

**NEW MEXICO SELF-INSURERS' FUND
FINANCIAL STATEMENTS FOR THE
YEAR ENDED JUNE 30, 2009**

1231 Paseo De Peralta – Santa Fe, New Mexico 87501

NEW MEXICO SELF-INSURERS' FUND

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**NEW MEXICO SELF-INSURERS' FUND
OFFICIAL ROSTER
JUNE 30, 2009**

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New Mexico Self-Insurers' Fund

William Fulginiti, Fund Administrator
Edwin S. Zendel, Risk Services Director
Kathy Villa, Deputy Risk Services Director
Dan Cisneros, Controller



INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas
New Mexico State Auditor

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, 2009, 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. The comparative totals as of and for the year ended June 30, 2008, presented in the basic financial statements are included for additional analysis only. Our audit report dated October 31, 2008 expressed an unqualified opinion on these statements; however, we have not performed any auditing procedures on this information since the date of our report.

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, 2009, 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 1, 2009, 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 1, 2009

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

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, 2009 and the results of its operations for the year then ended. Comparative data as of June 30, 2009 and 2008 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, 2009 and 2008 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 \$11.7 million from approximately \$42.3 million at June 30, 2008 to \$53.9 million as of June 30, 2009. The increase is mainly due to reductions in prior years' claims reserves and increased interest earnings attributed to the larger investment portfolio.

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, 2009 and 2008. The statement of revenues, expenses, and changes in fund net assets present the Fund's results of operations for the years ended June 30, 2009 and 2008. The statement of cash flows outline the cash inflows and outflows related to the operation of the Fund for the years ended June 30, 2009 and 2008. 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, 2009**

CONDENSED COMPARATIVE FINANCIAL INFORMATION

The Fund's assets, liabilities and net assets are summarized as follows as of June 30, 2009 and June 30, 2008.

	As of June 30, 2009	As of June 30, 2008
Investments	\$ 91,813,191	\$ 78,447,274
Cash in bank	5,263,924	7,278,131
Accrued investment income	754,503	862,681
Contributions receivable	6,748,397	6,365,481
Due from reinsurers	284,278	255,540
Equity in NLC Mutual Insurance Co.	4,798,412	4,599,127
Total assets	<u>109,662,705</u>	<u>97,808,234</u>
Prepaid contributions	544,383	466,786
Other liabilities	446,645	507,887
Reserve for unpaid claims and claim adjustment expenses	54,725,786	54,544,330
Total liabilities	<u>55,716,814</u>	<u>55,519,003</u>
Net assets:		
Unrestricted – members' equity	53,945,891	42,289,231
Total net assets	<u>\$ 53,945,891</u>	<u>\$ 42,289,231</u>

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

CONDENSED COMPARATIVE FINANCIAL INFORMATION (Concl'd)

The Fund's revenues and expenses can be summarized as follows for the years ended June 30, 2009 and June 30, 2008.

	Year Ended June 30, 2009	Year Ended June 30, 2008
Earned premiums	\$ 32,592,489	\$ 33,328,182
Less reinsurance premiums	(4,044,263)	(4,058,202)
Total operating revenues	<u>28,548,226</u>	<u>29,269,980</u>
Investment income	5,454,070	3,906,499
Equity in earnings of NLC Mutual	199,285	
Total non-operating revenues	<u>5,653,355</u>	<u>3,906,499</u>
Total revenues	<u>34,201,581</u>	<u>33,176,479</u>
Claims and claim adjustment expenses	17,433,115	19,241,869
Claim and trust administration	4,646,776	4,354,242
Experience refund	465,030	718,683
Total expenses	<u>22,544,921</u>	<u>24,314,794</u>
Increase in net assets	11,656,660	8,861,685
Net assets at beginning of year	42,289,231	33,427,546
Net assets at end of year	<u>\$ 53,945,891</u>	<u>\$42,289,231</u>

FINANCIAL ANALYSIS OF THE FUND

Total assets and net assets have increased from fiscal year 2007-08 due to reductions in prior years' claims reserves and increased interest earnings attributed to the larger investment portfolio. Total liabilities increased \$197,811, or less than 1%. 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 decreased approximately 2% to \$28.5 million from \$29.3 million due to a decrease in earned premiums. Earned premiums decreased during the year mainly due to a reduction in participating members. Nonoperating revenues increased by approximately \$1.7 million primarily due to increased interest earnings attributed to the larger investment portfolio. For the years ended June 30, 2009 and 2008 net assets increased \$11.7 million and \$8.9 million, respectively.

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

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 years events of \$7.5 million whereas the prior year decrease was \$4.9 million. The Workers' Compensation Fund had a decrease in actual current year claim expense of \$450,000 with an increase in estimated claim reserve of \$950,000 due to events of the prior years. The Liability/Property Fund had an increase in actual current year claim expense of \$1.2 million due to higher estimated claims costs and a decrease in estimated claims reserves of \$4.2 million due to the settlement of several substantial claims during the year. The Health Benefits Fund had an increase in actual current year claim expense of \$20,012 and an increase in the estimated prior years claim reserves of \$628,143 due to industry-wide increases in claims payouts.

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, 2009</u>	<u>Year Ended June 30, 2008</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 54,544,330	\$ 49,628,762
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	24,883,895	24,108,883
Decrease in provision for insured events of prior years	<u>(7,450,780)</u>	<u>(4,867,014)</u>
Total incurred claims and claim adjustment expenses	<u>17,433,115</u>	<u>19,241,869</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	9,367,274	8,289,748
Claims and claim adjustment expenses attributable to insured events of prior years	<u>7,884,385</u>	<u>6,036,553</u>
Total payments	<u>17,251,659</u>	<u>14,326,301</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 54,725,786</u>	<u>\$ 54,544,330</u>

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

CURRENTLY KNOWN FACTS, DECISIONS AND CONDITIONS

The New Mexico Self Insurers' Fund Board of Trustees maintained contribution levels for the worker's compensation, general liability, and auto liability pools for fiscal year 2008-09. Health rates were increased by 5% in response to the continued increase in health care costs. With the exception of the health pool and given the current economic challenges faced by the members, the Board elected to forego rate increases for fiscal year 2008-09.

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, 2009.

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, 2009 AND 2008

	2009	2008
<u>ASSETS</u>		
Current assets:		
Short-term investments	\$ 2,193,538	\$ 882,334
Cash and cash equivalents	5,263,924	7,278,131
Accrued investment income	754,503	862,681
Contributions receivable	6,748,397	6,365,481
Due from reinsurers	284,278	255,540
Total current assets	15,244,640	15,644,167
Noncurrent assets:		
Long-term investments	89,619,653	77,564,940
Equity in NLC Mutual Insurance Company	4,798,412	4,599,127
Total noncurrent assets	94,418,065	82,164,067
Total assets	109,662,705	97,808,234
<u>LIABILITIES</u>		
Current liabilities:		
Prepaid contributions	544,383	466,786
Accounts payable	446,645	507,887
Reserve for unpaid claims and claim adjustment expenses, current portion	15,477,169	15,211,235
Total current liabilities	16,468,197	16,185,908
Noncurrent liabilities:		
Reserve for unpaid claims and claim adjustment expenses	39,248,617	39,333,095
Total liabilities	55,716,814	55,519,003
<u>NET ASSETS</u>		
Unrestricted - members' equity	53,945,891	42,289,231
Total net assets	\$ 53,945,891	\$ 42,289,231

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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Earned premiums	\$ 32,592,489	\$ 33,328,182
Less reinsurance premiums	<u>(4,044,263)</u>	<u>(4,058,202)</u>
Total operating revenues	<u>28,548,226</u>	<u>29,269,980</u>
Operating expenses:		
Claims and claim adjustment expenses	17,433,115	19,241,869
Claims and trust administration	4,646,776	4,354,242
Experience refund	<u>465,030</u>	<u>718,683</u>
Total operating expenses	<u>22,544,921</u>	<u>24,314,794</u>
Operating income (loss)	6,003,305	4,955,186
Nonoperating revenues (expenses):		
Investment income	5,454,070	3,906,499
Equity in earnings of NLC Mutual Insurance Company	<u>199,285</u>	<u> </u>
Total nonoperating revenues	<u>5,653,355</u>	<u>3,906,499</u>
Changes in net assets	11,656,660	8,861,685
Net assets at beginning of year	<u>42,289,231</u>	<u>33,427,546</u>
Net assets at end of year	<u>\$ 53,945,891</u>	<u>\$ 42,289,231</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, 2009 AND 2008

	2009	2008
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash flows from operating activities:		
Earned premiums	\$ 32,287,170	\$ 33,704,846
Reinsurance premiums	(4,394,270)	(4,155,005)
Claims and claim adjustment expenses	(17,280,397)	(14,572,881)
Claims and trust administration	(4,358,011)	(4,130,927)
Experience refund	(465,030)	(718,683)
	5,789,462	10,127,350
Cash flows from investing activities:		
Interest and dividends received	3,949,554	3,500,432
Purchases of investments	(51,475,262)	(62,744,218)
Proceeds from sales or maturities of investments	39,722,039	52,735,000
	(7,803,669)	(6,508,786)
Net increase (decrease) in cash and cash equivalents	(2,014,207)	3,618,564
Cash and cash equivalents, beginning of year	7,278,131	3,659,567
Cash and cash equivalents, end of year	\$ 5,263,924	\$ 7,278,131
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>		
Operating income	\$ 6,003,305	\$ 4,955,186
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in contributions receivable	(382,916)	397,867
Increase in due from reinsurers	(28,738)	(246,580)
Increase (decrease) in prepaid contributions	77,597	(21,203)
Increase (decrease) in other liabilities	(61,242)	126,512
Increase in reserve for claims and claim adjustment expenses	181,456	4,915,568
	5,789,462	10,127,350
Net cash provided by operating activities	\$ 5,789,462	\$ 10,127,350

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

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 six members participated in this Fund during 2009.

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-seven members participated in this Fund during 2009.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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. Ninety-two members participated in this Fund during 2009.

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. Fifty-nine members participated in this Fund during 2009.

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-two members participated in this Fund during 2009.

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, 2009

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, 2009 and 2008.

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, 2009

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, 2009 and 2008, has been reduced by approximately \$7.0 million and \$8.4 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 \$8,747,296 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, 2009

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, 2009

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 \$4,798,412 and \$4,599,127 at June 30, 2009 and 2008, respectively.

Under the terms of its agreement with NLC, the Fund receives 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 had equity earnings of \$199,285 in 2009. The Fund did not have equity earnings in 2008 due to NLC's decision to not issue equity earnings.

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, 2009 and 2008 has been reduced by approximately \$7.0 million and \$8.4 million, 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, 2008 and 2007 is as follows.

	(in thousands)	
	2008	2007
Investments	\$ 202,648	\$ 210,528
Liability for loss and loss adjustment expenses, net of reinsurance recoverable	297,498	303,434
Members' surplus	51,673	52,973
Earned premiums, net	8,158	11,644
Net investment income	8,825	10,642
Net income after dividends to policyholders	13,907	9,009

The NLC amounts as reported for the fiscal year ended December 31, 2007, in the Fund's fiscal year 2007-08 financial report, were obtained from NLC's statutory-basis financial statements. The amounts reported above for the fiscal year ended December 31, 2007 were obtained from NLC's GAAP-basis financial statements.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009, the carrying amount of the Fund's deposits was \$5,263,924, and the bank balance was \$5,806,639.

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, 2009, \$2,602,569 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	\$ 5,806,639
Less: FDIC coverage	601,502
Total unsecured public funds	5,205,137
50% collateral requirement	2,602,569
Pledged securities, fair value	6,051,806
Pledged in excess of requirement	\$ 3,449,237

The difference between the carrying amount and the bank balance results from \$542,715 of outstanding checks and deposits. At June 30, 2009, the Fund maintained the following depository accounts.

Account Depository	Account Name	Type	Carrying Amount	Bank Balance
First Community Bank	Clearing	Checking	\$	\$ 351,502
First Community Bank	Claims	Money market	5,610,924	5,004,687
First Community Bank	Health benefits	Money market	(347,000)	450,450
Total cash and cash equivalents			\$5,263,924	\$5,806,639

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 – INVESTMENTS

At June 30, 2009, 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	\$ 61,972	\$ 61,972	\$	\$	\$
Certificates of Deposit – marketable	3,850,386		1,248,201	2,502,962	99,223
U.S. Treasuries	90,946	90,946			
U.S. Agencies:					
Federal National Mortgage Association	9,678,248			9,678,248	
Federal Home Loan Mortgage Corporation	31,294,686		15,914,558	15,380,128	
Federal Home Loan Bank	29,358,154	1,021,560	8,214,329	16,356,693	3,765,572
Federal Farm Credit Bank	11,513,209	1,019,060	1,108,130	4,701,312	4,684,707
Government National Mortgage Association	5,965,590			5,965,590	
Total	<u>\$ 91,813,191</u>	<u>\$ 2,193,538</u>	<u>\$ 26,485,218</u>	<u>\$ 54,584,933</u>	<u>\$ 8,549,502</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, Federal Farm Credit Bank, and Government National Mortgage Association represent 11%, 34%, 32%, 13%, and 7% of the Fund's total investments, respectively.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 – INVESTMENTS (Concl'd)

At June 30, 2009, 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	\$ 45,466,591	\$ 45,466,591
Merrill Lynch	Liability	39,301,466	39,301,466
Wachovia Securities	Property	2,385,997	2,385,997
Wachovia Securities	Health Benefits	4,659,137	4,659,137
Total		<u>\$ 91,813,191</u>	<u>\$ 91,813,191</u>

The amortized cost and estimated market value of investments at June 30, 2009 and 2008 are as follows.

<u>Year</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Market Value</u>
2009	\$91,198,274	\$ 1,098,783	\$ (483,866)	\$ 91,813,191
2008	79,420,163	275,387	(1,248,276)	78,447,274

Investment income for the years ended June 30, 2009 and 2008 includes net realized gains and (losses) from the sale of investments of \$45,176 and \$- 0 -, respectively.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009</u>	<u>Year Ended June 30, 2008</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 54,544,330	\$ 49,628,762
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	24,883,895	24,108,883
Decrease in provision for insured events of prior years	<u>(7,450,780)</u>	<u>(4,867,014)</u>
Total incurred claims and claim adjustment expenses	<u>17,433,115</u>	<u>19,241,869</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	9,367,274	8,289,748
Claims and claim adjustment expenses attributable to insured events of prior years	<u>7,884,385</u>	<u>6,036,553</u>
Total payments	<u>17,251,659</u>	<u>14,326,301</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>54,725,786</u>	<u>\$ 54,544,330</u>
Unpaid claims and claim adjustment expenses at end of year, current portion	<u>\$ 15,477,169</u>	<u>\$ 15,211,235</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% for the fiscal years ending June 30, 2009 and June 30, 2008.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 2009 and 2008, the Fund paid \$2,911,856 and \$2,651,361, respectively, for administrative services performed by the League on The Fund's behalf. Other liabilities at June 30, 2009 and 2008, included \$378,605 and \$325,875, 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, 2009 and 2008, \$5,834,061 and \$5,892,133, 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 \$1,053,878 and \$819,791 are also included in earned premiums and loss and loss adjustment expenses in the accompanying financial statements for fiscal years 2009 and 2008, 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 \$750,000 on a per occurrence basis up to the statutory maximum limit. The Fund is responsible for aggregate losses up to \$1.0 million excess of 200% of members' standard premium. The Fund purchased reinsurance for losses in excess of 200% 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 2009 and 2008, the Fund distributed \$465,030 and \$718,683, respectively, as experience refunds to members of the workers' compensation fund. The 2009 workers' compensation refunds were based upon each member's contribution to the loss fund for fiscal year 2000. Only those members who belonged during the designated fiscal year and who were still in the pool for fiscal year 2008-09 were eligible to receive refunds.

NEW MEXICO SELF-INSURERS' FUND
SUPPLEMENTAL CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2009

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, 2009 AND 2008**

	<u>WORKERS' COMPENSATION</u>		<u>LIABILITY / PROPERTY</u>		<u>HEALTH BENEFITS</u>		<u>TOTAL</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Unpaid claims and claim adjustment expenses at beginning 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
Incurred claims and claim adjustment expenses:								
Provision for insured events of the current year	6,950,000	7,400,000	10,157,000	8,952,000	7,776,895	7,756,883	24,883,895	24,108,883
Increase (decrease) in the provision for insured events of the prior years	<u>(1,931,471)</u>	<u>(2,882,470)</u>	<u>(5,040,204)</u>	<u>(877,296)</u>	<u>(479,105)</u>	<u>(1,107,248)</u>	<u>(7,450,780)</u>	<u>(4,867,014)</u>
Total incurred claims and claim adjustment expenses	<u>5,018,529</u>	<u>4,517,530</u>	<u>5,116,796</u>	<u>8,074,704</u>	<u>7,297,790</u>	<u>6,649,635</u>	<u>17,433,115</u>	<u>19,241,869</u>
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current year	1,147,489	1,277,737	1,913,582	915,532	6,306,203	6,096,479	9,367,274	8,289,748
Claims and claim adjustment expenses attributable to insured events of the prior years	<u>2,212,913</u>	<u>2,000,270</u>	<u>4,485,151</u>	<u>3,066,549</u>	<u>1,186,321</u>	<u>969,734</u>	<u>7,884,385</u>	<u>6,036,553</u>
Total payments	<u>3,360,402</u>	<u>3,278,007</u>	<u>6,398,733</u>	<u>3,982,081</u>	<u>7,492,524</u>	<u>7,066,213</u>	<u>17,251,659</u>	<u>14,326,301</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 32,840,846</u>	<u>\$ 31,182,719</u>	<u>\$ 20,406,171</u>	<u>\$ 21,688,108</u>	<u>\$ 1,478,769</u>	<u>\$ 1,673,503</u>	<u>\$ 54,725,786</u>	<u>\$ 54,544,330</u>

NEW MEXICO SELF-INSURERS' FUND
SUPPLEMENTAL CLAIMS DEVELOPMENT INFORMATION
WORKERS' COMPENSATION CLAIMS DEVELOPMENT TABLE
YEAR ENDED JUNE 30, 2009

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
(1) Premiums and Investment Revenue:										
Earned	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	13,664,429
Ceded	329,031	348,028	373,314	591,876	680,323	787,143	1,237,929	1,714,822	1,305,057	920,122
Net Earned	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	12,744,307
(2) Unallocated Expenses	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	1,631,965
(3) Estimated Losses and Expenses, End of Year:										
Incurred	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	6,950,000
Ceded					85,389	386,623				
Net Incurred	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	6,950,000
(4) Net Paid (cumulative) as of:										
End of Year	750,060	948,685	818,217	1,307,923	1,541,390	1,284,965	1,103,298	1,106,240	1,277,737	1,147,489
One Year Later	1,697,934	1,889,857	2,180,474	2,483,095	2,746,545	2,463,101	2,405,164	1,582,724	2,160,727	
Two Years Later	2,204,802	2,519,413	2,684,201	2,962,518	3,399,367	2,812,970	2,841,387	1,736,694		
Three Years Later	2,782,713	3,301,767	3,113,941	3,527,927	3,766,037	3,029,144	3,124,548			
Four Years Later	2,925,990	3,566,973	3,236,195	3,831,591	3,902,253	3,167,235				
Five Years Later	3,188,628	3,766,478	3,309,522	4,086,941	3,995,846					
Six Years Later	3,348,349	3,990,792	3,381,703	4,181,238						
Seven Years Later	3,453,866	4,093,133	3,449,906							
Eight Years Later	3,534,058	4,192,036								
Nine Years Later	3,600,449									
(5) Reestimated Ceded Losses and Expenses:	928,096	475,293	410,205	1,135,999	284,739	931,772				
(6) Reestimated Net Incurred Losses and Expenses:										
End of Year	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	6,950,000
One Year Later	3,990,157	4,237,886	4,612,371	5,827,562	6,714,033	6,450,000	6,300,000	5,100,000	6,600,000	
Two Years Later	3,855,138	4,243,690	5,080,434	5,572,665	7,000,000	5,800,000	5,700,000	4,600,000		
Three Years Later	4,070,949	5,093,632	4,810,813	5,800,000	6,300,000	5,200,000	5,200,000			
Four Years Later	4,097,323	4,896,269	5,000,000	5,900,000	6,100,000	4,900,000				
Five Years Later	4,135,720	5,400,000	4,900,000	6,000,000	5,700,000					
Six Years Later	4,500,000	5,550,000	4,700,000	5,800,000						
Seven Years Later	4,500,000	5,500,000	4,600,000							
Eight Years Later	4,300,000	5,500,000								
Nine Years Later	4,400,000									
(7) Increase (Decrease) in Estimated Net Incurred Losses and Expense from End of Year	400,000	900,000	(150,000)	(450,000)	(1,500,000)	(2,000,000)	(1,400,000)	(2,100,000)	(800,000)	

NEW MEXICO SELF-INSURERS' FUND
SUPPLEMENTAL CLAIMS DEVELOPMENT INFORMATION
LIABILITY CLAIMS DEVELOPMENT TABLE
YEAR ENDED JUNE 30, 2009

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
(1) Premiums and Investment Revenue:										
Earned	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	16,471,872
Ceded	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	1,674,429
Net Earned	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	14,797,443
(2) Unallocated Expenses	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	1,991,702
(3) Estimated Losses and Expenses, End of Year:										
Incurred	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	10,750,000
Ceded	530,000	50,000		80,000	50,000	57,500	7,500	250,000	2,100,000	750,000
Net Incurred	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	10,000,000
(4) Net Paid (cumulative) as of:										
End of Year	555,850	625,012	633,324	738,658	875,455	904,231	1,018,953	850,163	763,933	1,688,534
One Year Later	2,607,323	1,997,736	2,153,312	2,655,886	2,944,540	2,602,402	2,042,477	1,942,724	2,256,045	
Two Years Later	3,373,879	2,846,756	2,755,398	3,327,011	4,182,338	3,725,814	2,728,567	3,022,898		
Three Years Later	4,587,467	3,636,844	2,765,839	3,775,298	4,593,173	4,120,783	3,983,820			
Four Years Later	4,720,357	4,025,935	2,974,597	4,223,407	4,999,579	4,273,731				
Five Years Later	3,970,702	4,172,645	3,117,523	4,436,251	5,054,966					
Six Years Later	3,997,750	4,257,608	3,134,536	4,816,474						
Seven Years Later	3,997,750	4,312,435	3,134,698							
Eight Years Later	3,997,750	4,312,435								
Nine Years Later	3,997,750									
(5) Reestimated Ceded Losses and Expenses:	784,638	11,487	255,784	856,799	250,312	357,214	483,077		1,021,755	250,000
(6) Reestimated Net Incurred Losses and Expenses:										
End of Year	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	10,000,000
One Year Later	5,180,302	5,564,368	4,269,594	6,225,792	7,749,689	6,250,127	6,625,000	6,700,000	7,800,000	
Two Years Later	4,683,368	3,940,045	4,444,216	5,625,794	6,949,788	6,392,786	6,300,000	6,400,000		
Three Years Later	4,211,842	5,288,512	4,200,001	6,182,592	6,450,001	6,300,000	6,500,000			
Four Years Later	5,200,000	4,986,012	4,100,000	6,282,592	6,300,000	5,500,000				
Five Years Later	4,900,001	4,788,512	3,999,998	6,600,000	5,305,300					
Six Years Later	4,782,388	4,588,513	3,800,000	6,000,000						
Seven Years Later	4,782,388	4,323,922	3,700,000							
Eight Years Later	4,782,388	4,323,922								
Nine Years Later	4,782,388									
(7) Increase (Decrease) in Estimated Net Incurred Losses and Expense from End of Year	(2,852,612)	(2,966,078)	(2,215,000)	(1,120,164)	(3,094,700)	(2,000,000)	(1,200,000)	(950,000)	(1,000,000)	

NEW MEXICO SELF-INSURERS' FUND
SUPPLEMENTAL CLAIMS DEVELOPMENT INFORMATION
HEALTH BENEFITS CLAIMS DEVELOPMENT TABLE
YEAR ENDED JUNE 30, 2009

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
(1) Premiums and Investment Revenue:										
Earned	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	8,397,744
Ceded	604,131	782,130	938,530	799,031	942,040	810,386	702,105	444,928	501,889	447,870
Net Earned	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	7,949,874
(2) Unallocated Expenses	404,901	391,188	440,963	460,075	465,116	562,955	539,751	425,997	430,128	415,766
(3) Estimated Losses and Expenses, End of Year:										
Incurred	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	7,776,895
Ceded					835,433	29,283	47,961	405,303	9,017	
Net Incurred	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	7,776,895
(4) Net Paid (cumulative) as of:										
End of Year	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	6,306,203
One Year Later	6,634,622	7,051,468	8,189,436	6,759,573	8,163,107	7,914,075	7,949,595	7,810,665	7,298,671	
Two Years Later	6,689,170	7,048,743	8,217,869	6,773,483	8,163,172	7,906,237	8,084,274	7,808,350		
Three Years Later	6,689,170	6,997,336	8,217,864	6,770,685	8,161,218	7,910,272	8,081,208			
Four Years Later	6,680,657	7,004,129	8,217,585	6,770,471	8,159,537	7,906,352				
Five Years Later	6,683,808	7,004,129	8,217,585	6,770,334	8,157,416					
Six Years Later	6,683,808	7,004,129	8,217,585	6,770,334						
Seven Years Later	6,683,808	7,004,129	8,213,975							
Eight Years Later	6,683,808	7,003,288								
Nine Years Later	6,683,808									
(5) Reestimated Ceded Losses and Expenses:	185,036	333,452	656,160	207,000	890,416	255,283	189,653	675,623	16,910	
(6) Reestimated Net Incurred Losses and Expenses:										
End of Year	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	7,776,895
One Year Later	6,820,286	7,386,767	8,847,531	6,761,210	8,164,792	7,921,151	7,964,827	7,823,765	7,306,749	
Two Years Later	6,874,206	7,382,195	8,217,869	6,773,483	8,163,172	7,906,237	8,084,274	7,808,350		
Three Years Later	6,874,206	6,997,336	8,217,864	6,770,685	8,161,218	7,910,272	8,081,208			
Four Years Later	6,680,657	7,004,129	8,217,585	6,770,471	8,159,537	7,906,352				
Five Years Later	6,683,808	7,004,129	8,217,585	6,770,334	8,157,416					
Six Years Later	6,683,808	7,004,129	8,217,585	6,770,334						
Seven Years Later	6,683,808	7,004,129	8,213,975							
Eight Years Later	6,683,808	7,003,288								
Nine Years Later	6,683,808									
(7) Increase (Decrease) in Estimated Net Incurred Losses and Expense from End of Year	(301,192)	(823,253)	(1,160,005)	(86,567)	(811,634)	(211,210)	194,506	(1,243,696)	(450,134)	

**NEW MEXICO SELF-INSURERS' FUND
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2009**

	First Community Bank
Bank Accounts:	
Checking accounts	\$ 351,502
Money markets	5,455,137
Total amount of deposits in bank	5,806,639
Less: FDIC coverage	601,502
Total uninsured public funds	5,205,137
Collateral requirements (Per 6-10-10 & 6-10-17, NMSA 1978):	
50% of uninsured time and demand accounts	2,602,569
Total collateral required	2,602,569
Pledged collateral:	
Eastern New Mexico Univ, matures August 15, 2011, CUSIP 27678NAK9	275,000
Dona Ana Brh Cmnty College, matures August 1, 2015, CUSIP 257578DF8	315,000
Dona Ana Brh Cmnty College, matures August 1, 2016, CUSIP 257578DG6	300,000
Bernalillo NM MUD #01 FSA, matures August 1, 2018, CUSIP 085279NK9	525,000
Luna Cnty NM Sch Dist No 001, matures August 1, 2019, CUSIP 550340DA8	500,000
Ruidoso N Mex Gros Rcpts Tax Rev, matures June 1, 2020, CUSIP 781336AQ5	1,060,000
MBS GNMA I 15-Yr SF, matures May 15, 2023, CUSIP 36295KKN2	1,079,045
FNR 2003-64 YA, matures May 25, 2023, CUSIP 31393DKW0	143,729
FHR 2645 NA, matures September 15, 2031, CUSIP 31393WSN0	186,934
Luna Cnty NM Gross Rcpts, matures July 1, 2032, CUSIP 550332CX6	507,500
FHR 3154 KM, matures September 15, 2034, CUSIP 31396RN86	1,159,598
Total collateral	6,051,806
Over / (under) secured	\$ 3,449,237
Custodial Credit Risk:	
Insured	\$ 601,502
Collateralized with securities held by pledging financial institution's trust department	5,205,137
Total deposits	\$ 5,806,639
Location of collateral:	
First Community Bank, Dallas, TX	

NEW MEXICO SELF-INSURERS' FUND
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2009

<u>Bank Account Type / Name</u>	<u>First Community</u>	<u>Merrill Lynch</u>	<u>Wachovia</u>	<u>Total</u>
Checking - Clearing	\$ 351,502	\$	\$	\$ 351,502
Money market - Claims	5,004,687			5,004,687
Money market - Health benefits	450,450			450,450
Investment - Workers compensation		45,466,591		45,466,591
Investment - Liability		39,301,466		39,301,466
Investment - Property			2,385,997	2,385,997
Investment - Health			4,659,137	4,659,137
Total on deposit	5,806,639	84,768,057	7,045,134	97,619,830
Reconciling items	(542,715)			(542,715)
Reconciled balance, June 30, 2009	5,263,924	84,768,057	7,045,134	97,077,115
Total deposits and investments	<u>\$ 5,263,924</u>	<u>\$ 84,768,057</u>	<u>\$ 7,045,134</u>	<u>\$ 97,077,115</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**

Mr. Hector H. Balderas
New Mexico State Auditor

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, 2009, and have issued our report thereon dated October 1, 2009. 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 1, 2009

**NEW MEXICO SELF-INSURERS' FUND
CURRENT AND PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009**

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, 2009**

An exit conference was conducted on November 5, 2009, in a closed meeting, in which the contents of this report were discussed with the following:

Board of Trustees

Pete Mileta, Jr., Chairman City Manager City of Raton	Eddie Trujillo, Board Member Council Member City of Las Vegas
David Venable, Vice-Chairman Mayor Village of Cloudcroft	Keith Johnson, Board Memeber City Manager City of Bloomfield
Ray Baca, Board Member Mayor Town of Hurley	Robert Gibson, Board Member Council Member County of Los Alamos
Gloria Chavez, Board Member Mayor Village of Tijeras	

New Mexico Self-Insurers' Fund

William Fulginiti, Fund Administrator
Edwin S. Zendel, Risk Services Director
Kathy Villa, Deputy Risk Services Director
Dan Cisneros, Controller

Heinfeld, Meech & Co., P.C.

Corey Arvizu, Partner