

MUNICIPAL EXCESS LIABILITY  
JOINT INSURANCE FUND  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
YEAR ENDED DECEMBER 31, 2013



Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mt. Arlington, NJ 07856  
973-328-1825 | 973-328-0507 Fax  
Lawrence Business Center  
11 Lawrence Road  
Newton, NJ 07860  
973-383-6699 | 973-383-6555 Fax

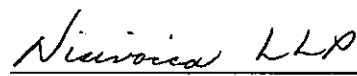
April 23, 2014

The Honorable Chairperson and Members  
of the Board of Fund Commissioners  
Municipal Excess Liability Joint Insurance 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 Municipal Excess Liability Joint Insurance Fund (the "Fund") for the year ended December 31, 2013, and have issued our report thereon dated April 23, 2014.

As part of our audit, we performed procedures required by the New Jersey Department of Community Affairs, Division of Local Government Services, and the findings and results thereof are disclosed on the following pages. This letter does not affect our report dated April 23, 2014 on the financial statements of the Fund.

We will review the status of comments, if any, made during our next audit engagement. We have already discussed any comments and suggestions made with various management personnel, and we will be pleased to discuss them in further detail at your convenience or to perform any additional study of these matters.

  
\_\_\_\_\_  
NISIVOCIA LLP

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE 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:

Statements of the Governmental Accounting Standards Board

The Governmental Accounting Standards Board ("GASB") has issued several pronouncements that will be effective in the next two years. It appears that most of these pronouncements will not significantly affect the financial accounting and reporting of the Fund. However, GASB Statement Number 69, *Government Combinations and Disposals of Government Operations* will require additional footnote disclosures. The disclosures do not appear to be onerous nor does it appear that it will be difficult for the Fund to obtain and present the disclosure information in order to comply with the standard. This statement will be effective for the Fund's calendar year 2014 financial statements.

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 \$3,400,000 in 2007 to \$(121,095) for 2013. 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.

\*\*\*\*\*

Status of Prior Year Comments and Recommendations

The Recommendation regarding the Third Party Claims Administrator obtaining a SOC report has been resolved in the current year.