

NEW JERSEY MUNICIPAL ENVIRONMENTAL  
RISK MANAGEMENT FUND  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS - FINANCIAL  
COMPLIANCE AND PERFORMANCE  
YEAR ENDED DECEMBER 31, 2021



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May 23, 2022

The Honorable Chairperson and Members  
of the Executive Committee  
New Jersey Municipal Environmental  
Risk Management Fund  
Parsippany, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New Jersey Municipal Environmental Risk Management Fund for the year ended December 31, 2021, and have issued our report thereon dated May 23, 2022.

As part of our audit, we performed procedures required by the New Jersey Department of Community Affairs, Division of Local Government Services and the results thereof are disclosed on the following page. This letter does not affect our report dated May 23, 2022 on the financial statements of the Fund.

This report is intended solely for the information and use of the New Jersey Municipal Environmental Risk Management Fund's management and the New Jersey Department of Community Affairs, Division of Local Government Services and Department of Banking and Insurance. However, this report is a matter of public record as its distribution is not limited.

*Nisivoccia LLP*

NEW JERSEY MUNICIPAL ENVIRONMENTAL RISK MANAGEMENT FUND  
COMMENTS AND RECOMMENDATIONS

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Suggestions to Management:

Economic Conditions and their Effect on Fund Operations

The period of low interest rates we are experiencing during Covid has negatively affected the Fund's investment yield and Net Position. Investment income has declined from \$452,056 in 2020 to \$(78,793) for 2021. The Fund had taken action to improve investment income prior to the start of the Covid epidemic by forming the Joint Cash Management and Investment Program (the "JCMI"). The Fund's proactive strategy mitigated the effect of the swift decline in interest rates and improved the Fund's financial position had such actions not been taken.

Fund Deficit

Fund Year 2006 is experiencing a Fund Deficit of \$896,920. The Fund's attorneys are actively pursuing insurance recoveries from third parties for a Super Fund Buyout claim. Upon receipt of all such recoveries, the Fund will submit a claim with the aggregate reinsurer, which, once received will eliminate the deficit.

Status of Prior Year Comments and Recommendations

There were no prior year recommendations.