

**NEW MEXICO COUNTY INSURANCE
AUTHORITY MULTI-LINE POOL**
Santa Fe, New Mexico

FINANCIAL STATEMENTS
December 31, 2010

TABLE OF CONTENTS

	PAGE
OFFICIAL ROSTER	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Balance Sheet – Enterprise Funds	8
Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds.....	9
Statement of Cash Flows – Enterprise Funds.....	10
Notes to Financial Statements	11
REQUIRED SUPPLEMENTARY INFORMATION	27
Notes to Ten Year Claims Development Information (Unaudited)	28
Ten Year Claims Development Information (Unaudited)	29
SUPPLEMENTARY BUDGETARY COMPARISONS	31
Schedule of Revenues and Expenses – Budget and Actual (Budgetary Basis) – Multi-Line Program.....	32
Schedule of Revenues and Expenses – Budget and Actual (Budgetary Basis) – Law Enforcement Program.....	33
OTHER SUPPLEMENTARY INFORMATION	34
Cash and Cash Equivalents Reconciliation from Books to Financial Statements	35
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 <i>Government Auditing Standards</i>	36
Schedule of Findings and Responses.....	38
Summary Schedule of Prior Year Audit Findings.....	39
Exit Conference.....	40

**OFFICIAL ROSTER
December 31, 2010**

Board of Directors

Dan Mayfield	Chair
Nicklos Jaramillo	Vice Chair
Orlando Lucero	Secretary/Treasurer
Wendell Bostwick	Member
Ron Lethgo	Member
John Paul Saari	Member
Sarah Merklein	Member
Ed Fridenstine	Member
Doug Decker	Member
Patrick Snedeker	Member
Tony Atkinson	Member

Administrative Officers

Paul Gutierrez	Executive Director
Steven Kopelman	Risk Management Director
Carol Madley	Finance Director

Multi-Line Program Member Counties as of December 31, 2010

Bernalillo	Guadalupe	San Miguel
Catron	Harding	Sandoval
Chaves	Hidalgo	Sierra
Cibola	Lincoln	Socorro
Colfax	Luna	Taos
Curry	McKinley	Torrance
De Baca	Mora	Union
Dona Ana	Otero	Valencia
Eddy	Quay	
Grant	Roosevelt	

Law Enforcement Program Member Counties as of December 31, 2010

Bernalillo	Guadalupe	San Miguel
Catron	Harding	Sandoval
Chaves	Hidalgo	Sierra
Cibola	Lincoln	Socorro
Colfax	Luna	Taos
Curry	McKinley	Torrance
De Baca	Mora	Union
Dona Ana	Otero	Valencia
Eddy	Quay	
Grant	Roosevelt	

Independent Auditor's Report

To the Board of Directors of
New Mexico County Insurance Authority
Multi-Line Pool
Santa Fe, New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the business-type activities and each major fund of the New Mexico County Insurance Authority Multi-Line Pool (the Pool) as of and for the year ended December 31, 2010, which collectively comprise the Pool's basic financial statements as listed in the table of contents. We also have audited the Pool's Schedules of Revenues and Expenses – Budget and Actual (Budgetary Basis) presented as supplementary information as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements and schedules are the responsibility of the Pool's management. Our responsibility is to express opinions on these financial statements and schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of the Pool as of December 31, 2010, and the respective changes in the financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the Schedules of Revenues and Expenses – Budget and Actual (Budgetary Basis) referred to above present fairly, in all material respects, the budgetary comparisons of the Pool for the year ended December 31, 2010, in conformity with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2011, on our consideration of the Pool'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 6 and the ten year claims development information on pages 27 through 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Pool and the budgetary comparisons. The accompanying financial information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Clifton Gunderson LLP

Albuquerque, New Mexico
May 31, 2011

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010**

As management of the New Mexico County Insurance Authority (NMCIA) Multi-Line Pool (the Pool), we offer readers of the Pool's financial statements this narrative overview and analysis of the financial activities of the Pool for the fiscal year ended December 31, 2010.

Overview of the Financial Statements

The NMCIA-Multi-Line Pool is a self-insurance pool for New Mexico counties created pursuant to joint powers agreements. The NMCIA Multi-Line Pool is composed of two separate county self-insurance pools, the Multi-Line Program and the Law Enforcement Program (the Programs). Both programs had 28 member counties as of December 31, 2010. Members pay annual contributions to the Programs. The other source of income is investments. The Programs then pay all administrative, claims and excess insurance costs. The Programs' basic financial statements are composed of three components: 1) government-wide financial statements, 2) separate pool financial statements, and 3) notes to the financial statements.

Condensed Comparative Data

	<u>2010</u>	<u>2009</u>
Total assets (cash, investments, receivables, and prepaids)	\$ 36,151,062	\$ 34,393,470
Total liabilities (claims and claim adjustment expenses)	<u>26,376,332</u>	<u>25,280,984</u>
Pool net assets	<u>\$ 9,774,730</u>	<u>\$ 9,112,486</u>
Revenues		
Member contributions	\$ 15,493,255	\$ 16,568,347
Investment and other income	<u>1,808,192</u>	<u>1,227,643</u>
Total revenues	17,301,447	17,795,990
Expenses		
Claims and claim adjustment expenses	10,884,607	12,430,365
Excess insurance and brokerage fees	2,550,228	3,088,629
General and administrative	2,204,371	2,116,861
Member equity return	<u>999,997</u>	<u>-</u>
Total expenses	<u>16,639,203</u>	<u>17,635,855</u>
Excess of revenues over expenses	662,244	160,135
Net assets, beginning of year	<u>9,112,486</u>	<u>8,952,351</u>
Net assets, end of year	<u>\$ 9,774,730</u>	<u>\$ 9,112,486</u>

Financial Highlights

- Multi-Line Program assets decreased by approximately \$133 thousand and Pool surplus decreased by approximately \$2.75 million.
- Multi-Line Program returned approximately \$1.00 million of equity to member counties based on contributions and loss experience for policy years 1993-1999.
- Law Enforcement Program assets increased by approximately \$1.89 million and the net asset deficit decreased by approximately \$3.41 million to return the Pool to a surplus.

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010**

- Investment income was up slightly in both Programs due to higher interest rates and the use of a new investment broker.

Underwriting Results

Santa Fe County left both the Multi-Line and Law Enforcement Programs which resulted in a decrease in 2010 member contributions. Contributions to the Multi-Line Program decreased from \$7,950,041 in 2009 to \$7,061,972. Law Enforcement Program contributions decreased from \$8,618,306 to \$8,431,283. Individual counties' contributions to the Multi-Line and Law Enforcement Programs are based on each county's loss experience and exposure. Most of the member counties of the Multi-Line Program saw a 5% decrease to their contributions. One county, Harding, saw a 10% decrease and eight counties saw increases ranging from 1 to 10%. In the Law Enforcement Program, there were ten counties with no increases and all but one received contribution increases ranging from 5% up to 30% due to loss experience and increased exposure. One county, Luna, saw a 12% decrease.

The Pools' pricing and budgeting approach includes investment income. Adding in investment income, the Pools had an increase in net assets of \$662,244: a \$2,750,060 decrease for Multi-Line and a \$3,412,304 increase for Law Enforcement.

Excess Insurance Premiums

Reinsurance expenses for the Multi-Line Program were slightly lower in 2010 due to lower excess property rates. Reinsurance expenses for the Law Enforcement Program decreased by \$433,950 from \$1,723,950 to \$1,290,000 because the Program increased its self insured retention to \$500,000 per claim from the previous \$250,000 per claim.

Investment Results

At the end of 2010, the Pools' current assets totaled \$36,149,716, of this amount \$3,515,499 was in cash, earning less than 1% interest. The rest was invested primarily in a fixed income portfolio of government and corporate bonds earning about 4.75%. The Multi-Line Program portfolio increased by about 10% and the Law Enforcement Program portfolio increased by about 13%. The Pools' equity in County Reinsurance Ltd. (CRL) was unaffected for the year since both of the Programs withdrew from CRL at the end of 2007. As allowed in CRL's By-Laws, one-fifth of Multi-Line and Law Enforcement's equity in CRL was returned in June 2010. Investment income for both insurance programs was slightly greater than 2009: about \$1.8 million.

Property, Plant and Equipment

The Pool had no purchases or disposals of property, plant and equipment during 2010.

Long-term Debt

The Pool had no long-term debt during 2010.

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010**

Net Income

For the year ended December 31, 2010, the Multi-Line Program had a net loss of \$2,750,060. This included a \$1.00 million return of equity to member counties. The Law Enforcement Program had net income of \$3,412,304. The net loss for the Multi-Line Program included an operating loss of \$3,740,464 and investment income of \$1,053,409. Net income for the Law Enforcement Program included operating income of \$2,690,521 and investment income of \$754,783.

Member Surplus

The Pool had combined net assets (surplus) of \$9,774,730 at the close of its most recent fiscal year. The Multi-Line Program surplus decreased from \$10,933,185 to \$8,183,125 and the Law Enforcement Program net deficit decreased from \$(1,820,699) to a surplus of \$1,591,605.

Budget

In the Multi-Line Program, member contributions were slightly more than budgeted (\$2,451) due to additional coverage added during the year for buildings and helicopters in Bernalillo County. Investment income for both Programs was more than budgeted. In total, claims and claim adjustment expenses were more than budgeted for the Multi-Line Program and less than budgeted for the Law Enforcement Program. Excess insurance was as budgeted in the Law Enforcement Program and the Multi-Line Program. Administrative and other expenses were, in total, less than budgeted.

Pool Trends and Conditions

The Multi-Line Program is doing well and the Program will make another equity distribution to counties in 2011 which will serve as a credit to 2011 contributions. The Law Enforcement Program did extremely well in 2010, going from a deficit to a surplus. The Multi-Line Pool continues to provide loss prevention and risk management services to counties in order to reduce the occurrence and severity of claims. Contributions have been increased annually to those counties seeing increased exposure and/or high losses.

BASIC FINANCIAL STATEMENTS

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
BALANCE SHEET - ENTERPRISE FUNDS
December 31, 2010

ASSETS

	Multi-Line Program	Law Enforcement Program	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,214,747	\$ 2,300,752	\$ 3,515,499
Investment in the State General Fund			-
Investment Pool	4,208	6,262	10,470
Investments	18,007,115	11,690,029	29,697,144
Accounts receivable - Subrogation, Deductibles	-	26,241	26,241
Accounts receivable - Reinsurance	-	1,489,320	1,489,320
Accrued interest	56,838	36,320	93,158
Investment in County Reinsurance, Limited	594,482	712,766	1,307,248
Prepays	10,636	-	10,636
	<u>19,888,026</u>	<u>16,261,690</u>	<u>36,149,716</u>
Total current assets			
NON-CURRENT ASSETS			
Property, plant and equipment, net	<u>898</u>	<u>448</u>	<u>1,346</u>
Total non-current assets	<u>898</u>	<u>448</u>	<u>1,346</u>
TOTAL ASSETS	<u>\$ 19,888,924</u>	<u>\$ 16,262,138</u>	<u>\$ 36,151,062</u>

LIABILITIES AND POOL NET ASSETS

CURRENT LIABILITIES			
Claims and claim adjustment expenses	\$ 4,398,635	\$ 5,181,361	\$ 9,579,996
Total current liabilities	<u>4,398,635</u>	<u>5,181,361</u>	<u>9,579,996</u>
LONG-TERM LIABILITIES			
Claims and claim adjustment expenses	<u>7,307,164</u>	<u>9,489,172</u>	<u>16,796,336</u>
Total long-term liabilities	<u>7,307,164</u>	<u>9,489,172</u>	<u>16,796,336</u>
POOL NET ASSETS HELD FOR MEMBERS' BENEFITS			
Invested in capital assets	898	448	1,346
Unrestricted	<u>8,182,227</u>	<u>1,591,157</u>	<u>9,773,384</u>
Total pool net assets held for members' benefits	<u>8,183,125</u>	<u>1,591,605</u>	<u>9,774,730</u>
TOTAL LIABILITIES AND POOL NET ASSETS	<u>\$ 19,888,924</u>	<u>\$ 16,262,138</u>	<u>\$ 36,151,062</u>

The accompanying notes are an integral part of the financial statements.

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - ENTERPRISE FUNDS
Year Ended December 31, 2010**

	<u>Multi-Line Program</u>	<u>Law Enforcement Program</u>	<u>Total</u>
OPERATING REVENUES			
Member contributions	\$ 7,061,972	\$ 8,431,283	\$ 15,493,255
Total operating revenues	<u>7,061,972</u>	<u>8,431,283</u>	<u>15,493,255</u>
OPERATING EXPENSES			
Claims and claim adjustment expenses	7,510,742	3,373,865	10,884,607
Excess insurance premiums	1,164,223	1,290,000	2,454,223
General and administrative	1,127,474	1,076,897	2,204,371
Member equity return	999,997	-	999,997
Total operating expenses	<u>10,802,436</u>	<u>5,740,762</u>	<u>16,543,198</u>
Operating (loss) income	(3,740,464)	2,690,521	(1,049,943)
NON-OPERATING REVENUES (EXPENSES)			
Investment income	1,053,409	754,783	1,808,192
Commissions/brokerage fees	<u>(63,005)</u>	<u>(33,000)</u>	<u>(96,005)</u>
Total non-operating revenue, net	<u>990,404</u>	<u>721,783</u>	<u>1,712,187</u>
Change in net assets	(2,750,060)	3,412,304	662,244
POOL NET ASSETS (DEFICIT) HELD FOR MEMBERS' BENEFITS, BEGINNING OF YEAR			
	<u>10,933,185</u>	<u>(1,820,699)</u>	<u>9,112,486</u>
POOL NET ASSETS HELD FOR MEMBERS' BENEFITS, END OF YEAR			
	<u>\$ 8,183,125</u>	<u>\$ 1,591,605</u>	<u>\$ 9,774,730</u>

The accompanying notes are an integral part of the financial statements.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
Year Ended December 31, 2010

	Multi-Line Program	Law Enforcement Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from members	\$ 6,062,770	\$ 6,965,548	\$ 13,028,318
Cash paid to suppliers	(1,124,781)	(1,075,550)	(2,200,331)
Cash paid on claims and claims adjustment expenses	(4,893,920)	(4,895,339)	(9,789,259)
Cash paid for excess insurance	(1,164,223)	(1,290,000)	(2,454,223)
Cash received from others	11,664	-	11,664
	<u>11,664</u>	<u>-</u>	<u>11,664</u>
Net cash used in operating activities	<u>(1,108,490)</u>	<u>(295,341)</u>	<u>(1,403,831)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income received	725,793	523,650	1,249,443
Payments for commission and brokerage	(63,005)	(33,000)	(96,005)
Proceeds from sale or maturity of investments	6,587,674	4,788,107	11,375,781
Purchases of investments	(7,732,998)	(5,697,886)	(13,430,884)
	<u>(7,732,998)</u>	<u>(5,697,886)</u>	<u>(13,430,884)</u>
Net cash used in investing activities	<u>(482,536)</u>	<u>(419,129)</u>	<u>(901,665)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,591,026)</u>	<u>(714,470)</u>	<u>(2,305,496)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,809,981</u>	<u>3,021,484</u>	<u>5,831,465</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,218,955</u>	<u>\$ 2,307,014</u>	<u>\$ 3,525,969</u>
RECONCILIATION OF OPERATING INCOME TO CASH USED IN OPERATING ACTIVITIES:			
Operating (loss) income	\$ (3,740,464)	\$ 2,690,521	\$ (1,049,943)
Depreciation	2,693	1,347	4,040
Change in assets and liabilities:			
Accounts receivable	795	(1,465,735)	(1,464,940)
Prepays	11,664	-	11,664
Claims and claim adjustment expenses	2,616,822	(1,521,474)	1,095,348
	<u>2,616,822</u>	<u>(1,521,474)</u>	<u>1,095,348</u>
Net cash used in operating activities	<u>\$ (1,108,490)</u>	<u>\$ (295,341)</u>	<u>\$ (1,403,831)</u>

The accompanying notes are an integral part of the financial statements.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The New Mexico County Insurance Authority Multi-Line Pool (the Pool) was formed January 1, 1989, pursuant to the New Mexico Joint Powers Agreement Act (11-1-1 NMSA 1978), as amended. The Pool operates two self-insurance pools, a Multi-Line Program and a Law Enforcement Program (collectively referred to as the Programs). As a self-insurance fund under Section 3-62-2 NMSA 1978, the Pool is not considered to be in the insurance business and, as such, is not subject to New Mexico laws regulating insurance operations.

The Law Enforcement Program was formed August 1, 1995, by the Pool as a self-insurance program for law enforcement employees, detention officers and sheriff reserve officers. Members of the Law Enforcement Program include various counties within the state of New Mexico.

Membership in the Programs is voluntary and members may withdraw at the end of any fiscal year upon sixty-days written notice to the Pool's Board of Directors. Members may be expelled for failure to make timely contributions to the Pool, or failure to institute loss reduction and prevention procedures. Upon withdrawal or expulsion, a member is not entitled to reimbursement of contributions made to the Pool, and continues to be obligated to make payment for obligations that arose prior to withdrawal.

Members agree to contribute amounts determined by the Pool's Board of Directors to be necessary to protect the solvency of the Pool after considering investment income. The Pool is responsible for paying all claims and for administering the funds. The Pool has no component units as defined in Governmental Accounting Standards Board (GASB) Statement 39.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting

The Pool uses fund accounting. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. All operations of the Pool are accounted for as a proprietary fund. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to outside parties. The only proprietary fund types the Pool has are enterprise funds. Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services, and the activity is financed with debt that is: a) solely secured by a pledge of the net revenues; b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or c) has a pricing policy designed for the fees and charges to recover similar costs. The Multi-Line Program and Law Enforcement Program are considered enterprise funds.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Pool follows all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include demand and money market accounts. The Pool maintains its cash balances with local financial institutions and one investment company. Cash in bank accounts are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). The Pool has all cash and cash equivalents secured by pledges of qualifying securities held by the depository. Cash held by the investment company is insured by the Securities Protection Investors Corporation up to \$500,000. This coverage does not protect against losses from any change in the market values of securities.

Investments

The Pool reports certain investments at fair value in the balance sheet and recognizes the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is based on the quoted market value at year-end. Investment transactions are recorded on the trade date. Dividends are recognized as income when declared. In accordance with the Pools, investment policy, allowable investments include securities of the United States government and certain state and local governments; securities guaranteed by the United States Government; certain commercial paper and corporate bonds; asset backed obligations; repurchase agreements; certificates of deposit; mutual funds; and the New Mexico Office of the State Treasurer State Investment Pool (State Investment Pool).

Participation in the State Investment Pool is not required and the State Investment Pool is not registered with the SEC. Also, the State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. The State Investment Pool does not have unit shares, and all interest earned is distributed by the State Treasurer to contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested.

Accounting Method

The Pool's books are maintained on the accrual basis of accounting using the economic resources measurement focus. Billings for contributions are recognized as revenue in the period of the insurance coverage.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal ongoing operations of the Pool is risk financing, and accordingly, premiums paid by participants and members for risk and benefits coverage are classified as operating revenues. Other income, including investment income, is outside of the Pool's principal ongoing operations and, therefore, is classified as non-operating income. The principal operating expenses of the Pool include the cost of claims and adjustment, as well as excess insurance premiums and general and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Participant Premiums

Participant premiums for benefits coverage are recognized on a pro rata basis over the applicable contract period. Premiums for risk coverage are recognized as revenue in the applicable contract period (coincides with the fiscal year).

Excess Insurance Premiums

Excess insurance premiums for risk coverage are recognized as an expense in the applicable contract period (coincides with the fiscal year). Excess insurance premiums for benefits coverage are recognized as an expense on a pro rata basis over the applicable contract period. Premium adjustments for retrospectively adjusted excess insurance policies are estimated and recorded as revenue or expense over the period of policy coverage.

Claims and Claim Adjustment Expenses

Insurance losses and related loss adjustment expenses are charged to operations as incurred. The reserves for losses and loss adjustment expenses are determined based upon case-basis evaluations and actuarial projections, and include a provision for claims incurred but not reported. The actuarial projections of ultimate losses on reported claims and the estimate of claims incurred but not reported are based on a composite of the Pool's experience and benefits, as well as property and casualty insurance industry data, which supplements the Pool's limited historical experience and includes the effects of inflation and other factors. Losses are reported net of estimated amounts recoverable from excess insurance, salvage and subrogations, and the deductible portion of claims. Adjustments to the probable ultimate liability for losses and loss adjustment expenses are made continually, based on subsequent developments and experience, and are included in operations.

Exemption from Income Taxes

The Pool has not requested a ruling from the Internal Revenue Service regarding its tax status. Management of the Pool considers the organization exempt from income taxed under Section 115 of the Internal Revenue Code. Accordingly, no liability for income taxes is included in the accompanying financial statements.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Credit Risk

The Pool transacts the majority of its business with its members. Credit losses relating to member receivables have been within management's expectations and there is no allowance for doubtful accounts. Generally, collateral is not required on receivables.

Budget

In accordance with by-laws, the Pool prepares the budget that is controlled at the Pool level. The level of budgetary control is at the total fund level. Amendments affecting the overall Pool must be approved by the Board and members. The budget is adopted on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). GAAP differences in budgeted amounts arise from non-budgeted depreciation expense on capital assets. In addition, periodic member equity distributions (see Note 5) can be approved by the Pool's Board of Directors and these distributions are shown as operating expense reductions of accumulated net assets rather than as budgeted expenses. The Pool budgets claims and claim adjustment expenses based on actuarial estimates. Overages on this specific line item are only considered deficiencies if the cash and investment balances within the Pool cannot support the overage.

Capital Assets

As a result of House Bill 1074, effective date June 17, 2005, the State of New Mexico's capitalization policy threshold was changed from \$1,000 to \$5,000, requiring agencies to capitalize acquisitions greater than \$5,000. Assets purchased prior to June 17, 2005 were not removed and will continue to be depreciated. Purchased assets are valued at historical or estimated historical cost. The Pool elects to capitalize purchases greater than \$500.

Capital assets of the Pool are depreciated on the straight-line method over the assets' estimated useful life (generally 3 to 39 years).

Restricted Net Assets

Net assets are restricted to the extent external constraints place restrictions on the use of the net assets, such as restrictions by contributors or laws and regulations. Usage of the Pool's net assets was not externally restricted at December 31, 2010, and, accordingly, the net assets are reported as unrestricted.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Pool first uses restricted net assets.

NOTE 2 - CASH AND INVESTMENTS

The Pool deposits its funds with various financial institutions. New Mexico statutes provide that deposits of public monies in financial institutions must be secured by pledged collateral in an aggregate value equal to one-half of the amount of the public monies deposited after deducting the amount of Federal Deposit Insurance Corporation insurance coverage for each financial institution. The Pool does not engage in any securities lending arrangements or derivatives.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments consisted of the following at December 31, 2010:

	<u>Rate</u>	<u>Maturity Date</u>	<u>Moody Rating</u>	<u>Cost</u>	<u>Unrealized Holding Gain (Loss)</u>	<u>Estimated Fair Value</u>
Multi-Line Program:						
Caterpillar Notes	3.90%	5/15/2011	A2	\$ 100,000	\$ 1,199	\$ 101,199
GE Corporate Notes	4.00%	5/15/2011	AA2	500,000	5,595	505,595
John Hancock L.I. Note	4.50%	10/15/2011	A2	500,000	4,915	504,915
Johnson & Johnson Notes	5.15%	8/15/2012	AAA	137,349	(3,209)	134,140
Wal-Mart Notes	7.25%	6/1/2013	AA2	115,505	(1,325)	114,180
National Rural Utility Corp.	10.38%	11/1/2018	A1	129,007	9,142	138,149
Verizon Communications	5.50%	4/1/2017	A3	155,630	10,546	166,176
Goldman Sachs Group	6.25%	9/1/2017	A1	105,130	5,516	110,646
IBM Corporation	5.70%	11/1/2018	AA3	104,535	10,700	115,235
JP Morgan Chase	6.00%	1/15/2018	AA3	207,747	16,717	224,464
Goldman Sachs Notes	5.95%	1/18/2018	A1	103,304	5,393	108,697
Federal Home Loan Bank (FHLB) Bonds	1.00%	7/27/2015	AAA	1,000,005	1,175	1,001,180
GNMA	7.00%	3/15/2017	N/A	103,712	(74,365)	29,347
GNMA II	6.00%	6/20/2031	N/A	20,792	(4,640)	16,152
GNMA	5.50%	3/15/2032	N/A	355,418	(54,473)	300,945
GNMA 2	6.00%	8/20/2033	N/A	103,615	(10,739)	92,876
GNMA	5.50%	10/15/2033	N/A	84,486	(1,522)	82,964
GNMA II	5.00%	7/20/2035	N/A	1,343,503	30,587	1,374,090
GNMA II	5.00%	8/20/2035	N/A	529,808	12,296	542,104
GNMA II	6.00%	5/20/2036	N/A	350,015	13,696	363,711
GNMA II	6.00%	3/20/2037	N/A	362,778	11,850	374,628
GNMA II	5.50%	2/20/2038	N/A	920,237	40,776	961,013
GNMA II	5.00%	3/20/2038	N/A	764,814	17,376	782,190
GNMA II	5.00%	2/20/2039	N/A	736,911	19,426	756,337
CitiBank CD	1.45%	12/16/2011	N/A	250,000	1,963	251,963
Columbus Bank & Trust CD	1.55%	12/19/2011	N/A	250,000	2,208	252,208
Discover Bank CD	3.00%	5/7/2012	N/A	250,000	7,200	257,200
CitiBank CD	3.00%	5/8/2012	N/A	100,000	2,884	102,884
GE Capital Financial CD	3.00%	5/14/2012	N/A	100,000	2,908	102,908
Midfirst Bank CD	3.05%	5/14/2012	N/A	100,000	2,976	102,976
Sallie Mae Bank CD	3.05%	5/14/2012	N/A	100,000	2,976	102,976
Sallie Mae Bank CD	3.00%	6/11/2012	N/A	100,000	3,014	103,014
College Savings Bank CD	2.15%	12/11/2012	N/A	250,000	4,525	254,525
GE Money Bank CD	2.35%	12/18/2012	N/A	250,000	5,480	255,480

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

	<u>Rate</u>	<u>Maturity Date</u>	<u>Moody Rating</u>	<u>Cost</u>	<u>Unrealized Holding Gain (Loss)</u>	<u>Estimated Fair Value</u>
American Express CD	3.20%	5/6/2013	N/A	250,000	9,788	259,788
American Express FSB CD	3.20%	5/6/2013	N/A	250,000	9,788	259,788
BMW Bank N. America CD	3.35%	5/28/2013	N/A	100,901	3,274	104,175
Dodge and Cox Income MF	N/A	N/A	N/A	259,329	142	259,471
Franklin Inv. Security MF	N/A	N/A	N/A	1,020,898	(13,492)	1,007,406
Vanguard GNMA MF	N/A	N/A	N/A	254,080	(4,734)	249,346
Federated Income MF	N/A	N/A	N/A	974,662	(9,234)	965,428
Federated Services MF	N/A	N/A	N/A	724,118	10,127	734,245
Federated Total Return MF	N/A	N/A	N/A	313,854	2,161	316,015
Payden and Rygel MF	N/A	N/A	N/A	565,533	2,442	567,975
Pimco Low Duration MF	N/A	N/A	N/A	569,301	482	569,783
Pimco Total Return MF	N/A	N/A	N/A	1,284,892	(21,457)	1,263,435
Pimco Mortgage Back MF	N/A	N/A	N/A	766,321	(3,128)	763,193
				<u>\$ 17,918,190</u>	<u>\$ 88,925</u>	<u>\$ 18,007,115</u>

Law Enforcement Program:

General Electric Notes	4.00%	5/15/2011	AA2	\$ 500,000	\$ 5,595	\$ 505,595
Johnson & Johnson Notes	5.15%	8/15/2012	AAA	109,880	(2,568)	107,312
Wal-Mart Stores	7.25%	6/1/2013	AA2	115,505	(1,325)	114,180
IBM Corporation	5.70%	9/14/2017	A1	52,270	5,348	57,618
JP Morgan Chase	6.00%	1/15/2018	AA3	154,642	13,707	168,349
Verizon Communications	5.50%	2/15/2018	A3	103,370	6,781	110,151
AT&T Inc.	5.60%	5/15/2018	A2	104,047	7,499	111,546
Caterpillar Financial	7.15%	2/15/2019	A2	163,393	21,090	184,483
Duke Energy	5.45%	4/1/2019	A2	104,229	7,435	111,664
GNMA II	5.50%	6/20/2033	N/A	109,771	(19,694)	90,077
GNMA II	5.00%	7/20/2035	N/A	869,825	19,824	889,649
GNMA II	5.00%	8/20/2035	N/A	431,072	10,002	441,074
GNMA II	5.00%	8/20/2035	N/A	507,077	(1,933)	505,144
GNMA II	6.00%	5/20/2036	N/A	175,011	6,844	181,855
GNMA II	6.00%	3/20/2037	N/A	181,393	5,921	187,314
GNMA II	5.50%	2/20/2038	N/A	690,179	30,580	720,759
GNMA II	5.00%	2/20/2039	N/A	736,911	19,426	756,337
GNMA II	5.00%	3/20/2039	N/A	572,033	2,020	574,053
Sallie Mae Bank CD	3.00%	6/11/2012	N/A	100,000	3,014	103,014
BMW Bank NA CD	3.35%	5/28/2013	N/A	100,901	3,274	104,175
Dodge and Cox Income MF	N/A	N/A	N/A	259,329	142	259,471
Franklin Inv. Security MF	N/A	N/A	N/A	1,020,903	(13,492)	1,007,411

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

	<u>Rate</u>	<u>Maturity Date</u>	<u>Moody Rating</u>	<u>Cost</u>	<u>Unrealized Holding Gain (Loss)</u>	<u>Estimated Fair Value</u>
Vanguard GNMA MF	N/A	N/A	N/A	254,080	(4,734)	249,346
Federated Income MF	N/A	N/A	N/A	752,440	(6,143)	746,297
Federated Services MF	N/A	N/A	N/A	620,302	8,783	629,085
Federated Total Return MF	N/A	N/A	N/A	242,948	1,623	244,571
Payden and Rygel MF	N/A	N/A	N/A	478,805	2,021	480,826
Pimco Low Duration MF	N/A	N/A	N/A	413,976	510	414,486
Pimco Total Return MF	N/A	N/A	N/A	1,144,220	(19,727)	1,124,493
Pimco Mortgage Back MF	N/A	N/A	N/A	510,883	(1,189)	509,694
				<u>\$ 11,579,395</u>	<u>\$ 110,634</u>	<u>\$ 11,690,029</u>

Investment income is summarized as follows for the year ended December 31, 2010:

Multi-Line Program:		
Interest income		\$ 782,631
Gain on sale of investments		108,261
Unrealized gains		<u>162,517</u>
Total investment income		<u>\$ 1,053,409</u>
Law Enforcement Program:		
Interest income		\$ 559,970
Gain on sale of investments		88,482
Unrealized gains		<u>106,331</u>
Total investment income		<u>\$ 754,783</u>

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2010, the Pool's cash and cash equivalents and investments were as follows:

Multi-Line Program

Investment Type	Cost	Fair Value
Cash and cash equivalents:		
Bank deposits	\$ 944,383	\$ 944,383
Money market	<u>270,364</u>	<u>270,364</u>
Total	<u>\$ 1,214,747</u>	<u>\$ 1,214,747</u>
Investment in the State General Fund Investment Pool	<u>\$ 4,208</u>	<u>\$ 4,208</u>
Total	<u>\$ 4,208</u>	<u>\$ 4,208</u>
Investments:		
Corporate Notes	\$ 2,158,207	\$ 2,223,396
Government Bonds	1,000,005	1,001,180
Government Asset Backed Securities	5,676,089	5,676,357
Certificates of Deposit	2,350,901	2,409,885
Mutual Funds	<u>6,732,988</u>	<u>6,696,297</u>
Total	<u>\$ 17,918,190</u>	<u>\$ 18,007,115</u>

Law Enforcement Program

Investment Type	Cost	Fair Value
Cash and cash equivalents:		
Bank deposits	\$ 2,091,132	\$ 2,091,132
Money market	<u>209,620</u>	<u>209,620</u>
Total	<u>\$ 2,300,752</u>	<u>\$ 2,300,752</u>
Investment in the State General Fund Investment Pool	<u>\$ 6,262</u>	<u>\$ 6,262</u>
Total	<u>\$ 6,262</u>	<u>\$ 6,262</u>

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investment Type	Cost	Fair Value
Investments:		
Corporate Notes	\$ 1,407,336	\$ 1,470,898
Government Bonds	-	-
Government Asset Backed Securities	4,273,272	4,346,262
Certificates of Deposit	200,901	207,189
Mutual Funds	<u>5,697,886</u>	<u>5,665,680</u>
Total	<u>\$ 11,579,395</u>	<u>\$ 11,690,029</u>
<u>Total</u>		
Investment Type	Cost	Fair Value
Cash and cash equivalents:		
Bank deposits	\$ 3,035,515	\$ 3,035,515
Money market	<u>479,984</u>	<u>479,984</u>
Total	<u>\$ 3,515,499</u>	<u>\$ 3,515,499</u>
Investment in the State General Fund Investment Pool	<u>\$ 10,470</u>	<u>\$ 10,470</u>
Total	<u>\$ 10,470</u>	<u>\$ 10,470</u>
Investments:		
Corporate Notes	\$ 3,565,543	\$ 3,694,294
Government Bonds	1,000,005	1,001,180
Government Asset Backed Securities	9,949,361	10,022,619
Certificates of Deposit	2,551,802	2,617,074
Mutual Funds	<u>12,430,874</u>	<u>12,361,977</u>
Total	<u>\$ 29,497,585</u>	<u>\$ 29,697,144</u>

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Collateral Requirements

First National Bank of Santa Fe:

Total amount on deposit in bank:					
Multi-Line checking					\$ 1,048,510
Law Enforcement checking					<u>2,162,604</u>
Total deposit in bank					3,211,114
FDIC coverage					<u>(250,000)</u>
Total uninsured funds					<u>\$ 2,961,114</u>
50% pledged collateral requirement					\$ 1,480,557
Pledged collateral:					
Description	Maturity	Par	Market		
CUSP #31398AYN6	07/28/2014	10,000,000	\$10,276,479		<u>10,276,479</u>
Over-insured/collateralized					<u>\$ 8,795,922</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a failure of a depository financial institution, the Pool will not be able to recover its deposits. Custodial credit risk for investments is the risk that in the event of failure of the counterparty to the transaction, the Pool will not be able to recover the value of its investments.

As of December 31, 2010, the Pool's deposits were exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the Pool's name	<u>\$ 2,961,114</u>
---	---------------------

None of the Pool's investments were exposed to custodial credit risk as all investments were held in the name of the Pool.

Interest Rate Risk

The Pool does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Credit Risk

The Pool's investment policy states that investments are limited to the following:

Government Bonds. Bonds or negotiable securities of the United States, the state or any municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding.

Government Securities. Securities issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or have the implied full faith and credit of the United States government or agencies guaranteed by the United States government and are highly liquid and widely traded.

Commercial Paper. Unsecured obligations with maturity up to 270 days issued by corporations organized and operating within the United States. The commercial paper shall be assigned the highest rating by 3 of the 4 national rating services (A1, P1, D1 or F1).

Corporate Bonds. Debt instruments which are backed by defined cash flows or receivables with a final maturity not exceeding five years and AAA by Standard & Poor's and Moody's.

Asset-backed Obligations. Debt instruments which are backed by defined cash flows or receivables with a final maturity not exceeding five years and AAA by Standard & Poor's and Moody's.

Repurchase Agreements. Contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor.

Certificates of Deposit. Limited to \$250,000 per financial institution or bank, unless collateralization requirements within the investment policy are met.

Mutual Funds. Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in fixed-income securities or debt instruments that are listed in a nationally recognized, broad-market, fixed-income-securities market index.

New Mexico State Treasurer's Local Government State Investment Pool (State Investment Pool as defined in Note 1). This fund is rated AAA by Standard and Poor's.

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The Pool places no limit on the amount the Pool may invest in any one issuer. Excluding investments that are implicitly backed by the full faith and credit of the United States, investments in the following issuers represent more than 5 percent of the Pool's investments, and are therefore considered to have a concentration of credit risk.

Multi-Line Program

Federal Home LN Bank 5.56%

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets follows:

Multi-Line Program

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Depreciable assets:				
Equipment	\$ 8,080	\$ -	\$ -	\$ 8,080
Total	8,080	-	-	8,080
Less accumulated depreciation:				
Equipment	<u>(4,489)</u>	<u>(2,693)</u>	<u>-</u>	<u>(7,182)</u>
Total accumulated depreciation	<u>(4,489)</u>	<u>(2,693)</u>	<u>-</u>	<u>(7,182)</u>
Net total	<u>\$ 3,591</u>	<u>\$ (2,693)</u>	<u>\$ -</u>	<u>\$ 898</u>

Law Enforcement Program

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Depreciable assets:				
Equipment	\$ 4,040	\$ -	\$ -	\$ 4,040
Total	4,040	-	-	4,040
Less accumulated depreciation:				
Equipment	<u>(2,245)</u>	<u>(1,347)</u>	<u>-</u>	<u>(3,592)</u>
Total accumulated depreciation	<u>(2,245)</u>	<u>(1,347)</u>	<u>-</u>	<u>(3,592)</u>
Net total	<u>\$ 1,795</u>	<u>\$ (1,347)</u>	<u>\$ -</u>	<u>\$ 448</u>

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Total

	Balance June 30, <u>2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2010</u>
Depreciable assets:				
Equipment	\$ 12,120	\$ -	\$ -	\$ 12,120
Total	12,120	-	-	12,120
Less accumulated depreciation:				
Equipment	<u>(6,734)</u>	<u>(4,040)</u>	<u>-</u>	<u>(10,774)</u>
Total accumulated depreciation	<u>(6,734)</u>	<u>(4,040)</u>	<u>-</u>	<u>(10,774)</u>
Net total	<u>\$ 5,386</u>	<u>\$ (4,040)</u>	<u>\$ -</u>	<u>\$ 1,346</u>

NOTE 4 - CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The liability for claims and claims adjustment expenses, which is reported on an ultimate development basis, includes an amount determined from claims reports and individual cases, and an amount for claims incurred but not reported. Estimates of the liability for amounts incurred but not reported as of December 31, 2010 have been based on an actuarial evaluation of the Pool's historical claims experience, industry data and other factors. While management believes that these estimates are adequate, actual incurred but unpaid claims may vary significantly from the amount provided.

Changes in reserves for claims and claim adjustment expenses were as follows for the year ended December 31, 2010:

Multi-Line Program:

Liability for claims and claim adjustment expenses, beginning of year	\$ 9,088,977
Incurred claims and claim adjustment expenses related to:	
Current year	6,168,827
Prior year	<u>1,341,915</u>
Total incurred	<u>7,510,742</u>
Payments (net of amounts received pursuant to excess insurance contracts) related to:	
Current year	(1,770,192)
Prior year	<u>(3,123,728)</u>
Total payments	<u>(4,893,920)</u>
Liability for claims and claim adjustment expenses, end of year	<u>11,705,799</u>

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

NOTE 4 - CLAIMS AND CLAIM ADJUSTMENT EXPENSES (CONTINUED)

Law Enforcement Program:	
Liability for claims and claim adjustment expenses, beginning of year	16,192,007
Incurred claims and claim adjustment expenses related to:	
Current year	5,516,505
Prior year	<u>(2,142,640)</u>
 Total incurred	 <u>3,373,865</u>
 Payments (net of amounts received pursuant to excess insurance contracts) related to:	
Current year	(335,144)
Prior year	<u>(4,560,195)</u>
 Total payments	 <u>(4,895,339)</u>
 Liability for claims and claim adjustment expenses, end of year	 <u>14,670,533</u>
 Total liability claims and claim adjustment expenses, end of year	 <u>\$ 26,376,332</u>

As of year-end, the liability for unpaid claims and claim adjustment expenses of \$12,547,865 for the Multi-Line Program and \$16,033,355 for the Law Enforcement Program are presented at their net present value of \$11,705,799 and \$14,670,533, respectively. These claims are discounted at rates between 4.0 and 4.5%. For the year ended December 31, 2010, the Multi-Line Program experienced negative development on prior policy year claims resulting in additional claim expense of \$1,341,915. For the year ended December 31, 2010, the Law Enforcement Program experienced positive development on prior policy year claims resulting in an offset to claim expense of (\$2,142,640).

NOTE 5 – MEMBER EQUITY RETURN

During 2010, the Multi-Line Pool issued a \$999,997 distribution of net assets to member counties as a credit against fiscal year 2010 contributions. The distribution was made to those counties that were members of the Multi-Line Pool between 1993 and 1999 and that were members as of January 1, 2010.

NOTE 6 - REINSURANCE

The Multi-Line Program and the Law Enforcement Program have purchased commercial excess insurance for specific claims. The Multi-Line Program's excess coverage layer begins at \$150,000 for property claims and \$500,000 for liability claims, while the Law Enforcement Program's excess coverage layer begins at \$500,000 for individual claims.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 6 – REINSURANCE (CONTINUED)

A portion of reinsurance coverage on liability claims is provided by Munich Re and Gen Re. Munich Re covers losses between the retention amounts described above and \$2 million, and any losses in excess of this layer are covered through Gen Re up to total coverage of \$5 million. Should the reinsurers be unable to meet their obligation under the reinsurance contracts, the Pool may remain responsible for liabilities ceded to reinsurers.

Effective January 1, 2008, the Multi-Line Program and the Law Enforcement Program ceased their relationships with County Reinsurance, Limited (CRL). CRL is a captive organization formed to provide excess and reinsurance to county association pools. The Multi-Line Program joined CRL effective January 1, 1998, while the Law Enforcement Program joined January 1, 1999. Similar to counties that participate as members of the Pool, the Pool's contribution to CRL includes a loss fund portion, capital, and expenses. CRL has the ability to return equity to its members in the event that loss fund contributions are not depleted or if there is a surplus of capital. Subsequent to December 31, 2008, CRL agreed to return the Multi-Line Program's and the Law Enforcement Program's equity in five equal installments beginning in April 2009.

For the year ended December 31, 2010, the Pool paid \$2,454,223 for excess insurance premiums.

NOTE 7 - BROKERAGE SERVICE FEE

Commission/brokerage service fees were \$96,005 for the year ended December 31, 2010.

NOTE 8 - GENERAL AND ADMINISTRATIVE

The New Mexico Association of Counties provides general and administrative services, as well as office space, equipment and supplies, to the Pool. These services include general administration and consulting, financial management and risk management. The Pool expensed \$1,900,000 in 2010 under this arrangement. The fees to be paid to the New Mexico Association of Counties for such services are approved by the Pool's Board of Directors when the Pool's annual operating budget is reviewed and approved. The Pool also engages other related third parties to provide legal, actuarial and other services.

The Pool's general and administrative expenses for the year ended December 31, 2010 consisted of the following:

	Multi-Line Program	Law Enforcement Program	Total
Risk management	\$ 969,000	\$ 931,000	\$ 1,900,000
Legal	1,084	1,731	2,815
Actuarial	9,600	8,100	17,700
Accounting and auditing	18,819	18,819	37,638
Consulting	-	30,000	30,000
Miscellaneous	128,971	87,247	216,218
Total	<u>\$ 1,127,474</u>	<u>\$ 1,076,897</u>	<u>\$ 2,204,371</u>

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 9 - LITIGATION

The Pool is subject to various legal proceedings, claims and liabilities which arise in the ordinary course of the Pool's operations. In the opinion of the Pool's management and legal counsel, the ultimate resolution of these matters will not have a material adverse impact on the financial position or results of operation of the Pool.

NOTE 10 - SUBSEQUENT EVENT

Subsequent to year end, the Board of Directors approved and issued a \$500,000 distribution to member counties as a credit against fiscal year 2011 contributions. The distribution was made to those counties that were members of the Multi-Line Pool between 1994 and 2000 and that were members as of January 1, 2011.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
December 31, 2010**

The following illustrates how the Pool's earned revenues and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Pool as of the end of each of the last nine years. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues, net of contribution revenue ceded to reinsurers.
- (2) This line shows each fiscal year's other operation costs of the Pool, including overhead and claims expenses not allocable to individual claims.
- (3) This line shows the Pool's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
- (5) This section of ten rows shows how each policy year's incurred claims increased or decreased as of the end of the successive years. (These annual re-estimations result from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)
- (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
Ten Years Ended December 31, 2010**

(in thousands)	2001	2002	2003
1. Net earned required contribution and investment revenues	\$ 7,818	\$ 7,982	\$ 7,747
2. Unallocated claim expenses	2,156	1,401	1,208
3. Estimated incurred claims and expense, end of policy year	3,172	2,521	3,257
4. Paid (cumulative) as of:			
Year one	757	700	655
Year two	2,125	2,794	1,279
Year three	3,412	3,203	2,998
Year four	4,203	3,650	4,127
Year five	4,405	3,905	4,231
Year six	4,627	4,178	4,317
Year seven	4,619	4,168	4,327
Year eight	4,611	4,169	4,233
Year nine	4,605	4,169	-
Year ten	4,605	-	-
5. Re-estimated incurred claims and expense			
Year one	3,172	2,521	3,257
Year two	3,818	4,135	3,569
Year three	4,606	4,031	4,220
Year four	4,516	4,035	4,842
Year five	4,644	4,216	4,452
Year six	4,642	4,194	4,341
Year seven	4,621	4,168	4,327
Year eight	4,611	4,169	4,233
Year nine	4,606	4,169	-
Year ten	4,606	-	-
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	1,434	1,648	976

	2004	2005	2006	2007	2008	2009	2010
\$	11,386	\$ 12,147	\$ 14,138	\$ 16,063	\$ 16,323	\$ 17,796	\$ 17,301
	1,044	1,051	1,392	1,768	2,027	2,203	2,296
	2,602	4,308	4,255	3,397	5,443	6,357	11,685
	1,100	751	883	756	918	1,663	985
	2,605	3,241	3,443	2,905	1,856	3,751	-
	4,223	4,389	5,854	5,300	4,160	-	-
	4,915	5,853	8,001	7,439	-	-	-
	5,058	5,430	8,685	-	-	-	-
	5,711	5,475	-	-	-	-	-
	5,807	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	2,602	4,308	4,255	3,397	5,443	6,357	11,685
	4,078	4,961	6,287	6,335	6,050	8,767	-
	4,896	5,776	9,137	8,707	6,754	-	-
	5,516	6,407	9,649	9,090	-	-	-
	5,759	6,176	9,641	-	-	-	-
	5,878	6,332	-	-	-	-	-
	5,884	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	3,282	2,024	5,386	5,693	1,311	2,410	-

SUPPLEMENTARY BUDGETARY COMPARISONS

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (BUDGETARY BASIS) - MULTI-LINE PROGRAM
Year Ended December 31, 2010**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Member contributions	\$ 6,987,021	\$ 6,987,021	\$ 6,989,472	\$ 2,451
Investment income	600,000	600,000	1,053,409	453,409
Land Use Contribution	<u>72,500</u>	<u>72,500</u>	<u>72,500</u>	<u>-</u>
Total revenues	<u>7,659,521</u>	<u>7,659,521</u>	<u>8,115,381</u>	<u>455,860</u>
 EXPENSES				
Claims and claim adjustment expenses	5,255,521	4,941,021	7,510,742	(2,569,721) *
Excess insurance premiums	1,165,000	1,165,000	1,164,223	777
General and administrative	975,000	975,000	969,000	6,000
Brokerage fees	63,000	63,000	63,005	(5) *
Other expenses	<u>201,000</u>	<u>515,500</u>	<u>155,781</u>	<u>359,719</u>
Total expenses	<u>7,659,521</u>	<u>7,659,521</u>	<u>9,862,751</u>	<u>(2,203,230)</u>
 EXCESS OF REVENUES OVER EXPENSES - BUDGETARY BASIS				
	<u>\$ -</u>	<u>\$ -</u>	<u>(1,747,370)</u>	<u>\$ (1,747,370) *</u>
 RECONCILIATION TO GAAP BASIS				
To record depreciation			(2,693)	
To record member equity return			<u>(999,997)</u>	
 EXCESS OF REVENUES OVER EXPENSES - GAAP BASIS				
			<u>\$ (2,750,060)</u>	

* See Note 1 - Budget on page 14 for Budget authority level.

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (BUDGETARY BASIS) - LAW ENFORCEMENT PROGRAM
Year Ended December 31, 2010**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Member contributions	\$ 8,431,283	\$ 8,431,283	\$ 8,431,283	\$ -
Investment income	<u>400,000</u>	<u>400,000</u>	<u>754,783</u>	<u>354,783</u>
Total revenues	<u>8,831,283</u>	<u>8,831,283</u>	<u>9,186,066</u>	<u>354,783</u>
 EXPENSES				
Claims and claim adjustment expenses	6,474,783	6,457,283	3,373,865	3,083,418
Excess insurance premiums	1,300,000	1,300,000	1,290,000	10,000
General and administrative	925,000	925,000	931,000	(6,000) *
Brokerage fees	33,000	33,000	33,000	-
Other expenses	<u>98,500</u>	<u>116,000</u>	<u>144,550</u>	<u>(28,550) *</u>
Total expenses	<u>8,831,283</u>	<u>8,831,283</u>	<u>5,772,415</u>	<u>3,058,868</u>
 EXCESS OF REVENUES OVER EXPENSES - BUDGETARY BASIS				
	<u>\$ -</u>	<u>\$ -</u>	<u>3,413,651</u>	<u>\$ 3,413,651</u>
 RECONCILIATION TO GAAP BASIS				
To record depreciation			<u>(1,347)</u>	
 EXCESS OF REVENUES OVER EXPENSES - GAAP BASIS				
			<u>\$ 3,412,304</u>	

* See Note 1 - Budget on page 14 for Budget authority level.

OTHER SUPPLEMENTARY INFORMATION

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
CASH AND CASH EQUIVALENTS RECONCILIATION
FROM BOOKS TO FINANCIAL STATEMENTS
December 31, 2010**

	<u>Multi-Line Program</u>	<u>Law Enforcement Program</u>	<u>Total</u>
Interest-bearing checking accounts:			
First National Bank of Santa Fe	\$ 1,048,510	\$ 2,162,604	\$ 3,211,114
Reconciling items			
Outstanding checks	<u>(104,127)</u>	<u>(71,472)</u>	<u>(175,599)</u>
Financial statement balance	<u>944,383</u>	<u>2,091,132</u>	<u>3,035,515</u>
Mutual funds - money market Wachovia Securities	265,581	203,489	469,070
Mutual funds - money market LPL Financial	12,492	6,131	18,623
Reconciling items			
Outstanding checks	<u>(7,709)</u>	<u>-</u>	<u>(7,709)</u>
Financial statement balance	<u>270,364</u>	<u>209,620</u>	<u>479,984</u>
Cash held with the State Treasurer			
Investment Fund	<u>4,208</u>	<u>6,262</u>	<u>\$ 10,470</u>
Financial statement balance	<u>4,208</u>	<u>6,262</u>	<u>10,470</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 1,218,955</u></u>	<u><u>\$ 2,307,014</u></u>	<u><u>\$ 3,525,969</u></u>

The accompanying notes are an integral part of the financial statements.

**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 Directors
New Mexico County Insurance Authority
Multi-Line Pool
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the business-type activities and each major fund and the related budgetary comparisons presented as supplemental information of the New Mexico County Insurance Authority Multi-Line Pool (the Pool) as of and for the year ended December 31, 2010, and have issued our report thereon dated May 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pool's internal control over financial reporting as a basis for designing our audit procedures 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 Pool's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pool'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*.

We noted no other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978.

This report is intended solely for the information and use of the Pool's management, the Board of Directors, others within the entity, the Pool's participants, the Office of the State Auditor and the New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

May 31, 2011

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2010**

A. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended December 31, 2010**

None.

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
EXIT CONFERENCE
Year Ended December 31, 2010**

An exit conference was held on May 27, 2011. In attendance were:

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL

Nicklos Jaramillo, Board Vice Chair
Robin Martinez, Multi-Line Claims Manager
Steve Kopelman, Risk Management Director
Carol Madley, Finance Director
Merry Cruz-Damman, Staff Accountant

CLIFTON GUNDERSON, LLP

Raul Anaya, CPA, CGFM, CFE, Manager
Jason Shaw, CPA, Senior Associate

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditors' Report.