subtotal	<u>(3,551)</u>	<u>(10,004)</u>	<u>9,180,035</u>	<u>15,819,929</u>	<u>24,986,409</u>
Excess Insurance Received					-
Recoverable					-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Incurred Claims	<u><u>\$ (3,551)</u></u>	<u><u>\$ (10,004)</u></u>	<u><u>\$ 9,180,035</u></u>	<u><u>\$ 15,819,929</u></u>	<u><u>\$ 24,986,409</u></u>

## Municipal Excess Liability Residual Claims Fund

## Fund Year Expense Analysis

Fund Year - 2005

December 31, 2017  
(unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:	\$	\$	\$
Liability			
Worker's Compensation			
Subtotal	<u>                    </u>	<u>                    </u>	<u>                    </u>
2. <u>Administrative Expenses</u>			
Administrator	104,879		104,879
Deputy Administrator	35,538		35,538
Legal	36,730		36,730
Treasurer	29,589		29,589
Other (itemize)			-
Actuary	31,207		31,207
Auditor	17,480		17,480
Claims Administrator	38,115		38,115
Miscellaneous	18,549		18,549
Subtotal Administration	<u>312,087</u>	<u>-</u>	<u>312,087</u>
Total Expenses =1+2	<u>\$ 312,087</u>	<u>\$ -</u>	<u>\$ 312,087</u>

See Independent Auditor's Report

## Municipal Excess Liability Residual Claims Fund

## Fund Year Expense Analysis

Fund Year - 2006

December 31, 2017  
(unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:	\$	\$	\$
Liability			-
Worker's Compensation			
Subtotal	<u>                    </u>	<u>                    -</u>	<u>                    -</u>
2. <u>Administrative Expenses</u>			
Administrator	107,500		107,500
Deputy Administrator	36,425		36,425
Legal	32,307		32,307
Treasurer	30,335		30,335
Other (itemize)			-
Actuary	31,987		31,987
Auditor	17,917		17,917
Claims Administrator	46,618		46,618
Miscellaneous	20,397		20,397
Subtotal Administration	<u>323,486</u>	<u>                    -</u>	<u>323,486</u>
Total Expenses =1+2	<u>\$ 323,486</u>	<u>\$ -</u>	<u>\$ 323,486</u>

See Independent Auditor's Report

## Municipal Excess Liability Residual Claims Fund

## Fund Year Expense Analysis

Fund Year - 2007

December 31, 2017  
(unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:	\$	\$	\$
Liability			
Worker's Compensation			
Subtotal	<u>                    </u>	<u>                    </u>	<u>                    </u>
2. <u>Administrative Expenses</u>			
Administrator	110,188		110,188
Deputy Administrator	37,336		37,336
Legal	33,112		33,112
Treasurer	31,088		31,088
Other (itemize)			
Actuary	32,787		32,787
Auditor	18,365		18,365
Claims Administrator	47,783		47,783
Miscellaneous	15,762		15,762
Subtotal Administration	<u>326,421</u>	<u>-</u>	<u>326,421</u>
Total Expenses =1+2	<u>\$ 326,421</u>	<u>\$ -</u>	<u>\$ 326,421</u>

See Independent Auditor's Report

## Municipal Excess Liability Residual Claims Fund

## Fund Year Expense Analysis

Fund Year - 2008

December 31, 2017  
(unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:	\$	\$	\$
Liability			
Worker's Compensation			
Subtotal	<u>                    </u>	<u>                    </u>	<u>                    </u>
2. <u>Administrative Expenses</u>			
Administrator	112,942		112,942
Deputy Administrator	38,269		38,269
Legal	33,941		33,941
Treasurer	31,865		31,865
Other (itemize)			
Actuary	33,606		33,606
Auditor	18,824		18,824
Claims Administrator	48,978		48,978
Miscellaneous	16,489		16,489
Subtotal Administration	<u>334,914</u>	<u>-</u>	<u>334,914</u>
Total Expenses =1+2	<u>\$ 334,914</u>	<u>\$ -</u>	<u>\$ 334,914</u>

See Independent Auditor's Report



## Municipal Excess Liability Residual Claims Fund

## Fund Year Expense Analysis

Fund Year - 2009

December 31, 2017  
(unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:	\$	\$	\$
Liability			
Worker's Compensation			
Subtotal	<u>                    </u>	<u>                    </u>	<u>                    </u>
2. <u>Administrative Expenses</u>			
Administrator	116,330		116,330
Deputy Administrator	39,417		39,417
Legal	34,960		34,960
Treasurer	32,822		32,822
Other (itemize)			
Actuary	34,615		34,615
Auditor	19,389		19,389
Claims Administrator	50,447		50,447
Miscellaneous	16,910		16,910
Subtotal Administration	<u>344,890</u>	<u>-</u>	<u>344,890</u>
Total Expenses =1+2	<u>\$ 344,890</u>	<u>\$ -</u>	<u>\$ 344,890</u>

See Independent Auditor's Report

## Municipal Excess Liability Residual Claims Fund

## Fund Year Expense Analysis

Fund Year - 2010

December 31, 2017  
(unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:	\$	\$	\$
Liability			
Worker's Compensation			
Subtotal	<u>                    </u>	<u>                    </u>	<u>                    </u>
2. <u>Administrative Expenses</u>			
Administrator	118,804		118,804
Deputy Administrator	40,205		40,205
Legal	35,309		35,309
Treasurer	33,478		33,478
Other (itemize)	-		
Actuary	35,307		35,307
Auditor	19,777		19,777
Claims Administrator	51,456		51,456
Miscellaneous	15,801		15,801
Subtotal Administration	<u>350,137</u>	<u>-</u>	<u>350,137</u>
Total Expenses =1+2	<u>\$ 350,137</u>	<u>\$ -</u>	<u>\$ 350,137</u>

See Independent Auditor's Report

## Municipal Excess Liability Residual Claims Fund

## Fund Year Expense Analysis

Fund Year - 2011

December 31, 2017  
(unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:	\$	\$	\$
Liability			
Worker's Compensation			
Subtotal	<u>                    </u>	<u>                    </u>	<u>                    </u>
2. <u>Administrative Expenses</u>			
Administrator	118,657		118,657
Deputy Administrator	40,205		40,205
Legal	35,660		35,660
Treasurer	33,478		33,478
Other (itemize)	-		
Actuary	35,307		35,307
Auditor	19,777		19,777
Claims Administrator	51,456		51,456
Miscellaneous	19,961		19,961
Subtotal Administration	<u>354,501</u>	<u>-</u>	<u>354,501</u>
Total Expenses =1+2	<u>\$ 354,501</u>	<u>\$ -</u>	<u>\$ 354,501</u>

See Independent Auditor's Report

## Municipal Excess Liability Residual Claims Fund

## Fund Year Expense Analysis

Fund Year - 2012

December 31, 2017  
(unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:	\$	\$	\$
Liability			
Worker's Compensation			
Subtotal	<u>                    </u>	<u>                    </u>	<u>                    </u>
2. <u>Administrative Expenses</u>			
Administrator	121,030		121,030
Deputy Administrator	41,010		41,010
Legal	36,372		36,372
Treasurer	34,147		34,147
Other (itemize)			
Actuary	36,013		36,013
Auditor	20,172		20,172
Claims Administrator	52,577		52,577
Miscellaneous	24,147		24,147
Subtotal Administration	<u>365,468</u>	<u>-</u>	<u>365,468</u>
Total Expenses =1+2	<u>\$ 365,468</u>	<u>\$ -</u>	<u>\$ 365,468</u>

See Independent Auditor's Report

## Municipal Excess Liability Residual Claims Fund

## Fund Year Expense Analysis

Fund Year - 2013

December 31, 2017  
(unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:	\$	\$	\$
Liability			
Worker's Compensation			
Subtotal	<u>                    </u>	<u>                    </u>	<u>                    </u>
2. <u>Administrative Expenses</u>			
Administrator	123,451		123,451
Deputy Administrator	41,830		41,830
Legal	37,099		37,099
Treasurer	34,830		34,830
Other (itemize)			
Actuary	36,733		36,733
Auditor	20,575		20,575
Claims Administrator	53,629		53,629
Miscellaneous	84,122		84,122
Subtotal Administration	<u>432,269</u>	<u>-</u>	<u>432,269</u>
Total Expenses =1+2	<u>\$ 432,269</u>	<u>\$ -</u>	<u>\$ 432,269</u>

See Independent Auditor's Report

## Municipal Excess Liability Residual Claims Fund

## Fund Year Expense Analysis

Fund Year - 2014

December 31, 2017  
(unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:	\$	\$	\$
Liability			
Worker's Compensation			
Subtotal	<u>                    </u>	<u>                    </u>	<u>                    </u>
2. <u>Administrative Expenses</u>			
Administrator	125,930		125,930
Deputy Administrator	42,667		42,667
Legal	37,841		37,841
Treasurer	35,532		35,532
Other (itemize)			
Actuary	37,468		37,468
Auditor	20,987		20,987
Claims Administrator	54,702		54,702
Miscellaneous	94,433		94,433
Subtotal Administration	<u>449,560</u>	<u>-</u>	<u>449,560</u>
Total Expenses =1+2	<u>\$ 449,560</u>	<u>\$ -</u>	<u>\$ 449,560</u>

See Independent Auditor's Report

## Municipal Excess Liability Residual Claims Fund

## Fund Year Expense Analysis

Fund Year - 2015

December 31, 2017  
(unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1 . <u>Excess Insurance (itemize)</u>			
Insurance Premiums:	\$	\$	\$
Liability			
Worker's Compensation			
Subtotal	<u>                    </u>	<u>                    </u>	<u>                    </u>
2 . <u>Administrative Expenses</u>			
Administrator	147,771		147,771
Deputy Administrator	50,154		50,154
Legal	38,598		38,598
Treasurer	36,237		36,237
Other (itemize)			
Actuary	38,217		38,217
Auditor	21,407		21,407
Claims Administrator	55,796		55,796
Miscellaneous	104,434		104,434
Subtotal Administration	<u>492,614</u>	<u>-</u>	<u>492,614</u>
Total Expenses =1+2	<u>\$ 492,614</u>	<u>\$ -</u>	<u>\$ 492,614</u>

See Independent Auditor's Report

## Municipal Excess Liability Residual Claims Fund

## Fund Year Expense Analysis

Fund Year - 2016

December 31, 2017  
(unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1 . <u>Excess Insurance (itemize)</u>			
Insurance Premiums:	\$	\$	\$
Liability			
Worker's Compensation			
Subtotal	<u>                    </u>	<u>                    </u>	<u>                    </u>
2 . <u>Administrative Expenses</u>			
Administrator	169,674		169,674
Deputy Administrator	57,657		57,657
Legal	39,370		39,370
Treasurer	36,963		36,963
Other (itemize)			
Actuary	38,981		38,981
Auditor	21,835		21,835
Claims Administrator	56,912		56,912
Miscellaneous	95,736		95,736
Subtotal Administration	<u>517,128</u>	<u>-</u>	<u>517,128</u>
Total Expenses =1+2	<u>\$ 517,128</u>	<u>\$ -</u>	<u>\$ 517,128</u>

See Independent Auditor's Report



## Municipal Excess Liability Residual Claims Fund

## Fund Year Expense Analysis

Fund Year - 2017

December 31, 2017  
(unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:	\$	\$	\$
Liability			
Worker's Compensation			
Subtotal	<u>                    </u>	<u>                    </u>	<u>                    </u>
2. <u>Administrative Expenses</u>			
Administrator	192,813		192,813
Deputy Administrator	65,179		65,179
Legal	40,157		40,157
Treasurer	37,702		37,702
Other (itemize)			
Actuary	39,761		39,761
Auditor	-	22,272	22,272
Claims Administrator	58,050		58,050
Miscellaneous	50,031		50,031
Subtotal Administration	<u>483,693</u>	<u>22,272</u>	<u>505,965</u>
Total Expenses =1+2	<u>\$ 483,693</u>	<u>\$ 22,272</u>	<u>\$ 505,965</u>

See Independent Auditor's Report

**Municipal Excess Liability Residual Claims Fund**

**Program Summary**

**Fund Years - Legacy (1995-2004) to 2017**

**December 31, 2017**

**(unaudited)**

	Coverages		
	Liability	Worker's Compensation Insurance	Property
1. <u>Limits</u>	The Residual Claim Fund's limits shall be equal to the per occurrence self-insured retention of the member joint insurance funds. The amount of any claim in excess of the member joint insurance fund's self insured retention shall be the responsibility of the applicable excess insurer or reinsurer, the member joint insurance fund, or the member local unit as the case may be in accordance with the member joint insurance fund's coverage documents and plan of risk management.		
2. <u>Fund Retention</u>	The Residual Claims Fund shall retain the entire risk.		
<u>Specific</u>	Note: See 1. Above		
<u>Aggregate</u>			
3. <u>Excess Insurers (list all insurers and amount insured)</u>	N/A	N/A	N/A
	Note: See 1. Above		
4. <u>Number of Participants</u>	17	17	14
5. <u>Incurred Liabilities</u>	169,710,834	248,245,651	1,625,159
6. <u>Exposure Units</u>	N/A	N/A	N/A
7. <u>Liabilities/Units</u>	N/A	N/A	N/A

See Independent Auditor's Report

**Municipal Excess Liability Residual Claims Fund**  
**State Required Supporting Schedule - Annual Report**

**Analysis of Cash and Investments**

**December 31, 2017**  
**(unaudited)**

Bank	Description	Account Amount	Cost
Investors Bank - Claims	Operating	34,063	34,063
Investors Bank	Operating	35,173,964	35,173,964
Wilmington Trust	Investment		
Cash Income	Investment	10,144,318	10,144,318
Money Market	Investment	38,608	38,608
F.N.M.A.	Investment	1,497,630	1,499,835
U.S Treasury Notes	Investment	46,215,696	46,511,437
		93,104,279	93,402,225
Add: Deposit in Transit		2	2
Less: Outstanding Checks / Transfers		(25,568)	(25,568)
		<u>\$ 93,078,713</u>	<u>93,376,659</u>

**Municipal Excess Liability Residual Claims Fund**  
**State Required Supporting Schedule - Annual Report**

**Analysis of Assessments Receivable**

**December 31, 2017**  
**(unaudited)**

Fund Year 2017 \$ 0

**Municipal Excess Liability Residual Claims Fund**  
**State Required Supporting Schedule - Annual Report**  
**Analysis of Accrued Interest / Other Accounts Receivable**

**December 31, 2017**  
**(unaudited)**

Accrued Interest Receivable	\$	210,588
Due from Central Jersey JIF - Net of Loss Reserves		7,706
Due from Brick Township - Net of Loss Reserves		(5,198)
Due from Member JIF's - Advances		106,023
Due from Member JIF's - Reinsurance Refunds		243,897
Due from Genesis Reinsurance Corporation Worker's Comp.		1,628,397
Due from Claims Account Excess Transfer/JIF's Closed Year		125,248
Sub-total Other Accounts Receivable		2,106,073
 Total Other Receivables	 \$	 2,316,661

**Analysis of Administrative Expenses Payable**

**December 31, 2017**  
**(unaudited)**

Fund Year 2017:		
Accounting and Auditing Services	\$	22,272
	\$	22,272

**Analysis of Miscellaneous Liabilities**

**December 31, 2017**  
**(unaudited)**

Other Liabilities - Due to MEL error in deposit	\$	75,206
	\$	75,206

**MUNICIPAL EXCESS LIABILITY**

**RESIDUAL CLAIMS FUND**

**REPORT PURSUANT TO GOVERNMENT AUDITING STANDARDS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

# Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

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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 FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Municipal Excess Liability  
Residual Claims Fund  
Parsippany, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Departments of Community Affairs and Insurance, 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 Municipal Excess Liability Residual Claims Fund, as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2018.

***Internal Control Over Financial Reporting***

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

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

However, we noted certain immaterial instances of noncompliance or other matters that we have reported to the management of the Fund in the accompanying comments and recommendation section of this report.

### ***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 Municipal Excess Liability Residual Claims Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ferraioli, Wielkotz, Cerullo & Cuva, P.A.*

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants  
Pompton Lakes, New Jersey

May 9, 2018

## MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND

### COMMENTS AND RECOMMENDATIONS

During our audit of the Fund's accounting records, we noted the following:

1. It was noted during the course of our audit that the 2006, 2007, 2008, 2011, 2012, 2013, 2014 and 2017 fund years for worker's compensation and the 2005, 2006, 2007, 2010 and 2011 fund years for the liability and 2005, 2006, 2007, 2008, 2009, 2011, 2012, 2014, 2015 and 2016 fund years for property and 2012 fund year for faithful performance bond experienced a deficit. The deficits were caused by paid claims and loss reserves in excess of the projected amounts used to establish the budget. The loss reserves consist of two estimates, an estimate of the amount of loss from known claims and an estimate of the claims incurred but not reported as of the financial statement date. The budget and loss reserves should be monitored on a continuing basis to determine the need, if any, for additional assessments.

Management's Response:

Management will monitor fund position and reserve changes quarterly. If additional contributions are eventually adjudged to be necessary, the Executive Committee would take the necessary action.