



NEW MEXICO SELF-INSURERS' FUND
FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

TABLE OF CONTENTS

NEW MEXICO SELF-INSURERS' FUND

Official Roster.....	1
Report of Independent Auditors.....	2
Management's Discussion and Analysis	5
BASIC FINANCIAL STATEMENTS	
Statements of Net Assets	10
Statements of Revenues, Expenses and Changes in Fund Net Assets	11
Statements of Cash Flows.....	12
Notes to Financial Statements	13
SUPPLEMENTAL CLAIMS DEVELOPMENT INFORMATION - REQUIRED SUPPLEMENTARY INFORMATION	
Notes to Supplemental Claims Development Information	26
Reconciliation of Claims Liabilities by Type of Contract.....	27
Workers' Compensation Ten Year Claims Development Information - Unaudited	28
Liability Ten Year Claims Development Information - Unaudited	29
Health Benefits Ten Year Claims Development Information - Unaudited	30

TABLE OF CONTENTS

NEW MEXICO SELF-INSURERS' FUND

OTHER SUPPLEMENTAL INFORMATION

Schedule of Pledged Collateral31

Schedule of Deposits and Investment Accounts32

OTHER INFORMATION

Report of Independent Auditors 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*.....33

Schedule of Findings and Responses35

Exit Conference.....36

**NEW MEXICO SELF-INSURERS' FUND
OFFICIAL ROSTER
YEAR ENDED JUNE 30, 2011**

Board of Trustees

Pete Mileta, Jr., Chairman City Manager
City of Raton

Vice-Chairman Vacant

Linda Calhoun, Board Member Mayor
Town of Red River

John Capps, Board Member City Manager
City of Roswell

Gloria Chavez, Board Member Mayor
Village of Tijeras

James Jimenez, Board Member City Manager
City of Rio Rancho

Mike Miller, Board Member Council Member
City of Portales

Eddie Trujillo, Board Member Council Member
City of Las Vegas

Andy Nunez, Board Member Mayor Pro Tem
Village of Hatch

David Venable, Board Member Mayor
Village of Cloudcroft

Robert Gibson
Council Member City of Los Alamos

New Mexico Self-Insurers' Fund

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

Report of Independent Auditors

Board of Trustees
New Mexico Self-Insurers' Fund
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the business-type activities of the New Mexico Self-Insurers' Fund (the Fund), as of and for the year ended June 30, 2011, which collectively comprise the Fund's basic financial statements 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 financial statements of the Fund as of June 30, 2010, were audited by other auditors whose report dated September 30, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2011, and the respective changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees
New Mexico Self-Insurers' Fund
and
Mr. Hector H. Balderas
New Mexico State Auditor

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and ten year claims development information on pages 26 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying financial information listed as other supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has

been subjected to the auditing procedures applied in the audit of the basic financial Board of Trustees
New Mexico Self-Insurers' Fund
and
Mr. Hector H. Balderas
New Mexico State Auditor

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Mess Adams LLP

Albuquerque, New Mexico
November 14, 2011

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2011**

As management of the New Mexico Self-Insurers' Fund (the Fund), we offer readers of the Fund's financial statements this narrative overview and analysis of the financial position of the Fund as of June 30, 2011 and the results of its operations for the year then ended. Comparative data as of June 30, 2011 and 2010 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 the statements of fund net assets, 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 statements of fund net assets are presented as of June 30, 2011 and 2010, while the latter two statements cover the years then ended.

Financial Highlights

Each year the Fund has tried to maintain or reduce premium contribution while increasing surplus. Net assets increased \$7.1 million from approximately \$53.9 million as of June 30, 2009 to approximately \$61 million as of June 30, 2010 and \$3.7 million from approximately \$61 million as of June 30, 2010 to approximately \$64.7 million as of June 30, 2011. The increases are mainly due to change in prior year's ultimate loss and the results of the current year's operations.

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, 2011 and 2010. The statement of revenues, expenses and changes in fund net assets presents the Fund's results of operations for the years ended June 30, 2011 and 2010. The statement of cash flows outlines the cash inflows and outflows related to the operation of the Fund for the years ended June 30, 2011 and 2010. 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 (CONTINUED)
Year Ended June 30, 2011**

Condensed Comparative Financial Information

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

	2011	2010	2009
Assets			
Investments	\$ 106,331,575	105,036,434	91,813
Cash in bank	3,078,401	370,400	5,263,924
Accrued investment income	555,933	648,625	754,503
Contributions receivable	9,786,073	8,527,509	6,748,397
Due from reinsurers	249,479	888,249	284,278
Equity in NLC Mutual Insurance Co.	5,315,441	5,062,325	4,798,412
	<u>125,316,902</u>	<u>120,533,542</u>	<u>109,662,705</u>
Total assets			
Liabilities			
Prepaid contributions	662,004	554,397	544,383
Other liabilities	369,902	237,937	446,645
Reserve for unpaid claims and claim adjustment expenses	59,593,417	58,767,246	54,725,786
	<u>60,625,323</u>	<u>59,559,580</u>	<u>55,716,814</u>
Total liabilities			
Net Assets			
Unrestricted – members' equity	<u>64,691,579</u>	<u>60,973,962</u>	<u>53,945,891</u>
	<u>\$ 64,691,579</u>	<u>60,973,962</u>	<u>53,945,891</u>
Total net assets			

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011**

Condensed Comparative Financial Information (Continued)

The Fund's revenues and expenses can be summarized as follows for the years ended June 30:

	2011	2010	2009
Earned premiums	\$ 35,467,556	36,813,274	32,592,489
Less reinsurance premiums	<u>(4,509,439)</u>	<u>(4,344,087)</u>	<u>(4,044,263)</u>
Total operating revenues	<u>30,958,117</u>	<u>32,469,187</u>	<u>28,548,226</u>
Investment income	1,757,969	6,439,400	5,454,070
Equity in earnings of NLC Mutual	<u>253,116</u>	<u>263,913</u>	<u>199,285</u>
Total non-operating revenues	<u>2,011,085</u>	<u>6,703,313</u>	<u>5,653,355</u>
Total revenues	<u>32,969,202</u>	<u>39,172,500</u>	<u>34,201,581</u>
Claims and claim adjustment Expense	22,347,313	25,422,033	17,433,115
Claim and trust administration	4,933,074	4,851,590	4,646,776
Member dividends	<u>1,971,198</u>	<u>1,870,806</u>	<u>465,030</u>
Total expenses	<u>29,251,585</u>	<u>32,144,429</u>	<u>22,544,921</u>
Increase in net assets	3,717,617	7,028,071	11,656,660
Net assets, beginning of year	<u>60,973,962</u>	<u>53,945,891</u>	<u>42,289,231</u>
Net assets, end of year	<u>\$ 64,691,579</u>	<u>60,973,962</u>	<u>53,945,891</u>

Financial Analysis of the Fund

Total assets and net assets increased from fiscal year 2009 due to increased interest earnings attributed to the larger investment portfolio. Total liabilities increased \$3,842,766, or less than 7%. Total assets and net assets have increased from fiscal year 2010 due to increased cash and contribution and noncurrent self-insured receivables. Total liabilities increased \$1,065,743, or 1%. Total assets consist primarily of investments, contributions receivable and cash in bank, while most of the Fund's capitalization is provided through both net assets and liabilities.

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011**

Financial Analysis of the Fund (Continued)

Total operating revenues increased 14% to \$32.5 million from \$28.5 million due to an increase in earned premiums from June 30, 2009 to June 30, 2010. Total operating revenues decreased approximately 4% to \$31.0 million from \$32.5 million due to a decrease in earned premiums from June 30, 2010 to June 30, 2011. Earned premiums decreased during the year mainly due to a decrease in participating members. Non-operating revenues increased approximately \$1 million primarily due to increased interest earnings attributed to the larger investment portfolio. For the years ended June 30, 2010 and 2009, net assets increased \$7.1 million, respectively. Non-operating revenues decreased by approximately \$4.7 million primarily due to decreased interest earnings from the investment portfolio. For the years ended June 30, 2011 and 2010, net assets increased \$3.7 million and \$7.1 million, respectively.

The decrease in claims and claim adjustment expenses from was primarily due to an increase in the provision for current year's events of \$3.3 million, whereas the prior year increase was \$4.0 million. The Workers' Compensation Fund had a decrease in actual current year claim expense of \$0.8 million, with an increase in estimated claim reserve of \$1.3 million due to events of the prior years. The Liability/Property Fund had a decrease in actual current year claim expense of \$2.8 million due to lower estimated claims costs and a decrease in estimated claims reserves of \$1.8 million due to events of the prior years. The Health Benefits Fund had an increase in actual current year claim expense of \$0.5 million and an increase in the estimated prior years' claim reserves of \$0.3 million due to industry-wide increases in claims payouts.

	2011	2010	2009
Unpaid claims and claim adjustment expenses at beginning of year	\$ 58,767,246	54,725,786	54,544,330
Incurred claims and claim adjustment expenses			
Provision for insured events of the current year	29,227,790	28,933,174	24,883,895
Decrease in provision for insured events of prior years	<u>(6,880,477)</u>	<u>(3,511,141)</u>	<u>(7,450,780)</u>
Total incurred claims and claim adjustment expense	\$ <u>22,347,313</u>	<u>25,422,033</u>	<u>17,433,115</u>

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011**

Unpaid Claims Liabilities (Continued)

	2011	2010	2009
Claims and claim adjustment expenses attributable to insured events of the current year	\$ 12,302,914	13,053,041	9,367,274
Claims and claim adjustment expenses attributable to insured events of prior years	<u>9,218,228</u>	<u>8,327,532</u>	<u>7,884,385</u>
Total payments	<u>21,521,142</u>	<u>21,380,573</u>	<u>17,251,659</u>
Total unpaid claims and claim adjust expenses at end of year	<u>\$ 59,593,417</u>	<u>58,767,246</u>	<u>54,725,786</u>

Currently Known Facts, Decisions and Conditions

The New Mexico Self Insurers' Fund Board of Trustees maintained contribution levels for all lines due to the current economic challenges faced by the members. Therefore, the Board elected to forego rate increases for fiscal year 2010-11.

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, 2011.

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.

BASIC FINANCIAL STATEMENTS

NEW MEXICO SELF-INSURERS' FUND
STATEMENTS OF NET ASSETS
June 30, 2011 and 2010

	2011	2010
ASSETS		
Current Assets		
Short term investments	\$ 16,850	72,477
Cash and cash equivalents	3,078,401	370,400
Accrued investment income	555,933	648,625
Contributions receivable	3,566,632	3,578,587
Due from reinsurers	249,479	888,249
	<hr/>	<hr/>
Total current assets	7,467,295	5,558,338
Non-Current Assets		
Long-term investments	106,314,725	104,963,957
Equity in NLC Mutual Insurance Company	5,315,441	5,062,325
Long-term contributions receivable	6,219,441	4,948,922
	<hr/>	<hr/>
Total non-current assets	117,849,607	114,975,204
	<hr/>	<hr/>
Total assets	\$ 125,316,902	120,533,542
LIABILITIES		
Current Liabilities		
Prepaid contributions	\$ 662,004	554,397
Accounts payable	369,902	237,937
Reserve for unpaid claims and claim adjustment expenses, current portion	21,719,413	19,393,191
	<hr/>	<hr/>
Total current liabilities	22,751,319	20,185,525
Non-Current Liabilities		
Reserve for unpaid claims and claim adjustment expenses	37,874,004	39,374,055
	<hr/>	<hr/>
Total liabilities	60,625,323	59,559,580
NET ASSETS		
Unrestricted - members' equity	64,691,579	60,973,962
	<hr/>	<hr/>
Total liabilities and net assets	\$ 125,316,902	120,533,542
	<hr/>	<hr/>

See Notes to Financial Statements.

NEW MEXICO SELF-INSURERS' FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ending June 30, 2011 and 2010

	2011	2010
Operating Revenues		
Earned premiums	\$ 35,467,556	36,813,274
Less reinsurance premiums	<u>(4,509,439)</u>	<u>(4,344,087)</u>
Total operating revenues	<u>30,958,117</u>	<u>32,469,187</u>
Operating Expenses		
Claims and claim adjustment expenses	22,347,313	25,422,033
Claim and trust administration	4,933,074	4,851,590
Members' dividends	<u>1,971,198</u>	<u>1,870,806</u>
Total operating expenses	<u>29,251,585</u>	<u>32,144,429</u>
Operating income	<u>1,706,532</u>	<u>324,758</u>
Non-Operating Revenues		
Investment income	1,757,969	6,439,400
Equity in earnings of NLC Mutual Insurance Company	<u>253,116</u>	<u>263,913</u>
Total non-operating revenues	<u>2,011,085</u>	<u>6,703,313</u>
Change in net assets	3,717,617	7,028,071
Net assets, beginning of year	<u>60,973,962</u>	<u>53,945,891</u>
Net assets, end of year	<u>\$ 64,691,579</u>	<u>60,973,962</u>

See Notes to Financial Statements.

NEW MEXICO SELF-INSURERS' FUND
STATEMENTS OF CASH FLOWS
Years Ending June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Earned premiums	\$ 34,316,599	35,044,176
Reinsurance premiums	(3,870,669)	(4,948,058)
Claims and claim adjustment expenses	(21,521,142)	(21,380,574)
Claims and trust administration	(4,801,109)	(5,060,297)
Members' dividends	(1,971,198)	(1,870,806)
	<hr/>	<hr/>
Net cash provided by operating activities	2,152,481	1,784,441
Cash Flows From Investing Activities		
Investment income received	4,397,046	4,618,811
Purchases of investments	(66,895,157)	(67,788,116)
Proceeds from sales or maturities of investments	63,053,631	56,491,340
	<hr/>	<hr/>
Net cash provided (used) by investing activities	555,520	(6,677,965)
Increase (decrease) in cash and cash equivalents	2,708,001	(4,893,524)
Cash and cash equivalents, beginning of year	<hr/> 370,400	<hr/> 5,263,924
Cash and cash equivalents, end of year	\$ 3,078,401	370,400
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 1,706,532	324,758
Changes in assets and liabilities		
Contributions receivable	(1,258,564)	(1,779,112)
Due from reinsurers	638,770	(603,971)
Prepaid contributions	107,607	10,014
Accounts payable	131,965	(208,708)
Reserve for unpaid claims and claim adjustment expenses	826,171	4,041,460
	<hr/>	<hr/>
Net cash provided by operating activities	\$ 2,152,481	1,784,441

See Notes to Financial Statements.

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1. NATURE OF ORGANIZATION

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 coverage and develop a comprehensive safety program for its members. The Fund is governed by a Board of Trustees (Trustees) elected from its membership. Furthermore, the Fund has no component units, and the Fund is not included in any other governmental reporting entity.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The basic financial statements of the New Mexico Self-Insurers' Fund (the 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.

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 aggregate excess reinsurance. 107 members participated in this Fund during 2011.

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Reporting Entity (Continued)

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 official's 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. 96 members participated in this Fund during 2011.

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. 93 members participated in this Fund during 2011.

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. 57 members participated in this Fund during 2011.

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. 44 members participated in this Fund during 2011.

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.

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.

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Measurement Focus and Basis of Accounting (Continued)

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 non-operating 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 non-operating revenues and expenses.

The Fund adopted GASB Statement 62, *Codification of Accounting and Financial Reporting Contained in Pre-November 30, 1989 and AICPA Pronouncements*, upon its issuance on December 30, 2010, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The adoption of GASB Statement 62 had no impact on the Fund's accounting policies, as the Fund had previously elected to not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, and applicable FASB pronouncements issued on or before November 30, 1989 have now been incorporated into GASB pronouncements.

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 statements of fund net assets 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.

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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.

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, 2011 and 2010 has been reduced by approximately \$5.7 and \$6.8 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

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Reinsurance (Continued)

reinsurance limits are the responsibility of the members. For health insurance coverage, reinsurance coverage for specific losses in excess of \$200,000 and aggregate losses in excess of the current minimum aggregate attachment point of \$10,272,992 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.

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.

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 50% of checking account balances in excess of FDIC limits.

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.

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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.

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.

Budgets

There is no statutory requirement for the Fund to present budgetary statements, therefore none have been included in these financial statements.

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.

NOTE 3. EQUITY IN NLC MUTUAL INSURANCE COMPANY

The Fund reinsures its workers' compensation and certain of its liability coverage 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 \$5,315,441 and \$5,062,325 at June 30, 2011 and 2010, respectively.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3. EQUITY IN NLC MUTUAL INSURANCE COMPANY (CONTINUED)

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 \$253,116 and \$263,913 in 2011 and 2010, respectively.

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, 2011 and 2010 has been reduced by approximately \$5.7 million and \$6.8 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 audited financial statements as of and for the years ended December 31, 2010 and 2009 is as follows:

	2010	2009
Investments	\$ 251,469,000	233,042,000
Liability for loss and loss adjustment expenses, net of reinsurance recoverable	273,738,000	282,187,000
Members' equity	94,684,000	78,675,000
Earned premiums, net	10,083,000	9,455,000
Net investment income	9,569,000	10,925,000
Net income after dividends to policyholders	7,564,000	9,710,000

NOTE 4. 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, 2011, the carrying amount of the Fund's deposits was \$3,078,401, and the bank balance was \$4,310,275.

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4. DEPOSITS (CONTINUED)

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, 2011, \$2,750,859 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	<u>\$ 4,310,275</u>
Less sweep account secured by other investments	1,309,416
Less FDIC coverage	<u>250,000</u>
Total insured	<u>1,559,416</u>
Total uninsured public funds	2,750,859
50% collateral requirement	1,375,430
Pledged securities, fair value	<u>3,632,087</u>
Pledged in excess of requirement	<u>\$ 2,256,657</u>

The difference between the carrying amount and the bank balance results from \$1,231,874 of outstanding checks and deposits. At June 30, 2011, the Fund maintained the following depository accounts.

Account Depository	Account Name	Type	Carrying Amount	Bank Balance
First Community Bank	Clearing	Checking	\$ -	1,309,416
First Community Bank	Claims	Money Market	3,148,271	3,000,859
First Community Bank	Health Benefits	Money Market	<u>(69,870)</u>	-
Total cash and cash equivalents			<u>\$ 3,078,401</u>	<u>4,310,275</u>

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 5. INVESTMENTS

Interest Rate Risk

A summary of the Fund's investments and their respective maturities at June 30, 2011 and their exposure to interest rate risk are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Money market - U.S.					
Treasuries	\$ 16,850	16,850	-	-	-
Certificates of Deposit - Marketable	1,119,911	-	1,119,911	-	-
Mutual Funds	42,599,317	42,599,317	-	-	-
U.S. Treasuries	-	-	-	-	-
U.S. Agencies:					
Federal National Mortgage Assoc.	944,034	-	716,980	-	227,054
Federal Home Loan Mortgage Corp.	42,323,221	-	4,258,804	11,982,143	26,082,274
Federal Home Loan Bank	12,359,933	-	2,043,294	6,793,510	3,523,129
Federal Farm Credit Bank	6,968,309	-	114,119	6,854,190	-
Total investments	<u>\$ 106,331,575</u>	<u>42,616,167</u>	<u>8,253,108</u>	<u>25,629,843</u>	<u>29,832,457</u>

The Fund's investment policy does not have limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Fund's policy on maturity dates states that investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures as well as considering anticipated revenue.

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.

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 5. INVESTMENTS (CONTINUED)

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 1%, 40%, 12%, and 7% of the Fund's total investments, respectively.

Account Depository	Account Name	Carrying Amount	Bank Balance
Merrill Lynch	Workers' Compensation	\$ 55,576,867	55,576,867
Merrill Lynch	Liability	44,334,410	44,334,410
Wells Fargo	Property	4,915,705	4,915,705
Wells Fargo	Health benefits	<u>1,504,593</u>	<u>1,504,593</u>
Total		<u>\$106,331,575</u>	<u>106,331,575</u>

The amortized cost and estimated market value of investments at June 30, 2011 and 2010 are as follows:

Year	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
2011	\$ 106,017,801	413,340	(99,566)	106,331,575
2010	102,678,540	2,982,546	(624,652)	105,036,434

Investment income for the years ended June 30, 2011 and 2010 includes net realized gains and (losses) from the sale of investments of \$1,158,962 and \$487,850, respectively.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 6. 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 undiscounted 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 for the years ended June 30:

	2011	2010
Unpaid claims and claim adjustment expenses, beginning of year	\$ 58,767,246	54,725,786
Incurred claims and claim adjustment expense		
Provision for insured events of the current year	29,227,790	28,933,174
Decrease in provision for insured events of prior years	<u>(6,880,477)</u>	<u>(3,511,141)</u>
Total incurred claims and claim adjustment expenses	<u>22,347,313</u>	<u>25,422,033</u>
Payments		
Claims and claim adjustment expenses attributable insured events of the current year	12,657,317	13,053,041
Claims and claim adjustment expenses attributable to insured events of prior years	<u>8,863,825</u>	<u>8,327,532</u>
Total payments	<u>21,521,142</u>	<u>21,380,573</u>
Total unpaid claims and claim adjustment expenses, end of year	<u>\$ 59,593,417</u>	<u>58,767,246</u>
Unpaid claims and claim adjustment expenses, end of year, current portion	<u>\$ 21,719,413</u>	<u>19,393,191</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 36% and 33% for the fiscal years ended June 30, 2011 and 2010, respectively. The change of the decrease in provision for insured events of prior years was related to favorable development of prior years' claims.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 7. ADMINISTRATION

The financial arrangement between the Fund and the Municipal League (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 2011 and 2010, the Fund paid \$3,050,858 and \$2,984,155, respectively, for administrative services performed by the League on the Fund's behalf. Accounts Payable at June 30, 2011 and 2010 included \$237,610 and \$195,344, respectively, for amount due to the League for these services.

NOTE 8. 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, 2011 and 2010, \$8,373,058 and \$7,386,446, 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 \$1,356,614 and \$2,080,300 are also included in earned premiums and loss and loss adjustment expenses in the accompanying financial statements for fiscal years 2011 and 2010, 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.

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 9. MEMBER DIVIDENDS

During 2011 and 2010, the Fund distributed \$1,151,741 and \$1,060,399, respectively, as member dividends to members of the Workers' Compensation Fund. The 2011 workers' compensation refunds were based upon each member's contribution to the loss fund for fiscal year 2002. The 2010 workers' compensation refunds were based upon each member's contribution to the loss fund for fiscal year 2001. Only those members who belonged during the designated fiscal year and who were still in the pool for fiscal year 2010-2011 and 2009-2010 were eligible to receive refunds for fiscal years ended June 30, 2011 and 2010, respectively.

During 2011 and 2010, the Fund distributed \$819,457 and \$810,407, respectively, as member dividends to members of the Liability Fund. The 2011 liability refund was based upon each member's contribution to the loss fund for fiscal year 2003. The 2010 workers' compensation refunds were based upon each member's contribution to the loss fund for fiscal year 2001. Only those members who belonged during the designated fiscal year and who were still in the pool for fiscal year 2010-2011 and 2009-2010 were eligible to receive funds for fiscal years ended June 30, 2011 and 2010, respectively.

NOTE 10. SUBSEQUENT EVENTS

The Fund's management has evaluated subsequent events through November 14, 2011, the date on which the financial statements were available to be issued.

**SUPPLEMENTAL CLAIMS DEVELOPMENT INFORMATION –
REQUIRED SUPPLEMENTARY INFORMATION**

NEW MEXICO SELF-INSURERS' FUND
NOTES TO SUPPLEMENTAL CLAIMS DEVELOPMENT INFORMATION
June 30, 2011

Reconciliation of Claims Liabilities by Type of Contract

The schedule on page 27 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 28 through 30 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 re-estimated 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 re-estimated loss and loss adjustment expenses increased or decreased as of the end of successive years (this annual re-estimation 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)
7. A comparison of the latest re-estimated 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 re-estimated 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.

OTHER SUPPLEMENTAL INFORMATION

NEW MEXICO SELF-INSURERS' FUND
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
Years Ending June 30, 2011 and 2010

	Workers' Compensation		Liability/Property		Health Benefits		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Unpaid claims and claim adjustment expenses, beginning of year	\$ 35,627,050	32,840,846	21,331,549	20,406,171	1,808,647	1,478,769	58,767,246	54,725,786
Incurring claims and claim adjustment expenses								
Provision for insured events of current year	9,300,000	8,800,000	8,538,838	9,517,250	11,388,952	10,615,924	29,227,790	28,933,174
Increase (decrease) in the provision for insured events of the prior years	(2,736,701)	(1,464,401)	(2,905,744)	(1,122,272)	(1,238,032)	(924,468)	(6,880,477)	(3,511,141)
Total incurred claims and claim adjustment expenses	6,563,299	7,335,599	5,633,094	8,394,978	10,150,920	9,691,456	22,347,313	25,422,033
Payments								
Claims and claim adjustment expenses attributable to insured events of the current year	1,783,907	1,957,597	1,127,348	2,281,260	9,746,062	8,814,184	12,657,317	13,053,041
Claims and claim adjustment expenses attributable to insured events of the prior years	3,266,772	2,591,798	5,035,760	5,188,340	561,293	547,394	8,863,825	8,327,532
Total payments	5,050,679	4,549,395	6,163,108	7,469,600	10,307,355	9,361,578	21,521,142	21,380,573
Total unpaid claims and claim adjustment expenses, end of year	\$ 37,139,670	35,627,050	20,801,535	21,331,549	1,652,212	1,808,647	59,593,417	58,767,246

NEW MEXICO SELF-INSURERS' FUND
WORKERS' COMPENSATION TEN YEAR CLAIMS
DEVELOPMENT INFORMATION - UNAUDITED
Years Ending June 30, 2011 and 2010

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1. Premiums and investment revenue										
Earned	\$ 10,412,489	9,901,187	7,355,519	9,300,725	10,143,140	13,300,100	13,850,624	13,664,429	16,639,627	13,057,638
Ceded	373,314	591,876	680,323	787,143	1,237,929	1,714,822	1,305,057	920,122	1,143,819	1,087,014
Net earned	10,039,175	9,309,311	6,675,196	8,513,582	8,905,211	11,585,278	12,545,567	12,744,307	15,495,808	11,970,624
2. Unallocated expenses	1,204,002	1,230,862	1,237,356	1,237,363	1,508,444	1,399,522	1,559,598	1,631,965	1,693,826	1,699,499
3. Estimated losses and expenses, end of year										
Incurred	4,750,000	6,250,000	7,285,389	7,286,623	6,600,000	6,700,000	7,400,000	6,950,000	8,800,000	9,300,000
Ceded	-	-	85,389	386,623	-	-	-	-	-	-
Net earned	4,750,000	6,250,000	7,200,000	6,900,000	6,600,000	6,700,000	7,400,000	6,950,000	8,800,000	9,300,000
4. Net paid (cumulative) as of:										
Year one	818,217	1,307,923	1,541,390	1,284,965	1,103,298	1,106,240	1,277,737	1,147,489	1,957,597	1,783,907
Year two	2,180,474	2,483,095	2,746,545	2,463,101	2,405,164	1,582,724	2,160,727	2,267,538	3,560,704	
Year three	2,684,201	2,962,518	3,399,367	2,812,970	2,841,387	1,736,694	2,692,664	2,805,354		
Year four	3,113,941	3,527,927	3,766,037	3,029,144	3,124,548	1,835,361	2,928,151			
Year five	3,236,195	3,831,591	3,902,253	3,167,235	3,204,515	1,980,726				
Year six	3,309,522	4,086,941	3,995,846	3,286,285	3,242,577					
Year seven	3,381,703	4,181,238	4,042,753	3,395,599						
Year eight	3,449,906	4,259,828	4,083,178							
Year nine	3,550,966	4,380,036								
Year ten	3,596,383									
5. Re-estimated ceded losses and expenses	410,205	1,277,390	506,200	931,772	-	-	-	-	-	-
6. Re-estimated net incurred losses and expenses:										
Year one	4,750,000	6,250,000	7,200,000	6,900,000	6,600,000	6,700,000	7,400,000	6,950,000	8,800,000	9,300,000
Year two	4,612,371	5,827,562	6,714,033	6,450,000	6,300,000	5,100,000	6,600,000	6,400,000	9,200,000	
Year three	5,080,434	5,572,665	7,000,000	5,800,000	5,700,000	4,600,000	6,200,000	6,100,000		
Year four	4,810,813	5,800,000	6,300,000	5,200,000	5,200,000	4,300,000	5,600,000			
Year five	5,000,000	5,900,000	6,100,000	4,900,000	4,800,000	4,100,000				
Year six	4,900,000	6,000,000	5,700,000	4,800,000	4,500,000					
Year seven	4,700,000	5,800,000	5,600,000	4,600,000						
Year eight	4,600,000	5,900,000	5,400,000							
Year nine	4,500,000	5,600,000								
Year ten	4,400,000									
7. Increase (decrease) in estimated net incurred losses and expense from end of year	(350,000)	(650,000)	(1,800,000)	(2,300,000)	(2,100,000)	(2,600,000)	(1,800,000)	(850,000)	400,000	-

NEW MEXICO SELF-INSURERS' FUND
LIABILITY TEN YEAR CLAIMS
DEVELOPMENT INFORMATION - UNAUDITED
Years Ending June 30, 2011 and 2010

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1. Premiums and investment revenue										
Earned	\$ 8,416,870	8,879,343	9,611,626	11,517,376	12,377,407	15,264,848	15,105,876	16,471,872	17,233,674	15,047,988
Ceded	1,062,055	1,207,016	1,494,736	1,650,314	1,920,082	2,010,061	1,249,508	1,674,429	1,678,598	1,838,006
Net earned	7,354,815	7,672,327	8,116,890	9,867,062	10,457,325	13,254,787	13,856,368	14,797,443	15,555,076	13,209,982
2. Unallocated expenses	1,233,638	1,237,901	1,445,516	1,566,760	1,846,835	1,750,005	1,835,478	1,991,702	2,017,215	2,024,610
3. Estimated losses and expenses, end of year										
Incurred	5,915,000	7,200,164	8,450,000	7,557,500	7,707,500	7,600,000	10,900,000	10,750,000	9,961,445	8,500,000
Ceded	-	80,000	50,000	57,500	7,500	250,000	2,100,000	750,000	561,445	-
Net earned	5,915,000	7,120,164	8,400,000	7,500,000	7,700,000	7,350,000	8,800,000	10,000,000	9,400,000	8,500,000
4. Net paid (cumulative) as of:										
Year one	633,324	738,658	875,455	904,231	1,018,953	850,163	763,933	1,688,534	1,171,576	892,570
Year two	2,153,312	2,655,886	2,944,540	2,602,402	2,042,477	1,942,724	2,256,045	3,479,280	3,388,915	
Year three	2,755,398	3,327,011	4,182,338	3,725,814	2,728,567	3,022,898	4,321,993	4,396,580		
Year four	2,765,839	3,775,298	4,593,173	4,120,783	3,983,820	3,438,913	5,717,095			
Year five	2,974,597	4,223,407	4,999,579	4,273,731	5,111,077	3,732,626				
Year six	3,117,523	4,436,251	5,054,966	4,376,423	5,706,774					
Year seven	3,134,536	4,816,474	5,049,877	4,380,572						
Year eight	3,134,698	4,823,501	5,049,877							
Year nine	3,139,545	4,885,603								
Year ten	3,150,000									
5. Re-estimated ceded losses and expenses	255,784	856,799	250,312	357,214	483,077	-	1,591,613	154,871	343,211	-
6. Re-estimated net incurred losses and expenses:										
Year one	5,915,000	7,120,164	8,400,000	7,500,000	7,700,000	7,350,000	8,800,000	10,000,000	9,400,000	8,500,000
Year two	4,269,594	6,225,792	7,749,689	6,250,127	6,625,000	6,700,000	7,800,000	9,200,000	8,400,000	
Year three	4,444,216	5,625,794	6,949,788	6,392,786	6,300,000	6,400,000	8,400,000	8,400,000		
Year four	4,200,001	6,182,592	6,450,001	6,300,000	6,500,000	6,100,000	8,600,000			
Year five	4,100,000	6,282,592	6,300,000	5,500,000	6,700,000	5,700,000				
Year six	3,999,998	6,600,000	5,305,300	5,200,000	6,800,000					
Year seven	3,800,000	6,000,000	5,300,189	5,000,000						
Year eight	3,700,000	6,000,000	5,300,189							
Year nine	3,700,000	6,000,000								
Year ten	3,600,000									
7. Increase (decrease) in estimated net incurred losses and expense from end of year	(2,315,000)	(1,120,164)	(3,099,811)	(2,500,000)	(900,000)	(1,650,000)	(200,000)	(1,600,000)	(1,000,000)	-

NEW MEXICO SELF-INSURERS' FUND
HEALTH BENEFITS TEN YEAR CLAIMS
DEVELOPMENT INFORMATION - UNAUDITED
Years Ending June 30, 2011 and 2010

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1. Premiums and investment revenue										
Earned	\$ 10,442,864	9,894,524	10,596,269	10,263,213	10,348,823	8,917,017	8,903,650	8,397,744	9,941,243	9,735,747
Ceded	938,530	799,031	942,040	810,386	702,105	444,928	501,889	447,870	533,651	548,912
Net earned	9,504,334	9,095,493	9,654,229	9,452,827	9,646,718	8,472,089	8,401,761	7,949,874	9,407,592	9,186,835
2. Unallocated expenses	440,963	460,075	465,116	562,955	539,751	425,997	430,128	415,766	485,368	494,888
3. Estimated losses and expenses, end of year										
Incurred	9,373,980	6,856,901	9,804,483	8,146,845	7,934,663	9,457,349	7,765,900	7,776,895	10,709,996	11,425,443
Ceded	-	-	835,433	29,283	47,961	405,303	9,017	-	230,436	36,491
Net earned	9,373,980	6,856,901	8,969,050	8,117,562	7,886,702	9,052,046	7,756,883	7,776,895	10,479,560	11,388,952
4. Net paid (cumulative) as of:										
Year one	7,888,081	5,505,047	7,512,807	6,746,034	6,605,443	6,977,826	6,096,479	6,306,203	8,677,819	9,646,062
Year two	8,189,436	6,759,573	8,163,107	7,914,075	7,949,595	7,810,665	7,298,671	7,004,481	9,160,512	
Year three	8,217,869	6,773,483	8,163,172	7,906,237	8,084,274	7,808,350	7,284,244	7,016,214		
Year four	8,217,864	6,770,685	8,161,218	7,910,272	8,081,208	7,808,558	7,289,335			
Year five	8,217,585	6,770,471	8,159,537	7,906,352	8,081,154	7,870,887				
Year six	8,217,585	6,770,334	8,157,416	7,906,106	8,080,929					
Year seven	8,217,585	6,770,334	8,157,416	7,905,901						
Year eight	8,213,975	6,770,334	8,157,094							
Year nine	8,213,975	6,770,334								
Year ten	8,213,975									
5. Re-estimated ceded losses and expenses	656,160	207,000	890,416	255,283	189,653	675,623	16,910	130,164	485,678	36,491
6. Re-estimated net incurred losses and expenses:										
Year one	9,373,980	6,856,901	8,969,050	8,117,562	7,886,702	9,052,046	7,756,883	7,776,895	10,479,560	11,388,952
Year two	8,847,531	6,761,210	8,164,792	7,921,151	7,964,827	7,823,765	7,306,749	7,011,387	9,160,512	
Year three	8,217,869	6,773,483	8,163,172	7,906,237	8,084,274	7,808,350	7,284,244	7,016,214		
Year four	8,217,864	6,770,685	8,161,218	7,910,272	8,081,208	7,808,558	7,289,335			
Year five	8,217,585	6,770,471	8,159,537	7,906,352	8,081,154	7,870,887				
Year six	8,217,585	6,770,334	8,157,416	7,906,106	8,080,929					
Year seven	8,217,585	6,770,334	8,157,416	7,905,901						
Year eight	8,213,975	6,770,334	8,157,094							
Year nine	8,213,975	6,770,334								
Year ten	8,213,975									
7. Increase (decrease) in estimated net incurred losses and expense from end of year	(1,160,005)	(86,567)	(811,634)	(211,661)	194,227	(1,181,159)	(467,548)	(460,681)	(1,319,048)	-

**NEW MEXICO SELF-INSURERS' FUND
SCHEDULE OF PLEDGED COLLATERAL
Year Ending June 30, 2011**

	US Bank
Bank Accounts	
Amounts on deposits in bank	\$ 4,310,275
Less sweep account secured by other investments	1,309,416
Less FDIC coverage	<u>250,000</u>
Total insured	<u>1,559,416</u>
Total uninsured public funds	<u>2,750,859</u>
Collateral requirements (per 6-10-10 & 6-10-17, NMSA 1978) 50% of uninsured time and demand accounts	<u>1,375,430</u>
Total collateral required	<u>1,375,430</u>
Pledged collateral	
FNMA Pool, matures January 1, 2019, CUSIP 31413WZJ7	<u>3,632,087</u>
Total collateral	<u>3,632,087</u>
Over secured	<u>\$ 2,256,657</u>
Custodial credit risk	
Insured	\$ 1,559,416
Collateralized with securities held by pledging financial institution's trust department	<u>2,750,859</u>
Total deposits	4,310,275
Total reconciling items	<u>(1,231,874)</u>
Book balance	<u>\$ 3,078,401</u>
Location of collateral	
US Bank, Dallas, TX	

NEW MEXICO SELF-INSURERS' FUND
SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS
Year Ending June 30, 2011

Bank Account Type/Name	US Bank	Merrill Lynch	Wells Fargo	Total
Checking - Clearing	\$ 1,309,416	-	-	1,309,416
Money Market - Claims	3,000,859	-	-	3,000,859
Money Market - Health Benefits	-	-	-	-
Investment - Workers' Compensation	-	55,576,867	-	55,576,867
Investment - Liability	-	44,334,410	-	44,334,410
Investment - Property	-	-	4,915,705	4,915,705
Investment - Health	-	-	1,504,593	1,504,593
Total on deposit	4,310,275	99,911,277	6,420,298	110,641,850
Reconciling items	(1,231,874)	-	-	(1,231,874)
Reconciled balance, June 30, 2011	3,078,401	99,911,277	6,420,298	109,409,976
Total deposits and investments	\$ 3,078,401	99,911,277	6,420,298	109,409,976

Report of Independent Auditors 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 and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the New Mexico Self-Insurers' Fund (the Fund) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected, on a timely basis.

Board of Trustees
New Mexico Self-Insurers' Fund and
Mr. Hector H. Balderas
New Mexico State Auditor

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Fund's management, others within the Fund, the Board of Trustees, the Office of the State Auditor, the New Mexico Legislature, 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.

Mess Adams LLP

Albuquerque, New Mexico
November 14, 2011

**NEW MEXICO SELF-INSURERS' FUND
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011**

PRIOR YEAR FINDINGS

2010-1 Submission of Financial Statements

Resolved

CURRENT YEAR FINDINGS

None

**NEW MEXICO SELF-INSURERS' FUND
EXIT CONFERENCE
June 30, 2011**

An exit conference was held on November 4, 2011. In attendance were:

New Mexico Self-Insurers' Fund:

Fran Berting, Councilmember, County of Los Alamos
Linda Calhoun, Mayor, Town of Red River
Gloria Chavez, Mayor, Village of Tijeras
Larry Fry, City Manager, City of Roswell
James Jimenez, City Manager, City of Rio Rancho
Debi Lee, Village Manager, Village of Ruidoso
Eddie Trujillo, Municipal Judge, City of Las Vegas
David Venable, Mayor, Village of Cloudcroft
Dan Cisneros, Controller
William Fulginiti, Executive Director
Ed Zendel, Risk Services Director
Kathy Villa, Deputy Risk Services Director
Brock Carter, Safety Counseling, Inc. President

Moss Adams LLP:

Brandon Fryar, Partner
Jason Galloway, Senior Manager

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