

**NEW MEXICO SELF-INSURERS' FUND
FINANCIAL STATEMENTS FOR THE
YEAR ENDED JUNE 30, 2008**

1231 Paseo De Peralta – Santa Fe, New Mexico 87501

NEW MEXICO SELF-INSURERS' FUND

TABLE OF CONTENTS

	<u>Page</u>
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Required Supplementary Information)	4
BASIC FINANCIAL STATEMENTS	
Statement of Fund Net Assets	9
Statement of Revenues, Expenses and Changes in Fund Net Assets	10
Statement of Cash Flows	11
Notes to Financial Statements	12
SUPPLEMENTAL CLAIMS DEVELOPMENT INFORMATION	
Reconciliation of Claims Liabilities by Type of Contract	24
Workers' Compensation Claims Development Table	25
Liability Claims Development Table	26
Health Benefits Claims Development Table	27
OTHER SUPPLEMENTAL INFORMATION	
Schedule of Pledged Collateral	28
Schedule of Deposit and Investment Accounts	29
COMPLIANCE SECTION	
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>	30
Current and Prior Year Audit Findings	32
Exit Conference	33

**NEW MEXICO SELF-INSURERS' FUND
OFFICIAL ROSTER
JUNE 30, 2008**

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New Mexico Self-Insurers' Fund

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Kathy Villa, Deputy Risk Services Director
Dan Cisneros, Controller



INDEPENDENT AUDITORS' REPORT

Board of Trustees
New Mexico Self-Insurers' Fund

We have audited the accompanying basic financial statements of the New Mexico Self-Insurers' Fund (Fund), as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the New Mexico Self-Insurers' Fund as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008, on our consideration of the 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 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 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily 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 performed for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's financial statements. The additional schedules listed as "Other Supplemental Information" and "Supplemental Claims Development Information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 31, 2008

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

The management of New Mexico Self-Insurers' Fund (Fund) offers readers of the Fund's financial statements this narrative overview and analysis of the financial position of the Fund as of June 30, 2008 and the results of its operations for the year then ended. Comparative data as of June 30, 2008 and 2007 and for the years then ended has been provided for comparative purposes.

BASIC FINANCIAL STATEMENTS

The operations of the Fund are accounted for in a single proprietary fund of the enterprise type. As a result, only the financial statements required for a proprietary fund are presented. The basic financial statements include balance sheets, which report the Fund's assets, liabilities and members net assets (equity), statements of revenues, expenses and changes in fund net assets and statements of cash flows, which summarize cash receipts and payments. The balance sheets are presented as of June 30, 2008 and 2007 while the latter two statements cover the years then ended.

FINANCIAL HIGHLIGHTS

Each year the Fund has tried to maintain or reduce premium contributions, while increasing surplus. Net assets increased \$8.9 million from approximately \$33.4 million at June 30, 2007 to \$42.3 million as of June 30, 2008. The increase is mainly due to increased premium revenue resulting from an increase in rates.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of a series of financial statements and notes to the financial statements. The statement of net assets provides information about the assets and liabilities of the Fund, and they reflect the Fund's net assets at June 30, 2008 and 2007. The statement of revenues, expenses, and changes in fund net assets present the Fund's results of operations for the years ended June 30, 2008 and 2007. The statement of cash flows outline the cash inflows and outflows related to the operation of the Fund for the years ended June 30, 2008 and 2007. The notes to the financial statements provide additional information essential to a full understanding of the data provided in the financial statements.

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

CONDENSED COMPARATIVE FINANCIAL INFORMATION

The Fund's assets, liabilities and net assets are summarized as follows as of June 30, 2008 and June 30, 2007.

	As of <u>June 30, 2008</u>	As of <u>June 30, 2007</u>
Investments	\$ 78,447,274	\$ 68,222,570
Cash in bank	7,278,131	3,659,567
Accrued investment income	862,681	672,100
Contributions receivable	6,365,481	6,763,348
Due from reinsurers	255,540	8,960
Equity in NLC Mutual Insurance Co.	4,599,127	4,599,127
Total assets	<u>97,808,234</u>	<u>83,925,672</u>
Prepaid contributions	466,786	487,989
Other liabilities	507,887	381,375
Reserve for unpaid claims and claim adjustment expenses	54,544,330	49,628,762
Total liabilities	<u>55,519,003</u>	<u>50,498,126</u>
Net assets:		
Unrestricted – members' equity	42,289,231	33,427,546
Total net assets	<u>\$ 42,289,231</u>	<u>\$ 33,427,546</u>

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

CONDENSED COMPARATIVE FINANCIAL INFORMATION (Concl'd)

The Fund's revenues and expenses can be summarized as follows for the years ended June 30, 2008 and June 30, 2007.

	Year Ended June 30, 2008	Year Ended June 30, 2007
Earned premiums	\$ 33,328,182	\$ 30,565,662
Less reinsurance premiums	<u>(4,058,202)</u>	<u>(5,078,569)</u>
Total operating revenues	29,269,980	25,487,093
Investment income	3,906,499	4,120,001
Equity in earnings (losses) of NLC Mutual		928,485
Total non-operating revenues	<u>3,906,499</u>	<u>5,048,486</u>
Total revenues	<u>33,176,479</u>	<u>30,535,579</u>
Claims and claim adjustment expenses	19,241,869	20,307,286
Claim and trust administration	4,354,242	4,083,697
Experience refund	<u>718,683</u>	<u>1,111,094</u>
Total expenses	<u>24,314,794</u>	<u>25,502,077</u>
Increase in net assets	8,861,685	5,033,502
Net assets at beginning of year	33,427,546	28,394,044
Net assets at end of year	<u>\$ 42,289,231</u>	<u>\$33,427,546</u>

FINANCIAL ANALYSIS OF THE FUND

Total assets and net assets have increased from fiscal year 2006-07 due to increased investment holdings. Total liabilities have increased due to an increase in reserves for unpaid claims for the payment of claims in future years. Total assets consist primarily of investments, cash in bank, and contributions receivable while most of the Fund's capitalization is provided through both net assets and liabilities.

Total operating revenues increased approximately 15% to \$29.3 million from \$25.5 million due to an increase in earned premiums combined with a decrease in reinsurance premiums which are netted with the earned premiums. Earned premiums increased during the year due to increased premium rates. The decrease in reinsurance premiums was primarily due to decreased premium rates as well as increased retention limits. Nonoperating revenues decreased by approximately \$1.1 million primarily due to NLC Mutual Insurance Company's decision to not issue equity earnings in fiscal year 2007-08. For the years ended June 30, 2008 and 2007 net assets increased \$8.9 million and \$5.0 million, respectively.

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

FINANCIAL ANALYSIS OF THE FUND (Concl'd)

The decrease in claims and claim adjustment expenses was primarily due to a decrease in the provision for prior year events of \$4.9 million whereas the prior year decrease was \$2.8 million. The Workers' Compensation Fund had an increase in actual current year claim expense of \$700,000 with a decrease in estimated claim reserve of \$1.5 million due to events of the prior years. The Liability/Property Fund had an increase in actual current year claim expense of \$1.6 million due to higher estimated claims costs and an increase in the estimated prior year claim reserve of \$600,288. The Health Benefits Fund had a decrease in actual current year claim expense of \$1.3 million and a decrease in the estimated prior year claim reserve of \$1.2 million both of which were due to a decrease in plan members during the year.

UNPAID CLAIMS LIABILITIES

The following table presents the changes in the aggregate Fund liabilities for the past two fiscal years.

	<u>Year Ended June 30, 2008</u>	<u>Year Ended June 30, 2007</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 49,628,762	\$ 46,376,394
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	24,108,883	23,140,100
Decrease in provision for insured events of prior years	<u>(4,867,014)</u>	<u>(2,832,814)</u>
Total incurred claims and claim adjustment expenses	<u>19,241,869</u>	<u>20,307,286</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	8,289,748	9,392,484
Claims and claim adjustment expenses attributable to insured events of prior years	<u>6,036,553</u>	<u>7,662,434</u>
Total payments	<u>14,326,301</u>	<u>17,054,918</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 54,544,330</u>	<u>\$ 49,628,762</u>

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

CURRENTLY KNOWN FACTS, DECISIONS AND CONDITIONS

The New Mexico Self Insurers' Fund Board of Trustees, in rate setting for fiscal year 2007-08 raised contribution levels for the worker's compensation, general liability, auto liability, and health pools. General liability, auto liability, law enforcement, and public officials rates were increased by 5%. Health rates were increased by 5% in response to the continued increase in health care costs. Workers' Compensation rates were increased by 8% for all classes. The Board of Trustees took these actions to assure continued stability in the Fund's financial position.

General financial market performance affects the investment return. The gains or losses on investments are included in non-operating income (expense) in the accompanying statements of revenues, expenses and changes in fund net assets. Such gains or losses affect the resources available to pay Fund liabilities. It is the policy of the Fund to hold investments to maturity and to trade only on rare occasions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The Fund does not maintain any capital assets.

Debt Administration – The Fund has no long-term debt outstanding as of June 30, 2008.

CONTACTING FUND FINANCIAL MANAGEMENT

This financial report is designed to provide our members and other interested parties with a general overview of the Fund's finances and to demonstrate the Fund's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Edwin S. Zendel, Risk Services Director, New Mexico Self-Insurers' Fund, 1231 Paseo De Peralta, Santa Fe, New Mexico, 87501.

NEW MEXICO SELF-INSURERS' FUND
STATEMENT OF FUND NET ASSETS
JUNE 30, 2008 AND 2007

	2008	2007
<u>ASSETS</u>		
Current assets:		
Short-term investments	\$ 882,334	\$ 3,797,754
Cash and cash equivalents	7,278,131	3,659,567
Accrued investment income	862,681	672,100
Contributions receivable	6,365,481	6,763,348
Due from reinsurers	255,540	8,960
Total current assets	15,644,167	14,901,729
Noncurrent assets:		
Long-term investments	77,564,940	64,424,816
Equity in NLC Mutual Insurance Company	4,599,127	4,599,127
Total noncurrent assets	82,164,067	69,023,943
Total assets	97,808,234	83,925,672
<u>LIABILITIES</u>		
Current liabilities:		
Prepaid contributions	466,786	487,989
Other liabilities	507,887	381,375
Reserve for unpaid claims and claim adjustment expenses, current portion	15,211,235	14,213,000
Total current liabilities	16,185,908	15,082,364
Noncurrent liabilities:		
Reserve for unpaid claims and claim adjustment expenses	39,333,095	35,415,762
Total liabilities	55,519,003	50,498,126
<u>NET ASSETS</u>		
Unrestricted - members' equity	42,289,231	33,427,546
Total net assets	\$ 42,289,231	\$ 33,427,546

The notes to the financial statements are an integral part of this statement.

**NEW MEXICO SELF-INSURERS' FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Earned premiums	\$ 33,328,182	\$ 30,565,662
Less reinsurance premiums	<u>(4,058,202)</u>	<u>(5,078,569)</u>
Total operating revenues	<u>29,269,980</u>	<u>25,487,093</u>
Operating expenses:		
Claims and claim adjustment expenses	19,241,869	20,307,286
Claims and trust administration	4,354,242	4,083,697
Experience refund	<u>718,683</u>	<u>1,111,094</u>
Total operating expenses	<u>24,314,794</u>	<u>25,502,077</u>
Operating income (loss)	4,955,186	(14,984)
Nonoperating revenues (expenses):		
Investment income	3,906,499	4,120,001
Equity in earnings of NLC Mutual Insurance Company	<u> </u>	<u>928,485</u>
Total nonoperating revenues	<u>3,906,499</u>	<u>5,048,486</u>
Changes in net assets	8,861,685	5,033,502
Net assets at beginning of year	<u>33,427,546</u>	<u>28,394,044</u>
Net assets at end of year	<u><u>\$ 42,289,231</u></u>	<u><u>\$ 33,427,546</u></u>

The notes to the financial statements are an integral part of this statement.

**NEW MEXICO SELF-INSURERS' FUND
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash flows from operating activities:		
Earned premiums	\$ 33,704,846	\$ 31,016,414
Reinsurance premiums	(4,155,005)	(6,400,763)
Claims and claim adjustment expenses	(14,572,881)	(16,777,292)
Claims and trust administration	(4,130,927)	(3,052,652)
Experience refund	(718,683)	(1,111,094)
	10,127,350	3,674,613
Cash flows from investing activities:		
Interest and dividends received	3,500,432	3,325,005
Purchases of investments	(62,744,218)	(14,958,413)
Proceeds from sales or maturities of investments	52,735,000	11,434,141
	(6,508,786)	(199,267)
Net increase in cash and cash equivalents	3,618,564	3,475,346
Cash and cash equivalents, beginning of year	3,659,567	184,221
Cash and cash equivalents, end of year	\$ 7,278,131	\$ 3,659,567
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>		
Operating income (loss)	\$ 4,955,186	\$ (14,984)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Changes in assets and liabilities:		
Decrease in contributions receivable	397,867	485,027
(Increase) decrease in due from reinsurers	(246,580)	277,626
Decrease in prepaid contributions	(21,203)	(34,275)
Increase (decrease) in other liabilities	126,512	(291,149)
Increase in reserve for claims and claim adjustment expenses	4,915,568	3,252,368
	\$ 10,127,350	\$ 3,674,613

The notes to the financial statements are an integral part of this statement.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the New Mexico Self-Insurers' Fund (Fund) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units since the Fund is a cooperative of governmental entities joined together to form a public entity risk pool. The operations of the Fund are presented in the accompanying basic financial statements as a single proprietary fund. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Fund's accounting policies are described below.

A. Reporting Entity

New Mexico Self-Insurers' Fund was established by its members on November 1, 1982, under the Joint Powers Agreements Act of the New Mexico Statutes Sections 11-1-1 through 11-7-1, State of New Mexico Annotated (NMSA), 1978 Compilation, and the Local Insurance and Pooling Law, Sections 3-62-1 through 3-62-2, NMSA, 1978, to provide insurance coverage to certain governmental entities within the State of New Mexico (Members). The primary objectives of the Fund are to formulate, develop and administer a program of self-insurance, obtain lower cost insurance coverages, and develop a comprehensive safety program for its members. The Fund is governed by a Board of Trustees (Trustees) elected from its membership. Furthermore, there are no component units combined with the Fund for financial statement presentation purposes, and the Fund is not included in any other governmental reporting entity.

The accompanying financial statements represent the combination of the following funds which the Fund has established to account for its activities. The funds are not legally separate entities and the accumulated net assets of one fund may be transferred to the net assets of the other funds.

Workers' Compensation Fund – The Workers' Compensation Fund was established April 1, 1983, to provide workers' compensation coverage levels required by the State of New Mexico. The Fund reduces its risk on this coverage through specific excess reinsurance and for fiscal years prior to 1994, through excess aggregate reinsurance. One hundred eight members participated in this Fund during 2008.

Liability Fund – The Liability Fund was established January 1, 1987, to provide general liability, auto physical damage and auto liability coverage. Effective July 1, 1994, the Fund began to provide law enforcement liability and public officials errors and omissions coverage. The Fund reduces its risk on these coverages through specific excess reinsurance and for fiscal years prior to 1994, through aggregate excess reinsurance. Ninety-nine members participated in this Fund during 2008.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property Fund – The Property Fund was established July 1, 1987, to provide coverage for property other than autos. The Fund serves primarily as an agent on this coverage as the only retained risk relates to a variable deductible program.

Volunteer Fund – The Volunteer Fund was established July 1, 1988, to provide accidental death and disability coverage for volunteers. The Fund serves as an agent on this coverage and does not retain any of the related risk.

Health Benefits Fund – The Health Benefits Fund was established July 1, 1994, to provide health and life insurance coverages. The Fund provides the health portion of this coverage directly and reduces its risk through specific and aggregate excess reinsurance. The Fund serves as agent for the life portion of this coverage. Forty-three members participated in this Fund during 2008.

The individual funds do not necessarily have the same members. In the event of termination, the net assets of the Fund, if any, shall belong to the members participating in the respective funds at that time and will be distributed in accordance with criteria developed by the Trustees.

B. Measurement Focus and Basis of Accounting

The operations of the Fund are presented in the accompanying basic financial statements as a single proprietary fund of the enterprise type.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Fund are premiums charged to participating members. Operating expenses of the Fund include claims losses, adjustments to the provision for losses and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Depending upon the significance of the Fund's financial and operational relationships with various separate entities, the organizations are classified as blended or discrete component units. The Fund had no blended and no discrete component units during the fiscal years ended June 30, 2008 and 2007.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Fund also has the option of following subsequent private-sector guidance subject to this same limitation. The Fund has elected not to follow subsequent private-sector guidance.

C. Recognition of Premiums

Premiums are earned ratably over the policy period, which coincides with the Fund's fiscal year. Estimated premiums are billed to members at the beginning of the policy year and are finalized after year-end with the exception of the Health Benefits Fund, for which premiums are billed and adjusted on a monthly basis. Premiums received in excess of finalized amounts are generally applied to the members' premiums for the following year and are included in the accompanying balance sheets as prepaid contributions.

Although the Fund does not expect to generate a premium deficiency, the Fund does not consider anticipated investment income in determining if a premium deficiency exists.

D. Reserve for Loss and Loss Adjustment Expenses

The Fund establishes claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage award, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities include estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and other factors that are considered to be appropriate modifiers of past experience. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Reinsurance

Reinsurance premiums paid or accrued are charged to expense in the period for which reinsurance coverage is provided. Amounts recoverable from reinsurers on paid losses are recorded in the period in which payment is made on behalf of the reinsurer. The reserve for loss and loss adjustment expenses as of June 30, 2008 and 2007, has been reduced by approximately \$8.4 million and \$6.0 million, respectively, as a result of reinsurance recoverable on unpaid losses. To the extent that a reinsurer is unable to meet its obligations under the related reinsurance agreements, the Fund will remain liable for the unpaid loss and loss expenses.

The Fund has entered into specific excess of loss reinsurance contracts for workers' compensation, general and auto liability, public officials and police liability and other casualty coverages. Loss and loss adjustment expenses in excess of specific amounts will be paid by the reinsurer, up to the policy limits, as follows: workers' compensation excess of \$750,000 with a statutory maximum limit of indemnity per occurrence; general and auto liability excess of \$500,000 with policy maximum of \$1,050,000; public officials and police liability excess of \$500,000 with policy maximum of \$1,500,000. Loss adjustment expenses on excess of loss reinsurance claims are retained by the reinsurer on a pro-rata basis. Losses above the reinsurance limits are the responsibility of the members. For health insurance coverage, reinsurance coverage for specific losses in excess of \$175,000 and aggregate losses in excess of the current minimum aggregate attachment point of \$10,056,996 up to the coverage maximum of \$1,000,000 (excluding loss adjustment expenses) has been obtained. For health insurance coverage, losses in excess of aggregate policy limits are the responsibility of the Fund.

F. Investments

The Fund is authorized to invest in certificates of deposit and other bank investments provided that approved securities are pledged to secure those funds in an amount equal to one-half of those funds. The Fund is also authorized to invest in U.S. Treasury obligations and money market funds whose portfolio consists entirely of U.S. Treasury obligations, as well as repurchase contracts where the contract is fully secured by obligations or securities backed by the United States having a market value of at least 102% of the amount of the contract.

Investments with fixed maturities are carried at fair value, while certificates of deposit and repurchase agreements are carried at cost which approximates fair value. Investment income is recognized when earned.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

G. Cash and Cash Equivalents

The Fund considers liquid investments with a maturity of 90 days or less at time of purchase to be cash equivalents. The Fund is required by New Mexico State law to obtain collateral from its banks for checking account balances in excess of FDIC limits.

H. Contributions Receivable

Contributions receivable represent the amount billed for insurance premiums. Contributions receivable are carried at original invoice amount. Management does review the contributions receivable on a monthly basis and considers the contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

I. Income and Premium Taxes

The Fund is exempt from federal income taxes under Section 115 of the Internal Revenue Code and is not subject to state income or premium taxes. Accordingly, the accompanying financial statements do not include provisions for such taxes.

J. Administrative Services Arrangement

The New Mexico Municipal League (League) provides the Fund with a variety of administrative services such as claims administration, accounting, occupancy, etc. in exchange for a fee based on actual cost incurred by the League to provide the services.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 – EQUITY IN NLC MUTUAL INSURANCE COMPANY

The Fund reinsures its workers' compensation and certain of its liability coverages with NLC Mutual Insurance Company (NLC); NLC is a captive insurance company formed by risk pools associated with certain state municipal leagues including the Fund. In connection with this coverage, the Fund is required to maintain a capital account balance with NLC in an amount that is based upon earned premiums. The Fund's capital account balance with NLC totaled \$4,599,127 for both June 30, 2008 and June 30, 2007.

Under the terms of its agreement with NLC, the Fund does receive an allocation of the underwriting and investment results of certain lines of business of NLC which is calculated using a specific allocation method. Accordingly, the Fund accounts for its investment in NLC using the equity method of accounting. The Fund did not have equity earnings in 2008 due to NLC's decision to not issue equity earnings. Equity earnings were \$928,485 in 2007.

Amounts due from NLC for paid losses (aggregate and specific) are included in due from reinsurers in the accompanying balance sheets. The reserve for loss and loss adjustment expenses as of June 30, 2008 and 2007 has been reduced by approximately \$8,400,000 and \$6,010,000, respectively, as a result of reinsurance recoverable from NLC on unpaid losses. The chairman of the NLC Board of Directors is also Executive Director of the League.

Audited condensed financial information for NLC as taken from its Annual Reports as of and for the years ended December 31, 2007 and 2006 is as follows.

	(in thousands)	
	2007	2006
Investments	\$ 218,735	\$ 207,898
Liability for loss and loss adjustment expenses, net of reinsurance recoverable	158,651	155,768
Members' surplus	53,956	45,920
Earned premiums, net	11,644	20,988
Net investment income	10,642	8,285
Net income (loss) after dividends to policyholders	9,009	8,629

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 – DEPOSITS

Cash in bank and certain short-term investments held by the Fund include cash on deposit and money market accounts with financial institutions. At June 30, 2008, the carrying amount of the Fund's deposits was \$7,278,131, and the bank balance was \$8,178,422.

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. The Fund does not have a specific deposit policy for custodial credit risk; however, under New Mexico law, all deposits with financial institutions must be collateralized in an amount not less than 50% of the uninsured balance and repurchase agreements by securities with a market value of at least 102% of the investment. As of June 30, 2008, \$4,039,211 of the Fund's bank balance was exposed to custodial credit risk as uninsured and collateralized with securities held by the pledging financial institution's trust department.

Deposits	\$ 8,178,422
Less: FDIC coverage	<u>100,000</u>
Total unsecured public funds	8,078,422
50% collateral requirement	4,039,211
Pledged securities, fair value	<u>8,536,954</u>
Pledged in excess of requirement	<u>\$ 4,497,743</u>

The difference between the carrying amount and the bank balance results from \$900,291 of outstanding checks and deposits. At June 30, 2008, the Fund maintained the following depository accounts.

Account Depository	Account Name	Type	Carrying Amount	Bank Balance
First Community Bank	Repo Sweep	Repo sweep	\$ 277,576	\$ 767,867
First Community Bank	Clearing	Checking		410,000
First Community Bank	Claims	Money market	6,500,515	6,500,515
First Community Bank	Health benefits	Money market	<u>500,040</u>	<u>500,040</u>
Total cash and cash equivalents			<u>\$7,278,131</u>	<u>\$ 8,178,422</u>

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 – INVESTMENTS

At June 30, 2008, the Fund's investments consisted of the following.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Money market – U.S. Treasuries	\$ 47,707	\$ 47,707	\$	\$	\$
Certificates of deposit - marketable	327,584	327,584			
U.S. Treasuries	293,727	205,729	87,998		
U.S. Agencies:					
Federal National Mortgage Association	34,275,894	301,314	13,057,695	20,916,885	
Federal Home Loan Mortgage Corporation	17,005,605		4,161,104	12,844,501	
Federal Home Loan Bank	13,165,794		3,552,714	9,613,080	
Federal Farm Credit Bank	13,330,963		1,164,177	7,565,594	4,601,192
Total	<u>\$78,447,274</u>	<u>\$ 882,334</u>	<u>\$ 22,023,688</u>	<u>\$ 50,940,060</u>	<u>\$ 4,601,192</u>

Interest Rate Risk. The Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Quality Risk. The Fund is authorized to invest in U.S. Treasury obligations and money market funds whose portfolio consists entirely of U.S. Treasury obligations, as well as repurchase contracts where the contract is fully secured by obligations or securities backed by the United States having a market value of at least 102% of the amount of the contract. The Fund has no investment policy that would further limit its investment choices. All of the Fund's investments in U.S. Agencies listed in the preceding table were rated AAA by Moody's Investors Service and Standard & Poor's.

Custodial Credit Risk – Investments. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Fund does not currently have an investment policy for custodial credit risk. The Fund is not considered to be subject to custodial credit risk for exposure as all of the investments held by the Fund's brokerage firm are registered in the name of the Fund.

Concentration of Credit Risk. The Fund places no limit on the amount the Fund may invest in any one issuer. The investments in Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, and Federal Farm Credit Bank represent 44%, 22%, 17%, and 17% of the Fund's total investments, respectively.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 – INVESTMENTS (Concl'd)

At June 30, 2008, the Fund maintained the following investment accounts.

<u>Account Depository</u>	<u>Account Name</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Merrill Lynch	Workers' Compensation	\$ 38,746,861	\$ 38,746,861
Merrill Lynch	Liability	33,029,071	33,029,071
Wachovia Securities	Property	2,262,865	2,262,865
Wachovia Securities	Health Benefits	4,408,477	4,408,477
Total		<u>\$ 78,447,274</u>	<u>\$ 78,447,274</u>

The amortized cost and estimated market value of investments at June 30, 2008 and 2007 are as follows.

<u>Year</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Market Value</u>
2008	\$79,420,163	\$ 275,387	\$(1,248,276)	\$ 78,447,274
2007	\$69,186,146	\$ 133,646	\$(1,097,222)	\$ 68,222,570

Investment income for the years ended June 30, 2008 and 2007 includes net realized gains and (losses) from the sale of investments of \$ - 0 - and \$(17,510), respectively.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 – UNPAID CLAIMS LIABILITIES

As discussed in Note 1, the Fund establishes a liability for both claims that have been reported but not settled, and claims that have been incurred but not reported, which includes estimates of the ultimate cost of claims. The following represents changes in these aggregate liabilities for the workers' compensation, liability and health benefits funds during the past two years.

	<u>Year Ended June 30, 2008</u>	<u>Year Ended June 30, 2007</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 49,628,762	\$ 46,376,394
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	24,108,883	23,140,100
Decrease in provision for insured events of prior years	<u>(4,867,014)</u>	<u>(2,832,814)</u>
Total incurred claims and claim adjustment expenses	<u>19,241,869</u>	<u>20,307,286</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	8,289,748	9,392,484
Claims and claim adjustment expenses attributable to insured events of prior years	<u>6,036,553</u>	<u>7,662,434</u>
Total payments	<u>14,326,301</u>	<u>17,054,918</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>54,544,330</u>	<u>\$ 49,628,762</u>
Unpaid claims and claim adjustment expenses at end of year, current portion	<u>\$ 15,211,235</u>	<u>\$ 14,213,000</u>

Based on historical claim payments, management has estimated the current portion of reserves for unpaid claims and claim adjustment expenses at year-end to be 28% and 29% of the total claims reserve, respectively, for the fiscal years ending June 30, 2008 and June 30, 2007.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 – ADMINISTRATION

The financial arrangement between the Fund and the League requires the Fund to pay the actual cost of administration of the New Mexico Self-Insurers' Fund. Actual cost is represented by the budget of the Insurance Services Division of the League. The Fund is also required to pay one-fourth of one percent of the value of invested assets for administration of the investment portfolio of the Fund, agency commissions at the same level paid to independent agents for insured members written directly by the League, and a fixed royalty of \$225,000 per year for the use of the League's name. During 2008 and 2007, the Fund paid \$2,651,361 and \$2,523,077, respectively, for administrative services performed by the League on The Fund's behalf. Other liabilities at June 30, 2008 and 2007, included \$325,875 and \$220,708, respectively, for amount due to the League for these services.

NOTE 7 – SELF-INSURED MEMBERS

The Fund provides claims processing services to certain members who have elected to self-insure their primary coverages but who also wish to participate in the Fund's reinsurance program. At June 30, 2008 and 2007, \$5,892,133 and \$6,005,297, respectively, included in contributions receivable relates to amounts to be collected from these members as claims are processed. These amounts are offset by corresponding amounts contained in the reserve for loss and loss expenses. Approximately \$819,791 and \$1,303,570 are also included in earned premiums and loss and loss adjustment expenses in the accompanying financial statements for fiscal years 2008 and 2007, respectively, related to claims paid for these members. In accordance with the provisions of the Fund's agreements with these members, the Fund is responsible for losses in excess of \$250,000 on a per occurrence basis up to a maximum of \$500,000. The Fund is responsible for aggregate losses up to \$1.0 million excess of 150% of members' standard premium. The Fund purchased reinsurance for losses in excess of 150% of members' standard premium up to an aggregate limit of \$1.0 million per member for fiscal years prior to 1995.

NOTE 8 – WORKERS' COMPENSATION EXPERIENCE REFUND

During 2008 and 2007, the Fund distributed \$718,683 and \$1,111,094, respectively, as experience refunds to members of the workers' compensation fund. The 2008 workers' compensation refunds were based upon each member's contribution to the loss fund for fiscal year 1999. Only those members who belonged during the designated fiscal year and who were still in the pool for fiscal year 2007-08 were eligible to receive refunds.

NEW MEXICO SELF-INSURERS' FUND
SUPPLEMENTAL CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2008

Reconciliation of Claims Liabilities by Type of Contract

The schedule on page 24 presents the changes in claims liabilities for the past two years for the Fund's three types of contracts: workers' compensation, liability/property and health benefits.

Ten-Year Claims Development Information

The tables on pages 25-27 illustrate how earned premiums (net of reinsurance premiums) and investment income compare to the related costs of loss and loss expenses (net of losses assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the past ten years. The rows of the table are defined as follows: 1) the total of the each year's gross earned premiums and investment income, premiums ceded to reinsurers, and net earned premiums and investment income, 2) each year's administrative and other expenses, 3) the Fund's gross estimated incurred loss and loss adjustment expenses claims assumed by reinsurers, and net incurred loss and loss adjustment expenses (both paid and accrued) as originally reported at the end of the year, 4) the cumulative net amount of loss and loss expenses paid as of the end of successive years, 5) the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year, 6) a comparison of how each year's reestimated loss and loss adjustment expenses increased or decreased as of the end of successive years (this annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known) and 7) a comparison of the latest reestimated incurred loss and loss adjustment expense amounts of the amount originally established (line 3) to show whether this latest estimate is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred losses currently recognized in less mature fiscal years. The columns of the table show data for successive policy years.

NEW MEXICO SELF-INSURERS' FUND
 SUPPLEMENTAL CLAIMS DEVELOPMENT INFORMATION
 RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
 YEARS ENDED JUNE 30, 2008 AND 2007

	WORKERS' COMPENSATION		LIABILITY / PROPERTY		HEALTH BENEFITS		TOTAL	
	2008	2007	2008	2007	2008	2007	2008	2007
Unpaid claims and claim adjustment expenses at beginning of year	\$ 29,943,196	\$ 28,854,784	\$ 17,595,485	\$ 16,233,274	\$ 2,090,081	\$ 1,288,336	49,628,762	46,376,394
Incurring claims and claim adjustment expenses:								
Provision for insured events of the current year	7,400,000	6,700,000	8,952,000	7,388,054	7,756,883	9,052,046	24,108,883	23,140,100
Increase (decrease) in the provision for insured events of the prior years	(2,882,470)	(1,416,900)	(877,296)	(1,477,584)	(1,107,248)	61,670	(4,867,014)	(2,832,814)
Total incurred claims and claim adjustment expenses	4,517,530	5,283,100	8,074,704	5,910,470	6,649,635	9,113,716	19,241,869	20,307,286
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current year	1,277,737	1,106,240	915,532	1,308,418	6,096,479	6,977,826	8,289,748	9,392,484
Claims and claim adjustment expenses attributable to insured events of the prior years	2,000,270	3,088,448	3,066,549	3,239,841	969,734	1,334,145	6,036,553	7,662,434
Total payments	3,278,007	4,194,688	3,982,081	4,548,259	7,066,213	8,311,971	14,326,301	17,054,918
Total unpaid claims and claim adjustment expenses at end of year	\$ 31,182,719	\$ 29,943,196	\$ 21,688,108	\$ 17,595,485	\$ 1,673,503	\$ 2,090,081	\$ 54,544,330	\$ 49,628,762

NEW MEXICO SELF-INSURERS' FUND
 SUPPLEMENTAL CLAIMS DEVELOPMENT INFORMATION
 WORKERS' COMPENSATION CLAIMS DEVELOPMENT TABLE
 YEAR ENDED JUNE 30, 2008

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
(1) Premiums and Investment Revenue:										
Eamed	6,094,964	6,482,503	8,257,472	10,412,489	9,901,187	7,355,519	9,330,725	10,143,140	13,300,100	13,850,624
Ceded	332,823	329,031	348,028	373,314	591,876	680,323	787,143	1,237,929	1,714,822	1,305,057
Net Earned	5,762,141	6,153,472	7,909,444	10,039,175	9,309,311	6,675,196	8,543,582	8,905,211	11,585,278	12,545,567
(2) Unallocated Expenses	1,057,227	1,109,705	1,121,100	1,204,002	1,230,862	1,237,356	1,237,363	1,508,444	1,399,522	1,559,598
(3) Estimated Losses and Expenses, End of Year:										
Incurred	4,250,000	4,000,000	4,600,000	4,750,000	6,250,000	7,285,389	7,286,623	6,600,000	6,700,000	7,400,000
Ceded						85,389	386,623			
Net Incurred	4,250,000	4,000,000	4,600,000	4,750,000	6,250,000	7,200,000	6,900,000	6,600,000	6,700,000	7,400,000
(4) Net Paid (cumulative) as of:										
End of Year	822,484	750,060	948,685	818,217	1,307,923	1,541,390	1,284,965	1,103,298	1,106,240	1,277,737
One Year Later	1,578,391	1,697,934	1,889,857	2,180,474	2,483,095	2,746,545	2,463,101	2,405,164	1,582,724	
Two Years Later	1,961,674	2,204,802	2,519,413	2,684,201	2,962,518	3,399,367	2,812,970	2,841,387		
Three Years Later	2,068,689	2,782,713	3,301,767	3,113,941	3,527,927	3,766,037	3,029,144			
Four Years Later	2,192,914	2,925,990	3,566,973	3,236,195	3,831,591	3,902,253				
Five Years Later	2,439,781	3,188,628	3,766,478	3,309,522	4,086,941					
Six Years Later	2,556,910	3,348,349	3,990,792	3,381,703						
Seven Years Later	2,600,717	3,453,866	4,093,133							
Eight Years Later	2,647,961	3,534,058								
Nine Years Later	2,729,324									
(5) Reestimated Ceded Losses and Expenses:	120,897	928,096	412,100	410,205	1,135,999	182,012	931,772			
(6) Reestimated Net Incurred Losses and Expenses:										
End of Year	4,250,000	4,000,000	4,600,000	4,750,000	6,250,000	7,200,000	6,900,000	6,600,000	6,700,000	7,400,000
One Year Later	3,647,064	3,990,157	4,237,886	4,612,371	5,827,562	6,714,033	6,450,000	6,300,000	5,100,000	
Two Years Later	3,453,726	3,855,138	4,243,690	5,080,434	5,572,665	7,000,000	5,800,000	5,700,000		
Three Years Later	3,238,865	4,070,949	5,093,632	4,810,813	5,800,000	6,300,000	5,200,000			
Four Years Later	3,124,837	4,097,323	4,896,269	5,000,000	5,900,000	6,100,000				
Five Years Later	3,168,039	4,135,720	5,400,000	4,900,000	6,000,000					
Six Years Later	3,159,733	4,500,000	5,550,000	4,700,000						
Seven Years Later	3,250,000	4,500,000	5,500,000							
Eight Years Later	3,250,000	4,300,000								
Nine Years Later	3,300,000									
(7) Increase (Decrease) in Estimated Net Incurred Losses and Expense from End of Year	(950,000)	300,000	900,000	(50,000)	(250,000)	(1,100,000)	(1,700,000)	(900,000)	(1,600,000)	

NEW MEXICO SELF-INSURERS' FUND
SUPPLEMENTAL CLAIMS DEVELOPMENT INFORMATION
LIABILITY CLAIMS DEVELOPMENT TABLE
YEAR ENDED JUNE 30, 2008

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
(1) Premiums and Investment Revenue:										
Earned	6,226,171	5,946,120	7,232,996	8,416,870	8,879,343	9,611,626	11,517,376	12,377,407	15,264,848	15,105,876
Ceded	915,516	649,603	910,640	1,062,055	1,207,016	1,494,736	1,650,314	1,920,082	2,010,061	1,249,508
Net Earned	5,310,655	5,296,517	6,322,356	7,354,815	7,672,327	8,116,890	9,867,062	10,457,325	13,254,787	13,856,368
(2) Unallocated Expenses	1,121,176	1,040,657	1,108,639	1,233,638	1,237,901	1,445,516	1,566,760	1,846,835	1,750,005	1,835,478
(3) Estimated Losses and Expenses, End of Year:										
Incurred	4,883,058	8,165,000	7,340,000	5,915,000	7,200,164	8,450,000	7,557,500	7,707,500	7,600,000	10,900,000
Ceded		530,000	50,000	80,000	80,000	50,000	57,500	7,500	250,000	2,100,000
Net Incurred	4,883,058	7,635,000	7,290,000	5,915,000	7,120,164	8,400,000	7,500,000	7,700,000	7,350,000	8,800,000
(4) Net Paid (cumulative) as of:										
End of Year	598,499	555,850	625,012	633,324	738,658	875,455	904,231	1,018,953	850,163	763,933
One Year Later	1,228,436	2,607,323	1,997,736	2,153,312	2,655,886	2,944,540	2,602,402	2,042,477	1,942,724	
Two Years Later	1,966,703	3,373,879	2,846,756	2,755,398	3,327,011	4,182,338	3,725,814	2,728,567		
Three Years Later	2,197,816	4,587,467	3,636,844	2,765,839	3,775,298	4,593,173	4,120,783			
Four Years Later	2,141,844	4,720,357	4,025,935	2,974,597	4,223,407	4,999,579				
Five Years Later	2,294,071	3,970,702	4,172,645	3,117,523	4,436,251					
Six Years Later	2,294,071	3,997,750	4,257,608	3,134,536						
Seven Years Later	2,294,071	3,997,750	4,312,435							
Eight Years Later	2,294,071									
Nine Years Later	2,294,071									
(5) Reestimated Ceded Losses and Expenses:		784,638	11,487	255,784	274,207	250,312	357,214			
(6) Reestimated Net Incurred Losses and Expenses:										
End of Year	4,883,058	7,635,000	7,290,000	5,915,000	7,120,164	8,400,000	7,500,000	7,700,000	7,350,000	8,800,000
One Year Later	3,369,640	5,180,302	5,564,368	4,269,594	6,225,792	7,749,689	6,250,127	6,625,000	6,700,000	
Two Years Later	2,512,728	4,683,368	3,940,045	4,444,216	5,625,794	6,949,788	6,392,786	6,300,000		
Three Years Later	2,159,934	4,211,842	5,288,512	4,200,001	5,600,000	6,450,001	6,300,000			
Four Years Later	1,713,049	5,200,000	4,986,012	4,100,000	5,700,000					
Five Years Later	2,294,071	4,900,001	4,788,512	3,999,998	6,600,000					
Six Years Later	2,294,071	4,782,388	4,588,513	3,800,000						
Seven Years Later	2,294,071	4,782,388	4,323,922							
Eight Years Later	2,294,071									
Nine Years Later	2,294,071									
(7) Increase (Decrease) in Estimated Net Incurred Losses and Expense from End of Year	(2,588,987)	(2,852,612)	(2,966,078)	(2,115,000)	(520,164)	(2,100,000)	(1,200,000)	(1,400,000)	(650,000)	

NEW MEXICO SELF-INSURERS' FUND
 SUPPLEMENTAL CLAIMS DEVELOPMENT INFORMATION
 HEALTH BENEFITS CLAIMS DEVELOPMENT TABLE
 YEAR ENDED JUNE 30, 2008

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
(1) Premiums and Investment Revenue:										
Earned	6,215,159	6,078,672	8,985,749	10,442,864	9,894,524	10,596,269	10,263,213	10,348,823	8,917,017	8,903,650
Ceded	486,196	604,131	782,130	938,530	799,031	942,040	810,386	702,105	444,928	501,889
Net Earned	5,728,963	5,474,541	8,203,619	9,504,334	9,095,493	9,654,229	9,452,827	9,646,718	8,472,089	8,401,761
(2) Unallocated Expenses	340,925	404,901	391,188	440,963	460,075	465,116	562,955	539,751	425,997	430,128
(3) Estimated Losses and Expenses, End of Year:										
Incurred	5,446,405	6,985,000	7,826,541	9,373,980	6,856,901	9,804,483	8,146,845	7,934,663	9,457,349	7,765,900
Ceded	93,235					835,433	29,283	47,961	405,303	9,017
Net Incurred	5,353,170	6,985,000	7,826,541	9,373,980	6,856,901	8,969,050	8,117,562	7,886,702	9,052,046	7,756,883
(4) Net Paid (cumulative) as of:										
End of Year	4,342,004	6,534,407	6,378,719	7,888,081	5,505,047	7,512,807	6,746,034	6,605,443	6,977,826	6,096,479
One Year Later	5,570,553	6,634,622	7,051,468	8,189,436	6,759,573	8,163,107	7,914,075	7,949,595	7,810,665	
Two Years Later	5,570,436	6,689,170	7,048,743	8,217,869	6,773,483	8,163,172	7,906,237	8,084,274		
Three Years Later	5,572,731	6,689,170	6,997,336	8,217,864	6,770,685	8,161,218	7,910,272			
Four Years Later	5,572,731	6,680,657	7,004,129	8,217,585	6,770,471	8,159,537				
Five Years Later	5,363,183	6,683,808	7,004,129	8,217,585						
Six Years Later	5,365,405	6,683,808	7,004,129	8,217,585						
Seven Years Later	5,365,405	6,683,808	7,004,129							
Eight Years Later	5,365,405	6,683,808								
Nine Years Later	5,365,405									
(5) Reestimated Ceded Losses and Expenses:	134,679	185,036	333,452	656,160	207,000	890,416	255,283	189,653	675,623	9,017
(6) Reestimated Net Incurred Losses and Expenses:										
End of Year	5,353,170	6,985,000	7,826,541	9,373,980	6,856,901	8,969,050	8,117,562	7,886,702	9,052,046	7,756,883
One Year Later	5,905,783	6,820,286	7,386,767	8,847,531	6,761,210	8,164,792	7,921,151	7,964,827	7,823,765	
Two Years Later	5,705,115	6,874,206	7,382,195	8,217,869	6,773,483	8,163,172	7,906,237	8,084,274		
Three Years Later	5,707,410	6,874,206	6,997,336	8,217,864	6,770,685	8,161,218	7,910,272			
Four Years Later	5,707,410	6,680,657	7,004,129	8,217,585	6,770,471	8,159,537				
Five Years Later	5,363,183	6,683,808	7,004,129	8,217,585						
Six Years Later	5,365,405	6,683,808	7,004,129							
Seven Years Later	5,365,405	6,683,808	7,004,129							
Eight Years Later	5,365,405	6,683,808								
Nine Years Later	5,365,405									
(7) Increase (Decrease) in Estimated Net Incurred Losses and Expense from End of Year	12,235	(301,192)	(822,412)	(1,156,395)	(86,567)	(809,513)	(207,290)	197,572	(1,228,281)	

NEW MEXICO SELF-INSURERS' FUND
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2008

	First Community Bank	First Community Bank
Bank Accounts:		
Checking accounts	\$ 410,000	\$
Money markets	7,000,555	
Sweep account		767,867
Total amount of deposits in bank	7,410,555	767,867
Less: FDIC coverage	100,000	
Total uninsured public funds	7,310,555	767,867
Collateral requirements (Per 6-10-10 & 6-10-17, NMSA 1978):		
50% of uninsured time and demand accounts	3,655,278	
102% of repurchase agreements		783,224
Total collateral required	3,655,278	783,224
Pledged collateral:		
FHLB, matures November 14, 2008, CUSIP 3133X2BZ7	3,011,090	
Eastern New Mexico Univ, matures August 15, 2011, CUSIP 27678NAK9	278,143	
MBS FHLMC 10 Yr-G11470, matures November 1, 2013, CUSIP 31283KT32	84,493	
FHR 3125 A, matures December 15, 2013, CUSIP 31396JS63	47,681	
MBS FHLMC B14248, matures May 1, 2014, CUSIP 312966WH3	357,729	
Dona Ana BRH CMNTY College, matures August 1, 2015, CUSIP 257578DF8	312,694	
Dona Ana BRH CMNTY College, matures August 1, 2016, CUSIP 257578DG6	296,343	
MBS FNMA 15-Yr Conv 73475, matures August 1, 2018, CUSIP 31402QJB8	672,290	
Bernalillo NM MUD #01 FSA, matures August 1, 2018, CUSIP 085279NK9	523,247	
Luna CNTY NM SCH DIST NO 001, matures August 1, 2019, CUSIP 550340DA8	492,280	
Ruidoso N MEX GROS RCPTS, matures June 1, 2020, CUSIP 781336AQ5	1,087,369	
Luna CNTY NM GROSS RCPTS, matures July 1, 2032, CUSIP 550332CX6	479,557	
FHR 2765 GH, matures March 15, 2034, CUSIP 31394TA54	108,142	
FHLMC, matures March 15, 2023, CUSIP 31393MA84		785,896
Total collateral	7,751,058	785,896
Over / (under) secured	\$ 4,095,780	\$ 2,672
Custodial Credit Risk:		
Insured	\$ 100,000	\$
Collateralized with securities held by pledging financial institution's trust department	7,310,555	767,867
Total deposits	\$ 7,410,555	\$ 767,867

Location of collateral:

First Community Bank, Dallas, TX

NEW MEXICO SELF-INSURERS' FUND
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2008

<u>Bank Account Type / Name</u>	<u>First Community</u>	<u>Merrill Lynch</u>	<u>Wachovia</u>	<u>Total</u>
Sweep account	\$ 767,867	\$	\$	\$ 767,867
Checking - Clearing	410,000			410,000
Money market - Claims	6,500,515			6,500,515
Money market - Health benefits	500,040			500,040
Investment - Workers compensation		38,746,861		38,746,861
Investment - Liability		33,029,071		33,029,071
Investment - Property			2,262,865	2,262,865
Investment - Health			4,408,477	4,408,477
Total on deposit	8,178,422	71,775,932	6,671,342	86,625,696
Reconciling items	(900,291)			(900,291)
Reconciled balance, June 30, 2008	<u>7,278,131</u>	<u>71,775,932</u>	<u>6,671,342</u>	<u>85,725,405</u>
Total deposits and investments	<u>\$ 7,278,131</u>	<u>\$ 71,775,932</u>	<u>\$ 6,671,342</u>	<u>\$ 85,725,405</u>



**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 Trustees
New Mexico Self-Insurers' Fund

We have audited the financial statements of the New Mexico Self-Insurers' Fund (Fund) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 31, 2008. 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 New Mexico Self-Insurers' Fund's internal control over financial reporting as a basis for designing our auditing 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 New Mexico Self-Insurers' Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the New Mexico Self-Insurers' Fund's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Fund's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Fund's financial statements that is more than inconsequential will not be prevented or detected by the Fund's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Fund's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify and 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 New Mexico Self-Insurers' 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*.

This report is intended solely for the information and use of the management, others within the Fund, the Board of Trustees, the Office of the State Auditor, and governmental agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 31, 2008

**NEW MEXICO SELF-INSURERS' FUND
CURRENT AND PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2008**

CURRENT YEAR FINDINGS

None

PRIOR YEAR FINDINGS

None

FINANCIAL STATEMENT PREPARATION

These financial statements were prepared by Heinfeld, Meech & Co., P.C. from the original books and records of the New Mexico Self-Insurers' Fund.

**NEW MEXICO SELF-INSURERS' FUND
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2008**

An exit conference was conducted on November 25, 2008, in a closed meeting, in which the contents of this report were discussed with the following:

Board of Trustees

Eddie Trujillo
Council Member
City of Las Vegas

New Mexico Self-Insurers' Fund

Edwin S. Zendel, Risk Services Director
Dan Cisneros, Controller

Heinfeld, Meech & Co., P.C.

Corey Arvizu, Partner