

NEW JERSEY MUNICIPAL ENVIRONMENTAL  
RISK MANAGEMENT FUND  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS - FINANCIAL  
COMPLIANCE AND PERFORMANCE  
YEAR ENDED DECEMBER 31, 2014



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April 3, 2015

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, 2014, and have issued our report thereon dated April 3, 2015.

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 April 3, 2015 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.

A handwritten signature in cursive script, appearing to read "Nisivoccia LLP", is written in the lower right portion of the page.

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 prolonged period of low interest rates we are experiencing has negatively affected the Fund's investment yield and Net Position. Investment Income has declined from a high of more than \$1,000,000 in 2007 to \$188,124 for 2014. In addition, poor economic conditions generally lead to increased claim activity. The Fund has experienced an increase in claims and related expenses. As a result, the Fund's safety program, underwriting and assessment policies have an increased impact on the operations of the Fund.

Fund Deficits

Fund Year 2004 and 2006 are experiencing a Fund Deficit of \$816,223 and \$2,302,500 respectively. It is suggested that management create a plan to assess the membership to eliminate deficit balances.

NEW JERSEY MUNICIPAL ENVIRONMENTAL RISK MANAGEMENT FUND  
COMMENTS AND RECOMMENDATIONS

Status of Prior Year Comments and Recommendations

There were no recommendations in 2013.