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NEW MEXICO SELF-INSURERS' FUND
FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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**NEW MEXICO SELF-INSURERS' FUND
OFFICIAL ROSTER
YEAR ENDED JUNE 30, 2013**

Board of Trustees

Dave Venable., Chairman Mayor
Village of Cloudcroft

Vice-Chairman Vacant

Linda Calhoun, Board Member Mayor
Town of Red River

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City of Los Alamos

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Larry Fry, Board Member City Manager
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Village of Ruidoso

New Mexico Self-Insurers' Fund

William Fulginiti, Fund Administrator
Edwin S. Zendel, Risk Services Director
Kathy Hennessy, 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

Report on the Financial Statements

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 years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Fund as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 and ten year claims development information on pages 28 through 32 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 inquiries 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.

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

Other Information

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 supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
November 21, 2013

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2013**

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, 2013 and the results of its operations for the year then ended. Comparative data as of June 30, 2012 and 2011 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 net position, which report the Fund's assets, liabilities and members' net position (equity); statements of revenues, expenses and changes in net position and statements of cash flows, which summarize cash receipts and payments. The statements of net position are presented as of June 30, 2013, 2012 and 2011, while the latter statements cover the years then ended.

Financial Highlights

Each year the Fund has tried to maintain or reduce premium contribution while increasing net position or equity. Net position increased \$6 million from \$64.7 million as of June 30, 2011 to \$70.7 million as of June 30, 2012, and increased \$7 million from \$70.7 million as of June 30, 2012 to \$77.7 million as of June 30, 2013. The increase for the year ended June 30, 2012 is primarily due to increased earnings attributed to the Fund's investment portfolio, and the increase for the year ended June 30, 2013 is primarily due to a favorable change to market conditions 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 position provides information about the assets and liabilities of the Fund, and they reflect the Fund's net position at June 30, 2013, 2012 and 2011. The statement of revenues, expenses and changes in fund net position presents the Fund's results of operations for the years ended June 30, 2013, 2012 and 2011. The statement of cash flows outlines the cash inflows and outflows related to the operation of the Fund for the years ended June 30, 2013, 2012 and 2011. 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, 2013**

Condensed Comparative Financial Information

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

	2013	2012	2011
Assets			
Investments	\$ 115,352,291	117,657,021	106,331,575
Cash in bank	5,007,513	541,170	3,078,401
Accrued investment income	254,270	244,451	555,933
Contributions receivable	8,253,818	10,294,260	9,786,073
Prepaid expenses	-	362,559	-
Due from reinsurers	127,383	112,777	249,479
Equity in NLC Mutual Insurance Co.	<u>5,782,932</u>	<u>5,554,636</u>	<u>5,315,441</u>
Total assets	<u>134,778,207</u>	<u>134,766,874</u>	<u>125,316,902</u>
Liabilities			
Prepaid contributions	452,792	589,189	662,004
Accounts payable	507,076	274,982	369,902
Reserve for unpaid claims and claim adjustment expenses	<u>56,121,460</u>	<u>63,190,228</u>	<u>59,593,417</u>
Total liabilities	<u>57,081,328</u>	<u>64,054,399</u>	<u>60,625,323</u>
Net Position			
Unrestricted – members' equity	<u>77,696,879</u>	<u>70,712,475</u>	<u>64,691,579</u>
Total net position	<u>\$ 77,696,879</u>	<u>70,712,475</u>	<u>64,691,579</u>

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2013**

Condensed Comparative Financial Information (Continued)

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

	2013	2012	2011
Earned premiums	\$ 32,820,160	36,169,282	35,467,556
Less reinsurance premiums	<u>(4,297,657)</u>	<u>(4,339,892)</u>	<u>(4,509,439)</u>
Total operating revenues	<u>28,522,503</u>	31,829,390	30,958,117
Investment (loss) income	<u>(2,934,011)</u>	6,559,458	1,757,969
Equity in earnings of NLC Mutual	<u>228,295</u>	<u>239,195</u>	<u>253,116</u>
Total non-operating Income	<u>(2,705,716)</u>	6,798,653	2,011,085
Total revenues	<u>25,816,787</u>	<u>38,628,043</u>	<u>32,969,202</u>
Claims and claim adjustment Expense	11,861,734	25,239,016	22,347,313
Claim and trust administration	5,174,836	5,184,720	4,933,074
Member dividends	<u>1,795,813</u>	<u>2,183,411</u>	<u>1,971,198</u>
Total expenses	<u>18,832,383</u>	<u>32,607,147</u>	<u>29,251,585</u>
Increase in net position	6,984,404	6,020,896	3,717,617
Net position, beginning of year	<u>70,712,475</u>	<u>64,691,579</u>	<u>60,973,962</u>
Net position, end of year	<u>\$ 77,696,879</u>	<u>70,712,475</u>	<u>64,691,579</u>

Financial Analysis of the Fund

Total assets and net position increased from fiscal year 2011 to 2012 due to increased cash and investments, as well as, contribution and noncurrent self-insured receivables. Total liabilities increased \$3.4 million, or 6% from 2011 to 2012. Total assets and net position have increased from fiscal year 2012 to 2013 due to increased cash and investments, as well as, the reduction in claims and claim adjustment expense. Total liabilities decreased \$7 million, or 11% from 2012 to 2013. Total assets consist primarily of investments, contributions receivable and cash in bank, while liabilities are substantially comprised of unpaid claims and claim

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2013**

Financial Analysis of the Fund (Continued)

adjustment expenses, which are subject to actuarial estimates as further described in the footnotes to the financial statements.

Total operating revenues increased 3% to \$31.8 million from \$31 million due to an increase in earned premiums from June 30, 2011 to June 30, 2012. Total operating revenues decreased approximately 10% to \$28.5 million from \$31.8 million due to a decrease in earned premiums from June 30, 2012 to June 30, 2013. Earned premiums decreased during the year mainly due to a decrease in premiums for the Health Fund. Non-operating revenues increased by \$4.8 million primarily due to increased earnings attributed to the Fund's investment portfolio resulting from overall market conditions, from June 30, 2011 to June 30, 2012. Non-operating revenues decreased \$9.5 million primarily due to decreased earnings attributed to the Fund's investment portfolio resulting from overall market conditions, from June 30, 2012 to June 30, 2013. For the years ended June 30, 2012 and 2011, net position increased \$6 million and \$3.7 million, respectively. For the years ended June 30, 2013 and 2012, net position increased \$7 million and \$6 million, respectively.

The decrease in claims and claim adjustment expenses was primarily due to a decrease in the provision for prior year's events of \$12.4 million from 2012 to 2013, whereas the decrease was \$2.8 million from 2011 to 2012. The Workers' Compensation Fund had a decrease in claim expense of \$8.5 million from 2012 to 2013, with a decrease in estimated claim reserve of \$5.8 million, due primarily to favorable development on events of the prior years. The Liability/Property Fund had a decrease in claim expense of \$2.5 million from 2012 to 2013, with a decrease in estimated claim reserve of \$1.4 million, due primarily to favorable development on events of prior years. The Health Benefits Fund had a decrease in claim expense of \$2.4 million, with an increase in the estimated claim reserves of \$0.1 million, due to favorable development on events of prior years coupled with industry-wide increases in claims payouts from 2012 to 2013.

The increase in claims and claim adjustment expenses from 2011 to 2012 was primarily due to unfavorable development on events of prior years of \$4 million, which was partially offset by a decrease in the provision for current year's events of approximately \$1.2 million. The Workers' Compensation Fund had an increase in claim expense of \$0.5 million, with an increase in estimated claim reserve of \$1.6 million due primarily to unfavorable development on prior year's events. The Liability/Property Fund had an increase in claim expense of \$.9 million, with an increase in estimated claim reserve of \$1.7 million due primarily to unfavorable development on prior year's events. The Health Benefits Fund had an increase in 2012 claim expense of \$1.5 million, with an increase in estimated claim reserve of \$.2 million due an increase in events of the current year as well as unfavorable

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2013**

Financial Analysis of the Fund (Continued)

development on events of the prior years. The increase in the events of the current year was due to industry-wide increases in claims payouts.

Unpaid Claims Liabilities

	2013	2012	2011
Unpaid claims and claim adjustment expenses at beginning of year	<u>\$ 63,190,228</u>	59,593,417	58,767,246
Incurred claims and claim adjustment expenses			
Provision for insured events of the current year	24,236,043	28,074,457	29,227,790
Decrease in provision for insured events of prior years	<u>(12,374,309)</u>	<u>(2,835,441)</u>	<u>(6,880,477)</u>
Total incurred claims and claim adjustment expense	<u>11,861,734</u>	25,239,016	22,347,313

Payments

Claims and claim adjustment expenses attributable to insured events of the current year	10,347,643	13,042,079	12,657,317
Claims and claim adjustment expenses attributable to insured events of prior years	<u>8,582,859</u>	<u>8,600,126</u>	<u>8,863,825</u>
Total payments	<u>18,930,502</u>	<u>21,642,205</u>	<u>21,521,142</u>
Total unpaid claims and claim adjust expenses at end of year	<u>\$ 56,121,460</u>	<u>63,190,228</u>	<u>59,593,417</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 2012-13.

General financial market performance affects the investment return. The gains or losses on investments are included in non-operating income (expense) in the

**NEW MEXICO SELF-INSURERS' FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2013**

Currently Known Facts, Decisions and Conditions (Continued)

accompanying statements of revenues, expenses and changes in fund net position. 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, 2013.

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 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 POSITION
June 30, 2013 and 2012

	2013	2012
ASSETS		
Current Assets		
Short term investments	\$ -	195,304
Cash and cash equivalents	5,007,513	541,170
Accrued investment income	254,270	244,451
Contributions receivable	2,692,923	2,692,923
Prepaid expenses	-	362,559
Due from reinsurers	127,383	112,777
	<hr/>	<hr/>
Total current assets	8,082,089	4,149,184
Non-Current Assets		
Long-term investments	115,352,291	117,461,717
Equity in NLC Mutual Insurance Company	5,782,932	5,554,636
Long-term contributions receivable	5,560,895	7,601,337
	<hr/>	<hr/>
Total non-current assets	126,696,118	130,617,690
	<hr/>	<hr/>
Total assets	\$ 134,778,207	134,766,874
LIABILITIES		
Current Liabilities		
Prepaid contributions	\$ 452,792	589,189
Accounts payable	507,076	274,982
Reserve for unpaid claims and claim adjustment expenses, current portion	14,497,259	15,310,626
	<hr/>	<hr/>
Total current liabilities	15,457,127	16,174,797
Non-Current Liabilities		
Reserve for unpaid claims and claim adjustment expenses	41,624,201	47,879,602
	<hr/>	<hr/>
Total liabilities	57,081,328	64,054,399
NET POSITION		
Unrestricted - members' equity	77,696,879	70,712,475
	<hr/>	<hr/>
Total liabilities and net position	\$ 134,778,207	134,766,874
	<hr/>	<hr/>

See Notes to Financial Statements.

NEW MEXICO SELF-INSURERS' FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Years Ending June 30, 2013 and 2012

	2013	2012
Operating Revenues		
Earned premiums	\$ 32,820,160	36,169,282
Less reinsurance premiums	<u>(4,297,657)</u>	<u>(4,339,892)</u>
Total operating revenues	<u>28,522,503</u>	<u>31,829,390</u>
Operating Expenses		
Claims and claim adjustment expenses	11,861,734	25,239,016
Claim and trust administration	5,174,836	5,184,720
Members' dividends	<u>1,795,813</u>	<u>2,183,411</u>
Total operating expenses	<u>18,832,383</u>	<u>32,607,147</u>
Operating income (loss)	<u>9,690,120</u>	<u>(777,757)</u>
Non-Operating Revenues		
Investment (losses) income	(2,934,011)	6,559,458
Equity in earnings of NLC Mutual Insurance Company	<u>228,295</u>	<u>239,195</u>
Total non-operating (losses) revenues	<u>(2,705,716)</u>	<u>6,798,653</u>
Change in net position	6,984,404	6,020,896
Net position, beginning of year	<u>70,712,475</u>	<u>64,691,579</u>
Net position, end of year	<u>\$ 77,696,879</u>	<u>70,712,475</u>

See Notes to Financial Statements.

NEW MEXICO SELF-INSURERS' FUND
STATEMENTS OF CASH FLOWS
Years Ending June 30, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Earned premiums	\$ 35,086,764	35,225,721
Reinsurance premiums	(4,312,263)	(4,203,190)
Claims and claim adjustment expenses	(18,930,502)	(21,642,205)
Claims and trust administration	(4,942,742)	(5,279,640)
Members' dividends	(1,795,813)	(2,183,411)
	<hr/>	<hr/>
Net cash provided by operating activities	5,105,444	1,917,275
	<hr/>	<hr/>
Cash Flows From Investing Activities		
Investment income received	3,731,927	6,071,845
Purchases of investments	(46,415,666)	(98,747,420)
Proceeds from sales or maturities of investments	42,044,638	88,221,069
	<hr/>	<hr/>
Net cash used by investing activities	(639,101)	(4,454,506)
	<hr/>	<hr/>
Increase (decrease) in cash and cash equivalents	4,466,343	(2,537,231)
	<hr/>	<hr/>
Cash and cash equivalents, beginning of year	541,170	3,078,401
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 5,007,513	541,170
	<hr/>	<hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 9,690,120	(777,757)
Changes in assets and liabilities		
Contributions receivable	2,040,442	(508,187)
Prepaid expenses	362,559	(362,559)
Due from reinsurers	(14,606)	136,702
Prepaid contributions	(136,397)	(72,815)
Accounts payable	232,094	(94,920)
Reserve for unpaid claims and claim adjustment expenses	(7,068,768)	3,596,811
	<hr/>	<hr/>
Net cash provided by operating activities	\$ 5,105,444	1,917,275
	<hr/>	<hr/>
Noncash investing activities:		
(Decrease) increase in fair value of investments	\$ (7,013,578)	487,613

See Notes to Financial Statements.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 position of one fund may be transferred to the net position 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. A total of 106 members participated in this Fund during 2013.

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

**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. A total of 99 members participated in this Fund during 2013.

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. A total of 95 members participated in this Fund during 2013.

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. A total of 61 members participated in this Fund during 2013.

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. A total of 42 members participated in this Fund during 2013.

The individual funds do not necessarily have the same members. In the event of termination, the net position 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, 2013**

**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 position is 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.

Changes in Accounting Policies and Statements

Effective July 1, 2012, the Fund adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position. This statement had minimal impact on Fund's financial statements or related accounting and financial reporting. The primary effects of implementing this statement was to change all previous references from "net assets" to "net position," change the line item for "invested in capital assets, net of related debt" to "net investment in capital assets," and to classify certain assets and liabilities as "deferred inflows" and "deferred outflows." At June 30, 2013, the Fund had no items meeting the criteria of "deferred inflows" or "deferred outflows."

New Accounting Pronouncements

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, is required to be implemented effective July 1, 2013, and thus will be adopted by Fund next fiscal year. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Management is currently evaluating the impact of this standard on Fund's financial statements.

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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

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 position 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.

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, 2013 and 2012 has been reduced by approximately \$5.5 million and \$6.2 million, respectively, as a result of reinsurance recoverable on unpaid losses. To the extent that a

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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

Reinsurance (Continued)

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 \$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.

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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

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.

Prepaid Expenses

Prepaid expenses are reported for payments made in advance of the period the expenditures were incurred, and consist of prepaid reinsurance premiums.

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.

Net Position

For accounting and reporting purposes, the Fund reports its net position as unrestricted, as no net position is subject to externally imposed constraints.

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.

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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

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 \$5,782,932 and \$5,554,636 at June 30, 2013 and 2012, 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 \$228,295 and \$239,195 in 2013 and 2012, 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, 2013 and 2012 has been reduced by approximately \$5.5 million and \$6.2 million, respectively, as a result of reinsurance recoverable from NLC on unpaid losses. The chairman of the NLC Board of Directors is also the Executive Director of the League.

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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

Audited condensed financial information for NLC as taken from its audited financial statements as of and for the years ended December 31, 2013 and 2012 is as follows:

	2013	2012
Investments	\$ 274,269,000	263,897,000
Liability for loss and loss adjustment expenses, net of reinsurance recoverable	273,224,000	268,888,000
Members' equity	122,545,000	108,497,000
Earned premiums, net	10,775,000	9,877,000
Net investment income	13,704,000	11,654,000
Net income after dividends to policyholders	10,610,000	8,605,000

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, 2013 and 2012, the carrying amount of the Fund's deposits was \$5,007,513 and \$541,170 and the bank balance was \$5,276,542 and \$1,744,050, respectively.

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, 2013 and 2012, \$4,776,542 and \$1,524,050 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.

	2013	2012
Deposits	\$ 5,276,542	<u>1,774,050</u>
Less FDIC coverage	<u>500,000</u>	250,000
Total uninsured public funds	4,776,542	1,524,050
50% collateral requirement	2,388,271	762,025
Pledged securities, fair value	<u>7,000,000</u>	<u>9,101,188</u>
Pledged in excess of requirement	\$ 4,611,729	<u>8,339,163</u>

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 4. DEPOSITS (CONTINUED)

At June 30, 2013, the Fund maintained the following depository accounts.

Account Depository	Account Name	Type	Carrying Amount	Bank Balance
US Bank	Clearing	Checking	\$ 542,250	810,550
US Bank	Claims	Money Market	4,000,000	4,000,729
Wells Fargo	Workers' Comp	Money Market	174,791	174,791
Wells Fargo	Liability	Money Market	168,398	165,398
Wells Fargo	Property	Money Market	122,074	122,074
Total cash and cash equivalents			<u>\$ 5,007,513</u>	<u>5,276,542</u>

At June 30, 2012, the Fund maintained the following depository accounts.

Account Depository	Account Name	Type	Carrying Amount	Bank Balance
US Bank	Clearing	Checking	\$ -	729,665
US Bank	Claims	Money Market	1,467,432	1,000,000
US Bank	Health Benefits	Money Market	(970,647)	-
Merrill Lynch	Workers' Comp	Money Market	29,007	29,007
Merrill Lynch	Liability	Money Market	14,648	14,648
Wells Fargo	Property	Money Market	730	730
Total cash and cash equivalents			<u>\$ 541,170</u>	<u>1,774,050</u>

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5. INVESTMENTS

Interest Rate Risk

A summary of the Fund's investments and their respective maturities at June 30, 2013 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
Certificates of Deposit - Marketable	\$ 99,232	99,232	-	-	-
U.S. Agencies:					
Federal National Mortgage Assoc.	13,484,403	-	-	1,806,568	11,677,835
Federal Home Loan Mortgage Corp.	4,063,967	-	-	-	4,063,967
Federal Home Loan Bank	13,447,559	-	2,153,306	7,103,004	4,191,249
Federal Farm Credit Bank	22,437,282	-	-	18,214,559	4,222,723
Government National Mortgage Assoc.	61,819,848	-	-	-	61,819,848
Total investments	<u>\$ 115,352,291</u>	<u>99,232</u>	<u>2153,306</u>	<u>27,124,131</u>	<u>85,975,622</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, 2013

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, Federal Farm Credit Bank and Government National Mortgage Association represent 12%, 4%, 12%, 19% and 53% of the Fund's total investments, respectively.

Account Depository	Account Name	Carrying Amount	Bank Balance
Wells Fargo	Workers' Compensation	\$ 57,388,444	57,388,444
Wells Fargo	Liability	50,839,097	50,839,097
Wells Fargo	Property	<u>7,124,750</u>	<u>7,124,750</u>
Total		<u>\$115,352,291</u>	<u>115,352,291</u>

The amortized cost and estimated market value of investments at June 30, 2013 and 2012 are as follows:

Year	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
2013	\$ 121,069,401	765,344	(6,482,454)	115,352,291
2012	116,198,889	2,073,049	(614,917)	117,657,021

Investment income for the years ended June 30, 2013 and 2012 includes net realized gains from the sale of investments of \$879,761 and \$1,820,072, respectively.

NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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:

	2013	2012
Unpaid claims and claim adjustment expenses, beginning of year	<u>\$ 63,190,228</u>	59,593,417
Incurred claims and claim adjustment expense		
Provision for insured events of the current year	24,236,043	28,074,457
Decrease in provision for insured events of prior years	<u>(12,374,309)</u>	<u>(2,835,441)</u>
Total incurred claims and claim adjustment expenses	<u>11,861,734</u>	25,239,016
Payments		
Claims and claim adjustment expenses attributable insured events of the current year	10,347,643	13,042,079
Claims and claim adjustment expenses attributable to insured events of prior years	<u>8,582,859</u>	<u>8,600,126</u>
Total payments	<u>18,930,502</u>	21,642,205
Total unpaid claims and claim adjustment expenses, end of year	<u>\$ 56,121,460</u>	<u>63,190,228</u>
Unpaid claims and claim adjustment expenses, end of year, current portion	<u>\$ 14,497,259</u>	<u>15,310,626</u>

**NEW MEXICO SELF-INSURERS' FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 6. UNPAID CLAIMS LIABILITIES (CONTINUED)

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 26% and 24% for the fiscal years ended June 30, 2013 and 2012, respectively. The change of the decrease in provision for insured events of prior years was related to favorable development of prior years' claims.

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 2013 and 2012, the Fund paid \$3,375,148 and \$3,292,974, respectively, for administrative services performed by the League on the Fund's behalf. Accounts Payable at June 30, 2013 and 2012 included \$444,937 and \$212,835, respectively, for amounts due to the League for the services described above.

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, 2013 and 2012, \$6,687,615 and \$8,565,473, respectively, included in contributions receivable relates to claims incurred on behalf of these members. These amounts are offset by corresponding amounts contained in the reserve for loss and loss expenses. Approximately \$1,300,630 and \$1,286,306 in premiums charged to self-insured members are included in earned premiums in the accompanying financial statements for fiscal years 2013 and 2012, respectively. Approximately \$1,380,592 and \$1,678,390 in claims paid related to self-insured members are included in claims and claim adjustment expenses in the accompanying financial statements for fiscal years 2013 and 2012, respectively. In accordance with the provisions of the Fund's agreements with these members, the Fund is responsible for losses in excess of \$250,000 on a per occurrence basis up to 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, 2013

NOTE 9. MEMBER DIVIDENDS

During 2013 and 2012, the Fund distributed \$841,409 and \$1,199,499, respectively, as member dividends to members of the Workers' Compensation Fund. The 2013 workers' compensation refunds were based upon each member's contribution to the loss fund for fiscal year 2004. The 2012 workers' compensation refunds were based upon each member's contribution to the loss fund for fiscal year 2002. Only those members who belonged during the designated fiscal year and who were still in the pool for fiscal year 2012-2013 and 2011-2012 were eligible to receive refunds for fiscal years ended June 30, 2013 and 2012, respectively.

During 2013 and 2012, the Fund distributed \$954,404 and \$983,912, respectively, as member dividends to members of the Liability Fund. The 2013 liability refund was based upon each member's contribution to the loss fund for fiscal year 2004. The 2012 workers' compensation refunds were based upon each member's contribution to the loss fund for fiscal year 2002. Only those members who belonged during the designated fiscal year and who were still in the pool for fiscal year 2012-2013 and 2011-2012 were eligible to receive funds for fiscal years ended June 30, 2013 and 2012, respectively.

NOTE 10. SUBSEQUENT EVENTS

The Fund's management has evaluated subsequent events through November 21, 2013, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

NEW MEXICO SELF-INSURERS' FUND
NOTES TO SUPPLEMENTARY CLAIMS DEVELOPMENT INFORMATION
June 30, 2013

Reconciliation of Claims Liabilities by Type of Contract

The schedule on page 29 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 30 through 32 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.

NEW MEXICO SELF-INSURERS' FUND
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
Years Ending June 30, 2013 and 2012

	Workers' Compensation		Liability/Property		Health Benefits		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Unpaid claims and claim adjustment expenses, beginning of year	\$ 38,774,115	37,139,670	22,517,549	20,801,535	1,898,564	1,652,212	63,190,228	59,593,417
Incurring claims and claim adjustment expenses								
Provision for insured events of current year	6,900,000	8,400,000	7,836,000	7,541,000	9,500,043	12,133,457	24,236,043	28,074,457
Increase (decrease) in the provision for insured events of the prior years	(8,363,355)	(1,357,286)	(3,752,453)	(988,142)	(258,501)	(490,013)	(12,374,309)	(2,835,441)
Total incurred claims and claim adjustment expenses	(1,463,355)	7,042,714	4,083,547	6,552,858	9,241,542	11,643,444	11,861,734	25,239,016
Payments								
Claims and claim adjustment expenses attributable to insured events of the current year	1,323,057	1,501,427	1,507,862	1,295,154	7,516,724	10,245,498	10,347,643	13,042,079
Claims and claim adjustment expenses attributable to insured events of the prior years	3,021,283	3,906,842	3,945,373	3,541,690	1,616,203	1,151,594	8,582,859	8,600,126
Total payments	4,344,340	5,408,269	5,453,235	4,836,844	9,132,927	11,397,092	18,930,502	21,642,205
Total unpaid claims and claim adjustment expenses, end of year	\$ 32,966,420	38,774,115	21,147,861	22,517,549	2,007,179	1,898,564	56,121,460	63,190,228

NEW MEXICO SELF-INSURERS' FUND
 WORKERS' COMPENSATION TEN YEAR CLAIMS
 DEVELOPMENT INFORMATION
 June 30, 2013

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
1. Premiums and investment revenue										
Earned	7,355,519	9,300,725	10,143,140	13,300,100	13,850,624	13,664,429	16,639,627	13,057,638	14,861,799	7,832,367
Ceded	680,323	787,143	1,237,929	1,714,822	1,305,057	920,122	1,143,819	1,087,014	1,027,514	1,094,029
Net earned	6,675,196	8,513,582	8,905,211	11,585,278	12,545,567	12,744,307	15,495,808	11,970,624	13,834,285	6,738,338
2. Unallocated expenses	1,237,356	1,237,363	1,508,444	1,399,522	1,559,598	1,631,965	1,693,826	1,699,499	1,841,459	5,349,114
3. Estimated losses and expenses, end of year										
Incurred	7,285,389	7,286,623	6,600,000	6,700,000	7,400,000	6,950,000	8,800,000	9,300,000	8,400,000	6,900,000
Ceded	85,389	386,623	-	-	-	-	-	-	-	-
Net earned	7,200,000	6,900,000	6,600,000	6,700,000	7,400,000	6,950,000	8,800,000	9,300,000	8,400,000	6,900,000
4. Net paid (cumulative) as of:										
Year one	1,541,390	1,284,965	1,103,298	1,106,240	1,277,737	1,147,489	1,957,597	1,783,907	1,501,427	1,323,057
Year two	2,746,545	2,463,101	2,405,164	1,582,724	2,160,727	2,267,538	3,560,704	3,568,268	2,513,174	
Year three	3,399,367	2,812,970	2,841,387	1,736,694	2,692,664	2,805,354	4,390,849	4,185,620		
Year four	3,766,037	3,029,144	3,124,548	1,835,361	2,928,151	3,298,094	4,923,328			
Year five	3,902,253	3,167,235	3,204,515	1,980,726	3,122,449	3,538,292				
Year six	3,995,846	3,286,285	3,242,577	2,047,737	3,235,949					
Year seven	4,042,753	3,395,599	3,292,533	2,117,203						
Year eight	4,083,178	3,448,607	3,339,961							
Year nine	4,138,781	3,506,218								
Year ten	4,179,849									
5. Re-estimated ceded losses and expenses	548,225	931,772	-	-	-	-	-	-	-	-
6. Re-estimated net incurred losses and expenses:										
Year one	7,200,000	6,900,000	6,600,000	6,700,000	7,400,000	6,950,000	8,800,000	9,300,000	8,400,000	6,900,000
Year two	6,714,033	6,450,000	6,300,000	5,100,000	6,600,000	6,400,000	9,200,000	9,100,000	6,600,000	
Year three	7,000,000	5,800,000	5,700,000	4,600,000	6,200,000	6,100,000	8,900,000	8,100,000		
Year four	6,300,000	5,200,000	5,200,000	4,300,000	5,600,000	5,900,000	8,200,000			
Year five	6,100,000	4,900,000	4,800,000	4,100,000	5,400,000	5,500,000				
Year six	5,700,000	4,800,000	4,500,000	3,800,000	5,000,000					
Year seven	5,600,000	4,600,000	4,400,000	3,200,000						
Year eight	5,400,000	4,500,000	4,200,000							
Year nine	5,400,000	4,300,000								
Year ten	5,000,000									
7. Increase (decrease) in estimated net incurred losses and expense from end of year	(2,200,000)	(2,600,000)	(2,400,000)	(3,500,000)	(2,400,000)	(1,450,000)	(600,000)	(1,200,000)	(1,800,000)	-

NEW MEXICO SELF-INSURERS' FUND
LIABILITY TEN YEAR CLAIMS
DEVELOPMENT INFORMATION
June 30, 2013

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
1. Premiums and investment revenue										
Earned	9,611,626	11,517,376	12,377,407	15,264,848	15,105,876	16,471,872	17,233,674	15,047,988	16,935,099	13,159,282
Ceded	1,494,736	1,650,314	1,920,082	2,010,061	1,249,508	1,674,429	1,678,598	1,838,006	1,649,099	1,632,601
Net earned	8,116,890	9,867,062	10,457,325	13,254,787	13,856,368	14,797,443	15,555,076	13,209,982	15,286,000	11,526,681
2. Unallocated expenses	1,445,516	1,566,760	1,846,835	1,750,005	1,835,478	1,991,702	2,017,215	2,024,610	2,080,079	3,406,734
3. Estimated losses and expenses, end of year										
Incurred	8,450,000	7,557,500	7,707,500	7,600,000	10,900,000	10,750,000	9,961,445	8,500,000	7,500,000	7,650,000
Ceded	50,000	57,500	7,500	250,000	2,100,000	750,000	561,445	-	-	-
Net earned	8,400,000	7,500,000	7,700,000	7,350,000	8,800,000	10,000,000	9,400,000	8,500,000	7,500,000	7,650,000
4. Net paid (cumulative) as of:										
Year one	875,455	904,231	1,018,953	850,163	763,933	1,688,534	1,171,576	892,570	1,066,907	1,109,117
Year two	2,944,540	2,602,402	2,042,477	1,942,724	2,256,045	3,479,280	3,388,915	1,923,080	1,897,201	
Year three	4,182,338	3,725,814	2,728,567	3,022,898	4,321,993	4,396,580	4,368,477	3,679,575		
Year four	4,593,173	4,120,783	3,983,820	3,438,913	5,717,095	5,110,841	5,139,654			
Year five	4,999,579	4,273,731	5,111,077	3,732,626	6,092,809	5,435,769				
Year six	5,054,966	4,376,423	5,706,774	3,939,259	6,256,588					
Year seven	5,049,877	4,380,572	5,799,305	3,971,543						
Year eight	5,049,877	4,395,640	5,837,481							
Year nine	5,049,877	4,395,640								
Year ten	5,049,877									
5. Re-estimated ceded losses and expenses	250,312	357,214	483,077	-	1,591,613	154,871	343,211	154,483	-	-
6. Re-estimated net incurred losses and expenses:										
Year one	8,400,000	7,500,000	7,700,000	7,350,000	8,800,000	10,000,000	9,400,000	8,500,000	7,500,000	7,252,880
Year two	7,749,689	6,250,127	6,625,000	6,700,000	7,800,000	9,200,000	8,400,000	8,200,000	5,698,237	
Year three	6,949,788	6,392,786	6,300,000	6,400,000	8,400,000	8,400,000	8,600,000	8,097,729		
Year four	6,450,001	6,300,000	6,500,000	6,100,000	8,600,000	8,200,000	7,758,217			
Year five	6,300,000	5,500,000	6,700,000	5,700,000	8,500,000	6,899,698				
Year six	5,305,300	5,200,000	6,800,000	5,400,000	8,889,422					
Year seven	5,300,189	5,000,000	6,900,000	4,331,770						
Year eight	5,300,189	4,752,854	6,835,851							
Year nine	5,300,189	4,752,854								
Year ten	5,300,189									
7. Increase (decrease) in estimated net incurred losses and expense from end of year	(3,099,811)	(2,747,146)	(864,149)	(3,018,230)	89,422	(3,100,302)	(1,641,783)	(402,271)	(1,801,763)	(397,120)

NEW MEXICO SELF-INSURERS' FUND
HEALTH BENEFITS TEN YEAR CLAIMS
DEVELOPMENT INFORMATION
June 30, 2013

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
1. Premiums and investment revenue										
Earned	10,596,269	10,263,213	10,348,823	8,917,017	8,903,650	8,397,744	9,941,243	9,735,747	10,957,856	9,222,294
Ceded	942,040	810,386	702,105	444,928	501,889	447,870	533,651	548,912	590,375	422,302
Net earned	9,654,229	9,452,827	9,646,718	8,472,089	8,401,761	7,949,874	9,407,592	9,186,835	10,367,481	8,799,992
2. Unallocated expenses	465,116	562,955	539,751	425,997	430,128	415,766	485,368	494,888	508,716	401,402
3. Estimated losses and expenses, end of year										
Incurred	9,804,483	8,146,845	7,934,663	9,457,349	7,765,900	7,776,895	10,709,996	11,425,443	12,686,155	10,044,779
Ceded	835,433	29,283	47,961	405,303	9,017	-	230,436	36,491	552,699	544,736
Net earned	8,969,050	8,117,562	7,886,702	9,052,046	7,756,883	7,776,895	10,479,560	11,388,952	12,133,456	9,500,043
4. Net paid (cumulative) as of:										
Year one	7,512,807	6,746,034	6,605,443	6,977,826	6,096,479	6,306,203	8,677,819	9,646,062	10,245,498	7,516,724
Year two	8,163,107	7,914,075	7,949,595	7,810,665	7,298,671	7,004,481	9,160,512	10,776,582	11,866,092	
Year three	8,163,172	7,906,237	8,084,274	7,808,350	7,284,244	7,016,214	9,283,086	10,776,582		
Year four	8,161,218	7,910,272	8,081,208	7,808,558	7,289,335	7,016,398	9,283,086			
Year five	8,159,537	7,906,352	8,081,154	7,870,887	7,289,048	7,016,398				
Year six	8,157,416	7,906,106	8,080,929	7,869,694	7,289,048					
Year seven	8,157,416	7,905,901	8,080,929	7,869,694						
Year eight	8,157,094	7,905,901	8,080,929							
Year nine	8,157,094	7,905,901								
Year ten	8,157,094									
5. Re-estimated ceded losses and expenses	890,416	255,283	189,653	675,623	16,910	130,164	485,678	219,712	926,187	544,736
6. Re-estimated net incurred losses and expenses:										
Year one	8,969,050	8,117,562	7,886,702	9,052,046	7,756,883	7,776,895	10,479,560	11,388,952	12,133,456	9,500,043
Year two	8,164,792	7,921,151	7,964,827	7,823,765	7,306,749	7,011,387	9,160,512	10,787,187	11,889,952	
Year three	8,163,172	7,906,237	8,084,274	7,808,350	7,284,244	7,016,214	9,283,086	10,776,582		
Year four	8,161,218	7,910,272	8,081,208	7,808,558	7,289,335	7,016,398	9,283,086			
Year five	8,159,537	7,906,352	8,081,154	7,870,887	7,289,048	7,016,398				
Year six	8,157,416	7,906,106	8,080,929	7,869,694	7,289,048					
Year seven	8,157,416	7,905,901	8,080,929	7,869,694						
Year eight	8,157,094	7,905,901	8,080,929							
Year nine	8,157,094	7,905,901								
Year ten	8,157,094									
7. Increase (decrease) in estimated net incurred losses and expense from end of year	(811,956)	(211,661)	194,227	(1,182,352)	(467,835)	(760,497)	(1,196,474)	(612,370)	(243,504)	-

OTHER SUPPLEMENTARY INFORMATION

**NEW MEXICO SELF-INSURERS' FUND
SCHEDULE OF PLEDGED COLLATERAL
Year Ending June 30, 2013**

	US Bank
Bank Accounts	
Amounts on deposits in bank	\$ 5,276,542
Less FDIC coverage	<u>500,000</u>
Total insured	<u>500,000</u>
Total uninsured public funds	<u>4,776,542</u>
Collateral requirements (per 6-10-10 & 6-10-17, NMSA 1978) 50% of uninsured time and demand accounts	<u>2,388,271</u>
Total collateral required	<u>2,388,271</u>
Pledged collateral	
Federal Home Loan Bank of Cincinnati Letter of Credit	<u>7,000,000</u>
Total collateral	<u>7,000,000</u>
Over secured	<u><u>\$ 4,611,729</u></u>
Custodial credit risk	
Insured	\$ 500,000
Collateralized with securities held by pledging financial institution's trust department	<u>4,776,542</u>
Total deposits	5,276,542
Total reconciling items	<u>(269,029)</u>
Book balance	<u><u>\$ 5,007,513</u></u>
Location of collateral	
US Bank, Cincinnati, OH	

NEW MEXICO SELF-INSURERS' FUND
SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS
Year Ending June 30, 2013

Bank Account Type/Name	US Bank	Wells Fargo	Total
Checking - Clearing	\$ 810,550	-	810,550
Money Market - Claims	4,000,729	-	4,000,729
Investment - Workers' Compensation	174,791	57,388,444	57,563,235
Investment - Liability	168,398	50,839,097	51,007,495
Investment - Property	122,074	7,124,750	7,246,824
Total on deposit - bank balance	<u>5,276,542</u>	<u>115,352,291</u>	120,628,833
Reconciling items	<u>(269,029)</u>	-	(269,029)
Reconciled balance, June 30, 2013	<u>5,007,513</u>	<u>115,352,291</u>	120,359,804
Total deposits and investments - book balance	<u>\$ 5,007,513</u>	<u>115,352,291</u>	120,359,804

**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, in accordance with the 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, the financial statements of the business-type activities of New Mexico Self-Insurers' Fund (the Fund) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated November 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Fund's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
November 21, 2013

**NEW MEXICO SELF-INSURERS' FUND
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

PRIOR YEAR FINDINGS

None

CURRENT YEAR FINDINGS

None

**NEW MEXICO SELF-INSURERS' FUND
EXIT CONFERENCE
June 30, 2013**

An exit conference was held on November 4, 2013. In attendance were:

New Mexico Self-Insurers' Fund:

Ed Zendel, Risk Services Director
Dan Cisneros, Controller
Kathy Hennessy, Deputy Risk Services Director

Linda Calhoun, Board Member, Mayor Town of Red River
Fran Berting, Board Member, Council Member of City of Los Alamos
Gloria Chavez, Board Member, Mayor of Village of Tijeras
Sally Burbridge, Board Member, Mayor of City of Aztec
Eddie Trujillo, Board Member, Judge of City of Las Cruces
Andy Nunez, Board Member, Mayor Pro-Tem of Village of Hatch
Larry Fry, Board Member, City Manager of City of Roswell
Debi Lee, Board Member, Village Manager of Village of Ruidoso

Moss Adams LLP:

Brandon Fryar, Partner
Corrine Zajak-Clarkson, Senior

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.