

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL

Financial Statements

June 30, 2002 and 2001

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

Board of Directors
Maine Municipal Association
Property and Casualty Pool:

We have audited the accompanying combined balance sheets of Maine Municipal Association Property and Casualty Pool as of June 30, 2002 and 2001, and the related combined statements of revenues and expenses, changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maine Municipal Association Property and Casualty Pool at June 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The additional information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in our audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

A handwritten signature in cursive script that reads "Runyon Kersteen Ouellette".

October 4, 2002
South Portland, Maine

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**
Combined Balance Sheets
June 30, 2002 and 2001

	2002	2001
ASSETS		
Cash and cash equivalents	\$ 3,232,750	1,872,663
Investments:		
Certificates of deposit	1,000,000	1,450,000
Corporate bonds	1,222,275	511,755
U.S. government and agency securities	1,270,665	2,020,141
Total investments	3,492,940	3,981,896
Fixed assets:		
Computer equipment	301,359	288,436
Accumulated depreciation	(230,057)	(200,044)
Net fixed assets	71,302	88,392
Accounts receivable	74,074	53,235
Accrued interest receivable	44,825	52,518
Prepaid expenses	9,920	3,839
Total assets	\$ 6,925,811	6,052,543
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	2,560	42,603
Deferred revenue	9,919	20,070
Claims loss reserves:		
Claims reserves	3,415,559	4,078,247
Reinsurance recoverable	(1,379,834)	(1,963,367)
Net claims loss reserves	2,035,725	2,114,880
Claims service fee reserve	382,770	354,276
Total liabilities	2,430,974	2,531,829
Fund balances:		
Reserve for adverse development	416,891	145,814
Contingency reserve	4,077,946	3,374,900
Total fund balances	4,494,837	3,520,714
Total liabilities and fund balances	\$ 6,925,811	6,052,543

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combined Statements of Revenues and Expenses
June 30, 2002 and 2001

	2002	2001
Revenue:		
Contributions	\$ 6,210,483	5,140,312
Investment income	237,255	395,961
Grant income	61,151	-
Total revenue	6,508,889	5,536,273
Expenses:		
Claims paid	2,979,336	2,120,765
Less:		
Deductible recovery	(25,566)	(27,156)
Salvage recovery	(12,712)	(12,938)
Subrogation recovery	(121,587)	(155,475)
Net claims paid before reinsurance	2,819,471	1,925,196
Reinsurance recovery	(774,033)	(116,860)
Net claims paid after reinsurance	2,045,438	1,808,336
Claims reserve adjustment:		
Established claims	(662,689)	1,264,085
Less reinsurance recoverable estimate	583,533	(702,509)
Net claims expense adjustment	1,966,282	2,369,912
Premiums remitted	461,485	417,144
Reinsurance premium	1,535,914	1,451,296
Claims service fee	-	7,000
Administrative fee	1,307,772	1,196,706
Claims service reserve adjustment	28,494	94,726
Consultants and legal fees	31,781	3,114
Maintenance contracts	1,045	10,024
Dividends	171,980	172,123
Depreciation	30,013	29,853
Total expenses	5,534,766	5,751,898
Excess (deficiency) of revenues over (under) expenses	\$ 974,123	(215,625)

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**
Combined Statements of Changes in Fund Balances
For the years ended June 30, 2002 and 2001

	Contingency reserve	Reserve for adverse development	Total fund balance
Fund balances at June 30, 2000	\$ 3,234,758	251,581	3,486,339
Deficiency of revenues under expenses	(215,625)	-	(215,625)
Fund balance transfer	105,767	(105,767)	-
Transfer from POL program	250,000	-	250,000
Fund balances at June 30, 2001	3,374,900	145,814	3,520,714
Excess of revenues over expenses	974,123	-	974,123
Fund balance transfer	(271,077)	271,077	-
Transfer from POL program	-	-	-
Fund balances at June 30, 2002	\$ 4,077,946	416,891	4,494,837

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**
Combined Statements of Cash Flows
Years ended June 30, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Excess (deficiency) of revenue over (under) expenses	\$ 974,123	(215,625)
Transfer from Public Officials Liability Program	-	250,000
Adjustments to reconcile excess (deficiency) of revenue over (under) expenses to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(20,839)	16,010
Accrued interest receivable	7,693	8,270
Prepaid expenses	(6,081)	11,861
Accounts payable	(40,043)	19,308
Deferred revenue	(10,151)	11,886
Claims loss reserves	(662,688)	1,264,085
Reinsurance recoverable	583,533	(702,509)
Claims service reserves	28,494	94,726
Investment income	(237,255)	(395,961)
Depreciation	30,013	29,853
Net cash provided by operating activities	646,799	391,904
Cash flows from investing activities:		
Investment income received	139,912	404,231
Purchases of investments	(2,613,701)	(3,761,417)
Maturities of investments	3,200,000	3,700,000
Net cash provided by investing activities	726,211	342,814
Cash flows from financing activities:		
Computer system	(12,923)	(32,796)
Net cash used in financing activities	(12,923)	(32,796)
Net increase in cash and cash equivalents	1,360,087	701,922
Cash and cash equivalents at beginning of year	1,872,663	1,170,741
Cash and cash equivalents at end of year	\$ 3,232,750	1,872,663

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND POOL DESCRIPTION

The Maine Municipal Association Property and Casualty Pool (P&C Pool) was established on March 1, 1987 as a self-insured pool for the purpose of providing liability and property coverage to municipalities and qualified local government instrumentalities or subdivisions who choose to participate. During the fiscal years ended June 30, 2002 and 2001, there were 390 and 362 governmental entities, respectively, who participated in the P&C Pool. The P&C Pool provides the following coverages: automobile and physical damage liability; property and inland marine liability; commercial general liability; police professional liability; public officials liability; and ambulance malpractice. The P&C Pool also purchases additional, fully insured coverage for individual participating entities. The P&C Pool is administered by the Maine Municipal Association for which a management fee is assessed and included in expense. For the years ended June 30, 2002 and 2001, the P&C Pool was assessed management fees totaling \$1,307,772 and \$1,196,706, respectively. These financial statements include only the accounts of the Maine Municipal Association Property and Casualty Pool.

The municipality or qualified local government instrumentality or subdivision must be a member of the Maine Municipal Association to participate in the P&C Pool.

Tax Exempt Status - The P&C Pool is exempt from income taxes.

Fund Accounting - Each year a new fund is established to cover the potential claims made for that specific period. Each fund year has a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues, and expenses.

Basis of Accounting - The accrual basis of accounting is followed for all fund years. The Fund follows the provisions of Government Accounting Standards Board (GASB) Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*. Contributions are recognized as revenue over the contract period for which risk protection is provided which corresponds to a fund year. A liability for unpaid claims, including estimated claims incurred but not reported, is accrued when insured events occur. Anticipated investment income is considered in determining whether a contribution deficiency exists. The Fund applies all applicable pronouncements of the Financial Accounting Standards Board except those which conflict with pronouncements of the GASB.

Cash and Cash Equivalents - The P&C Pool considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments - All investments are carried at fair value, based on quoted market prices, in a single pooled investment account for all of the Property and Casualty Pool fund years. The Pool's investments consist of U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Pool estimates that the fair value of all financial instruments at June 30, 2002 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheets. Each fund year's portion of principal, interest, capital gains and losses is determined by its cash and investments in the pooled investments.

Accounts Receivable - Accounts receivable has been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at June 30, 2002 and 2001.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND POOL DESCRIPTION, CONTINUED

Fixed Assets - The cost of computer hardware and software is being depreciated on a straight-line basis over their estimated useful lives of three to five years.

Deferred Revenue - Deferred revenue represents contributions which have been received by the Pool related to the next fund year.

Claims Loss Reserve - Claims loss reserves represent the estimated ultimate cost of settling all reported and unreported losses at the balance sheet date, including the effects of inflation and other factors, as determined by an independent actuary. Management believes that the reserves are adequate, but the ultimate cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually. Any adjustments resulting from the settlement of losses will be reflected in the statements of revenue and expenses at the time the adjustments are determined.

Claims Service Reserves - The Claims Service Reserve is actuarially determined and consists of estimates for service fees for future claims. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually.

Reinsurance - The P&C Pool uses reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Premiums ceded to reinsurers during 2001-2002 and 2000-2001 were \$1,997,377 and \$1,835,182, respectively. The amount deducted from claims liabilities as of June 30, 2002 and 2001 for reinsurance was \$1,379,834 and \$1,963,367, respectively.

Statements of Cash Flows - For purposes of the statements of cash flows, the Fund considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalent.

Management Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

DEPOSITS AND INVESTMENTS

Deposits - Cash and cash equivalents are composed of cash management (CMA) and money market accounts and consist of the following at June 30:

	<u>2002</u>	<u>2001</u>
CMA - deposit account	\$ 3,225	2,959
CMA - sweep account	1,053,272	14,678
Money market account	2,176,253	1,855,026
<u>Totals</u>	<u>\$3,232,750</u>	<u>1,872,663</u>

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

Cash and cash equivalents for all of the Maine Municipal entities are pooled together, at a single institution, in cash management and money market accounts. Amounts in the cash management-deposit account that exceed the \$100,000 FDIC insured limit are considered uninsured and uncollateralized. The cash management-sweep, and money market accounts are held in money market mutual funds which are indirectly invested in U.S. Government or Agency securities.

At June 30, 2002 and 2001, the portion of bank balances attributable to the P&C Pool totaled \$3,302,046 and \$1,984,975, respectively. The financial statement balance for each entity reflects a reduction for outstanding checks at that date.

Investments - Investments are categorized into three categories of credit risk:

1. Insured or registered, with securities held by the Pool or its agent in the P&C Pool's name.
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Pool's name.
3. Uninsured and unregistered, with securities held by the counter-party or its trust department or agent but not in the Pool's name.

At June 30, 2002 and 2001, investment balances were carried at their fair values, which approximate amortized cost:

		2002	2001
	<u>Category</u>	<u>Fair value</u>	<u>Fair value</u>
Certificate of deposit	1	\$ 1,000,000	1,450,000
Corporate debt securities	1	1,222,275	511,755
U.S. government securities	1	1,270,665	2,020,141
Totals		\$ 3,492,940	3,981,896

The maturity value and related maturity dates of corporate bonds and U.S. government and agency securities at June 30, 2002, are as follows:

	<u>Maturity value</u>
Due in one year or less	\$ 2,500,000
Due after one year through five years	-
Total	\$ 2,500,000

UNPAID CLAIMS LIABILITIES

The P&C Pool establishes liabilities for the estimated costs of both reported and unreported losses, which includes estimates of both future payments of losses and related claims service reserves. The following represents changes in those aggregate liabilities for the years ended June 30, 2002 and 2001.

	<u>2002</u>	<u>2001</u>
Claims loss and claims service reserves at beginning of year	\$ 2,469,156	1,812,852
Provision for insured events - current year	2,670,433	2,784,020
Increase (decrease) in provision for insured events - prior years	258,243	(319,379)
Total incurred claims and claims service reserve expenses	2,928,675	2,464,641
Claims paid on losses incurred in the current year	1,128,147	1,308,858
Claims paid on losses incurred in prior years	1,851,190	499,479
Total paid claims	2,979,337	1,808,337
Claims loss and claims service reserves at end of year	2,418,495	2,469,156

Unpaid claims liabilities are reported on the balance sheet as follows:

Claims loss reserves, net	2,035,725	2,114,880
Claims service fee reserves	382,770	354,276
Totals	\$ 2,418,495	2,469,156

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

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CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE

The amounts shown for claims reserves are developed from an actuarially determined loss analysis as of June 30, 2002 and are as follows:

<u>Fund year</u>	<u>Established on known claims</u>	<u>Actuarial reserves</u>	<u>Total reserves</u>	<u>Net paid claims</u>	<u>Actuarially determined ultimate losses</u>
1987-88	\$ -	-	-	747,447	747,447
1988-89	-	-	-	978,303	978,303
1989-90	-	-	-	850,237	850,237
1990-91	-	-	-	2,012,343	2,012,343
1991-92	-	-	-	1,644,216	1,644,216
1992-93	-	-	-	2,400,515	2,400,515
1993-94	-	-	-	1,991,992	1,991,992
1994-95	339	-	339	1,167,065	1,167,404
1995-96	10,992	-	10,992	1,913,289	1,924,281
1996-97	-	-	-	1,222,520	1,222,520
1997-98	5,565	-	5,565	1,980,031	1,985,596
1998-99	112,868	-	112,868	1,715,263	1,828,131
1999-00	94,923	63,474	158,397	1,193,320	1,351,717
2000-01	660,235	723,475	1,383,710	2,596,285	3,979,995
2001-02	557,572	1,186,116	1,743,688	1,080,004	2,823,692
<u>Totals</u>	<u>\$ 1,442,494</u>	<u>1,973,065</u>	<u>3,415,559</u>	<u>23,492,830</u>	<u>26,908,389</u>

Each fund year has a Loss Fund that is established from the fund members' annual contributions. For each fund year the Risk Pool purchased aggregate reinsurance of \$1,000,000 in excess of the reinsurance attachment point. In addition, for each fund year the Pool has purchased specific reinsurance which provides coverage for claims exceeding \$100,000 per occurrence.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

MMA_00017800

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

An analysis of the reinsurance attachment points, ultimate losses, reinsurance recovery, and ultimate net losses is as follows:

<u>Fund year</u>	<u>Aggregate reinsurance attachment</u>	<u>Actuarially determined ultimate losses</u>	<u>Reinsurance recovered</u>	<u>Reinsurance recoverable</u>	<u>Ultimate losses net of reinsurance</u>
1987-88	\$ 845,834	747,447	185,928	-	561,518
1988-89	1,406,720	978,303	211,859	-	766,444
1989-90	963,226	850,237	-	-	850,237
1990-91	1,095,964	2,012,343	916,532	-	1,095,811
1991-92	1,564,127	1,644,216	278,986	1,552	1,363,678
1992-93	1,712,586	2,400,515	687,933	-	1,712,582
1993-94	2,362,467	1,991,992	472,013	-	1,519,979
1994-95	2,403,851	1,167,404	138,764	-	1,028,640
1995-96	2,250,000	1,924,280	162,946	17,391	1,743,943
1996-97	1,733,027	1,222,520	22,015	-	1,200,505
1997-98	1,633,873	1,985,596	494,127	-	1,491,469
1998-99	1,620,352	1,828,131	71,631	136,148	1,620,352
1999-00	1,741,520	1,351,717	-	67,000	1,284,717
2000-01	2,508,266	3,979,995	758,344	718,376	2,503,276
2001-02	3,128,504	2,823,692	81,904	439,367	2,302,421
Totals	\$ 26,970,317	26,908,388	4,482,982	1,379,834	21,045,572

A.M. BEST RATINGS

Reinsurance or excess insurance for the various fund years has been provided by the following companies. The A.M. Best rating for each company is also listed.

<u>Fund Year</u>	<u>Reinsurance Carrier</u>	<u>Type of Coverage</u>	<u>A.M. Best Rating</u>	<u>Fin Size Category</u>
1987-1988	Lloyd's of London	Aggregate & Specific	A-	XV
though	Fireman's Fund Ins. Co.	Excess Property	A	XV
1988-1989	International Ins. Co.	GL/Auto Excess	B++	X
	CNA Insurance Co.	Prop & Liab Excess	A	XV
1989-1990	Lloyd's of London	Aggregate & Specific	A-	XV
through	Fireman's Fund Ins. Co.	Excess Property	A	XV
1992-1993	International Ins. Co.	GL/Auto Excess	B++	X
	CNA Insurance Co.	Prop & Liab Excess	A	XV
	ACE P & C Ins Co. (CIGNA)	Following Form	A	XIII

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

MMA_00017801

A.M. BEST RATINGS – CONTINUED

1993-1994 through 1998-1999	American Re-insurance Co. Royal Insurance Group	Aggregate & Specific Excess Property	A++ A	XV XV
1999-2000 through 2000-2001	American Re-insurance Co. Swiss Re	Aggregate & Specific Excess Property	A++ A++	XV XV
2001-2002	American Re-insurance Co. Liberty Mutual	Aggregate & Specific Excess Property	A++ A+	XV XV

EXPENSES

Estimates of reinsurance premiums, claims service fees, and administrative fees are recorded as expenses in the initial fiscal year of each Pool for all of the services expected to arise out of that fund year. Changes in these estimated expenses are treated as current income or expenses in each fund year.

FUND BALANCE

Under a policy adopted by the Board of Directors, the fund balance is segregated into two components.

The Reserve for Adverse Development is maintained to recognize the possibility that actual loss development may vary from the expected development underlying the loss projections. The amount of the reserve is based on recommendations from an independent actuary. The reserve is established at the 95% Confidence Level, as calculated by the actuary. At June 30, 2002 and 2001, the reserve for adverse development totaled \$416,891 and \$145,814, respectively.

The contingency reserve is calculated as the total fund balance less the Reserve for Adverse Development. The contingency reserve at June 30, 2002 and 2001 was \$4,077,946 and \$3,374,900, respectively. The contingency reserve represents accumulated funding in excess of statutory requirements and the board-designated reserves. The Property and Casualty Pool Trustees have established this reserve to be held for the financial stability of the Pool.

At June 30, 2002, one (1) fund years, 1998-1999, had an accumulated fund balance deficit of \$250,982. Management expects to eliminate these deficits through investment earnings and transfers from other fund years.

INTERFUND TRANSFERS

In order to provide full funding, the Property and Casualty Pool Trustees have approved various transfers from some fund years to others. Transfers affected during 2001 - 2002 are shown within Schedule 2. All transfers made between Property and Casualty Pool funds years since inception are reflected in Schedule 3.

INTEGRATION OF PUBLIC OFFICIALS LIABILITY PROGRAM

On January 27, 2000, the MMA Executive Committee and the Property & Casualty Pool Board voted to integrate the Public Officials Liability Program into the Property and Casualty Pool, effective July 1, 2000. From that date forward, Public Officials Liability claims will be self insured as a line of business within the Property and Casualty Pool. The Public Officials Liability Fund for 1999-2000 and prior fund years will remain open until all outstanding liabilities have been relieved, at which time any remaining assets will be transferred to the Property & Casualty Fund. As of June 30, 2001, \$250,000 has been transferred from the Public Officials Liability program to the Property & Casualty Pool fund year 2000 - 2001.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Balance Sheet
June 30, 2002

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
ASSETS								
Cash and cash equivalents	\$ 26,671	6,695	33,438	73,815	168,736	25,640	258,075	178,935
Investments:								
Certificates of deposit	8,250	2,071	10,343	22,833	52,196	7,931	79,831	55,351
Corporate bonds	10,084	2,531	12,642	27,909	63,798	9,694	97,576	67,654
U.S. government and agency securities	10,483	2,632	13,143	29,014	66,323	10,078	101,439	70,332
Total investments	28,817	7,234	36,128	79,756	182,317	27,703	278,846	193,337
Fixed assets:								
Computer system	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
Net fixed assets	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-
Accrued interest receivable	370	93	464	1,023	2,340	356	3,579	2,481
Prepaid expenses	-	-	-	-	-	-	-	-
Total assets	\$ 55,858	14,022	70,030	154,594	353,393	53,699	540,500	374,753
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Claims loss reserves:								
Claims reserves	-	-	-	-	-	-	-	339
Reinsurance recoverable	-	-	-	-	(1,552)	-	-	-
Net claims loss reserves	-	-	-	-	(1,552)	-	-	339
Claims service fee reserve	-	-	-	-	-	-	-	680
Total liabilities	-	-	-	-	(1,552)	-	-	1,019
Fund balances:								
Reserve for adverse development	-	-	-	-	-	-	-	104
Contingency reserve	55,858	14,022	70,030	154,594	354,945	53,699	540,500	373,630
Total fund balances	55,858	14,022	70,030	154,594	354,945	53,699	540,500	373,734
Total liabilities and fund balances	\$ 55,858	14,022	70,030	154,594	353,393	53,699	540,500	374,753

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Balance Sheet, Continued

1995-96 Fund Year	1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	P&C Safety Fund	Totals (memorandum only)	
									2002	2001
183,536	383,092	7,050	(125,870)	254,787	613,697	1,126,473	(4,545)	22,525	3,232,750	1,872,663
56,774	118,504	2,181	(38,936)	78,814	189,837	348,457	(1,406)	6,969	1,000,000	1,450,000
69,393	144,844	2,666	(47,590)	96,333	232,034	425,910	(1,718)	8,515	1,222,275	511,755
72,141	150,578	2,771	(49,474)	100,147	241,220	442,772	(1,787)	8,853	1,270,665	2,020,141
198,308	413,926	7,618	(136,000)	275,294	663,091	1,217,139	(4,911)	24,337	3,492,940	3,981,896
-	-	-	-	-	-	301,359	-	-	301,359	288,436
-	-	-	-	-	-	(230,057)	-	-	(230,057)	(200,044)
-	-	-	-	-	-	71,302	-	-	71,302	88,392
119	-	-	-	2,500	-	61,937	9,518	-	74,074	53,235
2,544	5,312	97	(1,746)	3,532	8,509	15,619	(63)	315	44,825	52,518
-	-	-	-	-	-	-	9,920	-	9,920	3,839
384,597	802,330	14,765	(263,616)	536,113	1,285,297	2,492,470	9,919	47,177	6,925,811	6,052,543
-	-	-	-	-	-	2,560	-	-	2,560	42,603
-	-	-	-	-	-	-	9,919	-	9,919	20,070
10,992	-	5,565	112,868	158,397	1,383,710	1,743,688	-	-	3,415,559	4,078,247
(17,391)	-	-	(136,148)	(67,000)	(718,376)	(439,367)	-	-	(1,379,834)	(1,963,367)
(6,399)	-	5,565	(23,280)	91,397	665,334	1,304,321	-	-	2,035,725	2,114,880
906	-	1,586	10,646	15,134	115,854	237,964	-	-	382,770	354,276
(5,493)	-	7,151	(12,634)	106,531	781,188	1,544,845	9,919	-	2,430,974	2,531,829
-	-	1,714	-	46,830	-	368,243	-	-	416,891	145,814
390,000	802,330	5,900	(250,982)	382,752	504,109	579,382	-	47,177	4,077,946	3,374,900
390,000	802,330	7,614	(250,982)	429,582	504,109	947,625	-	47,177	4,494,837	3,520,714
384,597	802,330	14,765	(263,616)	536,113	1,285,297	2,492,470	9,919	47,177	6,925,811	6,052,543

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Revenues, Expenses and Changes in Fund Balances
For the period ended June 30, 2002

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:								
Contributions	\$ -	-	-	-	-	-	-	-
Investment income	1,895	475	2,376	5,246	11,993	1,823	21,667	16,042
Grant income	-	-	-	-	-	-	-	-
Total revenue	1,895	475	2,376	5,246	11,993	1,823	21,667	16,042
Expenses:								
Claims paid	-	-	-	-	-	-	-	-
Less: Deductible recovery	-	-	-	-	-	-	-	-
Salvage recovery	-	-	-	-	-	-	-	-
Subrogation recovery	-	-	-	-	-	-	-	(338)
Net claims paid before reinsurance	-	-	-	-	-	-	-	(338)
Reinsurance recovery	-	-	-	-	-	-	-	-
Net claims paid after reinsurance	-	-	-	-	-	-	-	(338)
Claims reserve adjustment:								
Established claims	-	-	-	-	-	-	-	338
Less reinsurance recoverable estimate	-	-	-	-	-	-	13,135	-
Net claims expense adjustment	-	-	-	-	-	-	13,135	-
Premiums remitted	-	-	-	-	-	-	-	-
Reinsurance premium	-	-	-	-	-	-	-	-
Claims service fee	-	-	-	-	-	-	-	-
Administrative fee	-	-	-	-	-	-	-	-
Claims service reserve adjustment	-	-	-	-	-	-	-	680
Consultants and legal fees	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-	13,135	680
Excess (deficiency) of revenues over (under) expenses	1,895	475	2,376	5,246	11,993	1,823	8,532	15,362
Transfers between fund years	-	-	-	-	-	-	(250,000)	(250,000)
Fund balances, beginning	53,963	13,547	67,654	149,348	342,952	51,876	781,968	608,372
Fund balances, ending	\$ 55,858	14,022	70,030	154,594	354,945	53,699	540,500	373,734

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Revenues, Expenses and Changes in Fund Balances, Continued

1995-96 Fund Year	1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	P&C Safety Fund	Totals (memorandum only)	
									2002	2001
-	-	-	-	-	2,146	6,208,337	-	-	6,210,483	5,140,312
13,139	28,146	977	(4,157)	22,065	46,951	68,617	-	-	237,255	395,961
-	-	-	-	-	-	-	-	61,151	61,151	-
13,139	28,146	977	(4,157)	22,065	49,097	6,276,954	-	61,151	6,508,889	5,536,273
6,700	1,213	21,975	292,440	203,540	1,325,321	1,128,147	-	-	2,979,336	2,120,765
-	-	-	(1,386)	-	(17,295)	(6,885)	-	-	(25,566)	(27,156)
-	-	-	-	-	(4,833)	(7,879)	-	-	(12,712)	(12,938)
(2,083)	(1,150)	(65)	(1,981)	(607)	(81,984)	(33,379)	-	-	(121,587)	(155,475)
4,617	63	21,910	289,073	202,933	1,221,209	1,080,004	-	-	2,819,471	1,925,196
-	-	-	-	-	(692,126)	(81,907)	-	-	(774,033)	(116,860)
4,617	63	21,910	289,073	202,933	529,083	998,097	-	-	2,045,438	1,808,336
(8,609)	(24,103)	(95,310)	(612,674)	(546,852)	(1,119,167)	1,743,688	-	-	(662,689)	1,264,085
87,499	47,009	3,563	323,602	(37,000)	585,092	(439,367)	-	-	583,533	(702,509)
83,507	22,969	(69,837)	1	(380,919)	(4,992)	2,302,418	-	-	1,966,282	2,369,912
-	-	-	-	-	23	461,462	-	-	461,485	417,144
-	-	-	-	-	-	1,535,914	-	-	1,535,914	1,451,296
-	-	-	-	-	-	-	-	-	-	7,000
-	-	-	-	-	-	1,307,772	-	-	1,307,772	1,396,706
(2,022)	(976)	(5,246)	(7,118)	(34,888)	(159,900)	237,964	-	-	28,494	94,726
-	-	-	-	-	-	17,807	-	13,974	31,781	3,114
-	-	-	-	-	-	1,045	-	-	1,045	10,024
-	-	-	-	171,980	-	-	-	-	171,980	172,123
-	-	-	-	-	-	30,013	-	-	30,013	29,853
81,485	21,993	(75,083)	(7,117)	(243,827)	(164,869)	5,894,395	-	13,974	5,534,766	5,751,898
(68,346)	6,153	76,060	2,960	265,892	213,966	382,559	-	47,177	974,123	(215,625)
-	(65,066)	-	-	-	-	565,066	-	-	-	250,000
458,346	861,243	(68,446)	(253,942)	163,690	290,143	-	-	-	3,520,714	3,486,339
390,000	802,330	7,614	(250,982)	429,582	504,109	947,625	-	47,177	4,494,837	3,520,714

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining and Combined Schedule of Revenues and Expenses
For the period March 1, 1987 through June 30, 2002

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:							
Contributions	\$ 1,886,708	3,478,124	2,718,315	2,927,993	3,611,796	4,178,841	4,728,534
Investment income	169,049	522,412	301,904	141,847	211,396	133,097	518,669
Grant income	-	-	-	-	-	-	-
Total revenue	2,055,757	4,000,536	3,020,219	3,069,840	3,823,192	4,311,938	5,247,203
Expenses:							
Claims paid	830,179	1,120,078	979,918	2,197,076	1,817,965	2,649,148	2,058,998
Less: Deductible recovery	74,587	109,119	105,595	100,511	122,654	183,579	22,045
Salvage recovery	1,295	4,754	6,508	3,229	6,057	12,301	7,795
Subrogation recovery	6,851	27,902	17,578	80,992	45,038	52,754	37,166
Net claims paid before reinsurance	747,446	978,303	850,237	2,012,344	1,644,216	2,400,514	1,991,992
Reinsurance recovery	185,928	211,859	-	916,532	278,986	687,933	472,013
Net paid claims	561,518	766,444	850,237	1,095,812	1,365,230	1,712,581	1,519,979
Claims reserve adjustment:							
Established claims	-	-	-	-	-	-	-
Less reinsurance recoverable estimate	-	-	-	-	(1,552)	-	-
Net claims expense	561,518	766,444	850,237	1,095,812	1,363,678	1,712,581	1,519,979
Premiums remitted	-	-	-	-	89,499	63,710	113,372
Reinsurance premium	1,028,693	1,665,025	1,288,667	1,420,019	1,946,991	1,842,935	1,599,829
Claims service fee	28,688	41,887	25,885	22,745	22,290	24,740	-
Administrative fee	195,784	301,418	289,238	319,670	426,724	531,791	621,839
Loss prevention services	35,216	64,205	51,000	57,000	66,600	82,482	51,300
Claims service reserve adjustment	-	-	-	-	-	-	-
Consultants and legal fees	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	160,376
Depreciation	-	-	-	-	-	-	-
Total expenses	1,849,899	2,838,979	2,505,027	2,915,246	3,915,782	4,258,239	4,066,695
Excess (deficiency) of revenue over (under) expenses	205,858	1,161,557	515,192	154,594	(92,590)	53,699	1,180,508
Transfer to fund year							
1991-92	-	(447,535)	-	-	447,535	-	-
1996-97	(150,000)	(550,000)	(72,855)	-	-	-	-
1997-98	-	(150,000)	(372,307)	-	-	-	-
1998-99	-	-	-	-	-	-	(390,008)
1999-00	-	-	-	-	-	-	-
2000-01	-	-	-	-	-	-	-
2001-02	-	-	-	-	-	-	(250,000)
Transfer from POL to P&C	-	-	-	-	-	-	-
Fund balances	\$ 55,858	14,022	70,030	154,594	354,945	53,699	540,500

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining and Combined Schedule of Revenues and Expenses, Continued

1994-95 Fund Year	1995-96 Fund Year	1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	P&C Safety Fund	Totals
4,823,683	4,600,925	3,549,226	3,372,596	3,375,152	3,687,171	5,142,450	6,208,337	-	-	58,289,851
609,180	281,125	272,338	81,466	33,953	138,934	124,902	68,620	-	-	3,608,892
								-	61,151	61,151
5,432,863	4,882,050	3,821,564	3,454,062	3,409,105	3,826,105	5,267,352	6,276,957	-	61,151	61,959,894
1,261,447	1,999,804	1,271,930	2,036,699	1,836,987	1,294,524	2,763,260	1,128,147	-	-	25,246,160
21,915	26,066	5,000	6,419	3,093	2,557	35,232	6,885	-	-	825,257
1,629	8,627	7,226	7,171	16,884	16,434	17,170	7,879	-	-	124,959
70,839	51,822	37,183	43,078	101,747	82,213	114,573	33,379	-	-	803,115
1,167,064	1,913,289	1,222,521	1,980,031	1,715,263	1,193,320	2,596,285	1,080,004	-	-	23,492,829
138,764	162,946	22,015	494,127	71,631	-	758,344	81,904	-	-	4,482,982
1,028,300	1,750,343	1,200,506	1,485,904	1,643,632	1,193,320	1,837,941	998,100	-	-	19,009,847
339	10,992	-	5,565	112,868	158,397	1,383,710	1,743,688	-	-	3,415,559
-	(17,392)	-	-	(136,148)	(67,000)	(718,376)	(439,367)	-	-	(1,379,835)
1,028,639	1,743,943	1,200,506	1,491,469	1,620,352	1,284,717	2,503,275	2,302,421	-	-	21,045,571
125,881	119,937	211,736	240,931	248,803	331,911	417,165	461,463	-	-	2,424,408
1,671,447	1,502,842	1,075,765	973,632	866,631	802,491	1,418,017	1,535,914	-	-	20,638,898
-	14,000	-	7,000	9,500	7,000	7,000	-	-	-	210,735
755,614	930,103	1,026,453	1,051,088	1,081,080	1,120,190	1,196,706	1,307,772	-	-	11,155,470
672	(2,095)	-	-	-	-	-	-	-	-	406,380
680	906	-	1,586	10,646	15,134	115,854	237,964	-	-	382,770
-	-	-	-	-	9,263	922	17,804	-	13,974	41,963
-	339	1,746	2,821	3,916	1,610	10,024	1,045	-	-	21,501
159,696	152,646	175,756	163,884	172,123	171,980	-	-	-	-	1,156,461
-	29,429	35,061	36,344	37,044	33,156	29,853	30,013	-	-	230,900
3,742,629	4,492,050	3,727,023	3,968,755	4,050,095	3,777,452	5,698,816	5,894,396	-	13,974	57,715,057
1,690,234	390,000	94,541	(514,693)	(640,990)	48,653	(431,464)	382,561	-	47,177	4,244,837
-	-	-	-	-	-	-	-	-	-	-
-	-	772,855	-	-	-	-	-	-	-	-
-	-	-	522,307	-	-	-	-	-	-	-
-	-	-	-	390,008	-	-	-	-	-	-
(380,929)	-	-	-	-	380,929	-	-	-	-	-
(685,571)	-	-	-	-	-	685,573	-	-	-	-
(250,000)	-	(65,066)	-	-	-	-	565,066	-	-	-
-	-	-	-	-	-	250,000	-	-	-	250,000
373,734	390,000	802,330	7,614	(250,982)	429,582	504,109	947,627	-	47,177	4,494,837

Schedule 4.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Schedule of Claims Development Information

	1992-93 Fund Year	1993-94 Fund Year	1994-95 Fund Year
Contribution and investment revenue:			
Earned	\$ 4,311,938	5,247,203	5,432,863
Ceded	1,906,645	1,713,201	1,797,328
Net earned revenue	2,405,293	3,534,002	3,635,535
Unallocated expenses:	639,014	673,139	756,286
Estimated incurred claims and expense:			
Incurred	1,773,973	2,162,615	1,130,999
Ceded	68,790	213,006	-
Net incurred claims	1,705,183	1,949,609	1,130,999
Paid claims (cumulative) as of:			
End of policy year	398,402	533,037	504,186
One year later	750,285	890,354	659,071
Two years later	1,523,338	1,038,691	749,103
Three years later	1,859,764	1,305,663	933,488
Four years later	1,605,533	1,483,189	998,260
Five years later	1,861,266	1,516,440	1,028,639
Six years later	1,771,794	1,519,979	1,261,447
Seven years later	1,709,618	2,058,998	-
Eight years later	2,649,148	2,058,998	-
Nine years later	-	-	-
Ten years later	-	-	-
Reestimated ceded claims and expenses	687,933	472,013	138,764
Reestimated incurred claims and expense as of:			
End of policy year	1,705,183	1,949,609	1,130,999
One year later	1,629,929	1,783,997	1,137,061
Two years later	1,705,183	1,887,229	1,081,957
Three years later	1,705,183	1,731,102	959,131
Four years later	1,705,184	1,502,512	1,020,909
Five years later	1,705,184	1,503,305	1,028,639
Six years later	1,712,586	1,510,812	1,028,639
Seven years later	1,709,617	1,506,843	1,028,301
Eight years later	1,712,582	1,519,979	-
Nine years later	-	-	-
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ 7,399	(429,630)	(102,698)

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Schedule of Claims Development Information, Continued

1995-96 Fund Year	1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year
4,882,050	3,821,564	3,454,062	3,409,105	3,826,105	5,267,352	6,276,957
1,622,779	1,287,501	1,214,563	1,115,433	1,134,402	1,835,182	1,997,377
3,259,271	2,534,063	2,239,499	2,293,672	2,691,703	3,432,170	4,279,580
972,681	1,063,260	1,098,839	1,142,186	1,186,353	1,360,359	1,595,965
1,620,111	1,729,609	1,833,052	1,896,975	2,487,518	3,811,734	3,838,334
-	201,500	353,548	276,624	572,798	1,303,468	1,535,914
1,620,111	1,528,109	1,479,504	1,620,351	1,914,720	2,508,266	2,302,420
667,177	531,401	757,448	1,072,135	782,365	1,437,939	1,128,147
827,688	810,271	1,083,535	1,315,431	1,090,984	2,763,260	-
1,084,346	926,420	1,303,279	1,544,547	1,294,524	-	-
1,469,337	1,154,584	2,014,724	1,836,987	-	-	-
1,703,935	1,270,717	-	-	-	-	-
1,993,103	-	-	-	-	-	-
1,999,804	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
162,946	22,015	494,127	71,631	-	758,344	81,904
1,620,111	1,528,109	1,479,504	1,620,351	1,741,520	2,508,266	2,302,420
1,872,338	1,231,386	1,633,873	1,620,352	1,665,637	2,503,275	-
1,464,707	1,238,089	1,633,873	1,620,352	1,287,218	-	-
1,596,082	1,218,160	1,561,306	1,620,353	-	-	-
1,609,711	1,177,537	1,491,468	-	-	-	-
1,660,437	1,200,506	-	-	-	-	-
1,750,343	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
130,232	(327,603)	11,964	2	(454,302)	(4,991)	-

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL

Financial Statements

June 30, 2003 and 2002

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

Board of Directors
Maine Municipal Association
Property and Casualty Pool

We have audited the accompanying combined balance sheets of Maine Municipal Association Property and Casualty Pool (the "Pool") as of June 30, 2003 and 2002, and the related combined statements of revenues and expenses, changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maine Municipal Association Property and Casualty Pool at June 30, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The additional information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in our audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

A handwritten signature in cursive script that reads "Runyon Kersteen Ouellette".

September 18, 2003
South Portland, Maine

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**
Combined Balance Sheets
June 30, 2003 and 2002

	2003	2002
ASSETS		
Cash and cash equivalents	\$ 5,233,911	3,232,750
Investments:		
Certificates of deposit	2,350,000	1,000,000
Corporate bonds	-	1,222,275
U.S. government and agency securities	2,042,591	1,270,665
Total investments	4,392,591	3,492,940
Fixed assets:		
Computer equipment	305,017	301,359
Accumulated depreciation	(257,823)	(230,057)
Net fixed assets	47,194	71,302
Accounts receivable	41,640	74,074
Accrued interest receivable	27,855	44,825
Prepaid expenses	-	9,920
Total assets	\$ 9,743,191	6,925,811
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	4,194	2,560
Deferred revenue	-	9,919
Claims loss reserves:		
Claims reserves	4,720,605	3,415,559
Reinsurance recoverable	(1,193,880)	(1,379,834)
Net claims loss reserves	3,526,725	2,035,725
Claims service fee reserve	336,273	382,770
Total liabilities	3,867,192	2,430,974
Fund balances:		
Reserve for adverse development	677,350	416,891
Contingency reserve	5,198,649	4,077,946
Total fund balances	5,875,999	4,494,837
Total liabilities and fund balances	\$ 9,743,191	6,925,811

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combined Statements of Revenues and Expenses
June 30, 2003 and 2002

	2003	2002
Revenues:		
Contributions	\$ 8,757,741	6,210,483
Investment income	164,831	237,255
Grant income	-	61,151
Total revenues	8,922,572	6,508,889
Expenses:		
Claims paid	2,428,354	2,979,336
Less:		
Deductible recovery	(82,013)	(25,566)
Salvage recovery	(29,725)	(12,712)
Subrogation recovery	(131,733)	(121,587)
Net claims paid before reinsurance	2,184,883	2,819,471
Reinsurance recovery	(117,136)	(774,033)
Net claims paid after reinsurance	2,067,747	2,045,438
Claims reserve adjustment:		
Established claims	1,305,046	(662,689)
Less reinsurance recoverable estimate	185,954	583,533
Net claims expense adjustment	3,558,747	1,966,282
Premiums remitted	448,383	461,485
Reinsurance premium	1,873,418	1,535,914
Administrative fee	1,471,660	1,307,772
Claims service reserve adjustment	(46,497)	28,494
Consultants and legal fees	24,249	31,781
Maintenance contracts	9,019	1,045
Dividends	174,665	171,980
Depreciation	27,766	30,013
Total expenses	7,541,410	5,534,766
Excess of revenues over expenses	\$ 1,381,162	974,123

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combined Statements of Changes in Fund Balances
For the years ended June 30, 2003 and 2002

	Contingency reserve	Reserve for adverse development	Total fund balance
Fund balances at June 30, 2001	\$ 3,374,900	145,814	3,520,714
Excess of revenues over expenses	974,123	-	974,123
Fund balance transfer	(271,077)	271,077	-
Fund balances at June 30, 2002	4,077,946	416,891	4,494,837
Excess of revenues over expenses	1,381,162	-	1,381,162
Fund balance transfer	(260,459)	260,459	-
Fund balances at June 30, 2003	\$ 5,198,649	677,350	5,875,999
<i>See accompanying notes to financial statements.</i>			

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combined Statements of Cash Flows
Years ended June 30, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 1,381,162	974,123
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	32,434	(20,839)
Accrued interest receivable	16,970	7,693
Prepaid expenses	9,920	(6,081)
Accounts payable	1,634	(40,043)
Deferred revenue	(9,919)	(10,151)
Claims loss reserves	1,305,046	(662,688)
Reinsurance recoverable	185,954	583,533
Claims service reserves	(46,497)	28,494
Unrealized loss on investments	34,438	36,219
Depreciation	27,766	30,013
Net cash provided by operating activities	2,938,908	920,273
Cash flows from investing activities:		
Purchases of investments	(4,384,089)	(2,747,263)
Maturities of investments	3,450,000	3,200,000
Net cash provided by (used in) investing activities	(934,089)	452,737
Cash flows from financing activities:		
Computer system	(3,658)	(12,923)
Net cash used in financing activities	(3,658)	(12,923)
Net increase in cash and cash equivalents	2,001,161	1,360,087
Cash and cash equivalents at beginning of year	3,232,750	1,872,663
Cash and cash equivalents at end of year	\$ 5,233,911	3,232,750

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND POOL DESCRIPTION

The Maine Municipal Association Property and Casualty Pool (the Pool) was established on March 1, 1987 as a self-insured pool for the purpose of providing liability and property coverage to municipalities and qualified local government instrumentalities or subdivisions who choose to participate. During the fiscal years ended June 30, 2003 and 2002, there were 406 and 390 governmental entities, respectively, who participated in the Pool. The Pool provides the following coverages: automobile liability; commercial general liability; police professional liability; ambulance/nurse malpractice liability; firefighters liability; public officials liability, including employment practices liability; automobile physical damage coverage; property and inland marine coverage; and comprehensive crime coverage. In addition the Pool offers coverage for forest fire suppression, earthquake, and flood on a pooled basis. The Pool also assists members in the purchase of other fully insured coverages through the services of its broker. The Pool is administered by the Maine Municipal Association for which a management fee is assessed and included in expense. For the years ended June 30, 2003 and 2002, the Pool was assessed management fees totaling \$1,471,660 and \$1,307,772, respectively. These financial statements include only the accounts of the Maine Municipal Association Property and Casualty Pool.

The municipality or qualified local government instrumentality or subdivision must be a member of the Maine Municipal Association to participate in the Pool.

Tax Exempt Status - The Pool is exempt from income taxes.

Fund Accounting - Each year a new fund is established to cover the potential claims made for that specific period. Each fund year has a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues, and expenses.

Basis of Accounting - The accrual basis of accounting is followed for all fund years. The Fund follows the provisions of Government Accounting Standards Board (GASB) Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*. Contributions are recognized as revenue over the contract period for which risk protection is provided which corresponds to a fund year. A liability for unpaid claims, including estimated claims incurred but not reported, is accrued when insured events occur. Anticipated investment income is considered in determining whether a contribution deficiency exists. The Fund applies all applicable pronouncements of the Financial Accounting Standards Board except those which conflict with pronouncements of the GASB.

Cash and Cash Equivalents - The Pool considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments - All investments are carried at fair value, based on quoted market prices, in a single pooled investment account for all of the Property and Casualty Pool fund years. The Pool's investments consist of U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Pool estimates that the fair value of all financial instruments at June 30, 2003 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheets. Each fund year's portion of principal, interest, capital gains, and losses is determined by its cash and investments in the pooled investments.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND POOL DESCRIPTION, CONTINUED

Accounts Receivable - Accounts receivable has been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at June 30, 2003 and 2002.

Fixed Assets - The cost of computer hardware and software is being depreciated on a straight-line basis over their estimated useful lives of three to five years.

Deferred Revenue - Deferred revenue represents contributions which have been received by the Pool related to the next fund year.

Claims Loss Reserves - Claims loss reserves represent the estimated ultimate cost of settling all reported and unreported losses at the balance sheet date, including the effects of inflation and other factors, as determined by an independent actuary. Management believes that the reserves are adequate, but the ultimate cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually. Any adjustments resulting from the settlement of losses will be reflected in the combined statements of revenues and expenses at the time the adjustments are determined.

Claims Service Reserves - The claims service reserves is actuarially determined and consists of estimates for service fees for future claims. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually.

Reinsurance - The Pool uses reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Premiums ceded to reinsurers during the years ended 2003 and 2002 were \$2,321,801 and \$1,997,399, respectively. The amount deducted from claims liabilities as of June 30, 2003 and 2002 for reinsurance was \$1,193,880 and \$1,379,834, respectively.

Statements of Cash Flows - For purposes of the combined statements of cash flows, the Pool considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalent.

Management Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

DEPOSITS AND INVESTMENTS

Deposits - Cash and cash equivalents are composed of cash management (CMA) and money market accounts and consist of the following at June 30:

	<u>2003</u>	<u>2002</u>
CMA - deposit account	\$ 24,386	3,225
CMA - sweep account	3,786,446	1,053,272
Money market account	1,423,079	2,176,253
Totals	\$ 5,233,911	3,232,750

Cash and cash equivalents for all of the Maine Municipal entities are pooled together, at a single institution, in cash management and money market accounts. Amounts in the cash management-deposit account that exceed the \$100,000 FDIC insured limit are considered uninsured and uncollateralized. The cash management-sweep, and money market accounts are held in money market mutual funds which are indirectly invested in U.S. government or agency securities.

At June 30, 2003 and 2002, the portion of bank balances attributable to the Pool totaled \$3,896,780 and \$1,125,794, respectively. The bank balances for the Pool do not reflect a reduction for outstanding checks at that date.

Investments - Investments are categorized into three categories of credit risk:

1. Insured or registered, with securities held by the Pool or its agent in the Pool's name.
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Pool's name.
3. Uninsured and unregistered, with securities held by the counter-party or its trust department or agent but not in the Pool's name.

At June 30, 2003 and 2002, investment balances were carried at their fair values, which approximate amortized cost:

	<u>Category</u>	<u>2003</u>	<u>2002</u>
Certificates of deposit	*	\$ 2,350,000	1,000,000
Corporate bonds	1	-	1,222,275
U.S. government and agency securities	1	2,042,591	1,270,665
Totals		\$ 4,392,591	3,492,940

* Of the certificate of deposit bank balance, \$1,000,000 was covered by federal depository insurance; the remainder is uninsured and uncollateralized.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

The aggregate maturity value of corporate bonds and U.S. government and agency securities at June 30, 2003, is as follows:

	<u>Aggregate maturity value</u>
Due in one year or less	\$ 500,000
Due after one year through five years	1,500,000
Total	\$ 2,000,000

NET APPRECIATION IN FAIR VALUE

Net appreciation in fair value during the years ended June 30, 2003 and 2002 by type of investment is as follows. Such amounts are included in investment income on the combined statements of revenues and expenses.

	<u>2003</u>	<u>2002</u>
Corporate bonds	\$ (5,857)	3,906
U.S. Government and agency securities	8,404	(13,862)
Totals	\$ 2,547	(9,956)

UNPAID CLAIMS LIABILITIES

The Pool establishes liabilities for the estimated costs of both reported and unreported losses, which includes estimates of both future payments of losses and related claims service reserves. The following represents changes in those aggregate liabilities for the years ended June 30, 2003 and 2002.

	<u>2003</u>	<u>2002</u>
Claims loss and claims service reserves at beginning of year	\$ 2,418,495	2,469,156
Provision for insured events - current year	3,906,867	2,540,383
Increase (decrease) in provision for insured events - prior years	(394,617)	(545,606)
Total incurred claims and claims service reserve expenses	3,512,250	1,994,777
Claims paid on losses incurred in the current year	1,289,954	998,098
Claims paid on losses incurred in prior years	777,793	1,047,340
Total paid claims	2,067,747	2,045,438
Claims loss and claims service reserves at end of year	3,862,998	2,418,495

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

UNPAID CLAIMS LIABILITIES, CONTINUED

Unpaid claims liabilities are reported on the combined balance sheets as follows:

	<u>2003</u>	<u>2002</u>
Claims loss reserves, net	\$ 3,526,725	2,035,725
Claims service fee reserves	336,273	382,770
Totals	\$ 3,862,998	2,418,495

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE

The amounts shown for claims reserves are developed from an actuarially determined loss analysis as of June 30, 2003 and are as follows:

<u>Fund year</u>	<u>Established on known claims</u>	<u>Actuarial reserves</u>	<u>Total reserves</u>	<u>Net paid claims</u>	<u>Actuarially determined ultimate losses</u>
1987-88	\$ -	-	-	747,447	747,447
1988-89	-	-	-	978,303	978,303
1989-90	-	-	-	850,237	850,237
1990-91	-	-	-	2,012,343	2,012,343
1991-92	-	-	-	1,644,216	1,644,216
1992-93	-	-	-	2,400,515	2,400,515
1993-94	-	-	-	1,991,992	1,991,992
1994-95	-	-	-	1,167,065	1,167,065
1995-96	15,800	-	15,800	1,908,482	1,924,282
1996-97	-	-	-	1,222,521	1,222,521
1997-98	6,265	-	6,265	1,978,672	1,984,937
1998-99	49,462	-	49,462	1,755,965	1,805,427
1999-00	31,862	14,798	46,660	1,226,366	1,273,026
2000-01	571,838	298,710	870,548	3,042,688	3,913,236
2001-02	456,408	736,209	1,192,617	1,444,173	2,636,790
2002-03	1,315,249	1,224,004	2,539,253	1,306,729	3,845,982
Totals	\$ 2,446,884	2,273,721	4,720,605	25,677,714	30,398,319

Each fund year has a Loss Fund that is established from the fund members' annual contributions. For each fund year the Pool also purchases specific reinsurance that provides coverage for claims exceeding \$100,000 per occurrence.

In addition, for the fund years through 2001-2002, the Pool has purchased aggregate reinsurance of \$1,000,000 in excess of the reinsurance attachment point. No aggregate coverage was purchased for the 2002-2003 fund year.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

An analysis of the reinsurance attachment points, ultimate losses, reinsurance recovery, and ultimate net losses is as follows:

<u>Fund year</u>	<u>Aggregate reinsurance attachment</u>	<u>Actuarially determined ultimate losses</u>	<u>Reinsurance recovered</u>	<u>Reinsurance recoverable</u>	<u>Ultimate losses net of reinsurance</u>
1987-88	\$ 845,834	747,447	185,928	-	561,518
1988-89	1,406,720	978,303	211,859	-	766,444
1989-90	963,226	850,237	-	-	850,237
1990-91	1,095,964	2,012,343	916,532	-	1,095,811
1991-92	1,564,127	1,644,216	278,986	1,552	1,363,678
1992-93	1,712,586	2,400,515	687,933	-	1,712,582
1993-94	2,362,467	1,991,992	472,013	-	1,519,979
1994-95	2,403,851	1,167,065	138,764	-	1,028,301
1995-96	2,250,000	1,924,282	162,946	17,391	1,743,945
1996-97	1,733,027	1,222,521	22,015	-	1,200,506
1997-98	1,633,873	1,984,937	494,127	(1,554)	1,492,364
1998-99	1,620,352	1,805,427	100,533	84,542	1,620,352
1999-00	1,741,520	1,273,026	35,103	36,427	1,201,496
2000-01	2,508,266	3,913,236	758,344	656,618	2,498,274
2001-02	3,128,504	2,636,790	118,260	245,904	2,272,626
2002-03	-	3,845,982	16,775	153,000	3,676,207
Totals	\$ 26,970,317	30,398,319	4,600,118	1,193,880	24,604,320

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

A.M. BEST RATINGS

Reinsurance or excess insurance for the various fund years has been provided by the following companies. The A.M. Best rating for each company is also listed.

<u>Fund Year</u>	<u>Reinsurance Carrier</u>	<u>Type of Coverage</u>	<u>A.M. Best Rating</u>	<u>Fin Size Category</u>
1987-1988 through 1988-1989	Lloyd's of London Fireman's Fund Ins. Co. International Ins. Co. CNA Insurance Co. Hartford Steam Boiler	Aggregate & Specific Excess Property GL/Auto Excess Prop & Liab Excess Boiler & Machinery	A- A Not rated A A+	XV XV XV IX
1989-1990 through 1992-1993	Lloyd's of London Fireman's Fund Ins. Co. International Ins. Co. CNA Insurance Co. ACE P & C Ins Co. (CIGNA) Hartford Steam Boiler	Aggregate & Specific Excess Property GL/Auto Excess Prop & Liab Excess Following Form Boiler & Machinery	A- A Not rated A A A+	XV XV XV XII IX
1993-1994 through 1998-1999	American Re-insurance Co. Royal Insurance Group Hartford Steam Boiler	Aggregate & Specific Excess Property Boiler & Machinery	A+ A- A+	XV XIV IX
1999-2000	American Re-insurance Co. Swiss Re Hartford Steam Boiler	Aggregate & Specific Excess Property Boiler & Machinery	A+ A++ A+	XV XV IX
2000-2001	American Re-insurance Co. Liberty Mutual Hartford Steam Boiler	Aggregate & Specific Excess Property Boiler & Machinery	A+ A A+	XV XV IX
2001-2002	American Re-insurance Co. Liberty Mutual Mutual Boiler Re	Aggregate & Specific Excess Property Boiler & Machinery	A+ A A+	XV XV XIV
2002-2003	American Re-insurance Co. Wausau Federal St. Paul Travelers Westchester Surplus Essex Lexington Hartford Steam Boiler	Aggregate & Specific Excess Property Excess Property Excess Property Excess Property Excess Property Excess Property Excess Property Boiler & Machinery	A+ A A++ A A++ A A A++ A+	XV XV XV XV XV X X XV IX

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

EXPENSES

Estimates of reinsurance premiums, claims service fees, and administrative fees are recorded as expenses in the initial fiscal year of each Pool for all of the services expected to arise out of that fund year. Changes in these estimated expenses are treated as current income or expenses in each fund year.

FUND BALANCE

Under a policy adopted by the Board of Directors, the fund balance is segregated into two components.

The reserve for adverse development is maintained to recognize the possibility that actual loss development may vary from the expected development underlying the loss projections. The amount of the reserve is based on recommendations from an independent actuary. The reserve is established at the 95% Confidence Level, as calculated by the actuary. At June 30, 2003 and 2002, the reserve for adverse development totaled \$677,350 and \$416,891, respectively.

The contingency reserve is calculated as the total fund balance less the reserve for adverse development. The contingency reserve at June 30, 2003 and 2002 was \$5,198,649 and \$4,077,946, respectively. The contingency reserve represents accumulated funding in excess of statutory requirements and the board-designated reserves. The Property and Casualty Pool Trustees have established this reserve to be held for the financial stability of the Pool.

INTERFUND TRANSFERS

In order to provide full funding, the Property and Casualty Pool Trustees have approved various transfers from some fund years to others. Transfers affected during 2002-2003 are shown within Schedule 2. All transfers made between Property and Casualty Pool fund years since inception are reflected in Schedule 3.

INTEGRATION OF PUBLIC OFFICIALS LIABILITY PROGRAM

On January 27, 2000, the MMA Executive Committee and the Property & Casualty Pool Board voted to integrate the Public Officials Liability Program into the Property and Casualty Pool, effective July 1, 2000. From that date forward, Public Officials Liability claims will be self insured as a line of business within the Property and Casualty Pool. The Public Officials Liability Fund for 1999-2000 and prior fund years will remain open until all outstanding liabilities have been relieved, at which time any remaining assets will be transferred to the Property & Casualty Fund. As of June 30, 2002, \$250,000 has been transferred from the Public Officials Liability program to the Property & Casualty Pool fund year 2000-2001.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Balance Sheet
June 30, 2003

	1987-88 Fund Year	1988-89 Fund Year	1989-90 Fund Year	1990-91 Fund Year	1991-92 Fund Year	1992-93 Fund Year	1993-94 Fund Year	1994-95 Fund Year
ASSETS								
Cash and cash equivalents	\$ 30,823	7,737	38,643	58,392	112,235	29,632	215,483	206,793
Investments:								
Certificates of deposit	13,840	3,474	17,351	26,219	50,393	13,304	96,750	92,849
Corporate bonds	-	-	-	-	-	-	-	-
U.S. government and agency securities	12,029	3,020	15,081	22,789	43,801	11,564	84,094	80,703
Total investments	25,869	6,494	32,432	49,008	94,194	24,868	180,844	173,552
Fixed assets:								
Computer equipment	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
Net fixed assets	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-
Accrued interest receivable	164	41	206	311	597	158	1,147	1,101
Prepaid expenses	-	-	-	-	-	-	-	-
Total assets	\$ 56,856	14,272	71,281	107,711	207,026	54,658	397,474	381,446
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Claims loss reserves:								
Claims reserves	-	-	-	-	-	-	-	-
Reinsurance recoverable	-	-	-	-	(1,552)	-	-	-
Net claims loss reserves	-	-	-	-	(1,552)	-	-	-
Claims service fee reserve	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	(1,552)	-	-	-
Fund balances:								
Reserve for adverse development	-	-	-	-	-	-	-	-
Contingency reserve	56,856	14,272	71,281	107,711	208,578	54,658	397,474	381,446
Total fund balances	56,856	14,272	71,281	107,711	208,578	54,658	397,474	381,446
Total liabilities and fund balances	\$ 56,856	14,272	71,281	107,711	207,026	54,658	397,474	381,446

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Balance Sheet, Continued

1995-96 Fund Year	1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	P&C Safety Fund	Totals (memorandum only)	
									2003	2002
214,799	442,736	8,898	(151,916)	295,266	366,904	1,174,538	2,157,447	25,501	5,233,911	3,232,750
96,445	198,786	3,996	(68,210)	132,572	164,738	527,360	968,684	11,449	2,350,000	1,000,000
83,829	172,782	3,473	(59,287)	115,230	143,188	458,375	841,969	9,951	2,042,591	1,222,275
180,274	371,568	7,469	(127,497)	247,802	307,926	985,735	1,810,653	21,400	4,392,591	1,270,665
-	-	-	-	-	-	-	305,017	-	305,017	301,359
-	-	-	-	-	-	-	(257,823)	-	(257,823)	(230,057)
-	-	-	-	-	-	-	47,194	-	47,194	71,302
-	-	-	-	-	4,398	-	37,242	-	41,640	74,074
1,143	2,356	47	(809)	1,571	1,953	6,251	11,482	136	27,855	44,825
-	-	-	-	-	-	-	-	-	-	9,920
396,216	816,660	16,414	(280,222)	544,639	681,181	2,166,524	4,064,018	47,037	9,743,191	6,925,811
-	-	-	-	-	-	-	4,194	-	4,194	2,560
-	-	-	-	-	-	-	-	-	-	9,919
15,890	-	6,265	49,462	46,660	870,548	1,192,617	2,539,253	-	4,720,605	3,415,559
(17,391)	-	1,554	(84,542)	(36,427)	(656,618)	(245,904)	(153,000)	-	(1,193,880)	(1,379,834)
(1,591)	-	7,819	(35,080)	10,233	213,930	946,713	2,386,253	-	3,526,725	2,035,725
716	-	716	2,820	3,582	36,549	61,230	230,660	-	336,273	382,770
(875)	-	8,535	(32,260)	13,815	250,479	1,007,943	2,621,107	-	3,867,192	2,430,974
-	-	1,272	-	8,577	-	182,872	484,629	-	677,350	416,891
397,091	816,660	6,607	(247,962)	522,247	430,702	975,709	958,282	47,037	5,198,649	4,077,946
397,091	816,660	7,879	(247,962)	530,824	430,702	1,158,581	1,442,911	47,037	5,875,999	4,494,837
396,216	816,660	16,414	(280,222)	544,639	681,181	2,166,524	4,064,018	47,037	9,743,191	6,925,811

Schedule 2

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Revenues, Expenses, and Changes in Fund Balances
For the period ended June 30, 2003

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenues:								
Contributions	\$ -	-	-	-	-	-	-	-
Investment income	998	250	1,251	1,889	3,633	959	6,974	6,693
Grant income	-	-	-	-	-	-	-	-
Total revenues	998	250	1,251	1,889	3,633	959	6,974	6,693
Expenses:								
Claims paid	-	-	-	-	-	-	-	-
Less: Deductible recovery	-	-	-	-	-	-	-	-
Salvage recovery	-	-	-	-	-	-	-	-
Subrogation recovery	-	-	-	-	-	-	-	-
Net claims paid before reinsurance	-	-	-	-	-	-	-	-
Reinsurance recovery	-	-	-	-	-	-	-	-
Net claims paid after reinsurance	-	-	-	-	-	-	-	-
Claims reserve adjustment:								
Established claims	-	-	-	-	-	-	-	(339)
Less reinsurance recoverable estimate	-	-	-	-	-	-	-	-
Net claims expense adjustment	-	-	-	-	-	-	-	(339)
Premiums remitted	-	-	-	-	-	-	-	-
Reinsurance premium	-	-	-	-	-	-	-	-
Administrative fee	-	-	-	-	-	-	-	-
Claims service reserve adjustment	-	-	-	-	-	-	-	(680)
Consultants and legal fees	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-	-	(1,019)
Excess (deficiency) of revenues over (under) expenses	998	250	1,251	1,889	3,633	959	6,974	7,712
Transfers between fund years	-	-	-	(48,772)	(150,000)	-	(150,000)	-
Fund balances, beginning	55,858	14,022	70,030	154,594	354,945	53,699	540,500	373,734
Fund balances, ending	\$ 56,856	14,272	71,281	107,711	208,578	54,658	397,474	381,446

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL

Combining Statement of Revenues, Expenses, and Changes in Fund Balances, Continued

1995-96 Fund Year	1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	P&C Safety Fund	Totals (memorandum only)	
									2003	2002
-	-	-	-	-	-	77	8,757,664	-	8,757,741	6,210,483
6,902	14,330	290	(4,807)	9,187	16,952	39,091	60,239	-	164,831	237,255
-	-	-	-	-	-	-	-	-	-	61,151
6,902	14,330	290	(4,807)	9,187	16,952	39,168	8,817,903	-	8,922,572	6,508,889
1,454	-	(1,319)	40,702	39,545	492,862	443,089	1,412,021	-	2,428,354	2,979,336
-	-	-	-	(2,000)	(41,761)	(21,230)	(17,022)	-	(82,013)	(25,566)
-	-	-	-	-	-	(5,984)	(23,741)	-	(29,725)	(12,712)
(6,262)	-	(40)	-	(4,500)	(4,698)	(51,706)	(64,527)	-	(131,733)	(121,587)
(4,808)	-	(1,359)	40,702	33,045	446,403	364,169	1,306,731	-	2,184,883	2,819,471
-	-	-	(28,902)	(35,103)	-	(36,356)	(16,775)	-	(117,136)	(774,033)
(4,808)	-	(1,359)	11,800	(2,058)	446,403	327,813	1,289,956	-	2,067,747	2,045,438
4,808	-	700	(63,406)	(111,737)	(513,162)	(551,071)	2,539,253	-	1,305,046	(662,689)
1	-	1,554	51,605	30,573	61,758	193,463	(153,000)	-	185,954	583,533
1	-	895	(1)	(83,222)	(5,001)	(29,795)	3,676,209	-	3,558,747	1,966,282
-	-	-	-	-	-	115	448,268	-	448,383	461,485
-	-	-	-	-	-	33,888	1,839,530	-	1,873,418	1,535,914
-	-	-	-	-	-	-	1,471,660	-	1,471,660	1,307,772
(190)	-	(870)	(7,826)	(11,552)	(79,305)	(176,734)	230,660	-	(46,497)	28,494
-	-	-	-	2,719	-	738	20,652	140	24,249	31,781
-	-	-	-	-	-	-	9,019	-	9,019	1,045
-	-	-	-	-	174,665	-	-	-	174,665	171,980
-	-	-	-	-	-	-	27,766	-	27,766	30,013
(189)	-	25	(7,827)	(92,055)	90,359	(171,788)	7,723,764	140	7,541,410	5,534,766
7,091	14,330	265	3,020	101,242	(73,407)	210,956	1,094,139	(140)	1,381,162	974,123
-	-	-	-	-	-	-	348,772	-	-	-
390,000	802,330	7,614	(250,982)	429,582	504,109	947,625	-	47,177	4,494,837	3,520,714
397,091	816,660	7,879	(247,962)	530,824	430,702	1,158,581	1,442,911	47,037	5,875,999	4,494,837

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining and Combined Schedule of Revenues and Expenses
For the period March 1, 1987 through June 30, 2003

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenues:							
Contributions	\$ 1,886,708	3,478,124	2,718,315	2,927,993	3,611,796	4,178,841	4,728,534
Investment income	170,047	522,662	303,155	143,737	215,029	134,056	525,643
Grant income	-	-	-	-	-	-	-
Total revenues	2,056,755	4,000,786	3,021,470	3,071,730	3,826,825	4,312,897	5,254,177
Expenses:							
Claims paid	830,179	1,120,078	979,918	2,197,076	1,817,965	2,649,148	2,058,998
Less: Deductible recovery	74,587	109,119	105,595	100,511	122,654	183,579	22,045
Salvage recovery	1,295	4,754	6,508	3,229	6,057	12,301	7,795
Subrogation recovery	6,851	27,902	17,578	80,992	45,038	52,754	37,166
Net claims paid before reinsurance	747,446	978,303	850,237	2,012,344	1,644,216	2,400,514	1,991,992
Reinsurance recovery	185,928	211,859	-	916,532	278,986	687,933	472,013
Net claims paid after reinsurance	561,518	766,444	850,237	1,095,812	1,365,230	1,712,581	1,519,979
Claims reserve adjustment:							
Established claims	-	-	-	-	-	-	-
Less reinsurance recoverable estimate	-	-	-	-	(1,552)	-	-
Net claims expense adjustment	561,518	766,444	850,237	1,095,812	1,363,678	1,712,581	1,519,979
Premiums remitted	-	-	-	-	89,499	63,710	113,372
Reinsurance premium	1,028,693	1,665,025	1,288,667	1,420,019	1,946,991	1,842,935	1,599,829
Claims service fee	28,688	41,887	25,885	22,746	22,290	24,740	-
Administrative fee	195,784	301,418	289,238	319,670	426,724	531,791	621,839
Loss prevention services	35,216	64,205	51,000	57,000	66,600	82,482	51,300
Claims service reserve adjustment	-	-	-	-	-	-	-
Consultants and legal fees	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	160,376
Depreciation	-	-	-	-	-	-	-
Total expenses	1,849,899	2,838,979	2,505,027	2,915,247	3,915,782	4,258,239	4,066,695
Excess (deficiency) of revenue over (under) expenses	206,856	1,161,807	\$16,443	156,483	(88,957)	\$4,658	1,187,482
Transfer to fund year							
1991-92	-	(447,535)	-	-	447,535	-	-
1996-97	(150,000)	(550,000)	(72,855)	-	-	-	-
1997-98	-	(150,000)	(372,307)	-	-	-	-
1998-99	-	-	-	-	-	-	(390,008)
1999-00	-	-	-	-	-	-	-
2000-01	-	-	-	-	-	-	-
2001-02	-	-	-	-	-	-	(250,000)
2002-03	-	-	-	(48,772)	(150,000)	-	(150,000)
Transfer from POL to P&C	-	-	-	-	-	-	-
Fund balances	\$ 56,856	14,272	71,281	107,711	208,578	54,658	397,474

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining and Combined Schedule of Revenues and Expenses, Continued

1994-95 Fund Year	1995-96 Fund Year	1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	P&C Safety Fund	Totals
4,823,683	4,600,925	3,549,226	3,372,596	3,375,152	3,687,173	5,142,450	6,208,414	8,757,664	-	67,047,594
615,873	288,028	286,668	81,757	29,146	148,119	141,855	107,709	60,238	-	3,773,722
									61,154	61,154
5,439,556	4,888,953	3,835,894	3,454,353	3,404,298	3,835,292	5,284,305	6,316,123	8,817,902	61,154	70,882,470
1,261,447	2,001,258	1,271,930	2,035,380	1,877,688	1,334,069	3,256,122	1,571,237	1,412,020	-	27,674,513
21,915	26,066	5,000	6,419	3,093	4,557	76,993	28,116	17,022	-	907,271
1,629	8,627	7,226	7,171	16,884	16,434	17,170	13,863	23,741	-	154,684
70,839	58,083	37,183	43,118	101,747	86,713	119,271	85,085	64,527	-	934,847
1,167,064	1,908,482	1,222,521	1,978,672	1,755,964	1,226,365	3,042,688	1,444,173	1,306,730	-	25,677,711
138,764	162,946	22,015	494,127	100,533	35,103	758,344	118,260	16,775	-	4,600,118
1,028,300	1,745,536	1,200,506	1,484,545	1,655,431	1,191,262	2,284,344	1,325,913	1,289,955	-	21,077,593
-	15,800	-	6,265	49,462	46,660	870,548	1,192,617	2,539,253	-	4,720,605
-	(17,391)	-	1,554	(84,542)	(36,427)	(656,618)	(245,904)	(153,000)	-	(1,193,880)
1,028,300	1,743,945	1,200,506	1,492,364	1,620,351	1,201,495	2,498,274	2,272,626	3,676,208	-	24,604,318
125,881	119,937	211,736	240,931	248,803	331,911	417,165	461,578	448,268	-	2,872,791
1,671,447	1,502,842	1,075,765	973,632	866,631	802,491	1,418,017	1,569,802	1,839,530	-	22,512,316
-	14,000	-	7,000	9,500	7,000	7,000	-	-	-	210,736
755,614	930,103	1,026,453	1,051,088	1,081,080	1,120,190	1,196,706	1,307,772	1,471,660	-	12,627,130
672	(2,095)	-	-	-	-	-	-	-	-	406,380
-	716	-	716	2,820	3,582	36,549	61,230	230,660	-	336,273
-	-	-	-	-	11,982	922	18,542	20,652	14,117	66,215
-	339	1,746	2,821	3,916	1,610	10,024	1,045	9,019	-	30,520
159,696	152,646	175,756	163,885	172,123	171,980	174,665	-	-	-	1,331,127
-	29,429	35,061	36,344	37,044	33,156	29,853	30,013	27,766	-	258,666
3,741,610	4,491,862	3,727,023	3,968,781	4,042,268	3,685,397	5,789,175	5,722,608	7,723,763	14,117	65,256,472
1,697,946	397,091	108,871	(514,428)	(637,970)	149,895	(504,870)	593,515	1,094,139	47,037	5,625,998
-	-	-	-	-	-	-	-	-	-	-
-	-	772,855	-	-	-	-	-	-	-	-
-	-	-	522,307	-	-	-	-	-	-	-
-	-	-	-	390,008	-	-	-	-	-	-
(380,929)	-	-	-	-	380,929	-	-	-	-	-
(685,571)	-	-	-	-	-	685,572	-	-	-	-
(250,000)	-	(65,066)	-	-	-	-	565,066	-	-	-
-	-	-	-	-	-	-	-	348,772	-	-
-	-	-	-	-	-	250,000	-	-	-	250,000
381,446	397,091	816,660	7,879	(247,962)	530,824	430,702	1,158,581	1,442,911	47,037	5,875,999

Schedule 4

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**
Schedule of Claims Development Information

	1993-94	1994-95	1995-96
	Fund Year	Fund Year	Fund Year
Contribution and investment revenue:			
Earned	\$ 5,254,177	5,439,556	4,888,953
Ceded	1,713,201	1,797,328	1,622,779
Net earned revenue	3,540,976	3,642,228	3,266,174
Unallocated expenses:	833,515	915,981	1,125,137
Estimated incurred claims and expense:			
Incurred	2,162,615	1,130,999	1,620,111
Ceded	213,006	-	-
Net incurred claims	1,949,609	1,130,999	1,620,111
Paid claims (cumulative) as of:			
End of policy year	533,037	504,186	667,177
One year later	890,354	659,071	827,688
Two years later	1,038,691	749,103	1,084,346
Three years later	1,305,663	933,488	1,469,337
Four years later	1,483,189	998,260	1,703,935
Five years later	1,516,440	1,028,639	1,993,103
Six years later	1,519,979	1,261,447	1,999,804
Seven years later	2,058,998	1,261,447	2,001,258
Eight years later	2,058,998	1,261,447	-
Nine years later	2,058,998	-	-
Reestimated ceded claims and expenses	472,013	138,764	180,337
Reestimated incurred claims and expense as of:			
End of policy year	1,949,609	1,130,999	1,620,111
One year later	1,783,997	1,137,061	1,872,338
Two years later	1,887,229	1,081,957	1,464,707
Three years later	1,731,102	959,131	1,596,082
Four years later	1,502,512	1,020,909	1,609,711
Five years later	1,503,305	1,028,639	1,660,437
Six years later	1,510,812	1,028,639	1,750,343
Seven years later	1,506,843	1,028,301	1,743,945
Eight years later	1,519,979	1,028,301	-
Nine years later	1,519,979	-	-
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ (429,630)	(102,698)	123,834

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Schedule of Claims Development Information, Continued

1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year
3,835,894	3,454,353	3,404,298	3,835,292	5,284,305	6,316,123	8,817,902
1,287,501	1,214,563	1,115,433	1,134,402	1,835,182	2,031,380	2,287,798
2,548,393	2,239,790	2,288,865	2,700,890	3,449,123	4,284,743	6,530,104
1,239,016	1,261,853	1,306,483	1,349,500	1,455,718	1,418,602	1,759,756
1,729,609	1,833,052	1,896,976	2,487,518	3,811,734	3,838,334	3,845,982
201,500	353,548	276,624	572,798	1,303,468	1,535,914	169,775
1,528,109	1,479,504	1,620,352	1,914,720	2,508,266	2,302,420	3,676,207
531,401	757,448	1,072,135	782,365	1,437,939	1,128,147	1,412,020
810,271	1,083,535	1,315,431	1,090,984	2,763,260	1,571,237	-
926,420	1,303,279	1,544,547	1,294,524	3,256,122	-	-
1,154,584	2,014,724	1,836,987	1,334,069	-	-	-
1,270,717	2,036,699	1,877,688	-	-	-	-
1,271,930	2,035,380	-	-	-	-	-
1,271,930	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
22,015	492,573	185,075	71,530	1,414,962	364,164	169,775
1,528,109	1,479,504	1,620,352	1,914,720	2,508,266	2,302,420	3,676,207
1,231,386	1,633,873	1,620,352	1,665,637	2,503,275	2,278,626	-
1,238,089	1,633,873	1,620,352	1,287,218	2,498,274	-	-
1,218,160	1,561,306	1,620,352	1,201,496	-	-	-
1,177,537	1,491,468	1,620,352	-	-	-	-
1,200,506	1,492,363	-	-	-	-	-
1,200,506	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(327,603)	12,859	-	(713,224)	(9,992)	(23,794)	-

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL

Financial Statements

June 30, 2004 and 2003

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

Board of Directors
Maine Municipal Association
Property and Casualty Pool:

We have audited the accompanying basic financial statements of Maine Municipal Association Property and Casualty Pool as of and for the years then ended June 30, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Municipal Association Property and Casualty Pool as of June 30, 2004 and 2003 and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Pool adopted the provisions of Governmental Accounting Standards Board Statements No. 34, 36, 37, and 38 as well as GASB Interpretation 6 as of and for the year ended June 30, 2004. This resulted in changes in the Pool's format and content of the financial statements.

The Management Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information presented in Schedules I through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the

Board of Directors
Maine Municipal Association
Property and Casualty Pool

auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script, reading "Raymond Kuster Ouellette".

September 15, 2004
South Portland, Maine

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2004

MMA_00017838

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Maine Municipal Association Property & Casualty Pool (The Pool) annual financial report sets forth a narrative overview of its financial activities for the year ended June 30, 2004. Please read it in conjunction with The Pool's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

For all Pool years combined, developments in calendar year 2004 included:

- The Net Assets as of June 30, 2004 were \$8,226,234, an increase of 40.0% over the prior year.
- Cash and Investments totaled \$13,083,948, an increase of 35.9%.
- Operating revenues in 2004 totaled \$10,834,196, an increase of 21.4%.
- Operating expenses in 2004 totaled \$8,483,961, an increase of 12.5%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Pool's fiscal year is July 1 through June 30. The annual financial report consists of four parts:

- Management Discussion & Analysis
- Required Financial Statements
- Notes to the Statements
- Supplemental Schedules.

Management Discussion & Analysis provides a narrative overview of the statements and comments on significant developments during the reporting period.

Required Statements include: Combined Statements of Net Assets; Combined Statements of Revenues and Expenses; Combined Statements of Changes in Net Assets; and Combined Statements of Cash Flows.

These statements present the Pool's status at June 30, 2004 and financial developments during fiscal year 2004 for all Pool years combined.

Notes to the Statements provide explanations of the accounting principles followed and of key items in the statements.

Supplemental Schedules include an analysis by fund year of statement of net assets; current year statement of revenues, expenses, and changes in net assets; schedule of revenues and expenses; and a history of claims development for the past ten years.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2004

MMA_00017839

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

FINANCIAL ANALYSIS

The following table summarizes the Combined Statements of Net Assets.

	06/30/04	06/30/03
ASSETS		
Current Assets	\$13,210,538	9,695,997
Capital Assets (net)	33,155	47,194
Total Assets	13,243,693	9,743,191
LIABILITIES		
Net Claims Reserves	4,733,257	3,526,725
Other Liabilities	284,202	340,467
Total Liabilities	5,017,459	3,867,192
NET ASSETS		
Board Designated Reserves	1,004,872	677,350
Safety Enhancement Fund	208,362	47,037
Contingency Reserve	7,013,000	5,151,612
Total Net Assets	\$8,226,234	5,875,999

The following table summarizes the Combined Statements of Revenues, Expenses and Changes in Net Assets during fiscal years 2003-2004 and 2002-2003 for all Pool years combined.

	06/30/04	06/30/03
REVENUE		
Member Contributions	\$10,553,462	8,757,741
Investment and Other Revenues	280,734	164,831
Total Revenues	10,834,196	8,922,572
EXPENSES		
Net Claims Expense	3,984,044	3,558,747
Reinsurance Premium	2,801,799	2,321,801
Safety Scholarships and Grants	4,827	140
Other Expenses	1,693,291	1,660,722
Total Expenses	8,483,961	7,541,410
NET CHANGE IN NET ASSETS	2,350,235	1,381,162
NET ASSETS BEGINNING OF YEAR	5,875,999	4,494,837
NET ASSETS END OF YEAR	\$8,226,234	5,875,999

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2004

MMA_00017840

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2003-2004

The following table presents a budget to actual comparison for the 2003-2004 Pool Year in summarized form:

	Budget	ACTUARIAL PROJECTION AT 06/30/2004	
REVENUE			
Member Contributions	\$9,929,155	10,467,264	5.4%
Investment and Other Revenues	75,000	35,658	-52.5%
Total Revenues	10,004,155	10,502,922	
EXPENSES			
Net Claims Expense at 95% Confidence Level	5,878,950	4,668,238	-20.6%
Reinsurance Premium	2,478,088	2,660,544	7.4%
Other Expenses	1,887,968	1,744,204	-7.6%
Total Expenses	10,245,006	9,072,986	
TRANSFER TO (FROM) CONTINGENCY RESERVE	(\$240,851)	1,429,936	

The major variances in fiscal year 2003-2004 were reductions in Net Claims Expense (-20.6%, due to favorable experience), Other Expenses (-7.6%) and Investment Income (-52.5%, budgeted amount to be realized over the life of the fund). Net Claims Expense at the 95% Confidence Level includes claims payments, reserves on open claims, actuarial estimates of claims development in the future (IBNR) and additional reserves recommended by the actuary to fund Pool claims to the 95% Confidence Level.

POOL FINANCIAL POSITION AT JUNE 30, 2004

At June 30, 2004, the Net Assets totaled \$8,226,234, an increase of \$2,302,235 (40.0%) over the prior year.

Net Assets are divided into three components:

Invested in Capital Assets, maintained to record capital assets less depreciation.	\$ 33,155
Reserve for Adverse Development, maintained to increase Pooling of claims reserves to the 95% Confidence Level	1,004,872
Safety Enhancement Reserve, maintained to provide grants and scholarships to assist members in strengthening their work place safety practices	208,362
Contingency Reserve, maintained to provide resources to meet other challenges and opportunities	6,979,845
Total Net Assets	\$ 8,226,234

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2004

MMA_00017841

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

CAPITAL ASSETS AND LONG TERM DEBT

At June 30, 2004 the Pool had capital assets of \$33,155, net of depreciation. These assets are the Pool's investment in a claims and underwriting system jointly owned with the MMA Workers' Compensation Fund. The Pool has no long-term debt.

CONDITIONS WHICH MAY IMPACT ON THE POOL'S FINANCIAL CONDITION IN THE FUTURE

Management is aware of no conditions, decisions or contingencies which are expected to significantly impact on the Pool's financial position in the future.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combined Statements of Net Assets
June 30, 2004 and 2003

	2004	2003
ASSETS		
Cash and cash equivalents	\$ 3,907,150	5,233,911
Investments:		
Certificates of deposit	1,200,000	2,350,000
U.S. government and agency securities	7,976,798	2,042,591
Total investments	9,176,798	4,392,591
Capital assets:		
Computer equipment	315,413	305,017
Accumulated depreciation	(282,258)	(257,823)
Net capital assets	33,155	47,194
Accounts receivable	82,386	41,640
Accrued interest receivable	44,204	27,855
Total assets	\$ 13,243,693	9,743,191
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	4,842	4,194
Claims loss reserves:		
Claims reserves	5,746,873	4,720,605
Reinsurance recoverable	(1,013,616)	(1,193,880)
Net claims loss reserves	4,733,257	3,526,725
Claims service fee reserve	279,360	336,273
Total liabilities	5,017,459	3,867,192
Net assets:		
Invested in capital assets	33,155	47,194
Reserve for adverse development	1,004,872	677,350
Safety enhancement fund	208,362	47,037
Contingency reserve	6,979,845	5,104,418
Total net assets	8,226,234	5,875,999
Total liabilities and net assets	\$ 13,243,693	9,743,191

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combined Statements of Revenues and Expenses
June 30, 2004 and 2003

	2004	2003
Revenues:		
Contributions	\$ 10,553,462	8,757,741
Investment income	114,581	164,831
Grant income	166,152	-
Total revenues	10,834,195	8,922,572
Expenses:		
Claims paid	3,306,070	2,428,354
Less:		
Deductible recovery	(126,424)	(82,013)
Salvage recovery	(2,111)	(29,725)
Subrogation recovery	(215,776)	(131,733)
Net claims paid before reinsurance	2,961,759	2,184,883
Reinsurance recovery	(184,247)	(117,136)
Net claims paid after reinsurance	2,777,512	2,067,747
Claims reserve adjustment:		
Established claims	1,026,268	1,305,046
Less reinsurance recoverable estimate	180,264	185,954
Net claims expense adjustment	3,984,044	3,558,747
Reinsurance premium	1,940,267	1,873,418
Premiums remitted	861,532	448,383
Administrative fee	1,535,480	1,471,660
Claims service reserve adjustment	(56,913)	(46,497)
Consultants and legal fees	14,892	24,249
Maintenance contracts	7,680	9,019
Dividends	172,543	174,665
Depreciation	24,436	27,766
Total expenses	8,483,961	7,541,410
Excess of revenues over expenses	\$ 2,350,234	1,381,162

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combined Statements of Changes in Net Assets
For the years ended June 30, 2004 and 2003

MMA_00017844

		Contingency reserve	Invested in capital assets	Safety enhancement fund	Reserve for adverse development	Total fund balance
Net assets at June 30, 2002	\$	3,959,467	71,302	47,177	416,891	4,494,837
Excess of revenues over expenses		1,381,302	-	(140)	-	1,381,162
Net asset transfer		(236,351)	(24,108)	-	260,459	-
Net assets at June 30, 2003		5,104,418	47,194	47,037	677,350	5,875,999
Excess of revenues over expenses		2,188,910	-	161,325	-	2,350,235
Net assets transfer		(313,483)	(14,039)	-	327,522	-
Net assets at June 30, 2004	\$	6,979,845	33,155	208,362	1,004,872	8,226,234

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combined Statements of Cash Flows
Years ended June 30, 2004 and 2003

MMA_00017845

	2004	2003
Cash flows from operating activities:		
Receipts from net contributions	\$ 10,512,716	8,780,256
Receipts from investment income	98,232	181,801
Receipts from grant income	166,152	-
Payments for net claims	(2,777,512)	(2,067,667)
Payments for premiums remitted	(1,940,267)	(448,383)
Payments for reinsurance premium	(861,532)	(1,873,497)
Payments for administrative fees	(1,534,832)	(1,470,026)
Payments for consultants and legal fees	(14,892)	(24,249)
Payments for maintenance contracts	(7,680)	900
Payments for dividends paid	(172,543)	(174,665)
Net cash provided by operating activities	3,467,842	2,904,470
Cash flows from capital and related financing activities:		
Net purchases of computer equipment	(10,396)	(3,658)
Net cash used in capital and related financing activities	(10,396)	(3,658)
Cash flows from investing activities:		
Purchase of investments	(7,134,208)	(4,349,651)
Sale of investments	2,350,000	3,450,000
Net cash used in investing activities	(4,784,208)	(899,651)
Increase (decrease) in cash	(1,326,762)	2,001,161
Cash, beginning of year	5,233,911	3,232,750
Cash, end of year	\$ 3,907,149	5,233,911
Reconciliation of excess of revenue over expenses to net cash provided by operating activities:		
Excess of revenue over expenses	\$ 2,350,234	1,381,162
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(40,746)	32,434
Accrued interest receivable	(16,349)	16,970
Prepaid expenses	-	9,920
Accounts payable	648	1,634
Deferred revenue	-	(9,919)
Claims loss reserves	1,026,268	1,305,646
Reinsurance recoverable	180,264	185,954
Claims service reserves	(56,913)	(46,497)
Depreciation	24,436	27,766
Net cash provided by operating activities	\$ 3,467,842	2,904,470

See accompanying notes to financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND POOL DESCRIPTION

The Maine Municipal Association Property and Casualty Pool (the Pool) was established on March 1, 1987 as a self-insured pool for the purpose of providing liability and property coverage to municipalities and qualified local government instrumentalities or subdivisions who choose to participate. During the fiscal years ended June 30, 2004 and 2003, there were 441 and 406 governmental entities, respectively, which participated in the Pool. The Pool provides the following coverages: automobile liability; commercial general liability; police professional liability; ambulance/nurse malpractice liability; firefighters liability; public officials liability, including employment practices liability; automobile physical damage coverage; property and inland marine coverage; and comprehensive crime coverage. In addition the Pool offers coverage for forest fire suppression, earthquake, and flood on a pooled basis. The Pool also assists members in the purchase of other fully insured coverages through the services of its broker. The Pool is administered by the Maine Municipal Association for which a management fee is assessed and is included in expense. For the years ended June 30, 2004 and 2003, the Pool was assessed management fees totaling \$1,535,480 and \$1,471,660, respectively. These financial statements include only the accounts of the Maine Municipal Association Property and Casualty Pool.

The municipality or qualified local government instrumentality or subdivision must be a member of the Maine Municipal Association to participate in the Pool.

Tax Exempt Status - The Pool is exempt from income taxes.

Fund Accounting - Each year a new fund is established to cover the potential claims made for that specific period. Each fund year has a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues, and expenses.

Basis of Accounting - The accrual basis of accounting is followed for all fund years. The Fund follows the provisions of Government Accounting Standards Board (GASB) Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*. Contributions are recognized as revenue over the contract period for which risk protection is provided which corresponds to a fund year. A liability for unpaid claims, including estimated claims incurred but not reported, is accrued when insured events occur. Anticipated investment income is considered in determining whether a contribution deficiency exists. The Fund applies all applicable pronouncements of the Financial Accounting Standards Board except those which conflict with pronouncements of the GASB.

Cash and Cash Equivalents - The Pool considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments - All investments are carried at fair value, based on quoted market prices, in a single pooled investment account for all of the Property and Casualty Pool fund years. The Pool's investments consist of U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Pool estimates that the fair value of all financial instruments at June 30, 2004 and 2003, respectively, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying combined balance sheets. Each fund year's portion of principal, interest, capital gains and losses is determined by its cash and investments in the pooled investments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND POOL DESCRIPTION, CONTINUED

Accounts Receivable - Accounts receivable has been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at June 30, 2004 and 2003.

Fixed Assets - The cost of computer hardware and software is depreciated on a straight-line basis over their estimated useful lives of three to five years.

Deferred Revenue - Deferred revenue represents contributions which have been received by the Pool related to the next fund year.

Claims Loss Reserves - Claims loss reserves represent the estimated ultimate cost of settling all reported and unreported losses at the balance sheet date, including the effects of inflation and other factors, as determined by an independent actuary. Management believes that the reserves are adequate, but the ultimate cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually. Any adjustments resulting from the settlement of losses will be reflected in the combined statements of revenues and expenses at the time the adjustments are determined.

Claims Service Reserves - The Claims Service Reserves is actuarially determined and consists of estimates for service fees for future claims. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually.

Reinsurance - The Pool uses reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Premiums paid to reinsurers during 2004 and 2003 were \$2,801,799 and \$2,321,801, respectively. The amounts deducted from claims liabilities as of June 30, 2004 and 2003 for reinsurance were \$1,013,616 and \$1,193,880, respectively.

Statements of Cash Flows - For purposes of the combined statements of cash flows, the Fund considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

Management Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

DEPOSITS AND INVESTMENTS

Deposits - Cash and cash equivalents are composed of a cash management account (CMA) and money market funds and consist of the following at June 30:

	<u>2004</u>	<u>2003</u>
CMA - deposit account	\$ -	24,386
CMA - sweep account	3,216,732	3,786,446
Money market fund	690,418	1,423,079
Totals	\$ 3,907,150	5,233,911

Cash and cash equivalents for all of the Maine Municipal entities are pooled together, at a single institution, in a cash management account and money market funds. Amounts in the cash management-deposit account that exceed the \$100,000 FDIC insured limit are considered uninsured and uncollateralized. The cash management-sweep and money market accounts are held in money market mutual funds which are indirectly invested in U.S. Government or Agency securities.

At June 30, 2004 and 2003, the portion of bank balances attributable to the Pool totaled \$3,302,061 and \$3,896,780, respectively. The bank balances for the Pool do not reflect a reduction for outstanding checks at that date.

Investments - Investments are categorized into three categories of credit risk:

1. Insured or registered, with securities held by the Pool or its agent in the Pool's name.
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Pool's name.
3. Uninsured and unregistered, with securities held by the counter-party or its trust department or agent but not in the Pool's name.

At June 30, 2004 and 2003, investment balances were carried at their fair values:

	<u>Category</u>	<u>2004 Fair value</u>	<u>2003 Fair value</u>
Certificate of deposit	1	\$ 1,200,000	2,350,000
U.S. government securities	1	7,976,798	2,042,591
Totals		\$ 9,176,798	4,392,591

* Of the certificate of deposit bank balance, \$1,000,000 was covered by federal depository insurance; the remainder is uninsured and uncollateralized.

DEPOSITS AND INVESTMENTS, CONTINUED

The aggregate maturity values of corporate bonds and U.S. government and agency securities at June 30, 2004 and 2003, are as follows:

	<u>2004</u>	<u>2003</u>
Due in one year or less	\$ 2,000,000	500,000
Due after one year through five years	6,000,000	1,500,000
Total	\$ 8,000,000	2,000,000

NET APPRECIATION OR DEPRECIATION IN FAIR VALUE

Net appreciation in fair value during the years ended June 30, 2004 and 2002 by type of investment is as follows. Such amounts are included in investment income on the combined statements of revenues and expenses.

	<u>2004</u>	<u>2003</u>
Corporate bonds	\$ -	(5,857)
U.S. Government securities	50,133	8,404
Totals	\$ 50,133	2,547

UNPAID CLAIMS LIABILITIES

The Pool establishes liabilities for the estimated costs of both reported and unreported losses, which includes estimates of both future payments of losses and related claims service reserves. The following represents changes in those aggregate liabilities for the years ended June 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Claims loss and claims service reserves at beginning of year	\$3,862,998	2,418,495
Provision for insured events - current year	4,268,880	3,906,867
Increase (decrease) in provision for insured events - prior years	(341,748)	(394,617)
Total incurred claims and claims service reserve expenses	3,927,132	3,512,250
Claims paid on losses incurred in the current year	1,270,650	1,289,954
Claims paid on losses incurred in prior years	1,506,863	777,793
Total paid claims	2,777,513	2,067,747
Claims loss and claims service reserves at end of year	\$5,012,617	3,862,998
Unpaid claims liabilities are reported on the combined balance sheet as follows:		
Claims loss reserves, net	\$4,733,257	3,526,725
Claims service fee reserves	279,360	336,273
Totals	\$5,012,617	3,862,998

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE

The amounts shown for claims reserves are developed from an actuarially determined loss analysis as of June 30, 2004 and are as follows:

Fund year	Established on known claims	Actuarial reserves	Total reserves	Net paid claims	Actuarially determined ultimate losses
1987-88	\$ -	-	-	747,447	747,447
1988-89	-	-	-	978,303	978,303
1989-90	-	-	-	850,237	850,237
1990-91	-	-	-	2,012,343	2,012,343
1991-92	-	-	-	1,644,216	1,644,216
1992-93	-	-	-	2,400,515	2,400,515
1993-94	-	-	-	1,991,992	1,991,992
1994-95	-	-	-	1,167,065	1,167,065
1995-96	35,521	-	35,521	1,902,760	1,938,281
1996-97	-	-	-	1,222,520	1,222,520
1997-98	-	-	-	1,984,392	1,984,392
1998-99	61,177	-	61,177	1,800,043	1,861,220
1999-00	827	-	827	1,229,967	1,230,794
2000-01	55,897	9,013	64,910	3,489,442	3,554,352
2001-02	719,034	193,329	912,363	1,914,990	2,827,353
2002-03	1,157,909	682,479	1,840,388	2,032,592	3,872,980
2003-04	1,363,959	1,467,728	2,831,687	1,270,650	4,102,337
Totals	\$ 3,394,324	2,352,549	5,746,873	28,639,473	34,386,346

Each fund year has a Loss Fund that is established from the fund members' annual contributions. For each fund year, the Pool also purchases specific reinsurance that provides coverage for claims exceeding \$100,000 per occurrence.

In addition, for the fund years through 2001-2002, the Pool purchased aggregate reinsurance of \$1,000,000 in excess of the reinsurance attachment point. No aggregate coverage was purchased for the 2002-2003 and 2003-2004 fund years.

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

An analysis of the reinsurance attachment points, ultimate losses, reinsurance recovery, and ultimate net losses is as follows:

Fund year	Aggregate reinsurance attachment	Actuarially determined ultimate losses	Reinsurance recovered	Reinsurance recoverable	Ultimate losses net of reinsurance
1987-88	\$ 845,834	747,447	185,928	-	561,518
1988-89	1,406,720	978,303	211,859	-	766,444
1989-90	963,226	850,237	-	-	850,237
1990-91	1,095,964	2,012,343	916,532	-	1,095,811
1991-92	1,564,127	1,644,216	278,986	1,552	1,363,678
1992-93	1,712,586	2,400,515	687,933	-	1,712,582
1993-94	2,362,467	1,991,992	472,013	-	1,519,979
1994-95	2,403,851	1,167,065	138,764	-	1,028,301
1995-96	2,250,000	1,938,281	162,946	31,391	1,743,944
1996-97	1,733,027	1,222,520	22,015	-	1,200,505
1997-98	1,633,873	1,984,392	494,127	(1,554)	1,491,818
1998-99	1,620,352	1,861,220	100,533	122,111	1,638,576
1999-00	1,741,520	1,230,794	35,103	36,427	1,159,264
2000-01	2,508,266	3,554,352	942,592	214,063	2,397,697
2001-02	3,128,504	2,827,353	118,260	366,626	2,342,467
2002-03	no aggregate	3,872,980	16,775	243,000	3,613,205
2003-04	no aggregate	4,102,337	-	-	4,102,337
Totals	\$ 26,970,317	34,386,346	4,784,367	1,013,617	28,588,362

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

MMA_00017852

A.M. BEST RATINGS

Reinsurance or excess insurance for the various fund years has been provided by the following companies. The A.M. Best rating for each company is also listed.

Fund Year	Reinsurance Carrier	Type of Coverage	A.M. Best Rating	Fin Size Category
1987-1988 through 1988-1989	Lloyd's of London	Aggregate & Specific	A-	XV
	Fireman's Fund Ins. Co.	Excess Property	A	XV
	International Ins. Co.	GL/Auto Excess	not rated	
	CNA Insurance Co.	Prop & Liab Excess	A	XV
	Hartford Steam Boiler	Boiler & Machinery	A+	X
1989-1990 through 1992-1993	Lloyd's of London	Aggregate & Specific	A-	XV
	Fireman's Fund Ins. Co.	Excess Property	A	XV
	International Ins. Co.	GL/Auto Excess	not rated	
	CNA Insurance Co.	Prop & Liab Excess	A	XV
	ACE P & C Ins Co. (CIGNA)	Following Form	A	XIV
	Hartford Steam Boiler	Boiler & Machinery	A+	X
1993-1994 through 1998-1999	American Re-insurance Co.	Aggregate & Specific	A+	XV
	Royal Insurance Group	Excess Property	B	XIV
	Hartford Steam Boiler	Boiler & Machinery	A+	X
1999-2000	American Re-insurance Co.	Aggregate & Specific	A+	XV
	Swiss Re	Excess Property	A+	XV
	Hartford Steam Boiler	Boiler & Machinery	A+	X
2000-2001	American Re-insurance Co.	Aggregate & Specific	A+	XV
	Liberty Mutual	Excess Property	A	XV
	Hartford Steam Boiler	Boiler & Machinery	A+	X
2001-2002	American Re-insurance Co.	Aggregate & Specific	A+	XV
	Liberty Mutual	Excess Property	A	XV
	Mutual Boiler Re	Boiler & Machinery	A+	XV

A.M. BEST RATINGS, CONTINUED

Fund Year	Reinsurance Carrier	Type of Coverage	A.M. Best Rating	Fin Size Category
2002-2003	American Re-insurance Co.	Aggregate & Specific	A+	XV
	Wausau	Excess Property	A	XV
	Federal	Excess Property	A++	XV
	St. Paul	Excess Property	A	XV
	Travelers	Excess Property	A+	XV
	Westchester Surplus	Excess Property	A	X
	Essex	Excess Property	A	XI
	Lexington	Excess Property	A++	XV
	Hartford Steam Boiler	Boiler & Machinery	A+	X
2003-2004	American Re-insurance Co.	Aggregate & Specific	A+	XV
	U S Fire (Crum & Foster)	Excess Property	A-	XII
	Federal	Excess Property	A++	XV
	St. Paul	Excess Property	A	XV
	Travelers	Excess Property	A+	XV
	Lexington	Excess Property	A++	XV
	Hartford Steam Boiler	Boiler & Machinery	A+	X

EXPENSES

Estimates of reinsurance premiums, claims service fees and administrative fees are recorded as expenses in the initial fiscal year of each Pool for all of the services expected to arise out of that fund year. Changes in these estimated expenses are treated as current income or expenses in each fund year.

NET ASSETS

Under a policy adopted by the Board of Directors, net assets are segregated into two components.

The reserve for adverse development is maintained to recognize the possibility that actual loss development may vary from the expected development underlying the loss projections. The amount of the reserve is based on recommendations from an independent actuary. The reserve is established at the 95% Confidence Level, as calculated by the actuary. At June 30, 2004 and 2003, the reserve for adverse development totaled \$1,004,872 and \$677,350, respectively.

The contingency reserve is calculated as the net assets less the reserve for adverse development. The contingency reserve at June 30, 2004 and 2003 was \$7,221,362 and \$5,198,649, respectively. The contingency reserve represents accumulated funding in excess of statutory requirements and the board-designated reserves. The Property and Casualty Pool Trustees have established this reserve to be held for the financial stability of the Pool.

INTERFUND TRANSFERS

In order to provide full funding, the Property and Casualty Pool Trustees have approved various transfers from some fund years to others. Transfers affected during 2003 - 2004 are shown within Schedule 2. All transfers made between Property and Casualty Pool funds years since inception are reflected in Schedule 3.

INTEGRATION OF PUBLIC OFFICIALS LIABILITY PROGRAM

On January 27, 2000, the MMA Executive Committee and the Property & Casualty Pool Board voted to integrate the Public Officials Liability Program into the Property and Casualty Pool, effective July 1, 2000. From that date forward, Public Officials Liability claims will be self insured as a line of business within the Property and Casualty Pool. The Public Officials Liability Fund for 1999-2000 and prior fund years will remain open until all outstanding liabilities have been relieved, at which time any remaining assets will be transferred to the Property & Casualty Fund. As of June 30, 2002, \$250,000 has been transferred from the Public Officials Liability program to the Property & Casualty Pool fund year 2000-2001.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Net Assets
June 30, 2004

	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
ASSETS									
Cash and cash equivalents	\$ -	-	2,785	62,179	16,416	119,379	114,565	120,711	245,278
Investments:									
Certificates of deposit	-	-	855	19,097	5,042	36,665	35,186	37,074	75,332
U.S. government and agency securities	-	-	5,685	126,944	33,515	243,723	233,894	246,443	500,758
Total investments	-	-	6,540	146,041	38,557	280,388	269,080	283,517	576,090
Capital assets:									
Computer equipment	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
Net capital assets	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-
Accrued interest receivable	-	-	32	703	186	1,351	1,296	1,366	2,775
Total assets	\$ -	-	9,357	208,923	55,159	401,118	384,941	405,594	824,143
LIABILITIES AND NET ASSETS									
Liabilities:									
Accounts payable	-	-	-	-	-	-	-	-	-
Claims loss reserves:									
Claims reserves	-	-	-	-	-	-	-	35,521	-
Reinsurance recoverable	-	-	-	(1,552)	-	-	-	(31,391)	-
Net claims loss reserves	-	-	-	(1,552)	-	-	-	4,130	-
Claims service fee reserve	-	-	-	-	-	-	-	1,340	-
Total liabilities	-	-	-	(1,552)	-	-	-	5,470	-
Net assets:									
Invested in capital assets	-	-	-	-	-	-	-	-	-
Reserve for adverse development	-	-	-	-	-	-	-	-	-
Safety enhancement fund	-	-	-	-	-	-	-	-	-
Contingency reserve	-	-	9,357	210,475	55,159	401,118	384,941	400,124	824,143
Total net assets	-	-	9,357	210,475	55,159	401,118	384,941	400,124	824,143
Total liabilities and net assets	\$ -	-	9,357	208,923	55,159	401,118	384,941	405,594	824,143

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Net Assets, Continued

1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	P&C Safety Fund	Totals (memorandum only)	
									2004	2003
3,212	(97,330)	162,504	110,873	458,398	1,001,110	1,528,040	(2,982)	62,012	3,907,350	5,233,911
987	(29,893)	49,910	34,052	140,787	307,470	469,306	(916)	19,046	1,200,000	2,350,000
6,558	(198,709)	331,766	226,358	935,860	2,043,857	3,119,632	(6,088)	126,602	7,976,798	2,042,591
7,545	(228,602)	381,676	260,410	1,076,647	2,351,327	3,588,938	(7,004)	145,648	9,176,798	4,392,591
-	-	-	-	-	-	315,413	-	-	315,413	305,017
-	-	-	-	-	-	(282,258)	-	-	(282,258)	(257,823)
-	-	-	-	-	-	33,155	-	-	33,155	47,194
-	-	-	25	-	-	72,341	10,020	-	82,386	41,640
36	(1,101)	1,838	1,254	5,186	11,326	17,288	(34)	702	44,204	27,855
10,793	(327,033)	546,018	372,562	1,540,231	3,363,763	5,239,762	-	208,362	13,243,693	9,743,191
-	-	-	-	-	-	4,842	-	-	4,842	4,194
-	61,177	827	64,910	912,363	1,840,388	2,831,687	-	-	5,746,873	4,720,605
1,554	(122,111)	(36,427)	(214,063)	(366,626)	(243,000)	-	-	-	(1,013,616)	(1,193,880)
1,554	(60,934)	(35,600)	(149,153)	545,737	1,597,388	2,831,687	-	-	4,733,257	3,526,725
-	2,994	1,340	7,684	26,278	73,180	166,544	-	-	279,560	336,273
1,554	(57,940)	(34,260)	(141,469)	572,015	1,670,568	3,003,073	-	-	5,017,459	3,867,192
-	-	-	-	-	-	33,155	-	-	33,155	47,194
-	1,372	118,367	319,232	565,901	-	-	-	-	1,004,872	677,350
-	-	-	-	-	-	-	-	208,362	208,362	47,037
9,239	(270,465)	461,911	194,799	402,315	1,693,195	2,203,534	-	-	6,979,845	5,104,418
9,239	(269,093)	580,278	514,031	968,216	1,693,195	2,236,689	-	208,362	8,226,234	5,875,999
10,793	(327,033)	546,018	372,562	1,540,231	3,363,763	5,239,762	-	208,362	13,243,693	9,743,191

See independent auditor's report

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For the period ended June 30, 2004

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenues:									
Contributions	\$ -	-	-	-	-	-	-	-	-
Investment income	-	-	-	87	1,897	501	3,644	3,495	3,657
Grant income	-	-	-	-	-	-	-	-	-
Total revenues	-	-	-	87	1,897	501	3,644	3,495	3,657
Expenses:									
Claims paid	-	-	-	-	-	-	-	-	1,335
Less: Deductible recovery	-	-	-	-	-	-	-	-	-
Salvage recovery	-	-	-	-	-	-	-	-	-
Subrogation recovery	-	-	-	-	-	-	-	-	(7,056)
Net claims paid before reinsurance	-	-	-	-	-	-	-	-	(5,721)
Reinsurance recovery	-	-	-	-	-	-	-	-	-
Net claims paid after reinsurance	-	-	-	-	-	-	-	-	(5,721)
Claims reserve adjustment:									
Established claims	-	-	-	-	-	-	-	-	19,721
Less reinsurance recoverable estimate	-	-	-	-	-	-	-	-	(14,000)
Net claims expense adjustment	-	-	-	-	-	-	-	-	-
Reinsurance premium	-	-	-	-	-	-	-	-	-
Premiums remitted	-	-	-	-	-	-	-	-	-
Administrative fee	-	-	-	-	-	-	-	-	-
Claims service reserve adjustment	-	-	-	-	-	-	-	-	624
Consultants and legal fees	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-	-	-	624
Excess (deficiency) of revenues over (under) expenses	-	-	-	87	1,897	501	3,644	3,495	3,033
Transfers between fund years	(56,856)	(14,272)	(71,281)	(98,441)	-	-	-	-	-
Net assets, beginning	56,856	14,272	71,281	107,711	208,578	54,658	397,474	381,446	397,091
Net assets, ending	\$ -	-	-	9,357	210,475	55,159	401,118	384,941	400,124

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Revenues, Expenses, and Changes in Net Assets, Continued

1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	P&C Safety Fund	Totals (memorandum only)	
										2004	2003
-	-	-	-	-	-	67,934	10,467,261	18,267	-	10,553,462	8,757,741
7,484	99	(2,734)	4,979	4,505	17,066	34,238	35,663	-	-	114,581	164,831
-	-	-	-	-	-	-	-	-	166,152	166,152	-
7,484	99	(2,734)	4,979	4,505	17,066	102,172	10,502,924	18,267	166,152	10,834,195	8,922,572
-	5,720	45,807	3,600	475,942	507,365	920,585	1,345,716	-	-	3,306,070	2,428,354
-	-	(1,630)	-	(28,889)	(29,234)	(52,500)	(14,171)	-	-	(126,424)	(82,013)
-	-	-	-	-	-	-	(2,111)	-	-	(2,111)	(29,725)
-	-	(100)	-	(300)	(7,315)	(142,221)	(58,784)	-	-	(215,776)	(131,733)
-	5,720	44,077	3,600	446,753	470,816	725,864	1,270,650	-	-	2,961,759	2,184,883
-	-	-	-	(184,247)	-	-	-	-	-	(184,247)	(117,136)
-	5,720	44,077	3,600	262,506	470,816	725,864	1,270,650	-	-	2,777,512	2,067,747
-	(6,265)	11,715	(45,833)	(805,638)	(280,254)	(698,865)	2,831,687	-	-	1,026,268	1,305,046
-	-	(37,569)	-	442,555	(120,722)	(90,000)	-	-	-	180,264	185,954
-	(545)	18,223	(42,233)	(100,577)	69,840	(63,001)	4,102,337	-	-	3,984,044	3,558,747
-	-	-	-	50,618	-	4,136	1,885,513	-	-	1,940,267	1,873,418
-	-	-	-	-	-	68,234	775,031	18,267	-	861,532	448,383
-	-	-	-	-	-	-	1,535,480	-	-	1,535,480	1,471,660
-	(716)	174	(2,242)	(28,865)	(34,952)	(157,480)	166,544	-	-	(56,913)	(46,497)
-	-	-	-	-	-	-	10,065	-	4,827	14,892	24,249
-	-	-	-	-	-	-	7,680	-	-	7,680	9,019
-	-	-	-	-	172,543	-	-	-	-	172,543	174,665
-	-	-	-	-	-	-	24,436	-	-	24,436	27,766
-	(1,261)	18,397	(44,475)	(78,824)	207,431	(148,111)	8,507,086	18,267	4,827	8,483,961	7,541,410
7,484	1,360	(21,131)	49,454	83,329	(190,365)	250,283	1,995,838	-	161,325	2,350,234	1,381,162
-	-	-	-	-	-	-	240,851	-	-	-	-
816,660	7,879	(247,962)	530,824	430,702	1,158,581	1,442,911	-	-	47,037	5,875,999	4,494,837
824,144	9,239	(269,093)	580,278	514,031	968,216	1,693,194	2,236,689	-	208,362	8,226,234	5,875,999

See independent auditor's report

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining and Combined Statement of Revenues and Expenses
For the period March 1, 1987 through June 30, 2004

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenues:								
Contributions	\$ 1,886,708	3,478,124	2,718,315	2,927,993	3,611,796	4,178,842	4,728,534	4,823,684
Investment income	170,048	522,662	303,155	143,822	216,926	134,557	529,286	619,369
Grant income	-	-	-	-	-	-	-	-
Total revenues	2,056,756	4,000,786	3,021,470	3,071,815	3,828,722	4,313,399	5,257,820	5,443,053
Expenses:								
Claims paid	830,179	1,120,078	979,918	2,197,076	1,817,965	2,649,148	2,058,998	1,261,447
Less: Deductible recovery	(74,587)	(109,119)	(105,595)	(100,511)	(122,654)	(183,579)	(22,045)	(21,915)
Salvage recovery	(1,295)	(4,754)	(6,508)	(3,229)	(6,057)	(12,301)	(7,795)	(1,629)
Subrogation recovery	(6,851)	(27,902)	(17,578)	(80,992)	(45,038)	(52,754)	(37,166)	(70,839)
Net claims paid before reinsurance	747,446	978,303	850,237	2,012,344	1,644,216	2,400,514	1,991,992	1,167,064
Reinsurance recovery	(185,928)	(211,859)	-	(916,532)	(278,986)	(687,933)	(472,013)	(138,764)
Net claims paid after reinsurance	561,518	766,444	850,237	1,095,812	1,365,230	1,712,581	1,519,979	1,028,300
Claims reserve adjustment:								
Established claims	-	-	-	-	-	-	-	-
Less reinsurance recoverable estimate	-	-	-	-	(1,552)	-	-	-
Net claims expense adjustment	561,518	766,444	850,237	1,095,812	1,363,678	1,712,581	1,519,979	1,028,300
Reinsurance premium	1,028,693	1,665,025	1,288,667	1,420,019	1,946,991	1,842,935	1,599,829	1,671,447
Premiums remitted	-	-	-	-	89,499	63,710	113,372	125,881
Claims service fee	28,688	41,887	25,885	22,746	22,290	24,740	-	-
Administrative fee	195,783	301,418	289,238	319,670	426,724	531,790	621,840	755,613
Loss prevention services	35,217	64,204	51,000	57,000	66,600	82,484	51,299	672
Claims service reserve adjustment	-	-	-	-	-	-	-	-
Consultants and legal fees	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	160,376	159,695
Depreciation	-	-	-	-	-	-	-	-
Total expenses	1,849,899	2,838,978	2,505,027	2,915,247	3,915,782	4,258,240	4,066,695	3,741,608
Excess (deficiency) of revenue over (under) expenses	206,857	1,161,808	516,443	156,568	(87,060)	55,159	1,191,125	1,701,445
Transfer to fund year								
1991-92	-	(447,535)	-	-	447,535	-	-	-
1996-97	(150,000)	(550,000)	(72,855)	-	-	-	-	-
1997-98	-	(150,000)	(372,307)	-	-	-	-	-
1998-99	-	-	-	-	-	-	(390,008)	-
1999-00	-	-	-	-	-	-	-	(380,929)
2000-01	-	-	-	-	-	-	-	(685,572)
2001-02	-	-	-	-	-	-	(250,000)	(250,000)
2002-03	-	-	-	(48,772)	(150,000)	-	(150,000)	-
2003-04	(56,857)	(14,273)	(71,281)	(98,441)	-	-	-	-
Transfer from POL to P&C	-	-	-	-	-	-	-	-
Net assets	\$ -	-	-	9,355	210,475	55,159	401,117	384,944

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining and Combined Statement of Revenues and Expenses, Continued

1995-96 Fund Year	1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	P&C Safety Fund	Totals
4,600,925	3,549,226	3,372,596	3,375,152	3,687,173	5,142,450	6,208,414	8,825,598	10,467,264	18,267	-	77,601,061
291,683	294,152	81,856	26,413	153,099	146,360	124,775	94,477	35,659	-	-	3,888,299
-	-	-	-	-	-	-	-	-	-	227,305	227,305
4,892,608	3,843,378	3,454,452	3,401,565	3,840,272	5,288,810	6,333,189	8,920,075	10,502,923	18,267	227,305	81,716,665
2,002,593	1,271,930	2,041,100	1,923,496	1,337,669	3,732,064	2,078,601	2,332,605	1,345,716	-	-	30,980,583
(26,066)	(5,000)	(6,419)	(4,723)	(4,557)	(105,881)	(57,349)	(69,522)	(14,171)	-	-	(1,033,693)
(8,627)	(7,226)	(7,171)	(16,884)	(16,434)	(17,170)	(13,863)	(23,741)	(2,111)	-	-	(156,795)
(65,140)	(37,183)	(43,118)	(101,847)	(86,713)	(119,571)	(92,399)	(206,748)	(58,784)	-	-	(1,150,623)
1,902,760	1,222,521	1,984,392	1,800,042	1,229,965	3,489,442	1,914,990	2,032,594	1,270,650	-	-	28,639,472
(162,946)	(22,015)	(494,127)	(100,533)	(35,103)	(942,592)	(118,260)	(16,775)	-	-	-	(4,784,366)
1,739,814	1,200,506	1,490,265	1,699,509	1,194,862	2,546,850	1,796,730	2,015,819	1,270,650	-	-	23,855,106
35,521	-	-	61,177	827	64,910	912,363	1,840,388	2,831,687	-	-	5,746,873
(31,391)	-	1,554	(122,111)	(36,427)	(214,063)	(366,626)	(243,000)	-	-	-	(1,013,616)
1,743,944	1,200,506	1,491,819	1,638,575	1,159,262	2,397,697	2,342,467	3,613,207	4,102,337	-	-	28,588,363
1,502,842	1,075,765	973,632	866,631	802,491	1,468,635	1,569,802	1,843,666	1,885,513	-	-	24,452,583
119,937	211,736	240,931	248,803	331,911	417,165	461,578	516,502	775,031	18,267	-	3,734,323
14,000	-	7,000	9,500	7,000	7,000	-	-	-	-	-	210,736
930,104	1,026,453	1,051,088	1,081,080	1,120,190	1,196,706	1,307,772	1,471,660	1,535,480	-	-	14,162,609
(2,095)	-	-	-	-	-	-	-	-	-	-	406,381
1,340	-	-	2,994	1,340	7,684	26,278	73,180	166,544	-	-	279,360
-	-	-	-	11,982	922	18,542	20,632	10,065	-	18,943	81,106
339	1,746	2,821	3,916	1,610	10,024	1,045	9,019	7,680	-	-	38,200
152,646	175,756	163,885	172,123	171,980	174,665	172,543	-	-	-	-	1,503,669
29,427	35,061	36,344	37,044	33,156	29,853	30,013	27,766	24,436	-	-	283,100
4,492,484	3,727,023	3,967,520	4,060,666	3,640,922	5,710,351	5,930,040	7,575,652	8,507,086	18,267	18,943	73,740,430
400,124	116,355	(513,068)	(659,101)	199,350	(421,541)	403,149	1,344,423	1,995,837	-	208,362	7,976,235
-	772,855	-	-	-	-	-	-	-	-	-	-
-	-	522,307	-	-	-	-	-	-	-	-	-
-	-	-	390,008	-	-	-	-	-	-	-	-
-	-	-	-	380,929	-	-	-	-	-	-	-
-	-	-	-	-	685,572	-	-	-	-	-	-
-	(65,066)	-	-	-	-	565,066	-	-	-	-	-
-	-	-	-	-	-	-	348,772	-	-	-	-
-	-	-	-	-	-	-	-	240,851	-	-	-
-	-	-	-	-	250,000	-	-	-	-	-	250,000
400,124	824,144	9,239	(269,093)	580,279	514,031	968,215	1,693,195	2,236,688	-	208,362	8,226,234

See independent auditor's report

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Schedule of Claims Development Information

	1993-94 Fund Year	1994-95 Fund Year	1995-96 Fund Year
Contribution and investment revenue:			
Earned	\$ 5,443,053	4,892,608	3,843,378
Ceded	1,797,328	1,622,779	1,287,501
Net earned revenue	3,645,725	3,269,829	2,555,877
Unallocated expenses:	915,981	1,125,761	1,239,016
Estimated incurred claims and expense:			
Incurred	2,162,615	1,130,999	1,620,111
Ceded	213,006	-	-
Net incurred claims	1,949,609	1,130,999	1,620,111
Paid claims (cumulative) as of:			
End of policy year	504,186	667,177	531,401
One year later	659,071	827,688	810,271
Two years later	749,103	1,084,346	926,420
Three years later	933,488	1,469,337	1,154,584
Four years later	988,260	1,703,935	1,270,717
Five years later	1,028,639	1,993,103	1,271,930
Six years later	1,261,447	1,999,804	1,271,930
Seven years later	1,261,447	2,001,258	1,271,930
Eight years later	1,261,447	2,002,593	-
Nine years later	1,261,447	-	-
Reestimated ceded claims and expenses	(138,764)	(194,337)	(22,015)
Reestimated incurred claims and expense as of:			
End of policy year	1,949,609	1,130,999	1,620,111
One year later	1,137,061	1,872,338	1,231,386
Two years later	1,081,957	1,464,707	1,238,089
Three years later	959,131	1,596,082	1,218,160
Four years later	1,020,909	1,609,711	1,177,537
Five years later	1,028,639	1,660,437	1,200,506
Six years later	1,028,639	1,750,343	1,200,506
Seven years later	1,028,301	1,743,945	1,200,506
Eight years later	1,028,301	1,743,945	-
Nine years later	1,028,301	-	-
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ (921,308)	612,946	(419,605)

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Schedule of Claims Development Information, Continued

1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year
3,454,452	3,401,566	3,840,272	5,288,810	6,333,189	8,920,075	10,502,923
1,214,563	1,115,434	1,134,402	1,885,800	2,031,380	2,360,168	2,660,544
2,239,889	2,286,132	2,705,870	3,403,010	4,301,809	6,559,907	7,842,379
1,261,137	1,306,657	1,347,258	1,426,853	1,556,193	1,602,276	1,744,204
1,729,609	1,833,052	1,896,976	2,487,518	3,811,735	3,838,334	4,102,337
201,500	353,548	276,624	572,798	1,303,468	1,535,914	169,775
1,528,109	1,479,504	1,620,352	1,914,720	2,508,267	2,302,420	3,932,562
757,448	1,072,135	782,365	1,437,939	1,128,147	1,412,020	1,345,716
1,083,535	1,315,431	1,090,984	2,763,260	1,571,237	2,332,605	-
1,303,279	1,544,547	1,294,524	3,256,122	2,078,601	-	-
2,014,724	1,836,987	1,334,069	3,732,064	-	-	-
2,036,699	1,877,688	1,337,669	-	-	-	-
2,035,380	1,923,496	-	-	-	-	-
2,041,100	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(495,681)	(222,644)	(71,530)	(1,156,655)	(484,886)	(259,775)	-
1,528,109	1,479,504	1,620,352	1,914,720	2,508,267	3,676,207	4,102,337
1,633,873	1,620,352	1,665,637	2,503,275	2,278,626	3,613,207	-
1,633,873	1,620,352	1,287,218	2,498,274	2,342,466	-	-
1,561,306	1,620,352	1,201,496	2,397,697	-	-	-
1,491,468	1,620,352	1,159,263	-	-	-	-
1,492,363	1,638,575	-	-	-	-	-
1,491,819	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(36,290)	159,071	(461,089)	482,977	(165,801)	(63,000)	-

See independent auditor's report

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**

Financial Statements

June 30, 2005 and 2004

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL

June 30, 2005

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Independent Auditor's Report

Board of Directors
Maine Municipal Association
Property and Casualty Pool:

We have audited the accompanying basic financial statements of Maine Municipal Association Property and Casualty Pool as of and for the years then ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Municipal Association Property and Casualty Pool as of June 30, 2005 and 2004 and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

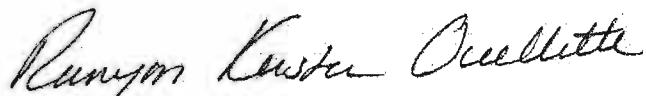
The Pool adopted the provisions of Governmental Accounting Standards Board Statements No. 34, 36, 37, and 38 as well as GASB Interpretation 6 as of and for the year ended June 30, 2004. This resulted in changes in the Pool's format and content of the financial statements.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information presented in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the

Board of Directors
Maine Municipal Association
Property and Casualty Pool

auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script, reading "Raymond Lester Ouellette".

September 15, 2005
South Portland, Maine

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2005**

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Maine Municipal Association Property & Casualty Pool (The Pool) annual financial report sets forth a narrative overview of its financial activities for the year ended June 30, 2005. Please read it in conjunction with The Pool's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

For all Pool years combined, developments in calendar year 2005 included:

- The Net Assets as of June 30, 2005 were \$10,964,430, an increase of 33.3% over the prior year.
- Cash and Investments totaled \$16,380,026, an increase of 25.2%.
- Operating revenues in 2005 totaled \$12,369,040, an increase of 14.2%.
- Operating expenses in 2005 totaled \$9,630,844, an increase of 13.5%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Pool's fiscal year is July 1 through June 30. The annual financial report consists of four parts:

- Management's Discussion and Analysis
- Required Financial Statements
- Notes to the Statements
- Supplemental Schedules.

Management's Discussion and Analysis provides a narrative overview of the statements and comments on significant developments during the reporting period.

Required Statements include: Combined Statements of Net Assets; Combined Statements of Revenues and Expenses; Combined Statements of Changes in Net Assets; and Combined Statements of Cash Flows.

These statements present the Pool's status at June 30, 2005 and financial developments during fiscal year 2005 for all Pool years combined.

Notes to the Statements provide explanations of the accounting principles followed and of key items in the statements.

Supplemental Schedules include: an analysis by fund year of statement of net assets; current year statement of revenues and expenses, and schedule of revenues and expenses for the past ten years; and a history of claims development for the past ten years.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2005**

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

FINANCIAL ANALYSIS

The following table summarizes the Combined Statements of Net Assets.

	06/30/05	06/30/04
ASSETS		
Current Assets	\$16,757,872	\$13,210,538
Capital Assets (net)	166,193	33,155
Total Assets	16,924,065	13,243,693
LIABILITIES		
Net Claims and Service Fee Reserves	5,862,017	5,012,617
Other Liabilities	97,618	4,842
Total Liabilities	5,959,635	5,017,459
NET ASSETS		
Board Designated Reserves	1,136,874	1,004,872
Safety Enhancement Fund	194,793	208,362
Invested in Capital Assets	166,192	33,155
Contingency Reserve	9,466,571	6,979,845
Total Net Assets	\$10,964,430	\$8,226,234

The following table summarizes the Combined Statements of Revenues, Expenses and Changes in Net Assets during fiscal years 2004-2005 and 2003-2004 for all Pool years combined.

	06/30/05	06/30/04
REVENUE		
Member Contributions	\$12,037,635	\$10,553,462
Investment and Other Revenues	331,405	280,734
Total Revenues	12,369,040	10,834,196
EXPENSES		
Net Claims Expense	3,754,714	3,984,044
Reinsurance and Premium Remitted	3,934,211	2,801,799
Safety Scholarships and Grants	13,568	4,827
Other Expenses	1,928,351	1,693,291
Total Expenses	9,630,844	8,483,961
NET CHANGE IN NET ASSETS	2,738,196	2,350,235
NET ASSETS BEGINNING OF YEAR	8,226,234	5,875,999
NET ASSETS END OF YEAR	\$10,964,430	\$8,226,234

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2005**

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2004-2005

The following table presents a budget to actual comparison for the 2004-2005 Pool Year in summarized form:

	Budget	ACTUARIAL PROJECTION AT 06/30/2004	
REVENUE			
Member Contributions	\$11,612,673	\$12,037,083	3.7%
Investment and Other Revenues	75,000	88,215	17.6%
Total Revenues	\$11,687,673	\$12,125,298	
EXPENSES			
Net Claims Expense at 95% Confidence Level	\$6,576,386	\$5,046,111	-23.3%
Reinsurance and Premiums Remitted	3,242,950	3,417,833	5.4%
Other Expenses	2,039,416	1,910,902	-6.3%
Total Expenses	\$11,858,752	\$10,374,846	
GAIN OR LOSS FROM OPERATIONS	(\$171,079)	\$1,750,452	
INTERFUND TRANSFERS	171,079	171,079	

The major variances in fiscal year 2004-2005 were reductions in Net Claims Expense (-31.4%, due to favorable experience), Other Expenses (-6.3%) and an increase in Investment Income (17.6%). Net Claims Expense at the 95% Confidence Level includes claims payments, reserves on open claims, actuarial estimates of claims development in the future (IBNR) and additional reserves recommended by the actuary to fund Pool claims to the 95% Confidence Level.

POOL FINANCIAL POSITION AT JUNE 30, 2005

At June 30, 2005, the Net Assets totaled \$10,964,430, an increase of \$2,738,195 (33.3%) over the prior year. Net Assets are divided into four components:

Invested in Capital Assets, maintained to record capital assets less depreciation,	\$ 166,192
Reserve for Adverse Development, maintained to increase Pooling of claims reserves to the 95% Confidence Level	1,136,874
Safety Enhancement Reserve, maintained to provide grants and scholarships to assist members in strengthening their work place safety practices	194,794
Contingency Reserve, maintained to provide resources to meet other challenges and opportunities	9,466,570
Total Net Assets	<u>\$ 10,964,430</u>

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2005

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

CAPITAL ASSETS AND LONG TERM DEBT

At June 30, 2005 the Pool had capital assets of \$166,192, net of depreciation. These assets are the Pool's investment in a claims and underwriting system jointly owned with the MMA Workers' Compensation Fund. The Pool has no long-term debt.

CONDITIONS WHICH MAY IMPACT ON THE POOL'S FINANCIAL CONDITION IN THE FUTURE

Management is aware of no conditions, decisions or contingencies which are expected to significantly impact on the Pool's financial position in the future.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**
Combined Statements of Net Assets
June 30, 2005 and 2004

	2005	2004
ASSETS		
Cash and cash equivalents	\$ 3,559,495	3,907,150
Investments:		
Certificates of deposit	1,450,000	1,200,000
U.S. government and agency securities	11,370,531	7,976,798
Total investments	12,820,531	9,176,798
Capital assets:		
Computer equipment	188,240	315,413
Accumulated depreciation	(22,047)	(282,258)
Net capital assets	166,193	33,155
Prepaid expense	78,254	-
Accounts receivable	206,127	82,386
Accrued interest receivable	93,465	44,204
Total assets	\$ 16,924,065	13,243,693
LIABILITIES		
Liabilities:		
Accounts payable	20,865	4,842
Deferred revenue	76,753	-
Claims reserves	6,875,503	5,746,873
Reinsurance recoverable	(1,320,394)	(1,013,616)
Net claims loss reserves	5,555,109	4,733,257
Claims service fee reserve	306,908	279,360
Total liabilities	\$ 5,959,635	5,017,459
NET ASSETS		
Invested in capital assets	166,192	33,155
Reserve for adverse development	1,136,874	1,004,872
Safety enhancement fund	194,794	208,362
Contingency reserve	9,466,570	6,979,845
Total net assets	\$ 10,964,430	8,226,234

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**
Combined Statements of Revenues and Expenses
June 30, 2005 and 2004

	2005	2004
Revenues:		
Contributions	\$ 12,037,635	10,553,462
Investment income	331,405	114,581
Grant income	-	166,152
Total revenues	12,369,040	10,834,195
Expenses:		
Claims paid	3,321,075	3,306,070
Less:		-
Deductible recovery	(197,556)	(126,424)
Salvage recovery	(30,506)	(2,111)
Subrogation recovery	(160,150)	(215,776)
Net claims paid before reinsurance	2,932,863	2,961,759
Reinsurance recovery	-	(184,247)
Net claims paid after reinsurance	2,932,863	2,777,512
Claims reserve adjustment:		
Established claims	1,128,630	1,026,268
Less reinsurance recoverable estimate	(306,779)	180,264
Net claims expense adjustment	3,754,714	3,984,044
Reinsurance premium	3,015,461	1,940,267
Premiums remitted	918,750	861,532
Administrative fee	1,643,475	1,535,480
Claims service reserve adjustment	27,548	(56,913)
Consultants and legal fees	30,092	14,892
Maintenance contracts	21,123	7,680
Dividends	174,875	172,543
Depreciation	44,806	24,436
Total expenses	9,630,844	8,483,961
Change in net assets	\$ 2,738,196	2,350,234

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combined Statements of Changes in Net Assets
For the years ended June 30, 2005 and 2004

		Contingency reserve	Invested in capital assets	Safety enhancement fund	Reserve for adverse development	Total fund balance
Net assets at June 30, 2003	\$	5,104,418	47,194	47,037	677,350	5,875,999
Excess of revenues over expenses		2,188,910	-	161,325	-	2,350,235
Net asset transfer		(313,483)	(14,039)	-	327,522	-
Net assets at June 30, 2004		6,979,845	33,155	208,362	1,004,872	8,226,234
Excess of revenues over expenses		2,751,764	-	(13,568)	-	2,738,196
Net assets transfer		(265,039)	133,037	-	132,002	-
Net assets at June 30, 2005	\$	9,466,570	166,192	194,794	1,136,874	10,964,430

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**
Combined Statements of Cash Flows
Years ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Receipts from net contributions	\$ 11,990,647	10,512,716
Receipts from investment income	282,144	98,232
Receipts from grant income	-	166,152
Payments for net claims	(2,932,862)	(2,777,512)
Payments for premiums remitted	(3,093,715)	(1,940,266)
Payments for reinsurance premium	(918,750)	(861,532)
Payments for administrative fees	(1,627,452)	(1,534,832)
Payments for consultants and legal fees	(30,092)	(14,892)
Payments for maintenance contracts	(21,123)	(7,680)
Payments for dividends paid	(174,875)	(172,543)
Net cash provided by operating activities	3,473,922	3,467,843
Cash flows from capital and related financing activities:		
Net purchases of computer equipment	(144,166)	(10,396)
Net cash used in capital and related financing activities	(144,166)	(10,396)
Cash flows from investing activities:		
Purchase of investments	(6,877,411)	(7,134,208)
Sale of investments	3,200,000	2,350,000
Net cash used in investing activities	(3,677,411)	(4,784,208)
Increase (decrease) in cash	(347,655)	(1,326,761)
Cash, beginning of year	3,907,150	5,233,911
Cash, end of year	\$ 3,559,495	3,907,150
Reconciliation of excess of revenue over expenses to net cash provided by operating activities:		
Excess of revenue over expenses	\$ 2,738,196	2,350,235
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Depreciation	44,806	24,436
Changes in assets and liabilities:		
Accounts receivable	(123,741)	(40,746)
Accrued interest receivable	(49,261)	(16,349)
Prepaid expenses	(78,254)	-
Accounts payable	16,023	648
Deferred revenue	76,753	-
Claims loss reserves	1,128,630	1,026,268
Reinsurance recoverable	(306,778)	180,264
Claims service reserves	27,548	(56,913)
Net cash provided by operating activities	\$ 3,473,922	3,467,843

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND POOL DESCRIPTION

The Maine Municipal Association Property and Casualty Pool (the Pool) was established on March 1, 1987 as a self-insured pool for the purpose of providing liability and property coverage to municipalities and qualified local government instrumentalities or subdivisions who choose to participate. During the fiscal years ended June 30, 2005 and 2004, there were 439 and 441 governmental entities, respectively, which participated in the Pool. The Pool provides the following coverages: automobile liability; commercial general liability; police professional liability; ambulance/nurse malpractice liability; firefighters liability; public officials liability, including employment practices liability; automobile physical damage coverage; property and inland marine coverage; and comprehensive crime coverage. In addition the Pool offers coverage for forest fire suppression, earthquake, and flood on a pooled basis. The Pool also assists members in the purchase of other fully insured coverages through the services of its broker. The Pool is administered by the Maine Municipal Association for which a management fee is assessed and is included in expense. For the years ended June 30, 2005 and 2004, the Pool was assessed management fees totaling \$1,643,475 and \$1,535,480, respectively. These financial statements include only the accounts of the Maine Municipal Association Property and Casualty Pool.

The municipality or qualified local government instrumentality or subdivision must be a member of the Maine Municipal Association to participate in the Pool.

Tax Exempt Status - The Pool is exempt from income taxes.

Fund Accounting - Each year a new fund is established to cover the potential claims made for that specific period. Each fund year has a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues, and expenses.

Basis of Accounting - The accrual basis of accounting is followed for all fund years. The Fund follows the provisions of Government Accounting Standards Board (GASB) Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*. Contributions are recognized as revenue over the contract period for which risk protection is provided which corresponds to a fund year. A liability for unpaid claims, including estimated claims incurred but not reported, is accrued when insured events occur. Anticipated investment income is considered in determining whether a contribution deficiency exists. The Fund applies all applicable pronouncements of the Financial Accounting Standards Board except those which conflict with pronouncements of the GASB.

Cash and Cash Equivalents - The Pool considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments - All investments are carried at fair value, based on quoted market prices, in a single pooled investment account for all of the Property and Casualty Pool fund years. The Pool's investments consist of U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Pool estimates that the fair value of all financial instruments at June 30, 2005 and 2004, respectively, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying combined balance sheets. Each fund year's portion of principal, interest, capital gains and losses is determined by its cash and investments in the pooled investments.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND POOL DESCRIPTION, CONTINUED

Accounts Receivable - Accounts receivable has been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at June 30, 2005 and 2004.

Fixed Assets - The cost of computer hardware and software is depreciated on a straight-line basis over their estimated useful lives of three to five years.

Deferred Revenue - Deferred revenue represents contributions which have been received by the Pool related to the next fund year.

Claims Loss Reserves - Claims loss reserves represent the estimated ultimate cost of settling all reported and unreported losses at the balance sheet date, including the effects of inflation and other factors, as determined by an independent actuary. Management believes that the reserves are adequate, but the ultimate cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually. Any adjustments resulting from the settlement of losses will be reflected in the combined statements of revenues and expenses at the time the adjustments are determined.

Claims Service Reserves - The claims service reserves is actuarially determined and consists of estimates for service fees for future claims. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually.

Reinsurance - The Pool uses reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Premiums paid for reinsurance and special coverages during 2005 and 2004 were \$3,934,211 and \$2,801,799, respectively. The amounts deducted from claims liabilities as of June 30, 2005 and 2004 for reinsurance were \$1,320,394 and \$1,013,616, respectively.

Statements of Cash Flows - For purposes of the combined statements of cash flows, the Fund considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

Management Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the Pool's deposits may not be returned to it. Cash and cash equivalents for the Maine Municipal Association are held at a single financial institution. The CMA – deposit and CMA – mutual fund investment sweep are pooled accounts containing assets of the General Fund, Special Funds, Workers' Compensation Fund, Unemployment Compensation Fund, Public Officials Liability Fund and Property & Casualty Pool. The money market mutual fund is also a pooled account but does not include the Workers' Compensation Fund. MMA's policy is to have its deposits covered by FDIC insurance or by investing in cash management-sweep and money market mutual accounts that are held in money market mutual funds which indirectly invest in U.S. Government or Agency securities.

At June 30, 2005 and 2004, the portion of bank balances attributable to the Pool totaled \$2,334,053 and \$3,302,061, respectively. The bank balances for the Pool do not reflect a reduction for outstanding checks at that date. Amounts in the cash management-deposit account that exceed the \$100,000 FDIC insured limit are considered uninsured and uncollateralized.

Deposits consist of the following at June 30:

	<u>2005</u>	<u>2004</u>
CMA - sweep account	\$ 2,185,015	3,216,732
Money market mutual funds	1,374,480	690,418
Totals	\$ 3,559,495	3,907,150

Investments

At June 30, MMA had the following investments and maturities:

2005

	<u>Fair value</u>	<u>Less than One year</u>	<u>One to Five years</u>	<u>More than Five years</u>
Certificate of deposit *	\$ 1,450,000	1,450,000	N/A	N/A
U.S. government securities	11,370,531	5,075,000	6,400,000	N/A
Totals	\$ 12,820,531	6,525,000	6,400,000	N/A

2004

	<u>Fair value</u>	<u>Less than One year</u>	<u>One to Five years</u>	<u>More than Five years</u>
Certificate of deposit *	\$ 1,200,000	1,200,000	N/A	N/A
U.S. government securities	7,976,798	2,005,212	5,971,586	N/A
Totals	\$ 9,176,798	3,205,212	5,971,586	N/A

* Of the certificate of deposit bank balance, \$600,000 and \$500,000, respectively, was covered by federal depository insurance; the remainder is uninsured and uncollateralized.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

DEPOSITS AND INVESTMENTS, CONTINUED

Interest Rate Risk – It is the Pool's policy that investments purchased shall have maturities not to exceed three years.

Concentration of Credit Risk – It is the Pool's policy for 2004-2005 that investments will be primarily U.S. Agency issues and certificates of deposit, with a provision for up to \$1,000,000 of corporate bonds. In the event that suitable corporate bonds are not available, the Pool will purchase additional certificates of deposit or government securities. The 2004-2005 portfolio targeted composition was as follows: cash and money market funds-25%; certificates of deposit-15%; government securities-52%; corporate bonds-8%. All target levels are flexible, except for corporate bonds, which is on a not to exceed basis. The target levels are reviewed on an annual basis and adjusted based on prevailing conditions.

NET APPRECIATION OR DEPRECIATION IN FAIR VALUE

Net appreciation in fair value during the years ended June 30, 2005 and 2004 by type of investment is as follows. Such amounts are included in investment income on the combined statements of revenues and expenses.

	<u>2005</u>	<u>2004</u>
U.S. Government securities	\$ (15,941)	(63,612)
Totals	\$ (15,941)	(63,612)

UNPAID CLAIMS LIABILITIES

The Pool establishes liabilities for the estimated costs of both reported and unreported losses, which includes estimates of both future payments of losses and related claims service reserves. The following represents changes in those aggregate liabilities for the years ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Claims loss and claims service reserves at beginning of year	\$5,012,617	\$3,862,998
Provision for insured events - current year	4,697,540	4,268,880
Increase (decrease) in provision for insured events - prior years	(915,277)	(341,748)
Total incurred claims and claims service reserve expenses	3,782,263	3,927,132
Claims paid on losses incurred in the current year	1,704,423	1,270,650
Claims paid on losses incurred in prior years	1,228,440	1,506,863
Total paid claims	2,932,863	2,777,513
Claims loss and claims service reserves at end of year	\$5,862,017	\$5,012,617
Unpaid claims liabilities are reported on the combined balance sheet as follows:		
Claims loss reserves, net	\$5,555,109	\$4,733,257
Claims service fee reserves	306,908	279,360
Totals	\$5,862,017	\$5,012,617

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE

The amounts shown for claims reserves are developed from an actuarially determined loss analysis as of June 30, 2005 and are as follows:

<u>Fund year</u>	<u>Established on known claims</u>	<u>Actuarial reserves</u>	<u>Total reserves</u>	<u>Net paid claims</u>	<u>Actuarially determined ultimate losses</u>
1987-88	\$ -	-	-	747,446	747,447
1988-89	-	-	-	978,303	978,303
1989-90	-	-	-	850,237	850,237
1990-91	-	-	-	2,012,344	2,012,343
1991-92	-	-	-	1,644,216	1,644,216
1992-93	-	-	-	2,400,514	2,400,515
1993-94	-	-	-	1,991,992	1,991,992
1994-95	-	-	-	1,167,064	1,167,065
1995-96	25,749	-	25,749	1,905,900	1,931,648
1996-97	686	-	686	1,222,835	1,223,521
1997-98	-	-	-	1,984,392	1,984,392
1998-99	70,067	-	70,067	1,799,329	1,869,395
1999-00	11,244	-	11,244	1,227,808	1,239,054
2000-01	92,879	5,004	97,883	3,529,712	3,627,596
2001-02	609,232	142,663	751,895	2,062,902	2,814,797
2002-03	590,833	145,330	736,163	2,372,520	3,108,682
2003-04	1,157,464	786,674	1,944,138	1,970,398	3,914,535
2004-05	1,804,681	1,432,997	3,237,678	1,704,423	4,942,101
Totals	\$ 4,362,835	2,512,668	6,875,503	31,572,335	38,447,839

Each fund year has a Loss Fund that is established from the fund members' annual contributions. For each fund year, the Pool also purchases specific reinsurance that provides coverage for claims exceeding \$100,000 per occurrence.

In addition, for the fund years through 2001-2002, the Pool purchased aggregate reinsurance of \$1,000,000 in excess of the reinsurance attachment point. No aggregate coverage was purchased for the 2002-2004 and 2004-2005 fund years.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

An analysis of the reinsurance attachment points, ultimate losses, reinsurance recovery, and ultimate net losses is as follows:

<u>Fund year</u>	<u>Aggregate reinsurance attachment</u>	<u>Actuarially determined ultimate losses</u>	<u>Reinsurance recovered</u>	<u>Reinsurance recoverable</u>	<u>Ultimate losses net of reinsurance</u>
1987-88	\$ 845,834	747,447	185,928	-	561,518
1988-89	1,406,720	978,303	211,859	-	766,444
1989-90	963,226	850,237	-	-	850,237
1990-91	1,095,964	2,012,343	916,532	-	1,095,812
1991-92	1,564,127	1,644,216	278,986	1,552	1,363,678
1992-93	1,712,586	2,400,515	687,933	-	1,712,581
1993-94	2,362,467	1,991,992	472,013	-	1,519,979
1994-95	2,403,851	1,167,065	138,764	-	1,028,300
1995-96	2,250,000	1,931,648	162,946	24,758	1,743,945
1996-97	1,733,027	1,223,521	22,015	-	1,201,506
1997-98	1,633,873	1,984,392	494,127	(1,554)	1,491,819
1998-99	1,620,352	1,869,395	100,533	148,510	1,620,353
1999-00	1,741,520	1,239,054	35,103	44,687	1,159,262
2000-01	2,508,266	27,596	942,592	255,815	2,429,188
2001-02	3,128,504	2,814,797	118,260	371,626	2,324,911
2002-03	no aggregate	3,108,682	16,776	45,000	3,046,907
2003-04	no aggregate	3,914,535	-	-	3,914,536
2004-05	no aggregate	4,842,101	-	430,000	4,512,101
Totals	\$ 26,970,317	34,747,839	4,784,367	1,320,394	32,343,077

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

A.M. BEST RATINGS

Reinsurance or excess insurance for the various fund years has been provided by the following companies. The A.M. Best rating for each company is also listed.

Fund Year	Reinsurance Carrier	Type of Coverage	A.M. Best Rating	Fin Size Category
1987-1988 through 1988-1989	Lloyd's of London	Aggregate & Specific	A	XV
	Fireman's Fund Ins. Co.	Excess Property	A	XV
	International Ins. Co.	GL/Auto Excess	not rated	
	CNA Insurance Co.	Prop & Liab Excess	A	XV
	Hartford Steam Boiler	Boiler & Machinery	A++	X
1989-1990 through 1992-1993	Lloyd's of London	Aggregate & Specific	A	XV
	Fireman's Fund Ins. Co.	Excess Property	A	XV
	International Ins. Co.	GL/Auto Excess	not rated	
	CNA Insurance Co.	Prop & Liab Excess	A	XV
	ACE P & C Ins Co. (CIGNA)	Following Form	A+	XV
	Hartford Steam Boiler	Boiler & Machinery	A++	X
1993-1994 through 1998-1999	American Re-insurance Co.	Aggregate & Specific	A	XV
	Royal Insurance Group	Excess Property	not rated	
	Hartford Steam Boiler	Boiler & Machinery	A++	X
1999-2000	American Re-insurance Co.	Aggregate & Specific	A	XV
	Swiss Re	Excess Property	A+	XV
	Hartford Steam Boiler	Boiler & Machinery	A++	X
2000-2001	American Re-insurance Co.	Aggregate & Specific	A	XV
	Liberty Mutual	Excess Property	A	XV
	Hartford Steam Boiler	Boiler & Machinery	A++	X
2001-2002	American Re-insurance Co.	Aggregate & Specific	A	XV
	Liberty Mutual	Excess Property	A	XV
	Mutual Boiler Re	Boiler & Machinery	A+	XV

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

A.M. BEST RATINGS, CONTINUED

Fund Year	Reinsurance Carrier	Type of Coverage	A.M. Best Rating	Fin Size Category
2002-2003	American Re-insurance Co.	Aggregate & Specific	A	XV
	Essex	Excess Property	A	XII
	Federal	Excess Property	A++	XV
	Lexington	Excess Property	A+	XV
	St. Paul	Excess Property	A+	XV
	Travelers	Excess Property	A+	XV
	Wausau	Excess Property	A	XV
	Westchester Surplus	Excess Property	A+	X
	Hartford Steam Boiler	Boiler & Machinery	A++	X
2003-2004	American Re-insurance Co.	Aggregate & Specific	A	XV
	Federal	Excess Property	A++	XV
	Lexington	Excess Property	A+	XV
	St. Paul	Excess Property	A+	XV
	Travelers	Excess Property	A+	XV
	U S Fire (Crum & Foster)	Excess Property	A-	XIII
	Hartford Steam Boiler	Boiler & Machinery	A++	X
2004-2005	American Re-insurance Co.	Aggregate & Specific	A	XV
	Discover Re	Excess Property	A-	X
	Essex	Excess Property	A	XII
	Federal	Excess Property	A++	XV
	Lexington	Excess Property	A+	XV
	Liberty Mutual	Excess Property	A	XV
	Travelers	Excess Property	A+	XV
	U S Fire (Crum & Foster)	Excess Property	A-	XIII
	Hartford Steam Boiler	Boiler & Machinery	A++	X

EXPENSES

Estimates of reinsurance premiums, claims service fees and administrative fees are recorded as expenses in the initial fiscal year of each Pool for all of the services expected to arise out of that fund year. Changes in these estimated expenses are treated as current income or expenses in each fund year.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

NET ASSETS

Under a policy adopted by the Board of Directors, net assets are segregated into two components.

The reserve for adverse development is maintained to recognize the possibility that actual loss development may vary from the expected development underlying the loss projections. The amount of the reserve is based on recommendations from an independent actuary. The reserve is established at the 95% Confidence Level, as calculated by the actuary. At June 30, 2005 and 2004, the reserve for adverse development totaled \$1,136,874 and \$1,004,872, respectively.

The contingency reserve is calculated as the net assets less the reserve for adverse development. The contingency reserve at June 30, 2005 and 2004 was \$9,466,570 and \$6,979,845, respectively. The contingency reserve represents accumulated funding in excess of statutory requirements and the board-designated reserves. The Property and Casualty Pool Trustees have established this reserve to be held for the financial stability of the Pool.

INTERFUND TRANSFERS

In order to provide full funding, the Property and Casualty Pool Trustees have approved various transfers from some fund years to others. Transfers affected during 2004-2005 are shown within Schedule 2. All transfers made between Property and Casualty Pool funds years since inception are reflected in Schedule 3.

INTEGRATION OF PUBLIC OFFICIALS LIABILITY PROGRAM

On January 27, 2000, the MMA Executive Committee and the Property and Casualty Pool Board voted to integrate the Public Officials Liability Program into the Property and Casualty Pool, effective July 1, 2000. From that date forward, Public Officials Liability claims will be self insured as a line of business within the Property and Casualty Pool. The Public Officials Liability Fund for 1999-2000 and prior fund years will remain open until all outstanding liabilities have been relieved, at which time any remaining assets will be transferred to the Property and Casualty Fund. As of June 30, 2002, \$250,000 has been transferred from the Public Officials Liability program to the Property and Casualty Pool fund year 2000-2001.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Net Assets
June 30, 2005

	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
ASSETS									
Cash and cash equivalents	\$ -	-	-	10,746	11,035	44,200	70,830	88,819	181,800
Investments:									
Certificates of deposit	-	-	-	4,377	4,495	18,005	28,854	36,181	74,058
U.S. government and agency securities	-	-	-	34,326	35,252	141,192	226,262	283,725	580,746
Total investments	-	-	-	38,703	39,747	159,197	255,116	319,906	654,804
Capital assets:									
Computer equipment	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
Net capital assets	-	-	-	-	-	-	-	-	-
Prepaid expense	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-
Accrued interest receivable	-	-	-	282	290	1,161	1,860	2,332	4,774
Total assets	\$ -	-	-	49,731	51,072	204,558	327,806	411,057	841,378
LIABILITIES									
Liabilities:									
Accounts payable	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Claims loss reserves:									
Claims reserves	-	-	-	-	-	-	-	25,749	686
Reinsurance recoverable	-	-	-	(1,552)	-	-	-	(24,758)	-
Net claims loss reserves	-	-	-	(1,552)	-	-	-	991	686
Claims service fee reserve	-	-	-	-	-	-	-	1,154	540
Total liabilities	\$ -	-	-	(1,552)	-	-	-	2,145	1,226
NET ASSETS									
Invested in capital assets	-	-	-	-	-	-	-	-	-
Reserve for adverse development	-	-	-	-	-	-	-	-	140
Safety enhancement fund	-	-	-	-	-	-	-	-	-
Contingency reserve	-	-	-	51,283	51,072	204,558	327,806	408,912	840,012
Total net assets	\$ -	-	-	51,283	51,072	204,558	327,806	408,912	840,152

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Net Assets, Continued

1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	P&C Safety Fund	Totals (memorandum only)	
										2005	2004
2,368	(12,712)	120,961	68,291	277,166	569,789	983,063	1,116,386	(15,337)	42,090	3,559,495	3,907,150
965	(5,178)	49,275	27,819	112,907	232,110	400,462	454,772	(6,248)	17,146	1,450,000	1,200,000
7,365	(40,607)	386,401	218,151	885,385	1,820,146	3,140,317	3,566,210	(48,993)	134,453	11,370,531	7,976,798
8,530	(45,785)	435,676	245,970	998,292	2,052,256	3,540,779	4,020,982	(55,241)	151,599	12,820,531	9,176,798
-	-	-	-	-	-	-	188,240	-	-	188,240	315,413
-	-	-	-	-	-	-	(22,047)	-	-	(22,047)	(282,258)
-	-	-	-	-	-	-	166,193	-	-	166,193	33,155
-	-	-	-	-	-	-	1,501	76,753	-	78,254	-
-	-	-	-	-	-	-	135,146	70,981	-	206,127	82,386
62	(334)	3,176	1,793	7,277	14,960	25,814	29,317	(403)	1,104	93,465	44,204
10,960	(58,831)	559,813	316,054	1,282,735	2,637,005	4,549,656	5,469,525	76,753	194,793	16,924,065	13,243,693
-	-	-	-	-	-	-	20,865	-	-	20,865	4,842
-	-	-	-	-	-	-	-	76,753	-	76,753	-
-	70,067	11,244	97,883	751,895	736,163	1,944,138	3,237,678	-	-	6,875,503	5,746,873
1,554	(148,510)	(44,687)	(255,815)	(371,626)	(45,000)	-	(430,000)	-	-	(1,320,394)	(1,013,616)
1,554	(78,443)	(33,443)	(157,932)	380,269	691,163	1,944,138	2,807,678	-	-	5,555,109	4,733,257
-	1,694	1,694	6,236	15,161	24,638	70,352	185,439	-	-	306,908	279,360
1,554	(76,749)	(31,749)	(151,696)	395,430	715,801	2,014,490	3,013,982	76,753	-	5,959,635	5,017,459
-	-	-	-	-	-	-	166,192	-	-	166,192	33,155
-	-	768	1,915	87,406	114,507	398,128	534,010	-	-	1,136,874	1,004,872
-	-	-	-	-	-	-	-	-	194,793	194,793	208,362
9,406	17,918	590,794	465,835	799,899	1,806,697	2,137,038	1,755,341	-	-	9,466,571	6,979,845
9,406	17,918	591,562	467,750	887,305	1,921,204	2,535,166	2,455,543	-	194,793	10,964,430	8,226,234

See independent auditor's report

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Revenues and Expenses
(All Fund Years)
For the period ended June 30, 2005

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenues:									
Contributions	\$ -	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	1,283	1,073	4,558	6,929	8,602
Grant income	-	-	-	-	-	-	-	-	-
Total revenues	-	-	-	-	1,283	1,073	4,558	6,929	8,602
Expenses:									
Claims paid	-	-	-	-	-	-	-	-	9,772
Less: Deductible recovery	-	-	-	-	-	-	-	-	-
Salvage recovery	-	-	-	-	-	-	-	-	-
Subrogation recovery	-	-	-	-	-	-	-	-	(6,633)
Net claims paid before reinsurance	-	-	-	-	-	-	-	-	3,139
Reinsurance recovery	-	-	-	-	-	-	-	-	-
Net claims paid after reinsurance	-	-	-	-	-	-	-	-	3,139
Claims reserve adjustment:									
Established claims	-	-	-	-	-	-	-	-	(9,772)
Less reinsurance recoverable estimate	-	-	-	-	-	-	-	-	6,633
Net claims expense adjustment	-	-	-	-	-	-	-	-	-
Reinsurance premium	-	-	-	-	-	-	-	-	-
Premiums remitted	-	-	-	-	-	-	-	-	-
Administrative fee	-	-	-	-	-	-	-	-	-
Claims service reserve adjustment	-	-	-	-	-	-	-	-	(186)
Consultants and legal fees	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-	-	-	(186)
Transfers between fund years	-	-	-	(9,356)	(160,475)	(5,159)	(201,116)	(64,065)	-
Change in net assets	\$ -	-	-	(9,356)	(159,192)	(4,086)	(196,558)	(57,136)	8,788

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Revenues and Expenses, Continued.

1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	P&C Safety Fund	Totals (memorandum only)	
											2005	2004
-	-	-	-	-	-	-	18,819	12,018,816	-	-	12,037,635	10,553,462
17,548	167	(1,604)	11,638	7,221	27,879	57,447	100,449	88,215	-	-	331,405	114,581
-	-	-	-	-	-	-	-	-	-	-	-	166,152
17,548	167	(1,604)	11,638	7,221	27,879	57,447	119,268	12,107,031	-	-	12,369,040	10,834,195
314	-	1,204	(2,157)	40,445	151,412	368,879	770,117	1,981,089	-	-	3,321,075	3,306,070
-	-	-	-	-	(3,500)	(28,645)	(35,129)	(130,282)	-	-	(197,556)	(126,424)
-	-	-	-	-	-	-	(4,517)	(25,989)	-	-	(30,506)	(2,111)
-	-	(1,918)	-	(175)	-	(308)	(30,721)	(120,395)	-	-	(160,150)	(215,776)
314	-	(714)	(2,157)	40,270	147,912	339,926	699,750	1,704,423	-	-	2,932,863	2,961,759
-	-	-	-	-	-	-	-	-	-	-	-	(184,247)
314	-	(714)	(2,157)	40,270	147,912	339,926	699,750	1,704,423	-	-	2,932,863	2,777,512
686	-	8,890	10,417	32,973	(160,468)	(1,104,225)	(887,549)	3,237,678	-	-	1,128,630	1,026,268
-	-	(26,399)	(8,260)	(41,753)	(5,000)	198,000	-	(430,000)	-	-	(306,779)	180,264
1,000	-	(18,223)	-	31,490	(17,556)	(566,299)	(187,799)	4,512,101	-	-	3,754,714	3,984,044
-	-	-	-	23,460	137,463	269,404	85,457	2,499,677	-	-	3,015,461	1,940,267
-	-	-	-	-	-	-	18,861	899,889	-	-	918,750	861,532
-	-	-	-	-	-	-	-	1,643,475	-	-	1,643,475	1,535,480
540	-	(1,300)	354	(1,448)	(11,117)	(48,542)	(96,192)	185,439	-	-	27,548	(56,913)
-	-	-	-	-	-	-	-	16,524	-	13,568	30,092	14,892
-	-	-	-	-	-	-	465	20,658	-	-	21,123	7,680
-	-	-	-	-	-	174,875	-	-	-	-	174,875	172,543
-	-	-	-	-	-	-	-	44,806	-	-	44,806	24,436
1,540	-	(19,523)	354	53,502	108,790	(170,562)	(179,208)	9,822,569	-	13,568	9,630,844	8,483,961
-	-	269,092	-	-	-	-	-	171,079	-	-	-	-
16,008	167	287,011	11,284	(46,281)	(80,911)	228,009	298,476	2,455,541	-	(13,568)	2,738,196	2,350,234

See independent auditor's report

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining and Combined Statement of Revenues and Expenses
For the period March 1, 1987 through June 30, 2004

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenues:								
Contributions	\$ 1,886,708	3,478,124	2,718,315	2,927,993	3,611,796	4,178,842	4,728,534	4,823,684
Investment income	170,048	522,662	303,155	143,822	218,209	135,630	533,843	626,298
Grant income	-	-	-	-	-	-	-	-
Total revenues	2,056,756	4,000,786	3,021,470	3,071,815	3,830,005	4,314,472	5,262,377	5,449,982
Expenses:								
Claims paid	630,179	1,120,078	979,918	2,197,076	1,817,965	2,649,148	2,058,998	1,261,447
Less: Deductible recovery	(74,587)	(109,119)	(105,595)	(100,511)	(122,654)	(183,579)	(22,045)	(21,915)
Salvage recovery	(1,295)	(4,754)	(6,508)	(3,229)	(6,057)	(12,301)	(7,795)	(1,629)
Subrogation recovery	(6,851)	(27,902)	(17,578)	(80,992)	(45,038)	(52,754)	(37,166)	(70,839)
Net claims paid before reinsurance	747,446	978,303	850,237	2,012,544	1,644,216	2,400,514	1,991,992	1,167,064
Reinsurance recovery	(185,928)	(211,859)	-	(916,532)	(278,986)	(687,933)	(472,013)	(138,764)
Net claims paid after reinsurance	561,518	766,444	850,237	1,095,812	1,365,230	1,712,581	1,519,979	1,028,300
Claims reserve adjustment:								
Established claims	-	-	-	-	-	-	-	-
Less reinsurance recoverable estimate	-	-	-	-	(1,552)	-	-	-
Net claims expense adjustment	561,518	766,444	850,237	1,095,812	1,363,678	1,712,581	1,519,979	1,028,300
Reinsurance premium	1,028,693	1,665,025	1,288,667	1,420,019	1,946,991	1,842,935	1,599,829	1,671,447
Premiums remitted	-	-	-	-	89,499	63,710	113,372	125,881
Claims service fee	28,688	41,887	25,885	22,746	22,290	24,740	-	-
Administrative fee	195,783	301,418	289,238	319,670	426,724	531,790	621,840	755,613
Loss prevention services	35,217	64,204	51,000	57,000	66,600	82,484	51,299	672
Claims service reserve adjustment	-	-	-	-	-	-	-	-
Consultants and legal fees	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	160,376	159,696
Total expenses	1,849,899	2,838,978	2,505,027	2,915,247	3,915,782	4,258,240	4,066,695	3,741,609
Excess (deficiency) of revenue over (under) expenses	206,857	1,161,808	516,443	156,568	(85,777)	56,232	1,195,682	1,708,373
Transfer to fund year								
1991-92	-	(447,535)	-	-	447,535	-	-	-
1996-97	(150,000)	(550,000)	(72,855)	-	-	-	-	-
1997-98	-	(150,000)	(372,307)	-	-	-	-	-
1998-99	-	-	-	(9,356)	(160,475)	(5,159)	(484,110)	-
1999-00	-	-	-	-	-	-	-	(380,929)
2000-01	-	-	-	-	-	-	-	(685,572)
2001-02	-	-	-	-	-	-	(250,000)	(250,000)
2002-03	-	-	-	(48,772)	(150,000)	-	(150,000)	-
2003-04	(56,857)	(14,273)	(71,281)	(98,440)	-	-	-	-
2004-05	-	-	-	-	-	-	(107,014)	(64,065)
Transfer from POL to P&C	-	-	-	-	-	-	-	-
Net assets	\$ -	-	-	-	51,283	51,073	204,558	327,807

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining and Combined Statement of Revenues and Expenses, Continued

1995-96 Fund Year	1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	P&C Safety Fund	Totals
4,600,925	3,549,226	3,372,596	3,375,152	3,687,173	5,142,450	6,208,414	8,825,598	10,486,083	12,037,063	-	-	89,638,696
306,285	311,701	82,022	24,809	164,738	153,581	152,654	151,923	136,108	88,215	-	-	4,219,703
-	-	-	-	-	-	-	-	-	-	-	227,305	227,305
4,901,210	3,860,927	3,454,618	3,399,961	3,851,911	5,296,031	6,361,068	8,977,521	10,622,191	12,125,298	-	227,305	94,085,704
2,012,365	1,272,244	2,041,100	1,924,700	1,335,512	3,772,509	2,230,013	2,701,484	2,115,832	1,981,089	-	-	34,301,657
(26,066)	(5,000)	(6,419)	(4,723)	(4,557)	(105,881)	(60,849)	(98,167)	(49,301)	(130,282)	-	-	(1,231,250)
(8,627)	(7,226)	(7,171)	(16,884)	(16,434)	(17,170)	(13,863)	(23,741)	(6,628)	(25,989)	-	-	(187,301)
(71,772)	(37,183)	(43,118)	(103,764)	(86,713)	(119,746)	(92,399)	(207,056)	(89,505)	(120,395)	-	-	(1,310,771)
1,905,900	1,222,835	1,984,392	1,799,329	1,227,808	3,529,712	2,062,902	2,372,520	1,970,398	1,704,423	-	-	31,572,335
(162,946)	(22,015)	(494,127)	(106,533)	(35,103)	(942,592)	(118,260)	(16,776)	-	-	-	-	(4,784,367)
1,742,954	1,200,820	1,490,265	1,698,796	1,192,705	2,587,120	1,944,642	2,355,744	1,970,398	1,704,423	-	-	26,787,968
25,749	686	-	70,067	11,244	97,883	751,895	736,163	1,944,138	3,237,678	-	-	6,875,503
(24,758)	-	1,554	(148,510)	(44,687)	(255,815)	(371,626)	(45,000)	-	(430,000)	-	-	(1,320,394)
1,743,945	1,201,506	1,491,819	1,620,353	1,159,262	2,429,188	2,324,911	3,046,907	3,914,536	4,512,101	-	-	32,343,077
1,502,842	1,075,765	973,632	866,631	802,491	1,492,095	1,707,265	2,113,070	1,970,970	2,499,677	-	-	27,468,044
119,937	211,755	240,931	248,803	331,911	417,165	461,578	516,502	793,892	918,156	-	-	4,653,072
14,000	-	7,000	9,500	7,000	7,000	-	-	-	-	-	-	210,736
930,104	1,026,453	1,051,088	1,081,080	1,120,190	1,196,706	1,307,772	1,471,660	1,535,480	1,643,475	-	-	15,806,084
(2,095)	-	-	-	-	-	-	-	-	-	-	-	406,381
1,154	540	-	1,694	1,694	6,236	15,161	24,638	70,352	185,439	-	-	306,908
-	-	-	-	11,982	922	18,542	20,652	10,065	16,524	-	32,511	111,198
339	1,746	2,821	3,916	1,610	10,024	1,045	9,019	8,145	20,658	-	-	59,323
29,427	35,061	36,344	37,044	33,156	29,853	30,013	27,766	24,436	44,806	-	-	327,906
152,646	175,756	163,885	172,123	171,980	174,665	172,543	174,875	-	-	-	-	1,678,545
4,492,299	3,728,562	3,967,520	4,041,144	3,641,276	5,763,854	6,038,830	7,405,089	8,327,876	9,840,836	-	32,511	83,371,274
408,911	132,365	(512,902)	(641,183)	210,635	(467,823)	322,238	1,572,432	2,294,315	2,284,462	-	194,794	10,714,430
-	-	-	-	-	-	-	-	-	-	-	-	-
-	772,855	-	-	-	-	-	-	-	-	-	-	-
-	-	522,307	-	-	-	-	-	-	-	-	-	-
-	-	-	659,100	-	-	-	-	-	-	-	-	-
-	-	-	-	380,929	-	-	-	-	-	-	-	-
-	-	-	-	-	685,572	-	-	-	-	-	-	-
-	(65,066)	-	-	-	-	565,066	-	-	-	-	-	-
-	-	-	-	-	-	-	348,772	-	-	-	-	-
-	-	-	-	-	-	-	-	240,851	-	-	-	-
-	-	-	-	-	-	-	-	-	171,079	-	-	-
-	-	-	-	-	250,000	-	-	-	-	-	-	250,000
408,911	840,154	9,405	17,917	591,564	467,749	887,304	1,921,204	2,535,166	2,455,541	-	194,794	10,964,430

See independent auditor's report

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Schedule of Claims Development Information**

	1995-96 Fund Year	1996-97 Fund Year	1997-98 Fund Year
Contribution and investment revenue:			
Earned	\$ 4,901,210	3,860,926	3,454,618
Ceded	1,622,779	1,287,501	1,214,563
Net earned revenue	3,278,431	2,573,425	2,240,055
Unallocated expenses:	1,125,575	1,239,556	1,261,137
Estimated incurred claims and expense:			
Incurred	1,620,111	1,729,609	1,833,052
Ceded	-	201,500	353,548
Net incurred claims	1,620,111	1,528,109	1,479,504
Paid claims (cumulative) as of:			
End of policy year	667,177	531,401	757,448
One year later	827,688	810,271	1,083,535
Two years later	1,081,346	926,420	1,303,279
Three years later	1,469,337	1,154,584	2,014,724
Four years later	1,703,935	1,270,717	2,036,699
Five years later	1,993,103	1,271,930	2,035,380
Six years later	1,999,804	1,271,930	2,041,100
Seven years later	2,001,258	1,271,930	-
Eight years later	2,002,593	-	-
Nine years later	-	-	-
Reestimated ceded claims and expenses	180,337	22,015	492,574
Reestimated incurred claims and expense as of:			
End of policy year	1,620,111	1,528,109	1,479,504
One year later	1,872,338	1,231,386	1,633,873
Two years later	1,464,707	1,238,089	1,633,873
Three years later	1,696,082	1,218,160	1,561,306
Four years later	1,609,711	1,177,537	1,491,468
Five years later	1,660,437	1,200,506	1,492,363
Six years later	1,750,343	1,200,506	1,491,819
Seven years later	1,743,945	1,200,506	1,491,819
Eight years later	1,743,945	1,201,506	-
Nine years later	1,743,945	-	-
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ 123,834	(326,603)	12,315

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Schedule of Claims Development Information, Continued

1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year
3,399,961	3,851,910	5,293,031	6,361,067	8,977,521	10,622,190	12,125,297
1,115,434	1,134,402	1,909,260	2,168,843	2,627,592	2,761,862	3,417,833
2,284,527	2,717,508	3,383,771	4,192,224	6,349,929	7,860,328	8,707,464
1,305,357	1,347,612	1,425,405	1,545,076	1,728,609	1,648,477	1,905,022
1,896,976	2,487,518	3,811,735	3,838,334	2,985,133	3,914,536	4,082,101
276,624	572,798	1,303,468	1,535,914	169,775	-	-
1,620,352	1,914,720	2,508,267	2,302,420	2,815,358	3,914,536	4,082,101
1,072,135	782,365	1,437,939	1,128,147	1,412,020	1,345,716	1,345,716
1,315,431	1,090,984	2,763,260	1,571,237	2,332,605	-	-
1,544,547	1,294,524	3,256,122	2,078,601	-	-	-
1,836,987	1,334,069	3,732,064	-	-	-	-
1,877,688	1,337,669	-	-	-	-	-
1,923,496	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
185,075	71,530	1,414,962	364,164	169,775	-	-
1,620,352	1,914,720	2,508,267	2,302,420	3,676,207	4,102,337	4,512,101
1,620,352	1,665,637	2,503,275	2,278,626	3,613,207	3,914,536	-
1,620,352	1,287,218	2,498,274	2,342,466	3,046,908	-	-
1,620,352	1,201,496	2,397,697	2,324,910	-	-	-
1,620,352	1,159,263	2,429,188	-	-	-	-
1,638,575	1,159,263	-	-	-	-	-
1,620,353	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1	(755,457)	(79,079)	22,490	(629,299)	(187,801)	-

See independent auditor's report

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL

Financial Statements

June 30, 2006 and 2005

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Independent Auditor's Report

Board of Directors
Maine Municipal Association
Property and Casualty Pool:

We have audited the accompanying financial statements of Maine Municipal Association Property and Casualty Pool (the Pool) as of and for the years then ended June 30, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

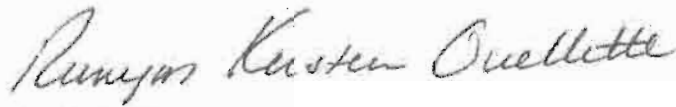
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Municipal Association Property and Casualty Pool as of June 30, 2006 and 2005 and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information presented in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the

Board of Directors
Maine Municipal Association
Property and Casualty Pool

auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Raymond Kristen Ouellette".

September 19, 2006
South Portland, Maine

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Maine Municipal Association Property & Casualty Pool (The Pool) annual financial report sets forth a narrative overview of its financial activities for the year ended June 30, 2006. Please read it in conjunction with The Pool's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

For all Pool years combined, developments in calendar year 2006 included:

- The Net Assets as of June 30, 2006 were \$14,729,595, an increase of 34.3% over the prior year.
- Cash and Investments totaled \$20,002,831, an increase of 22.1%.
- Revenues in 2006 totaled \$12,982,418, an increase of 5.0%.
- Expenses in 2006 totaled \$9,217,253, an increase of (4.3)%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Pool's fiscal year is July 1 through June 30. The annual financial report consists of four parts:

- Management's Discussion and Analysis
- Required Financial Statements
- Notes to the Statements
- Supplemental Schedules

Management's Discussion and Analysis provides a narrative overview of the statements and comments on significant developments during the reporting period.

Required Statements include: Combined Statements of Net Assets; Combined Statements of Revenues and Expenses; Combined Statements of Changes in Net Assets; and Combined Statements of Cash Flows.

These statements present the Pool's status at June 30, 2006 and financial developments during fiscal year 2006 for all Pool years combined.

Notes to the Statements provide explanations of the accounting principles followed and of key items in the statements.

Supplemental Schedules include an analysis by fund year of statement of net assets; current year statement of revenues and expenses; statement of revenues and expenses for the past ten years; and a history of claims development for the past ten years.

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

FINANCIAL ANALYSIS

The following table summarizes the Combined Statements of Net Assets.

	06/30/06	06/30/05
ASSETS		
Current Assets	\$ 20,765,111	\$ 16,757,872
Capital Assets (net)	142,025	166,193
Total Assets	\$ 20,907,136	\$ 16,924,065
LIABILITIES		
Net Claims and Service Fee Reserves	\$ 5,870,766	\$ 5,862,017
Other Liabilities	306,775	97,618
Total Liabilities	\$ 6,177,541	\$ 5,959,635
NET ASSETS		
Reserve for adverse development	\$ 1,290,708	\$ 1,136,874
Safety Enhancement Fund	184,928	194,794
Net investment in Capital Assets	142,025	166,192
Contingency Reserve	13,111,934	9,466,570
Total Net Assets	\$ 14,729,595	\$ 10,964,430

The following table summarizes the Combined Statements of Revenues and Expenses and Statements of Changes in Net Assets during fiscal years 2005-2006 and 2004-2005 for all Pool years combined.

	06/30/06	06/30/05
REVENUE		
Member Contributions	\$ 12,362,432	\$ 12,037,635
Investment and Other Revenues	619,986	331,405
Total Revenues	\$ 12,982,418	\$ 12,369,040
EXPENSES		
Net Claims Expense	\$ 3,879,444	\$ 3,754,714
Reinsurance and Premium Remitted	3,049,828	3,934,211
Safety Scholarships and Grants	9,865	13,568
Other Expenses	2,278,116	1,928,351
Total Expenses	\$ 9,217,253	\$ 9,630,844
NET CHANGE IN NET ASSETS	\$ 3,765,165	\$ 2,738,196
NET ASSETS BEGINNING OF YEAR	\$ 10,964,430	\$ 8,226,234
NET ASSETS END OF YEAR	\$ 14,729,595	\$ 10,964,430

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2005-2006

The following table presents a budget to actual comparison for the 2005-2006 Pool Year in summarized form:

	Budget	ACTUARIAL PROJECTION AT 06/30/2006	
REVENUE			
Member Contributions	\$12,419,980	\$12,361,789	-0.5%
Investment and Other Revenues	75,000	124,640	66.2%
Total Revenues	\$12,494,980	\$12,486,429	
EXPENSES			
Net Claims Expense at 95% Confidence Level	\$6,842,528	\$5,836,028	-14.7%
Reinsurance and Premiums Remitted	3,142,152	3,023,932	-3.8%
Other Expenses	2,283,277	2,234,351	-2.1%
Total Expenses	\$12,267,957	\$11,094,311	
GAIN OR LOSS FROM OPERATIONS	\$227,023	\$1,392,118	

The major variances in fiscal year 2005-2006 were reductions in Net Claims Expense (-14.7)%, due to favorable experience, Other Expenses (-2.1)% and an increase in Investment Income 66.2%. Net Claims Expense at the 95% Confidence Level includes claims payments, reserves on open claims, actuarial estimates of claims development in the future (IBNR) and additional reserves recommended by the actuary to fund Pool claims to the 95% Confidence Level.

POOL FINANCIAL POSITION AT JUNE 30, 2006

At June 30, 2006, the Net Assets totaled \$14,729,595, an increase of \$3,765,165 (34.3%) over the prior year. Net Assets are divided into four components:

Invested in Capital Assets, maintained to record capital assets less depreciation.	\$ 142,025
Reserve for Adverse Development, maintained to increase Pooling of claims reserves to the 95% Confidence Level	1,290,708
Safety Enhancement Reserve, maintained to provide grants and scholarships to assist members in strengthening their work place safety practices	184,928
Contingency Reserve, maintained to provide resources to meet other challenges and opportunities	13,111,934
Total Net Assets	\$ 14,729,595

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

CAPITAL ASSETS AND LONG TERM DEBT

At June 30, 2006 the Pool had capital assets of \$142,025, net of depreciation. These assets are the Pool's investment in a claims and underwriting system jointly owned with the MMA Workers' Compensation Fund. The Pool has no long-term debt.

CONDITIONS WHICH MAY IMPACT ON THE POOL'S FINANCIAL CONDITION IN THE FUTURE

Management is aware of no conditions, decisions or contingencies which are expected to significantly impact on the Pool's financial position in the future.

REQUEST FOR INFORMATION

This financial report is designed to provide our members, customers, investors and creditors with a general overview of the Pool's finances and to show the Pool's accountability for the money it receives. If you have any questions about this report or need additional information, contact Martin Hanish, Chief Financial Officer, at (207) 623-8428.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**
Combined Statements of Net Assets
June 30, 2006 and 2005

	2006	2005
ASSETS		
Cash and cash equivalents	\$ 3,586,421	3,559,495
Certificates of deposit	2,800,001	1,450,000
U.S. government and agency securities	13,616,409	11,370,531
Prepaid expense	245,058	78,254
Accounts receivable	347,794	206,127
Accrued interest receivable	169,428	93,465
Total current assets	20,765,111	16,757,872
Capital assets:		
Computer equipment	205,998	188,240
Accumulated depreciation	(63,973)	(22,047)
Net capital assets	142,025	166,193
Total assets	\$ 20,907,136	16,924,065
LIABILITIES		
Liabilities:		
Accounts payable	64,493	20,865
Deferred revenue	242,282	76,753
Claims reserves	6,857,789	6,875,503
Reinsurance recoverable	(1,315,717)	(1,320,394)
Net claims loss reserves	5,542,072	5,555,109
Claims service fee reserve	328,694	306,908
Total liabilities	\$ 6,177,541	5,959,635
NET ASSETS		
Invested in capital assets, net of related debt	142,025	166,192
Unrestricted:		
Board designated:		
Reserve for adverse development	1,290,708	1,136,874
Safety enhancement fund	184,928	194,794
Contingency reserve	13,111,934	9,466,570
Total net assets	\$ 14,729,595	10,964,430

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**
Combined Statements of Revenues and Expenses
For the years ended June 30, 2006 and 2005

	2006	2005
Revenues:		
Contributions	\$ 12,362,432	12,037,635
Investment income	619,986	331,405
Total revenues	12,982,418	12,369,040
Expenses:		
Claims paid	4,554,338	3,321,075
Less:		
Deductible recovery	(169,389)	(197,556)
Salvage recovery	(12,424)	(30,506)
Subrogation recovery	(203,786)	(160,150)
Net claims paid before reinsurance	4,168,739	2,932,863
Reinsurance recovery	276,258	-
Net claims paid after reinsurance	3,892,481	2,932,863
Claims reserve adjustment:		
Established claims	(17,714)	1,128,630
Less reinsurance recoverable estimate	4,677	(306,779)
Net claims expense adjustment	3,879,444	3,754,714
Reinsurance premium	2,504,368	3,015,461
Premiums remitted	545,460	918,750
Administrative fee	1,941,176	1,643,475
Claims service reserve adjustment	21,786	27,548
Consultants and legal fees	31,913	30,092
Maintenance contracts	51,606	21,123
Dividends	199,574	174,875
Depreciation	41,926	44,806
Total expenses	9,217,253	9,630,844
Change in net assets	\$ 3,765,165	2,738,196

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combined Statements of Changes in Net Assets
For the years ended June 30, 2006 and 2005

MMA_00017902

		Invested in capital assets	Reserve for adverse development	Safety enhancement fund	Contingency reserve	Total fund balance
Net assets at June 30, 2004	\$	33,155	1,004,872	208,361	6,979,846	8,226,234
Excess of revenues over expenses		-	-	(13,568)	2,751,764	2,738,196
Net asset transfer		133,037	132,002	-	(265,039)	-
Net assets at June 30, 2005		166,192	1,136,874	194,793	9,466,571	10,964,430
Excess of revenues over expenses		-	-	(9,865)	3,775,030	3,765,165
Net assets transfer		(24,167)	153,834	-	(129,667)	-
Net assets at June 30, 2006	\$	142,025	1,290,708	184,928	13,111,934	14,729,595

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combined Statements of Cash Flows
Years ended June 30, 2006 and 2005

MMA_00017903

	2006	2005
Cash flows from operating activities:		
Receipts from net contributions	\$ 12,386,294	11,990,647
Receipts from investment income	544,023	282,144
Payments for net claims	(3,892,481)	(2,932,862)
Payments for premiums remitted	(2,671,172)	(3,093,715)
Payments for reinsurance premium	(545,460)	(918,750)
Payments for administrative fees	(1,897,548)	(1,627,452)
Payments for consultants and legal fees	(31,913)	(30,092)
Payments for maintenance contracts	(51,606)	(21,123)
Payments for dividends paid	(199,574)	(174,875)
Net cash provided by operating activities	3,640,563	3,473,922
Cash flows from capital and related financing activities:		
Net purchases of computer equipment	(17,758)	(144,166)
Net cash used in capital and related financing activities	(17,758)	(144,166)
Cash flows from investing activities:		
Purchase of investments	(10,120,879)	(6,877,411)
Sale of investments	6,525,000	3,200,000
Net cash used in investing activities	(3,595,879)	(3,677,411)
Increase (decrease) in cash	26,926	(347,655)
Cash, beginning of year	3,559,495	3,907,150
Cash, end of year	\$ 3,586,421	3,559,495
Reconciliation of excess of revenues over expenses to net cash provided by operating activities:		
Excess of revenues over expenses	\$ 3,765,165	2,738,196
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	41,926	44,806
Changes in assets and liabilities:		
Accounts receivable	(141,667)	(123,741)
Accrued interest receivable	(75,963)	(49,261)
Prepaid expenses	(166,804)	(78,254)
Accounts payable	43,628	16,023
Deferred revenue	165,529	76,753
Claims loss reserves	(17,714)	1,128,630
Reinsurance recoverable	4,677	(306,778)
Claims service reserves	21,786	27,548
Net cash provided by operating activities	\$ 3,640,563	3,473,922

See accompanying notes to financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND POOL DESCRIPTION.

The Maine Municipal Association Property and Casualty Pool (the Pool) was established on March 1, 1987 as a self-insured pool for the purpose of providing liability and property coverage to municipalities and qualified local government instrumentalities or subdivisions who choose to participate. During the fiscal years ended June 30, 2006 and 2005, there were 438 and 439 governmental entities, respectively, which participated in the Pool. The Pool provides the following coverages: automobile liability; commercial general liability; police professional liability; ambulance/nurse malpractice liability; firefighters liability; public officials liability, including employment practices liability; automobile physical-damage coverage; property and inland marine coverage; and comprehensive crime coverage. In addition the Pool offers coverage for forest fire suppression, earthquake, and flood on a pooled basis. The Pool also assists members in the purchase of other fully insured coverages through the services of its broker. Participants share risk in proportion to their contributions. The Pool is administered by the Maine Municipal Association for which a management fee is assessed and is included in expense. For the years ended June 30, 2006 and 2005, the Pool was assessed management fees totaling \$1,941,176 and \$1,643,475, respectively. These financial statements include only the accounts of the Maine Municipal Association Property and Casualty Pool.

The municipality or qualified local government instrumentality or subdivision must be a member of the Maine Municipal Association to participate in the Pool.

Tax Exempt Status - The Pool is exempt from income taxes.

Fund Accounting - Each year a new fund is established to cover potential claims incurred and other expenses in that specific period. The accompanying financial statements reflect the combined financial position, results of operations and cash flows of the Pool for all fund years. The operations for each fund year are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues, and expenses.

Basis of Accounting - The accrual basis of accounting is followed.

The Pool follows the provisions of Government Accounting Standards Board's (GASB) generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Additionally, the Pool follows the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Pool has elected not to follow subsequent private-sector guidance.

Contributions are recognized as revenue over the contract period for which risk protection is provided which corresponds to a fund year. A liability for unpaid claims, including estimated claims incurred but not reported, is accrued when insured events occur. Anticipated investment income is considered in determining whether a contribution deficiency exists.

Cash and Cash Equivalents - The Pool considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND POOL DESCRIPTION, CONTINUED

Investments - All investments are carried at fair value, based on quoted market prices, in a single pooled investment account for all of the Property and Casualty Pool fund years. The Pool's investments consist of U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Pool estimates that the fair value of all financial instruments at June 30, 2006 and 2005, respectively, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying combined balance sheets. Each fund year's portion of principal, interest, capital gains and losses is determined by its cash and investments in the pooled investments.

Accounts Receivable - Accounts receivable has been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at June 30, 2006 and 2005.

Capital Assets - The cost of computer hardware and software is depreciated on a straight-line basis over their estimated useful lives of three to five years.

Deferred Revenue - Deferred revenue represents contributions which have been received by the Pool related to the next fund year.

Claims Loss Reserves - Claims loss reserves represent the estimated ultimate cost of settling all reported and unreported losses at the balance sheet date, including the effects of inflation and other factors, as determined by an independent actuary. Management believes that the reserves are adequate, but the ultimate cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually. Any adjustments resulting from the settlement of losses will be reflected in the combined statements of revenues and expenses at the time the adjustments are determined.

Claims Service Reserves - The claims service reserves are actuarially determined and consist of estimates for service fees for future claims. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually.

Reinsurance - The Pool uses reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Premiums paid for reinsurance and special coverages during 2006 and 2005 were \$3,049,828 and \$3,934,211, respectively. The amounts deducted from claims liabilities as of June 30, 2006 and 2005 for reinsurance were \$1,315,717 and \$1,320,394, respectively.

Statements of Cash Flows - For purposes of the combined statements of cash flows, the Fund considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

Management Estimates - The preparation of financial statements in conformity with U.S. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

DEPOSITS AND INVESTMENTS

Deposits

Cash and cash equivalents are composed of cash management accounts (CMA) and money market instruments, and consist of the following at June 30:

	2006	2005
CMA - deposit account	\$ 7,995	-
CMA - mutual fund investment sweep	1,395,082	2,185,015
Money market mutual fund	2,183,344	1,374,480
Totals	\$ 3,586,421	3,559,495

Depository and mutual fund sweep accounts are pooled accounts containing assets of the General Fund, Special Funds, Workers' Compensation Fund, Unemployment Compensation Fund, Public Officials Liability Fund and Property & Casualty Pool. Only the assets belonging to the Property and Casualty Pool are included in these financial statements.

The June 30, 2006 CMA-deposit account balance of \$7,995 consists of checks deposited which are not yet available for transfer.

Custodial Credit Risk-Fund Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits in excess of the FDIC insured limit may not be recoverable. The Pool addresses this risk by minimizing balances in bank accounts. Checking accounts are on a zero balance basis and collected funds are transferred from the CMA - deposit account on a daily basis either to the checking accounts to cover checks presented for payment or to a money market fund outside of the bank. Funds in the CMA - deposit account are insured by FDIC up to \$100,000. Any balance in this account in excess of the \$100,000 FDIC insured limit is considered uninsured and uncollateralized and subject to custodial credit risk. The CMA-mutual fund investment sweep and the money market mutual fund are mutual funds outside the bank, invested in short term government securities. These funds are uninsured and uncollateralized, and subject to custodial credit risk.

Investments

At June 30, the Pool had the following investments and maturities:

2006	Fair value	Less than one year	One to five years	More than five years
Certificate of deposit *	\$ 2,800,001	2,800,001	N/A	N/A
U.S. government securities	13,616,409	5,750,977	7,865,432	N/A
Totals	\$ 16,416,410	8,550,978	7,865,432	N/A

DEPOSITS AND INVESTMENTS, CONTINUED

2005

	<u>Fair value</u>	<u>Less than one year</u>	<u>One to five years</u>	<u>More than five years</u>
Certificate of deposit *	\$ 1,450,000	1,450,000	N/A	N/A
U.S. government securities	11,370,531	5,037,245	6,333,286	N/A
Totals	\$ 12,820,531	6,487,245	6,333,286	N/A

* Of the certificate of deposit bank balance, \$900,000 and \$600,000 was covered by federal depository insurance for 2006 and 2005 respectively; the remainder is uninsured and uncollateralized.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pool's investment policy requires that, to the extent possible, the Pool attempts to match investments with anticipated cash requirements. Purchases of securities are guided by the need to provide flexibility in the portfolio to meet expected cash flows, with a prudent margin for the unexpected, for the next three years. Maturities may extend to a maximum of three-years, based on a projected cash requirement and available yields. Liquidity risk, as defined by the Pool's investment policy, is the risk that funds may not be available as needed, or may be available only by liquidating investments with a resultant capital loss. The Pool's investment policy requires that investment maturities be timed to meet projected cash flow requirements, with a margin for the unexpected. The maximum maturity permitted under Board policy in 2006 was 3 years.

Credit Risk: Credit risk is the risk that the entity in which the Pool has invested may be unable to redeem investments when they mature. The Pool's investment policy limits investments to entities that have high ratings by recognized rating agencies. Management monitors the ratings of entities in which it has invested and would sell investments should a significant rating decline occur. No such issues were noted in 2006, and the Pool had no investments in corporate stocks or bonds as of June 30, 2006.

Custodial Credit Risk-Fund Investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Pool will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pool addresses this risk by having the custodian hold investments to the Pool's benefit, by maintaining high quality standards for the entities in which it invests, and by monitoring the ratings of entities in which it has invested.

Concentration of Credit Risk: It is the Pool's policy that investments will be primarily U.S. Agency issues and certificates of deposit, with a provision for up to \$1,000,000 of corporate bonds. In the event that suitable corporate bonds are not available, the Pool will purchase additional certificates of deposit. The portfolio composition shall be as follows: cash and money market funds-25%; certificates of deposit-10%; government securities-60%; and corporate bonds-5%. All target levels are flexible, except for corporate bonds, which is on a not to exceed basis.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

Net appreciation in fair value during the years ended June 30, 2006 and 2005 by type of investment is as follows. Such amounts are included in investment income on the combined statements of revenues and expenses.

	<u>2006</u>	<u>2005</u>
U.S. Government securities	\$ (77,676)	(15,941)
Totals	\$ (77,676)	(15,941)

UNPAID CLAIMS LIABILITIES

The Pool establishes liabilities for the estimated costs of both reported and unreported losses, which includes estimates of both future payments of losses and related claims service reserves. The following represents changes in those aggregate liabilities for the years ended June 30, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Claims loss and claims service reserves at beginning of year	\$5,862,017	\$5,012,617
Provision for insured events - current year	5,341,735	4,697,540
Increase (decrease) in provision for insured events - prior years	(1,440,505)	(915,277)
Total incurred claims and claims service reserve expenses	3,901,230	3,782,263
Claims paid on losses incurred in the current year	2,257,010	1,704,423
Claims paid on losses incurred in prior years	1,635,471	1,228,440
Total paid claims	3,892,481	2,932,863
Claims loss and claims service reserves at end of year	\$5,870,766	\$5,862,017
Unpaid claims liabilities are reported on the combined balance sheet as follows:		
Claims loss reserves, net	\$5,542,072	\$5,555,109
Claims service fee reserves	328,694	306,908
Totals	\$5,870,766	\$5,862,017

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE

The amounts shown for claims reserves are developed from an actuarially determined loss analysis as of June 30, 2006 and are as follows:

Fund year	Established on known claims	Actuarial reserves	Total reserves	Net paid claims	Actuarially determined ultimate losses
1987-88	\$ -	-	-	747,446	747,446
1988-89	-	-	-	978,303	978,303
1989-90	-	-	-	850,237	850,237
1990-91	-	-	-	2,012,344	2,012,344
1991-92	-	-	-	1,644,216	1,644,216
1992-93	-	-	-	2,400,514	2,400,514
1993-94	-	-	-	1,991,992	1,991,992
1994-95	-	-	-	1,167,064	1,167,064
1995-96	25,749	-	25,749	1,900,908	1,926,657
1996-97	-	-	-	1,225,327	1,225,327
1997-98	-	-	-	1,984,392	1,984,392
1998-99	54,833	-	54,833	1,815,412	1,870,245
1999-00	6,872	-	6,872	1,228,430	1,235,302
2000-01	23,665	-	23,665	3,562,847	3,586,512
2001-02	155,029	9,442	164,471	2,362,390	2,526,861
2002-03	52,190	9,478	61,668	2,845,397	2,907,065
2003-04	727,999	77,442	805,441	2,238,156	3,043,597
2004-05	1,820,927	766,673	2,587,600	2,528,689	5,116,289
2005-06	1,199,073	1,928,417	3,127,490	2,257,010	5,384,500
Totals	\$ 4,066,337	2,791,452	6,857,789	35,741,074	42,598,863

Each fund year has a Loss Fund that is established from the fund members' annual contributions. For each fund year, the Pool also purchases specific reinsurance that provides coverage for claims exceeding \$100,000 per occurrence.

In addition, for the fund years through 2001-2002, the Pool purchased aggregate reinsurance of \$1,000,000 in excess of the reinsurance attachment point. No aggregate coverage was purchased for the 2002-2006 fund years.

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

An analysis of the reinsurance attachment points, ultimate losses, reinsurance recovery, and ultimate net losses is as follows:

Fund year	Aggregate reinsurance attachment	Actuarially determined ultimate losses	Reinsurance recovered	Reinsurance recoverable	Ultimate losses net of reinsurance
1987-88	\$ 845,834	747,446	185,928	-	561,518
1988-89	1,406,720	978,303	211,859	-	766,444
1989-90	963,226	850,237	-	-	850,237
1990-91	1,095,964	2,012,344	916,532	-	1,095,812
1991-92	1,564,127	1,644,216	280,538	-	1,363,678
1992-93	1,712,586	2,400,514	687,933	-	1,712,581
1993-94	2,362,467	1,991,992	472,013	-	1,519,979
1994-95	2,403,851	1,167,064	138,764	-	1,028,300
1995-96	2,250,000	1,926,657	162,946	25,749	1,737,962
1996-97	1,733,027	1,225,327	22,015	-	1,203,312
1997-98	1,633,873	1,984,392	492,574	-	1,491,818
1998-99	1,620,352	1,870,245	100,533	78,304	1,691,408
1999-00	1,741,520	1,235,302	35,103	44,687	1,155,512
2000-01	2,508,266	3,586,512	942,592	98,513	2,545,407
2001-02	3,128,504	2,526,861	266,629	91,179	2,169,053
2002-03	no aggregate	2,907,065	144,666	25,365	2,737,034
2003-04	no aggregate	3,043,597	-	-	3,043,597
2004-05	no aggregate	5,116,289	-	730,000	4,386,289
2005-06	no aggregate	5,384,500	-	221,920	5,162,580
Totals	\$ 26,970,317	42,598,863	5,060,626	1,315,717	36,222,520

A.M. BEST RATINGS

The following companies have provided reinsurance or excess insurance for the various fund years. The A.M. Best rating for each company is also listed.

Fund Year	Reinsurance Carrier	Type of Coverage	A.M. Best Rating	Fin Size Category
1987-1988 through 1988-1989	Lloyd's of London	Aggregate & Specific	A	XV
	Fireman's Fund Ins. Co.	Excess Property	A	XV
	International Ins. Co.	GL/Auto Excess	not rated	
	CNA Casualty	Prop & Liab Excess	A	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A++	X
1989-1990 through 1992-1993	Lloyd's of London	Aggregate & Specific	A	XV
	Fireman's Fund Ins. Co.	Excess Property	A	XV
	International Ins. Co.	GL/Auto Excess	not rated	
	CNA Casualty	Prop & Liab Excess	A	XV
	ACE Prop & Casualty Ins Co	Following Form	A+	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A++	X
1993-1994 through 1998-1999	Munich Reinsurance America	Aggregate & Specific	A	XV
	Royal Insurance Group	Excess Property	not rated	
	Hartford Steam & Boiler Group	Boiler & Machinery	A++	X
1999-2000	Munich Reinsurance America	Aggregate & Specific	A	XV
	Swiss Re America Group	Excess Property	A+	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A++	X
2000-2001	Munich Reinsurance America	Aggregate & Specific	A	XV
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A++	X
2001-2002	Munich Reinsurance America	Aggregate & Specific	A	XV
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	F M Global Group	Boiler & Machinery	A+	XV

A.M. BEST RATINGS, CONTINUED

Fund Year	Reinsurance Carrier	Type of Coverage	A.M. Best Rating	Fin Size Category
2002-2003	Munich Reinsurance America	Aggregate & Specific	A	XV
	Essex Insurance Co.	Excess Property	A	XII
	Federal Insurance Co.	Excess Property	A++	XV
	Lexington Insurance Co.	Excess Property	A+	XV
	St Paul Fire & Casualty Ins Co.	Excess Property	A+	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	Wausau Business Insurance Co.	Excess Property	A	XV
	Westchester Surplus Lines Ins Co.	Excess Property	A+	XI
	Hartford Steam & Boiler Group	Boiler & Machinery	A++	X
2003-2004	Munich Reinsurance America	Aggregate & Specific	A	XV
	Federal Insurance Co.	Excess Property	A++	XV
	Lexington Insurance Co.	Excess Property	A+	XV
	St Paul Fire & Casualty Ins Co.	Excess Property	A+	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	U S Fire Insurance Co.	Excess Property	A-	XIII
	Hartford Steam & Boiler Group	Boiler & Machinery	A++	X
2004-2005	Munich Reinsurance America	Aggregate & Specific	A	XV
	Discover Reinsurance Co	Excess Property	A-	X
	Essex Insurance Co.	Excess Property	A	XII
	Federal Insurance Co.	Excess Property	A++	XV
	Lexington Insurance Co.	Excess Property	A+	XV
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	U S Fire Insurance Co.	Excess Property	A-	XIII
	Hartford Steam & Boiler Group	Boiler & Machinery	A++	X
2005-2006	Discover Reinsurance Co	Aggregate & Specific	A	XII
	Essex Insurance Co.	Excess Property	A++	XV
	Federal Insurance Co.	Excess Property	A	XV
	Lexington Insurance Co.	Excess Property	A	XV
	Clarendon National Ins Co	Excess Property	A-	XV
	Travelers Casualty and Surety Co	Excess Property	A+	X
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV

EXPENSES

Estimates of reinsurance premiums, claims service fees, and administrative fees are recorded as expenses in the initial fiscal year of each Pool for all of the services expected to arise out of that fund year. Changes in these estimated expenses are treated as current income or expenses in each fund year.

NET ASSETS

Under a policy adopted by the Board of Directors, net assets are segregated into two components.

The reserve for adverse development is maintained to recognize the possibility that actual loss development may vary from the expected development underlying the loss projections. The amount of the reserve is based on recommendations from an independent actuary. The reserve is established at the 95% Confidence Level, as calculated by the actuary. At June 30, 2006 and 2005, the reserve for adverse development totaled \$1,290,708 and \$1,136,874, respectively.

The contingency reserve is calculated as the net assets less the reserve for adverse development. The contingency reserve at June 30, 2006 and 2005 was \$13,111,933 and \$9,466,570, respectively. The contingency reserve represents accumulated funding in excess of statutory requirements and the board-designated reserves. The Property and Casualty Pool Trustees have established this reserve to be held for the financial stability of the Pool.

INTERFUND TRANSFERS

In order to provide full funding, the Property and Casualty Pool Trustees have approved various transfers from some fund years to others. All transfers made between Property and Casualty Pool funds years since inception are reflected in Schedule 3.

INTEGRATION OF PUBLIC OFFICIALS LIABILITY PROGRAM

On January 27, 2000, the MMA Executive Committee and the Property and Casualty Pool Board voted to integrate the Public Officials Liability Program into the Property and Casualty Pool, effective July 1, 2000. From that date forward, Public Officials Liability claims will be self insured as a line of business within the Property and Casualty Pool. The Public Officials Liability Fund for 1999-2000 and prior fund years will remain open until all outstanding liabilities have been relieved, at which time any remaining assets will be transferred to the Property and Casualty Fund. As of June 30, 2002, \$250,000 has been transferred from the Public Officials Liability program to the Property and Casualty Pool fund year 2000-2001.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Net Assets
June 30, 2006

	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
ASSETS									
Cash and cash equivalents	\$ -	-	9,403	9,373	37,541	60,159	76,339	153,958	1,735
Certificates of deposit	-	-	7,341	7,318	29,309	46,968	59,600	120,198	1,355
U.S. government and agency securities	-	-	35,699	35,586	142,529	228,404	289,833	584,525	6,589
Prepaid expense	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-
Accrued interest receivable	-	-	443	442	1,773	2,842	3,606	7,273	82
Total current assets	-	-	52,886	52,719	211,152	338,373	429,378	865,954	9,761
Capital assets:									
Computer equipment	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
Net capital assets	-	-	-	-	-	-	-	-	-
Total assets	\$ -	-	52,886	52,719	211,152	338,373	429,378	865,954	9,761
LIABILITIES									
Liabilities:									
Accounts payable	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Claims loss reserves:	-	-	-	-	-	-	-	-	-
Claims reserves	-	-	-	-	-	-	25,749	-	-
Reinsurance recoverable	-	-	-	-	-	-	(25,749)	-	-
Net claims loss reserves	-	-	-	-	-	-	-	-	-
Claims service fee reserve	-	-	-	-	-	-	-	-	1,150
Total liabilities	\$ -	-	-	-	-	-	-	-	1,150
NET ASSETS									
Invested in capital assets	-	-	-	-	-	-	-	-	-
Unrestricted:	-	-	-	-	-	-	-	-	-
Board designated:	-	-	-	-	-	-	-	-	-
Reserve for adverse development	-	-	-	-	-	-	-	-	-
Safety enhancement fund	-	-	-	-	-	-	-	-	-
Contingency reserve	-	-	52,886	52,719	211,152	338,373	429,378	865,954	8,611
Total net assets	\$ -	-	52,886	52,719	211,152	338,373	429,378	865,954	8,611

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Net Assets, Continued

1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	2006-07 Fund Year	P&C Safety Fund	Totals (memorandum only)	
										2006	2005
(13,709)	102,622	52,001	207,799	421,308	750,088	845,369	871,468	(31,911)	32,878	3,586,421	3,559,495
(10,703)	80,120	40,598	162,233	328,925	585,611	659,998	680,375	(24,914)	25,669	2,800,001	1,450,000
(52,047)	389,622	197,429	788,941	1,599,561	2,847,827	3,209,574	3,308,665	(121,156)	124,828	13,616,409	11,370,531
-	-	-	-	-	-	-	2,776	242,282	-	245,058	78,254
-	-	-	-	-	-	-	105,512	242,282	-	347,794	206,127
(646)	4,848	2,457	9,818	19,903	35,435	39,937	41,170	(1,508)	1,553	169,428	93,465
(77,105)	577,212	292,485	1,168,791	2,369,697	4,218,961	4,754,878	5,009,966	305,075	184,928	20,765,111	16,757,872
-	-	-	-	-	-	-	205,998	-	-	205,998	188,240
-	-	-	-	-	-	-	(63,973)	-	-	(63,973)	(22,047)
-	-	-	-	-	-	-	142,025	-	-	142,025	166,193
(77,105)	577,212	292,485	1,168,791	2,369,697	4,218,961	4,754,878	5,151,991	305,075	184,928	20,907,136	16,924,065
-	-	-	-	-	-	-	1,700	62,793	-	64,493	20,865
-	-	-	-	-	-	-	-	242,282	-	242,282	76,753
54,833	6,872	23,665	164,471	81,668	805,441	2,587,600	3,127,490	-	-	6,857,789	6,875,503
(78,304)	(44,687)	(98,513)	(91,179)	(25,365)	-	(730,000)	(231,920)	-	-	(1,315,717)	(1,320,394)
(23,471)	(37,815)	(74,848)	73,292	36,303	805,441	1,857,600	2,905,570	-	-	5,542,072	5,555,109
1,688	1,150	7,132	9,738	9,001	35,959	83,721	179,155	-	-	328,694	306,908
(21,783)	(36,665)	(67,716)	83,030	45,304	841,400	1,941,321	3,086,425	305,075	-	6,177,541	5,959,635
-	-	-	-	-	-	-	142,025	-	-	142,025	166,193
-	-	1,412	26,682	13,335	174,161	401,670	673,448	-	-	1,290,708	1,136,874
-	-	-	-	-	-	-	-	184,928	-	184,928	194,793
(55,322)	613,877	358,789	1,059,079	2,311,058	3,203,400	2,411,887	1,250,083	-	-	13,171,934	9,466,571
(55,322)	613,877	360,201	1,085,761	2,324,393	3,377,561	2,813,557	2,065,566	-	184,928	14,729,595	10,964,430

See independent auditor's report.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Revenues and Expenses
(All Fund Years)
For the period ended June 30, 2006

	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenues:									
Contributions	\$ -	-	-	-	-	-	-	-	-
Investment income	-	-	-	1,603	1,646	6,594	10,567	13,329	27,067
Grant income	-	-	-	-	-	-	-	-	-
Total revenues	-	-	-	1,603	1,646	6,594	10,567	13,329	27,067
Expenses:									
Claims paid	-	-	-	-	-	-	-	-	3,492
Less: Deductible recovery	-	-	-	-	-	-	-	-	(1,000)
Salvage recovery	-	-	-	-	-	-	-	-	-
Subrogation recovery	-	-	-	-	-	-	-	(4,992)	-
Net claims paid before reinsurance	-	-	-	-	-	-	-	(4,992)	2,492
Reinsurance recovery	-	-	-	1,552	-	-	-	-	-
Net claims paid after reinsurance	-	-	-	(1,552)	-	-	-	(4,992)	2,492
Claims reserve adjustment:									
Established claims	-	-	-	-	-	-	-	-	(686)
Less reinsurance recoverable estimate	-	-	-	1,552	-	-	-	(991)	-
Net claims expense adjustment	-	-	-	-	-	-	-	(5,983)	1,806
Reinsurance premium	-	-	-	-	-	-	-	-	-
Premiums remitted	-	-	-	-	-	-	-	-	-
Administrative fee	-	-	-	-	-	-	-	-	-
Claims service reserve adjustment	-	-	-	-	-	-	-	(1,154)	(540)
Consultants and legal fees	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-	-	(7,137)	1,266
Transfers between fund years	-	-	-	-	-	-	-	-	-
Change in net assets	\$ -	-	-	1,603	1,646	6,594	10,567	20,466	25,801

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Revenues and Expenses, Continued

1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	2006-07 Fund Year	P&C Safety Fund	Totals (memorandum only)	
											2006	2005
-	-	-	-	-	-	(45)	688	12,361,789	-	-	12,362,432	12,037,635
355	(2,191)	18,021	9,566	37,174	77,678	136,682	157,255	124,640	-	-	619,986	331,405
355	(2,191)	18,021	9,566	37,174	77,678	136,637	157,943	12,486,429	-	-	12,982,418	12,369,040
-	16,084	647	33,235	298,608	474,938	275,294	963,673	2,488,367	-	-	4,554,338	3,321,075
-	-	-	-	880	299	(3,781)	(87,206)	(78,581)	-	-	(169,389)	(197,556)
-	-	-	-	-	-	-	(488)	(11,936)	-	-	(12,424)	(30,506)
-	-	(25)	(100)	-	(2,360)	(3,755)	(51,714)	(140,840)	-	-	(203,786)	(160,150)
-	16,084	622	33,135	299,488	472,877	267,758	824,265	2,257,010	-	-	4,168,739	2,932,863
(1,554)	-	-	-	148,369	127,891	-	-	-	-	-	276,258	-
1,554	16,084	622	33,135	151,119	344,986	267,758	824,265	2,257,010	-	-	3,892,481	2,932,863
-	(15,234)	(4,372)	(74,218)	(587,424)	(674,495)	(1,138,697)	(650,078)	3,127,490	-	-	(12,714)	1,128,630
(1,554)	70,206	-	157,302	280,447	19,635	-	(300,000)	(221,920)	-	-	4,677	(306,779)
-	71,056	(3,750)	116,219	(155,858)	(309,874)	(870,939)	(125,813)	5,162,580	-	-	3,879,444	3,754,714
-	-	-	-	-	-	-	25,896	2,478,472	-	-	2,504,368	3,015,461
-	-	-	-	-	-	-	-	545,460	-	-	545,460	918,739
-	-	-	-	-	-	-	-	1,941,176	-	-	1,941,176	1,643,475
1,150	(6)	(544)	896	(5,423)	(15,637)	(34,393)	(101,718)	179,155	-	-	21,786	27,548
-	-	-	-	-	-	-	1,560	20,488	-	9,865	31,913	30,092
-	-	-	-	-	-	-	-	51,606	-	-	51,606	21,123
-	-	-	-	-	-	199,574	-	-	-	-	199,574	174,875
-	-	-	-	-	-	-	-	41,926	-	-	41,926	44,806
1,150	71,050	(4,294)	117,115	(161,281)	(325,511)	(705,758)	(200,075)	10,420,863	-	9,865	9,217,253	9,630,844
-	-	-	-	-	-	-	-	-	-	-	-	-
(795)	(73,241)	22,315	(107,549)	198,455	403,189	842,395	358,018	2,065,566	-	(9,865)	3,765,165	2,738,196

See independent auditor's report.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining and Combined Statement of Revenues and Expenses, Continued

1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	2006-07 Fund Year	P&C Safety Fund	Totals
3,549,226	3,772,896	3,775,152	3,687,173	5,142,450	6,208,414	8,825,598	10,486,038	12,037,771	12,361,789	-	-	102,001,128
338,768	82,577	22,618	182,758	163,147	189,828	226,601	272,790	245,469	124,640	-	-	4,836,688
										-	227,305	227,305
3,887,994	3,454,973	3,397,770	3,869,931	5,305,597	6,398,242	9,052,199	10,758,828	12,283,240	12,486,429	-	227,305	107,065,121
1,275,736	2,041,100	1,940,783	1,336,159	3,805,744	2,528,621	5,176,423	2,391,126	2,944,762	2,488,367	-	-	38,855,994
(6,000)	(6,419)	(4,723)	(4,557)	(105,881)	(59,969)	(97,868)	(53,081)	(217,487)	(78,581)	-	-	(1,400,637)
(7,226)	(7,173)	(16,884)	(16,434)	(17,170)	(13,863)	(23,741)	(6,628)	(26,477)	(11,936)	-	-	(199,725)
(37,183)	(43,118)	(103,764)	(86,738)	(119,846)	(92,399)	(209,416)	(95,261)	(172,109)	(140,840)	-	-	(1,314,538)
1,225,327	1,984,392	1,815,412	1,228,430	3,562,847	2,362,390	2,845,397	2,238,156	2,528,689	2,257,010	-	-	35,741,074
(22,015)	(492,574)	(100,533)	(35,103)	(942,392)	(266,629)	(144,666)	-	-	-	-	-	(5,060,626)
1,203,312	1,491,818	1,714,879	1,193,327	2,620,455	2,095,761	2,700,731	2,238,156	2,528,689	2,257,010	-	-	30,680,448
-	-	54,853	6,872	23,865	184,471	61,668	805,441	2,587,600	3,127,490	-	-	6,857,989
-	-	(78,304)	(44,687)	(98,513)	(91,179)	(25,365)	-	(730,000)	(221,920)	-	-	(1,315,717)
1,203,312	1,491,818	1,691,408	1,155,512	2,545,407	2,169,053	2,737,034	3,043,597	4,380,289	5,162,580	-	-	36,222,520
1,075,763	973,672	866,031	802,491	1,492,095	1,767,265	2,113,070	1,970,970	2,525,573	2,478,472	-	-	29,972,412
211,736	240,931	248,803	331,911	417,165	461,578	516,502	793,892	918,136	545,469	-	-	5,198,503
-	7,000	9,500	7,000	7,000	-	-	-	-	-	-	-	210,736
1,026,453	1,051,088	1,081,080	1,120,191	1,196,705	1,307,770	1,471,659	1,535,480	1,643,475	1,941,176	-	-	17,747,258
-	-	-	-	-	-	-	-	-	-	-	-	406,381
-	1,150	1,688	1,150	2,132	9,738	9,001	35,959	83,721	179,155	-	-	328,694
-	-	-	11,982	922	18,342	20,652	10,065	18,084	20,488	-	42,577	143,112
1,746	2,821	3,916	1,610	10,024	1,045	9,019	8,145	20,658	51,606	-	-	110,929
32,061	36,544	37,044	33,156	29,833	30,013	27,766	24,436	44,806	41,926	-	-	369,832
175,756	163,885	172,123	171,980	174,665	172,543	174,875	199,574	-	-	-	-	1,878,119
3,729,829	3,968,669	4,112,193	3,636,983	5,880,968	5,877,547	7,079,578	7,622,118	9,640,762	10,420,863	-	42,577	92,588,526
158,185	(513,696)	(714,423)	232,948	(575,371)	520,695	1,272,621	3,136,710	2,642,478	2,065,566	-	184,928	14,476,495
-	-	-	-	-	-	-	-	-	-	-	-	-
772,858	-	-	-	-	-	-	-	-	-	-	-	-
-	522,307	-	-	-	-	-	-	-	-	-	-	-
-	-	639,100	-	-	-	-	-	-	-	-	-	-
-	-	-	380,929	-	-	-	-	-	-	-	-	-
-	-	-	-	685,572	-	-	-	-	-	-	-	-
(65,066)	-	-	-	-	565,066	-	-	-	-	-	-	-
-	-	-	-	-	-	548,772	-	-	-	-	-	-
-	-	-	-	-	-	-	240,852	-	-	-	-	-
-	-	-	-	-	-	-	-	171,079	-	-	-	-
-	-	-	-	250,000	-	-	-	-	-	-	-	250,000
865,954	8,611	(55,323)	613,877	360,201	1,085,761	2,321,393	5,377,562	2,813,557	2,065,566	-	184,928	14,726,595

See independent auditor's report.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining and Combined Statement of Revenues and Expenses
For the period March 1, 1987 through June 30, 2006

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenues:									
Contributions	\$ 1,886,708	3,478,124	2,718,315	2,927,993	3,611,796	4,178,842	4,728,534	4,823,684	4,600,925
Investment income	170,048	522,662	303,155	143,822	219,813	137,276	540,437	636,865	313,614
Grant income	-	-	-	-	-	-	-	-	-
Total revenues	2,056,756	4,000,786	3,021,470	3,071,815	3,831,609	4,316,118	5,268,971	5,460,549	4,914,539
Expenses:									
Claims paid	830,179	1,120,078	979,918	2,197,076	1,817,965	2,649,148	2,058,998	1,261,447	2,012,365
Less: Deductible recovery	(74,587)	(109,119)	(105,595)	(100,511)	(122,654)	(183,579)	(22,045)	(21,915)	(26,066)
Salvage recovery	(1,295)	(4,754)	(6,508)	(3,229)	(6,057)	(12,301)	(7,795)	(1,629)	(8,627)
Subrogation recovery	(6,851)	(27,902)	(17,578)	(80,992)	(45,038)	(52,754)	(37,166)	(70,839)	(76,764)
Net claims paid before reinsurance	747,446	978,303	850,237	2,012,344	1,644,216	2,400,514	1,991,992	1,167,064	1,900,908
Reinsurance recovery	(185,928)	(211,859)	-	(916,532)	(280,538)	(687,934)	(472,013)	(138,764)	(162,946)
Net claims paid after reinsurance	561,518	766,444	850,237	1,095,812	1,363,678	1,712,580	1,519,979	1,028,300	1,737,962
Claims reserve adjustment:									
Established claims	-	-	-	-	-	-	-	-	25,741
Less reinsurance recoverable estimate	-	-	-	-	-	-	-	-	(25,741)
Net claims expense adjustment	561,518	766,444	850,237	1,095,812	1,363,678	1,712,580	1,519,979	1,028,300	1,737,962
Reinsurance premium	1,028,693	1,665,025	1,288,667	1,420,019	1,946,991	1,842,935	1,599,829	1,671,447	1,502,841
Premiums remitted	-	-	-	-	89,499	63,710	113,372	125,881	119,931
Claims service fee	28,688	41,887	25,885	22,746	22,290	24,740	-	-	14,000
Administrative fee	195,783	301,418	289,238	319,669	426,725	531,791	621,840	735,614	930,101
Loss prevention services	35,217	64,204	51,000	57,000	66,600	82,484	51,299	672	(2,091)
Claims service reserve adjustment	-	-	-	-	-	-	-	-	-
Consultants and legal fees	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	33
Depreciation	-	-	-	-	-	-	-	-	29,421
Dividends	-	-	-	-	-	-	160,376	159,696	152,641
Total expenses	1,849,899	2,838,978	2,505,027	2,915,246	3,915,783	4,258,240	4,066,695	3,741,610	4,485,111
Excess (deficiency) of revenue over (under) expenses	206,857	1,161,808	516,443	156,569	(84,174)	57,878	1,202,276	1,718,939	429,328
Transfer to fund year									
1991-92	-	(447,535)	-	-	447,535	-	-	-	-
1996-97	(150,000)	(550,000)	(72,855)	-	-	-	-	-	-
1997-98	-	(150,000)	(372,307)	-	-	-	-	-	-
1998-99	-	-	-	(9,356)	(160,475)	(5,159)	(484,110)	-	-
1999-00	-	-	-	-	-	-	-	(380,929)	-
2000-01	-	-	-	-	-	-	-	(685,572)	-
2001-02	-	-	-	-	-	-	(250,000)	(250,000)	-
2002-03	-	-	-	(48,772)	(150,000)	-	(150,000)	-	-
2003-04	(56,857)	(14,273)	(71,281)	(98,441)	-	-	-	-	-
2004-05	-	-	-	-	-	-	(107,014)	(64,065)	-
2005-06	-	-	-	-	-	-	-	-	-
Transfer from POL to P&C	-	-	-	-	-	-	-	-	-
Net assets	\$ -	-	-	-	52,886	52,719	211,152	338,373	429,328

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Schedule of Claims Development Information

	1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year
Contribution and investment revenue:			
Earned	\$ 3,860,926	3,454,618	3,399,961
Ceded	1,287,501	1,214,563	1,115,434
Net earned revenue	2,573,425	2,240,055	2,284,527
Unallocated expenses:	1,239,556	1,261,137	1,305,357
Estimated incurred claims and expense:			
Incurred	1,729,609	1,833,052	1,896,976
Ceded	201,500	353,548	276,624
Net incurred claims	1,528,109	1,479,504	1,620,352
Paid claims (cumulative) as of:			
End of policy year	531,401	757,448	1,072,135
One year later	810,271	1,083,535	1,315,431
Two years later	826,420	1,303,279	1,544,547
Three years later	1,154,584	2,014,724	1,836,987
Four years later	1,270,717	2,036,699	1,877,688
Five years later	1,271,930	2,035,380	1,923,496
Six years later	1,271,930	2,041,100	1,924,700
Seven years later	1,271,930	2,041,100	1,940,783
Eight years later	1,272,244	2,041,100	-
Nine years later	1,275,736	-	-
Reestimated ceded claims and expenses	22,015	492,573	178,837
Reestimated incurred claims and expense as of:			
End of policy year	1,528,109	1,479,504	1,620,352
One year later	1,231,386	1,633,873	1,620,352
Two years later	1,238,089	1,633,873	1,620,352
Three years later	1,218,160	1,561,306	1,620,352
Four years later	1,177,537	1,491,468	1,620,352
Five years later	1,200,506	1,492,363	1,638,575
Six years later	1,200,506	1,491,819	1,620,353
Seven years later	1,200,506	1,491,819	1,870,246
Eight years later	1,201,506	1,984,392	-
Nine years later	1,225,327	-	-
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ (302,782)	504,888	249,894

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Schedule of Claims Development Information, Continued

1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year
3,851,910	5,296,031	6,361,068	8,977,521	10,622,190	12,125,297	12,486,429
1,134,402	1,909,260	2,168,843	2,629,572	2,764,862	3,417,833	3,023,933
2,717,508	3,386,771	4,192,225	6,347,949	7,857,328	8,707,464	9,462,496
1,347,612	1,425,405	1,545,076	1,728,609	1,648,477	1,905,022	2,234,349
2,487,518	3,811,735	3,838,334	2,985,133	3,914,536	4,082,101	5,384,502
572,798	1,303,468	1,535,914	169,775	-	430,000	221,920
1,914,720	2,508,267	2,302,420	2,815,358	3,914,536	3,652,101	5,162,582
782,365	1,437,939	1,128,147	1,412,020	1,345,716	1,981,089	2,488,367
1,090,984	2,763,260	1,571,237	2,332,605	2,115,832	2,944,762	-
1,294,524	3,256,122	2,078,601	2,701,484	2,391,126	-	-
1,334,069	3,732,064	2,230,013	3,176,422	-	-	-
1,337,669	3,772,509	2,528,621	-	-	-	-
1,335,512	3,805,744	-	-	-	-	-
1,336,159	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
79,790	1,041,105	357,808	170,031	-	730,000	221,920
1,914,720	2,508,267	2,302,420	3,676,207	4,102,337	4,512,101	5,384,502
1,665,637	2,503,275	2,278,626	3,613,207	3,914,536	5,116,289	-
1,287,218	2,498,274	2,342,466	3,046,908	3,043,597	-	-
1,201,496	2,397,697	2,324,910	2,907,065	-	-	-
1,159,263	2,429,188	2,526,860	-	-	-	-
1,159,263	3,586,512	-	-	-	-	-
1,235,303	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(679,417)	1,078,245	224,440	(769,142)	(1,058,740)	604,188	-

See independent auditor's report.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**

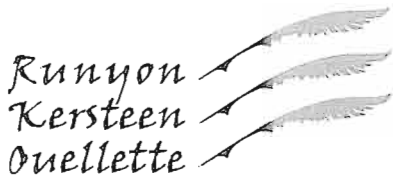
Financial Statements

June 30, 2007 and 2006

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
June 30, 2007 and 2006**

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

Board of Directors
Maine Municipal Association
Property and Casualty Pool:

We have audited the accompanying financial statements of Maine Municipal Association Property and Casualty Pool (the Pool) as of and for the years then ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Municipal Association Property and Casualty Pool as of June 30, 2007 and 2006 and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information presented in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Runyon Kersteen Ouellette".

December 5, 2007
South Portland, Maine

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2007**

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Maine Municipal Association Property and Casualty Pool (The Pool) annual financial report sets forth a narrative overview of its financial activities for the year ended June 30, 2007. Please read it in conjunction with The Pool's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

For all Pool years combined, developments in calendar year 2007 included:

- The Net Assets as of June 30, 2007 were \$17,569,882, an increase of 19.3% over the prior year.
- Cash and Investments totaled \$24,184,091, an increase of 20.9%.
- Operating revenues in 2007 totaled \$14,022,783, an increase of 8.0%.
- Operating expenses in 2007 totaled \$11,182,496, an increase of 21.3%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Pool's fiscal year is July 1 through June 30. The annual financial report consists of four parts:

- Management's Discussion and Analysis
- Required Financial Statements
- Notes to the Statements
- Supplemental Schedules.

Management's Discussion and Analysis provides a narrative overview of the statements and comments on significant developments during the reporting period.

Required Statements include: Combined Statements of Net Assets; Combined Statements of Revenues and Expenses; Combined Statements of Changes in Net Assets; and Combined Statements of Cash Flows.

These statements present the Pool's status at June 30, 2007 and financial developments during fiscal year 2007 for all Pool years combined.

Notes to the Statements provide explanations of the accounting principles followed and of key items in the statements.

Supplemental Schedules include an analysis by fund year of the statement of net assets; combining statement of revenues and expenses; combining and combined statement of revenues and expenses for the past ten years; and a schedule of claims development information for the past ten years.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2007**

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

FINANCIAL ANALYSIS

The following table summarizes the Combined Statements of Net Assets.

	06/30/07	06/30/06
ASSETS		
Current Assets	\$ 24,651,283	\$ 20,765,111
Capital Assets (net)	110,656	142,025
Total Assets	\$ 24,761,939	\$ 20,907,136
LIABILITIES		
Net Claims and Service Fee Reserves	\$ 7,176,611	\$ 5,870,766
Other Liabilities	15,446	306,775
Total Liabilities	\$ 7,192,057	\$ 6,177,541
NET ASSETS		
Board Designated Reserves	\$ 1,399,209	\$ 1,290,708
Safety Enhancement Fund	182,705	184,928
Invested in Capital Assets	110,655	142,025
Contingency Reserve	15,877,313	13,111,934
Total Net Assets	\$ 17,569,882	\$ 14,729,595

The following table summarizes the Combined Statements of Revenues and Expenses during fiscal years 2006-2007 and 2005-2006 for all Pool years combined.

	06/30/07	06/30/06
REVENUE		
Member Contributions	\$ 12,817,944	\$ 12,362,432
Investment and Other Revenues	1,204,839	619,986
Total Revenues	\$ 14,022,783	\$ 12,982,418
EXPENSES		
Net Claims Expense	\$ 5,118,193	\$ 3,879,444
Reinsurance and Premium Remitted	3,386,349	3,049,828
Safety Scholarships and Grants	2,224	9,865
Other Expenses	2,675,730	2,278,116
Total Expenses	\$ 11,182,496	\$ 9,217,253
NET CHANGE IN NET ASSETS	\$ 2,840,287	\$ 3,765,165
NET ASSETS BEGINNING OF YEAR	\$ 14,729,595	\$ 10,964,430
NET ASSETS END OF YEAR	\$ 17,569,882	\$ 14,729,595

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2007**

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2006-2007

The following table presents a budget to actual comparison for the 2006-2007 Pool year in summarized form:

	Budget	ACTUARIAL PROJECTION AT 06/30/2007	
REVENUE			
Member Contributions	\$12,707,452	\$12,809,647	0.8%
Investment and Other Revenues	125,000	183,722	47.0%
Total Revenues	\$12,832,452	\$12,993,369	
EXPENSES			
Net Claims Expense at 95% Confidence Level	\$6,447,009	\$6,535,208	1.4%
Reinsurance and Premiums Remitted	3,331,365	3,378,053	1.4%
Other Expenses	2,796,725	2,862,804	2.4%
Total Expenses	\$12,575,099	\$12,776,065	
GAIN OR LOSS FROM OPERATIONS	\$257,353	\$217,304	

The major variance in fiscal year 2006-2007 was an increase in Investment Income (47.0%), resulting from increased investment rates. Net Claims Expense at the 95% Confidence Level includes claims payments, reserves on open claims, actuarial estimates of claims development in the future (IBNR) and additional reserves recommended by the actuary to fund Pool claims to the 95% Confidence Level. Other expenses include a \$350,000 provision for budgeted member dividends which had not been declared or distributed at June 30, 2007.

POOL FINANCIAL POSITION AT JUNE 30, 2007

At June 30, 2007, the Net Assets totaled \$17,569,882, an increase of \$2,840,287 (19.3%) over the prior year. Net Assets are divided into four components:

Invested in Capital Assets , maintained to record capital assets less depreciation.	\$ 110,655
Reserve for Adverse Development , maintained to increase Pooling of claims reserves to the 95% Confidence Level	1,399,209
Safety Enhancement Reserve , maintained to provide grants and scholarships to assist members in strengthening their work place safety practices	182,705
Contingency Reserve , maintained to provide resources to meet other challenges and opportunities	<u>15,877,313</u>
Total Net Assets	<u>\$ 17,569,882</u>

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2007

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

CAPITAL ASSETS AND LONG TERM DEBT

At June 30, 2007 the Pool had capital assets of \$110,655, net of related debt. These assets are the Pool's investment in a claims and underwriting system jointly owned with the MMA Workers' Compensation Fund. The Pool has no long-term debt.

CONDITIONS WHICH MAY IMPACT ON THE POOL'S FINANCIAL CONDITION IN THE FUTURE

Management is aware of no conditions, decisions or contingencies which are expected to significantly impact on the Pool's financial position in the future.

REQUEST FOR INFORMATION

This financial report is designed to provide our members, customers, investors and creditors with a general overview of the Pool's finances and to show the Pool's accountability for the money it receives. If you have any questions about this report or need additional information, contact Martin Hanish, Chief Financial Officer, at (207) 623-8428.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combined Statements of Net Assets
June 30, 2007 and 2006**

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 7,738,990	3,586,421
Certificates of deposit	5,500,000	2,800,000
U.S. government and agency securities	10,945,101	13,616,410
Prepaid expenses	10,608	245,058
Accounts receivable	107,851	347,794
Accrued interest receivable	348,733	169,428
Total current assets	24,651,283	20,765,111
Capital assets:		
Computer equipment	221,001	205,998
Accumulated depreciation	(110,345)	(63,973)
Net capital assets	110,656	142,025
Total assets	\$ 24,761,939	20,907,136
LIABILITIES		
Liabilities:		
Accounts payable	15,446	64,493
Deferred revenue	-	242,282
Claims loss reserves	8,172,657	6,857,789
Reinsurance recoverable	(1,397,345)	(1,315,717)
Net claims loss reserves	6,775,312	5,542,072
Claims service reserves	401,299	328,694
Total liabilities	\$ 7,192,057	6,177,541
NET ASSETS		
Invested in capital assets, net of related debt	110,655	142,025
Unrestricted:		
Board designated:		
Reserve for adverse development	1,399,209	1,290,708
Safety enhancement fund	182,705	184,928
Contingency reserve	15,877,313	13,111,934
Total net assets	\$ 17,569,882	14,729,595

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combined Statements of Revenues and Expenses
For the years ended June 30, 2007 and 2006**

	2007	2006
Revenues:		
Contributions	\$ 12,817,944	12,362,432
Investment income	1,204,839	619,986
Total revenues	14,022,783	12,982,418
Expenses:		
Claims paid	4,563,946	4,554,338
Less:		
Deductible recovery	(347,744)	(169,389)
Salvage recovery	(12,669)	(12,424)
Subrogation recovery	(193,415)	(203,786)
Net claims paid before reinsurance	4,010,118	4,168,739
Reinsurance recovery	(125,167)	(276,258)
Net claims paid after reinsurance	3,884,951	3,892,481
Claims reserve adjustment:		
Established claims	1,314,868	(17,714)
Less reinsurance recoverable estimate	(81,626)	4,677
Net claims expense adjustment	5,118,193	3,879,444
Reinsurance premium	2,831,731	2,504,368
Premiums remitted	554,618	545,460
Administrative fee	2,184,296	1,941,176
Claims service reserve adjustment	72,605	21,786
Consultants and legal fees	78,988	22,048
Safety scholarships and grants	2,223	9,865
Maintenance contracts	44,073	51,606
Dividends	249,397	199,574
Depreciation	46,372	41,926
Total expenses	11,182,496	9,217,253
Change in net assets	\$ 2,840,287	3,765,165

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**
Combined Statements of Changes in Net Assets
For the years ended June 30, 2007 and 2006

		Invested in capital assets	Reserve for adverse development	Safety enhancement fund	Contingency reserve	Total fund balance
Net assets at June 30, 2005	\$	166,192	1,136,874	194,793	9,466,571	10,964,430
Excess of revenues over expenses		-	-	(9,865)	3,775,030	3,765,165
Net asset transfer		(24,167)	153,834	-	(129,667)	-
Net assets at June 30, 2006		142,025	1,290,708	184,928	13,111,934	14,729,595
Excess of revenues over expenses		-	-	(2,223)	2,842,510	2,840,287
Net assets transfer		(31,370)	108,501	-	(77,131)	-
Net assets at June 30, 2007	\$	110,655	1,399,209	182,705	15,877,313	17,569,882

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combined Statements of Cash Flows
Years ended June 30, 2007 and 2006**

	2007	2006
Cash flows from operating activities:		
Receipts from net contributions	\$ 12,815,605	12,386,294
Receipts from investment income	1,025,534	544,023
Payments for net claims	(3,884,951)	(3,892,481)
Payments for reinsurance premium	(2,831,731)	(2,671,172)
Payments for premiums remitted	(320,168)	(545,460)
Payments for administrative fees	(2,233,343)	(1,897,548)
Payments for consultants and legal fees	(78,988)	(31,913)
Payments for maintenance contracts	(44,073)	(51,606)
Payments for dividends paid	(249,397)	(199,574)
Net cash provided by operating activities	4,198,488	3,640,563
Cash flows from capital and related financing activities:		
Net purchases of computer equipment	(15,003)	(17,758)
Net cash used in capital and related financing activities	(15,003)	(17,758)
Cash flows from investing activities:		
Purchase of investments	(8,878,693)	(10,120,879)
Sale of investments	8,850,000	6,525,000
Net cash used in investing activities	(28,693)	(3,595,879)
Net increase in cash	4,154,792	26,926
Cash, beginning of year	3,586,421	3,559,495
Cash, end of year	\$ 7,741,213	3,586,421
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 2,840,287	3,765,165
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	46,372	41,926
Changes in assets and liabilities:		
Accounts receivable	239,943	(141,667)
Accrued interest receivable	(179,305)	(75,963)
Prepaid expenses	234,450	(166,804)
Accounts payable	(49,047)	43,628
Deferred revenue	(242,282)	165,529
Claims loss reserves	1,314,868	(17,714)
Reinsurance recoverable	(81,626)	4,677
Claims service reserves	72,605	21,786
Net cash provided by operating activities	\$ 4,196,265	3,640,563

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND POOL DESCRIPTION

The Maine Municipal Association Property and Casualty Pool (the Pool) was established on March 1, 1987 as a self-insured pool for the purpose of providing liability and property coverage to municipalities and qualified local government instrumentalities or subdivisions who choose to participate. During the fiscal years ended June 30, 2007 and 2006, there were 438 governmental entities which participated in the Pool. The Pool provides the following coverages: automobile liability; commercial general liability; police professional liability; ambulance/nurse malpractice liability; firefighters liability; public officials liability, including employment practices liability; automobile physical damage coverage; property and inland marine coverage; and comprehensive crime coverage. In addition the Pool offers coverage for forest fire suppression, earthquake, and flood on a pooled basis. The Pool also assists members in the purchase of other fully insured coverages through the services of its broker. The Pool is administered by the Maine Municipal Association for which a management fee is assessed and is included in expense. For the years ended June 30, 2007 and 2006, the Pool was assessed management fees totaling \$2,184,296 and \$1,941,176, respectively. These financial statements include only the accounts of the Maine Municipal Association Property and Casualty Pool.

The municipality or qualified local government instrumentality or subdivision must be a member of the Maine Municipal Association to participate in the Pool.

Tax Exempt Status - The Pool is exempt from income taxes.

Fund Accounting - Each year a new fund is established to cover potential claims made for that specific period. Each fund year has a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues, and expenses.

Basis of Accounting - The accrual basis of accounting is followed for all fund years. The Pool follows the provisions of Government Accounting Standards Board (GASB) Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*. Contributions are recognized as revenue over the contract period for which risk protection is provided which corresponds to a fund year. A liability for unpaid claims, including estimated claims incurred but not reported, is accrued when insured events occur. Anticipated investment income is considered in determining whether a contribution deficiency exists. The Pool applies all applicable pronouncements of the Financial Accounting Standards Board except those which conflict with pronouncements of the GASB.

Cash and Cash Equivalents - The Pool considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments - All investments are carried at fair value, based on quoted market prices, in a single pooled investment account for all of the Property and Casualty Pool fund years. The Pool's investments consist of U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Pool estimates that the fair value of all financial instruments at June 30, 2007 and 2006, respectively, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying combined statements of net assets. Each fund year's portion of principal, interest, capital gains and losses is determined by its cash and investments in the pooled investments.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND POOL DESCRIPTION, CONTINUED

Accounts Receivable - Accounts receivable has been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at June 30, 2007 and 2006 as management considers all amounts to be fully collectible.

Fixed Assets - The cost of computer hardware and software is depreciated on a straight-line basis over their estimated useful lives of three to five years.

Deferred Revenue - Deferred revenue represents contributions which have been received by the Pool related to the next fund year.

Claims Loss Reserves - Claims loss reserves represent the estimated ultimate cost of settling all reported and unreported losses at the balance sheet date, including the effects of inflation and other factors, as determined by an independent actuary. Management believes that the reserves are adequate, but the ultimate cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually. Any adjustments resulting from the settlement of losses will be reflected in the combined statements of revenues and expenses at the time the adjustments are determined.

Claims Service Reserves - The claims service reserves are actuarially determined and consist of estimates for service fees for future claims. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually.

Reinsurance - The Pool uses reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Premiums paid for reinsurance and special coverages during fund years 06-07 and 05-06 were \$3,378,052 and \$3,032,230, respectively. The amounts deducted from claims liabilities as of June 30, 2007 and 2006 for reinsurance were \$1,397,345 and \$1,315,717, respectively.

Management Estimates - The preparation of financial statements in conformity with U.S. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

DEPOSITS AND INVESTMENTS

Deposits

Cash and cash equivalents are composed of cash management accounts (CMA) and money market instruments, and consist of the following at June 30:

	<u>2007</u>	<u>2006</u>
CMA - deposit account	\$ 2,276	7,995
CMA - mutual fund investment sweep	4,201,196	1,395,082
Money market mutual fund	3,535,518	2,183,344
Totals	\$ 7,738,990	3,586,421

At June 30, 2007 and 2006, the portion of bank balances attributable to the Pool totaled \$4,450,792 and \$1,764,067, respectively. The bank balances attributable to the Pool do not reflect a reduction for outstanding checks at that date. Amounts in the cash management - deposit account that exceed the \$100,000 FDIC insured limit are considered uninsured and uncollateralized.

Custodial Credit Risk-Fund Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits in excess of the FDIC insured limit may not be recoverable. The Pool addresses this risk by minimizing balances in bank accounts. Checking accounts are on a zero balance basis and collected funds are transferred from the CMA - deposit account on a daily basis either to the checking accounts to cover checks presented for payment or to a money market fund outside of the bank. Funds in the CMA - deposit account are insured by the FDIC up to \$100,000. Any balance in this account in excess of the \$100,000 FDIC insured limit is considered uninsured and uncollateralized and subject to custodial credit risk. The CMA - mutual fund investment sweep and the money market mutual fund are mutual funds outside the bank, invested in short term government securities. These funds are uninsured and uncollateralized, and subject to custodial credit risk.

Investments

At June 30, the Pool had the following investments and maturities:

2007

	<u>Fair value</u>	<u>Less than one year</u>	<u>One to five years</u>	<u>More than five years</u>
Certificate of deposit *	\$ 5,500,000	4,750,000	750,000	N/A
U.S. government securities	10,945,101	4,981,816	5,963,285	N/A
Totals	\$ 16,445,101	9,731,816	6,713,285	N/A

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

DEPOSITS AND INVESTMENTS, CONTINUED

2006

	<u>Fair value</u>	<u>Less than one year</u>	<u>One to five years</u>	<u>More than five years</u>
Certificate of deposit *	\$ 2,800,001	2,800,001	N/A	N/A
U.S. government securities	13,616,409	5,750,978	7,865,431	N/A
Totals	\$ 16,416,410	8,550,979	7,865,431	N/A

* Of the certificate of deposit bank balance, \$1,700,000 and \$900,000 was covered by federal depository insurance for 2007 and 2006, respectively; the remainder is uninsured and uncollateralized.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pool's investment policy requires that, to the extent possible, the Pool attempts to match investments with anticipated cash requirements. Purchases of securities are guided by the need to provide flexibility in the portfolio to meet expected cash flows, with a prudent margin for the unexpected, for the next five years. Further, to obtain the highest yield available within the context of the asset allocation target levels noted below, maturities may extend to a maximum of five years, based on a projected cash requirement and available yields. Liquidity risk, as defined by the Pool's investment policy, is the risk that funds may not be available as needed, or may be available only by liquidating investments with a resultant capital loss. The Pool's investment policy requires that investment maturities be timed to meet projected cash flow requirements, with a margin for the unexpected. The maximum maturity permitted under Board policy in 2007 and 2006 was five years.

Credit Risk: Credit risk is the risk that the entity in which the fund has invested may be unable to redeem investments when they mature. The Pool's investment policy limits investments to entities that have high ratings by recognized rating agencies. Management monitors the ratings of entities in which it has invested and would sell investments should a significant rating decline occur. No such issues were noted in 2007 or 2006, and the Pool had no investments in corporate stocks or bonds as of June 30, 2007 and 2006.

Custodial Credit Risk-Fund Investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Pool will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pool addresses this risk by having the custodian hold investments to the Pool's benefit, by maintaining high quality standards for the entities in which it invests, and by monitoring the ratings of entities in which it has invested.

Concentration of Credit Risk - It is the Pool's policy that investments will be primarily U.S. Agency issues and certificates of deposit, with a provision for up to \$1,000,000 of corporate bonds. In the event that suitable corporate bonds are not available, the Pool will purchase additional certificates of deposit. The portfolio composition shall be as follows: cash and money market funds - 23%; certificates of deposit - 12%; government securities - 60%; and corporate bonds - 5%. All target levels are flexible, except for corporate bonds, which is on a not to exceed basis.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

NET APPRECIATION OR DEPRECIATION IN FAIR VALUE

Net appreciation in fair value during the years ended June 30, 2007 and 2006 by type of investment is as follows. Such amounts are included in investment income on the combined statements of revenues and expenses.

	<u>2007</u>	<u>2006</u>
U.S. Government securities	\$ 101,603	(77,676)
Totals	\$ 101,603	(77,676)

UNPAID CLAIMS LIABILITIES

The Pool establishes liabilities for the estimated costs of both reported and unreported losses, which includes estimates of both future payments of losses and related claims service reserves. The following represents changes in those aggregate liabilities for the years ended June 30, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Claims loss and claims service reserves at beginning of year	\$5,870,766	\$5,862,017
Provision for insured events - current year	6,003,996	5,341,735
Increase (decrease) in provision for insured events - prior years	(813,200)	(1,440,505)
Total incurred claims and claims service reserve expenses	5,190,796	3,901,230
Claims paid on losses incurred in the current year	1,885,055	2,257,010
Claims paid on losses incurred in prior years	1,999,896	1,635,471
Total paid claims	3,884,951	3,892,481
Claims loss and claims service reserves at end of year	\$7,176,611	\$5,870,766

Unpaid claims liabilities are reported on the combined statements of net assets as follows:

Claims loss reserves, net	\$6,775,312	\$5,542,072
Claims service fee reserves	401,299	328,694
Totals	\$7,176,611	\$5,870,766

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE

The amounts shown for claims reserves are developed from an actuarially determined loss analysis as of June 30, 2007 and are as follows:

<u>Fund year</u>	<u>Established on known claims</u>	<u>Actuarial reserves</u>	<u>Total reserves</u>	<u>Net paid claims</u>	<u>Actuarially determined ultimate losses</u>
1987-88	\$ -	-	-	747,447	747,447
1988-89	-	-	-	978,303	978,303
1989-90	-	-	-	850,237	850,237
1990-91	-	-	-	2,012,343	2,012,343
1991-92	-	-	-	1,644,216	1,644,216
1992-93	-	-	-	2,400,515	2,400,515
1993-94	-	-	-	1,991,992	1,991,992
1994-95	-	-	-	1,167,065	1,167,065
1995-96	25,749	-	25,749	1,896,332	1,922,081
1996-97	-	-	-	1,225,327	1,225,327
1997-98	-	-	-	1,984,392	1,984,392
1998-99	80,680	-	80,680	1,832,566	1,913,246
1999-00	6,718	-	6,718	1,228,585	1,235,303
2000-01	26,729	-	26,729	3,589,671	3,616,400
2001-02	58,127	-	58,127	2,477,554	2,535,681
2002-03	30,416	-	30,416	2,870,402	2,900,818
2003-04	788,945	-	788,945	2,634,644	3,423,589
2004-05	1,602,977	147,333	1,750,310	3,080,841	4,831,151
2005-06	640,436	751,338	1,391,774	3,253,710	4,645,484
2006-07	2,098,348	1,914,861	4,013,209	1,885,056	5,898,265
Totals	\$ 5,359,125	2,813,532	8,172,657	39,751,198	47,923,855

Each fund year has a Loss Fund that is established from the fund members' annual contributions. For each fund year, the Pool also purchases specific reinsurance that provides coverage for claims exceeding \$100,000 per occurrence.

In addition, for the fund years through 2001-2002, the Pool purchased aggregate reinsurance of \$1,000,000 in excess of the reinsurance attachment point. No aggregate coverage was purchased for the 2002-2003 through the 2006-2007 fund years.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

An analysis of the reinsurance attachment points, ultimate losses, reinsurance recovery, and ultimate net losses is as follows:

<u>Fund year</u>	<u>Aggregate reinsurance attachment</u>	<u>Actuarially determined ultimate losses</u>	<u>Reinsurance recovered</u>	<u>Reinsurance recoverable</u>	<u>Ultimate losses net of reinsurance</u>
1987-88	\$ 845,834	747,447	185,928	-	561,519
1988-89	1,406,720	978,303	211,859	-	766,444
1989-90	963,226	850,237	-	-	850,237
1990-91	1,095,964	2,012,343	916,532	-	1,095,811
1991-92	1,564,127	1,644,216	280,538	-	1,363,678
1992-93	1,712,586	2,400,515	687,933	-	1,712,582
1993-94	2,362,467	1,991,992	472,013	-	1,519,979
1994-95	2,403,851	1,167,065	138,764	-	1,028,301
1995-96	2,250,000	1,922,081	162,946	25,749	1,733,386
1996-97	1,733,027	1,225,327	22,015	-	1,203,312
1997-98	1,633,873	1,984,392	492,574	-	1,491,818
1998-99	1,620,352	1,913,246	100,533	95,457	1,717,256
1999-00	1,741,520	1,235,303	35,103	44,687	1,155,513
2000-01	2,508,266	3,616,400	942,592	209,350	2,464,458
2001-02	3,128,504	2,535,681	291,469	61,239	2,182,973
2002-03	no aggregate	2,900,818	144,666	25,364	2,730,788
2003-04	no aggregate	3,423,589	-	44,000	3,379,589
2004-05	no aggregate	4,831,151	-	730,000	4,101,151
2005-06	no aggregate	4,645,484	100,327	42,900	4,502,257
2006-07	no aggregate	5,898,265	-	118,599	5,779,666
Totals	\$ 26,970,317	47,923,855	5,185,792	1,397,345	41,340,718

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

A.M. BEST RATINGS

The following companies have provided reinsurance or excess insurance for the various fund years. The A.M. Best rating for each company is also listed.

Fund Year	Reinsurance Carrier	Type of Coverage	A.M. Best Rating	Fin Size Category
1987-1988 through 1988-1989	Lloyd's of London	Aggregate & Specific	A	XV
	Fireman's Fund Ins. Co.	Excess Property	A++	X
	International Ins. Co.	GL/Auto Excess	not rated	
	CAN Insurance Companies (formerly CNA Casualty)	Prop & Liab Excess	A-	X
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
1989-1990 through 1992-1993	Lloyd's of London	Aggregate & Specific	A	XV
	Fireman's Fund Ins. Co.	Excess Property	A++	X
	International Ins. Co.	GL/Auto Excess	not rated	
	CAN Insurance Companies (formerly CNA Casualty)	Prop & Liab Excess	A-	X
	ACE Prop & Casualty Ins Co	Following Form	A+	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
1993-1994 through 1998-1999	Munich Reinsurance America	Aggregate & Specific	A-	X
	Royal Insurance Group	Excess Property	not rated	
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
1999-2000	Munich Reinsurance America	Aggregate & Specific	A-	X
	Swiss Re America Group	Excess Property	A+	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
2000-2001	Munich Reinsurance America	Aggregate & Specific	A-	X
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
2001-2002	Munich Reinsurance America	Aggregate & Specific	A-	X
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	F M Global Group	Boiler & Machinery	A+	XV

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

A.M. BEST RATINGS, CONTINUED

Fund Year	Reinsurance Carrier	Type of Coverage	A.M. Best Rating	Fin Size Category
2002-2003	Munich Reinsurance America	Specific	A-	X
	Essex Insurance Co.	Excess Property	A++	XV
	Federal Insurance Co.	Excess Property	A	XV
	Lexington Insurance Co.	Excess Property	A	XV
	St Paul Fire & Casualty Ins Co.	Excess Property	A+	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	Wausau Business Insurance Co.	Excess Property	A	XV
	Westchester Surplus Lines Ins Co.	Excess Property	A+	XI
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
2003-2004	Munich Reinsurance America	Specific	A-	X
	Federal Insurance Co.	Excess Property	A	XV
	Lexington Insurance Co.	Excess Property	A	XV
	St Paul Fire & Casualty Ins Co.	Excess Property	A+	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	U S Fire Insurance Co.	Excess Property	A-	XIII
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
2004-2005	Munich Reinsurance America	Specific	A-	X
	Discover Reinsurance Co	Excess Property	A	XII
	Essex Insurance Co.	Excess Property	A++	XV
	Federal Insurance Co.	Excess Property	A	XV
	Lexington Insurance Co.	Excess Property	A	XV
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	U S Fire Insurance Co.	Excess Property	A-	XIII
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
2005-2006	Discover Reinsurance Co	Specific & Excess Property	A	XII
	Essex Insurance Co.	Excess Property	A++	XV
	Federal Insurance Co.	Excess Property	A	XV
	Lexington Insurance Co.	Excess Property	A	XV
	Clarendon National Ins Co	Excess Property	A-	XV
	Travelers Casualty and Surety Co	Excess Property	A+	X
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

A.M. BEST RATINGS, CONTINUED

Fund Year	Reinsurance Carrier	Type of Coverage	A.M. Best Rating	Fin Size Category
2006-2007	Discover Reinsurance Co	Specific & Excess Property	A	XII
	Landmark American Insurance Co.	Excess Property	A	XII
	Federal Insurance Co.	Excess Property	A	XV
	U S Fire Insurance Co.	Excess Property	A-	XIII
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV

EXPENSES

Estimates of reinsurance premiums, claims service fees, and administrative fees are recorded as expenses in the initial fiscal year of each Pool for all of the services expected to arise out of that fund year. Changes in these estimated expenses are treated as current income or expenses in each fund year.

NET ASSETS

Under a policy adopted by the Board of Directors, net assets are segregated into two components.

The reserve for adverse development is maintained to recognize the possibility that actual loss development may vary from the expected development underlying the loss projections. The amount of the reserve is based on recommendations from an independent actuary. The reserve is established at the 95% Confidence Level, as calculated by the actuary. At June 30, 2007 and 2006, the reserve for adverse development totaled \$1,399,209 and \$1,290,708, respectively.

The contingency reserve is calculated as the net assets less the reserve for adverse development. The contingency reserve at June 30, 2007 and 2006 was \$15,877,313 and \$13,111,934, respectively. The contingency reserve represents accumulated funding in excess of statutory requirements and the board-designated reserves. The Property and Casualty Pool Board of Directors have established this reserve to be held for the financial stability of the Pool.

INTERFUND TRANSFERS

In order to provide full funding, the Property and Casualty Pool Board of Directors have approved various transfers from some fund years to others. All transfers made between Property and Casualty Pool funds years since inception are reflected in Schedule 3.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

INTEGRATION OF PUBLIC OFFICIALS LIABILITY PROGRAM

On January 27, 2000, the MMA Executive Committee and the Property and Casualty Pool Board voted to integrate the Public Officials Liability Program into the Property and Casualty Pool, effective July 1, 2000. From that date forward, Public Officials Liability claims will be self insured as a line of business within the Property and Casualty Pool. The Public Officials Liability Fund for 1999-2000 and prior fund years will remain open until all outstanding liabilities have been relieved, at which time any remaining assets will be transferred to the Property and Casualty Fund. As of June 30, 2002, \$250,000 has been transferred from the Public Officials Liability program to the Property and Casualty Pool fund year 2000-2001.

CONTINGENCY

The Maine Municipal Association Property and Casualty Pool was named a party in a declaratory judgment action brought before the Cumberland County Superior Court by one of its public liability policyholders for an amount totaling \$190,000 plus pre-judgment and post-judgment interest. On September 5, 2007, the Court ruled in favor of the Maine Municipal Association Property and Casualty Pool, upon which the policyholder filed an appeal to the Maine Supreme Court. As of the date of this report, no decision had been rendered by the Court and the outcome of the appeal is not determinable.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Net Assets
June 30, 2007

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
ASSETS									
Cash and cash equivalents	\$ 17,589	17,535	70,232	112,547	144,298	288,027	3,249	(31,225)	191,937
Certificates of deposit	12,500	12,462	49,913	79,986	102,551	204,697	2,309	(22,191)	136,407
U.S. government and agency securities	24,875	24,799	99,327	159,173	204,077	407,351	4,595	(44,161)	271,453
Prepaid expense	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-
Accrued interest receivable	793	790	3,165	5,072	6,502	12,980	146	(1,407)	8,648
Total current assets	55,757	55,586	222,637	356,778	457,428	913,055	10,299	(98,984)	608,445
Capital assets:									
Computer equipment	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
Net capital assets	-	-	-	-	-	-	-	-	-
Total assets	\$ 55,757	55,586	222,637	356,778	457,428	913,055	10,299	(98,984)	608,445
LIABILITIES									
Liabilities:									
Accounts payable	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Claims loss reserves:									
Claims reserves	-	-	-	-	25,749	-	-	80,680	6,718
Reinsurance recoverable	-	-	-	-	(25,749)	-	-	(95,457)	(44,687)
Net claims loss reserves	-	-	-	-	-	-	-	(14,777)	(37,969)
Claims service fee reserve	-	-	-	-	2,007	-	-	5,939	2,007
Total liabilities	\$ -	-	-	-	2,007	-	-	(8,838)	(35,962)
NET ASSETS									
Invested in capital assets	-	-	-	-	-	-	-	-	-
Unrestricted:									
Board designated:									
Reserve for adverse development	-	-	-	-	-	-	-	-	-
Safety enhancement fund	-	-	-	-	-	-	-	-	-
Contingency reserve	55,757	55,586	222,637	356,778	455,421	913,055	10,299	(90,146)	644,407
Total net assets	\$ 55,757	55,586	222,637	356,778	455,421	913,055	10,299	(90,146)	644,407

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Net Assets, Continued

2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	2006-07 Fund Year	2007-08 Fund Year	P&C Safety Fund	Totals (memorandum only)	
									2007	2006
88,741	359,140	780,096	1,274,061	1,319,152	1,401,615	1,646,827	(2,466)	57,635	7,738,990	3,586,421
63,067	255,236	554,404	905,459	937,504	996,110	1,170,379	(1,753)	40,960	5,500,000	2,800,000
125,505	507,924	1,103,274	1,801,880	1,865,651	1,982,277	2,329,076	(3,488)	81,513	10,945,101	13,616,410
-	-	-	-	-	-	2,790	7,818	-	10,608	245,058
-	-	-	-	-	-	107,851	-	-	107,851	347,794
3,999	16,184	35,153	57,412	59,443	63,159	74,209	(111)	2,596	348,733	169,428
281,312	1,138,484	2,472,927	4,038,812	4,181,750	4,443,161	5,331,132	-	182,704	24,651,283	20,765,111
-	-	-	-	-	-	221,001	-	-	221,001	205,998
-	-	-	-	-	-	(110,345)	-	-	(110,345)	(63,973)
-	-	-	-	-	-	110,656	-	-	110,656	142,025
281,312	1,138,484	2,472,927	4,038,812	4,181,750	4,443,161	5,441,788	-	182,704	24,761,939	20,907,136
-	-	-	-	-	15,446	-	-	-	15,446	64,493
-	-	-	-	-	-	-	-	-	-	242,282
26,729	58,127	30,416	788,945	1,750,310	1,391,774	4,013,209	-	-	8,172,657	6,857,789
(209,350)	(61,239)	(25,364)	(44,000)	(730,000)	(42,900)	(118,599)	-	-	(1,397,345)	(1,315,717)
(182,621)	(3,112)	5,052	744,945	1,020,310	1,348,874	3,894,610	-	-	6,775,312	5,542,072
10,663	7,318	10,078	29,276	41,638	68,041	224,332	-	-	401,299	328,694
(171,958)	4,206	15,130	774,221	1,061,948	1,432,361	4,118,942	-	-	7,192,057	6,177,541
-	-	-	-	-	-	110,655	-	-	110,655	142,025
4,075	11,482	6,008	147,154	201,548	273,400	755,542	-	-	1,399,209	1,290,708
-	-	-	-	-	-	-	-	182,705	182,705	184,928
449,195	1,122,796	2,451,789	3,117,437	2,918,254	2,737,400	456,648	-	-	15,877,313	13,111,934
453,270	1,134,278	2,457,797	3,264,591	3,119,802	3,010,800	1,322,845	-	182,705	17,569,882	14,729,595

See independent auditor's report.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Combining Statement of Revenues and Expenses
(All Fund Years)
For the period ended June 30, 2007

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenues:								
Contributions	\$ -	-	-	-	-	-	-	-
Investment income	2,870	2,867	11,485	18,405	23,474	47,101	537	(4,725)
Grant income	-	-	-	-	-	-	-	-
Total revenues	2,870	2,867	11,485	18,405	23,474	47,101	537	(4,725)
Expenses:								
Claims paid	-	-	-	-	-	-	-	17,153
Less: Deductible recovery	-	-	-	-	-	-	-	-
Salvage recovery	-	-	-	-	-	-	-	-
Subrogation recovery	-	-	-	-	(4,576)	-	-	-
Net claims paid before reinsurance	-	-	-	-	(4,576)	-	-	17,153
Reinsurance recovery	-	-	-	-	-	-	-	-
Net claims paid after reinsurance	-	-	-	-	(4,576)	-	-	17,153
Claims reserve adjustment:								
Established claims	-	-	-	-	-	-	-	25,847
Less reinsurance recoverable estimate	-	-	-	-	-	-	-	(17,153)
Net claims expense adjustment	-	-	-	-	(4,576)	-	-	25,847
Reinsurance premium	-	-	-	-	-	-	-	-
Premiums remitted	-	-	-	-	-	-	-	-
Administrative fee	-	-	-	-	-	-	-	-
Claims service reserve adjustment	-	-	-	-	2,007	-	(1,150)	4,251
Consultants and legal fees	-	-	-	-	-	-	-	-
Safety scholarships and grants	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	(2,569)	-	(1,150)	30,098
Transfers between fund years	-	-	-	-	-	-	-	-
Change in net assets	\$ 2,870	2,867	11,485	18,405	26,043	47,101	1,687	(34,823)

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**
Combining Statement of Revenues and Expenses, Continued

1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	2006-07 Fund Year	P&C Safety Fund	Totals (memorandum only)	
									2007	2006
-	-	-	-	-	-	8,297	12,809,647	-	12,817,944	12,362,432
31,388	15,652	60,018	128,235	216,337	228,421	239,051	183,723	-	1,204,839	619,986
-	-	-	-	-	-	-	-	-	-	-
31,388	15,652	60,018	128,235	216,337	228,421	247,348	12,993,370	-	14,022,783	12,982,418
154	32,968	116,813	27,955	420,477	592,974	1,143,560	2,211,892	-	4,563,946	4,554,338
-	(3,500)	-	(2,000)	(11,120)	(29,492)	(66,572)	(235,060)	-	(347,744)	(169,389)
-	-	-	-	-	-	(2,700)	(9,969)	-	(12,669)	(12,424)
-	(2,644)	(1,647)	(950)	(12,870)	(11,330)	(77,590)	(81,808)	-	(193,415)	(203,786)
154	26,824	115,166	25,005	396,487	552,152	996,698	1,885,055	-	4,010,118	4,168,739
-	-	(24,840)	-	-	-	(100,327)	-	-	(125,167)	(276,258)
154	26,824	90,326	25,005	396,487	552,152	896,371	1,885,055	-	3,884,951	3,892,481
(154)	3,064	(106,344)	(31,252)	(16,496)	(837,290)	(1,735,716)	4,013,209	-	1,314,868	(17,714)
1	(110,836)	29,940	1	(44,000)	-	179,020	(118,599)	-	(81,626)	4,677
1	(80,948)	13,922	(6,246)	335,991	(285,138)	(660,325)	5,779,665	-	5,118,193	3,879,444
-	-	-	-	-	-	-	2,831,731	-	2,831,731	2,504,368
-	-	-	-	-	-	8,297	546,321	-	554,618	545,460
-	-	-	-	-	-	-	2,184,296	-	2,184,296	1,941,176
857	3,531	(2,420)	1,077	(6,683)	(42,083)	(111,114)	224,332	-	72,605	21,786
-	-	-	-	-	-	65,255	13,733	-	78,988	22,048
-	-	-	-	-	-	-	-	2,223	2,223	9,865
-	-	-	-	-	-	-	44,073	-	44,073	51,606
-	-	-	-	-	249,397	-	-	-	249,397	199,574
-	-	-	-	-	-	-	46,372	-	46,372	41,926
858	(77,417)	11,501	(5,169)	329,308	(77,824)	(697,887)	11,670,523	2,223	11,182,496	9,217,253
-	-	-	-	-	-	-	-	-	-	-
30,530	93,069	48,517	133,404	(112,971)	306,245	945,235	1,322,847	(2,223)	2,840,287	3,765,165

See independent auditor's report.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**
Combining and Combined Statement of Revenues and Expenses
For the period March 1, 1987 through June 30, 2007

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenues:									
Contributions	\$ 1,886,708	3,478,124	2,718,315	2,927,993	3,611,796	4,178,842	4,728,534	4,823,684	4,600,925
Investment income	170,048	522,662	303,155	143,822	222,683	140,144	551,922	655,270	337,088
Grant income	-	-	-	-	-	-	-	-	-
Total revenues	2,056,756	4,000,786	3,021,470	3,071,815	3,834,479	4,318,986	5,280,456	5,478,954	4,938,013
Expenses:									
Claims paid	830,179	1,120,078	979,918	2,197,076	1,817,965	2,649,148	2,058,998	1,261,447	2,012,365
Less: Deductible recovery	(74,587)	(109,119)	(105,595)	(100,511)	(122,654)	(183,579)	(22,045)	(21,915)	(26,066)
Salvage recovery	(1,295)	(4,754)	(6,508)	(3,229)	(6,057)	(12,301)	(7,795)	(1,629)	(8,627)
Subrogation recovery	(6,851)	(27,902)	(17,578)	(80,992)	(45,038)	(52,754)	(37,166)	(70,839)	(81,340)
Net claims paid before reinsurance	747,446	978,303	850,237	2,012,344	1,644,216	2,400,514	1,991,992	1,167,064	1,896,332
Reinsurance recovery	(185,928)	(211,859)	-	(470,387)	(280,538)	(637,712)	(472,013)	(138,764)	(162,946)
Reinsurance recovery aggregate	-	-	-	(446,145)	-	(50,221)	-	-	-
Net claims paid after reinsurance	561,518	766,444	850,237	1,095,812	1,363,678	1,712,581	1,519,979	1,028,300	1,733,386
Claims reserve adjustment									
Established claims	-	-	-	-	-	-	-	-	25,749
Less reinsurance recoverable estimate	-	-	-	-	-	-	-	-	(25,749)
Net claims expense adjustment	561,518	766,444	850,237	1,095,812	1,363,678	1,712,581	1,519,979	1,028,300	1,733,386
Reinsurance premium	1,028,693	1,665,025	1,288,667	1,420,019	1,946,991	1,842,935	1,599,829	1,671,447	1,502,842
Premiums remitted	-	-	-	-	89,499	63,710	113,372	125,881	119,937
Claims service fee	28,688	41,887	25,885	22,746	22,290	24,740	-	-	14,000
Administrative fee	195,783	301,418	289,238	319,669	426,724	531,791	621,840	755,614	930,103
Loss prevention services	35,217	64,204	51,000	57,000	66,600	82,484	51,299	672	(2,095)
Claims service reserve adjustment	-	-	-	-	-	-	-	-	2,007
Consultants and legal fees	-	-	-	-	-	-	-	-	-
Safety scholarships and grants	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	339
Depreciation	-	-	-	-	-	-	-	-	29,427
Dividends	-	-	-	-	-	-	160,376	159,696	152,646
Total expenses	1,849,899	2,838,978	2,505,027	2,915,246	3,915,782	4,258,241	4,066,695	3,741,610	4,482,592
Excess (deficiency) of revenue over (under) expenses	206,857	1,161,808	516,443	156,569	(81,303)	60,745	1,213,761	1,737,344	455,421
Transfer to fund year									
1991-92	-	(447,535)	-	-	447,535	-	-	-	-
1996-97	(150,000)	(550,000)	(72,855)	-	-	-	-	-	-
1997-98	-	(150,000)	(372,307)	-	-	-	-	-	-
1998-99	-	-	-	(9,356)	(160,475)	(5,159)	(484,110)	-	-
1999-00	-	-	-	-	-	-	-	(380,929)	-
2000-01	-	-	-	-	-	-	-	(685,572)	-
2001-02	-	-	-	-	-	-	(250,000)	(250,000)	-
2002-03	-	-	-	(48,772)	(150,000)	-	(150,000)	-	-
2003-04	(56,857)	(14,273)	(71,281)	(98,441)	-	-	-	-	-
2004-05	-	-	-	-	-	-	(107,014)	(64,065)	-
2005-06	-	-	-	-	-	-	-	-	-
2006-07	-	-	-	-	-	-	-	-	-
Transfer from POL to P&C									
Net assets	\$ -	-	-	-	55,757	55,586	222,637	356,778	455,421

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**
Combining and Combined Statement of Revenues and Expenses, Continued

1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	2006-07 Fund Year	P&C Safety Fund	Totals
3,549,226	3,372,596	3,375,152	3,687,173	5,142,450	6,208,414	8,825,598	10,486,038	12,037,771	12,370,087	12,809,647	-	114,819,073
385,869	82,914	17,893	214,146	178,799	249,846	357,836	489,127	473,890	363,691	183,722	-	6,044,527
-	-	-	-	-	-	-	-	-	-	-	227,305	227,305
3,935,095	3,455,510	3,393,045	3,901,319	5,321,249	6,458,260	9,183,434	10,975,165	12,511,661	12,733,778	12,993,369	227,305	121,090,905
1,275,736	2,041,100	1,957,936	1,336,313	3,838,713	2,645,434	3,204,377	2,811,603	3,537,736	3,631,928	2,211,892	-	43,419,942
(6,000)	(6,419)	(4,723)	(4,557)	(109,381)	(59,969)	(99,868)	(64,201)	(246,979)	(145,153)	(235,060)	-	(1,748,381)
(7,226)	(7,171)	(16,884)	(16,434)	(17,170)	(13,863)	(23,741)	(6,628)	(26,477)	(14,636)	(9,969)	-	(212,394)
(37,183)	(43,118)	(103,764)	(86,738)	(122,490)	(94,047)	(210,366)	(106,131)	(183,439)	(218,430)	(81,808)	-	(1,707,974)
1,225,327	1,984,392	1,832,565	1,228,584	3,589,672	2,477,555	2,870,402	2,634,643	3,080,841	3,253,709	1,885,055	-	39,751,193
(22,015)	(492,574)	(100,533)	(35,103)	(942,592)	(291,469)	(144,666)	-	-	(100,327)	-	-	(4,689,426)
-	-	-	-	-	-	-	-	-	-	-	-	(496,366)
1,203,312	1,491,818	1,732,032	1,193,481	2,647,080	2,186,086	2,725,736	2,634,643	3,080,841	3,153,382	1,885,055	-	34,565,401
-	-	80,680	6,718	26,729	58,127	30,416	788,945	1,750,310	1,391,774	4,013,209	-	8,172,657
-	1	(95,457)	(44,687)	(209,350)	(61,239)	(25,364)	(44,000)	(730,000)	(42,900)	(118,599)	-	(1,397,344)
1,203,312	1,491,819	1,717,255	1,155,512	2,464,459	2,182,974	2,730,788	3,379,588	4,101,151	4,502,256	5,779,665	-	41,340,714
1,075,765	973,632	866,631	802,491	1,492,095	1,707,265	2,113,070	1,970,970	2,525,573	2,478,472	2,831,731	-	32,804,143
211,736	240,931	248,803	331,911	417,165	461,578	516,502	793,892	918,156	553,758	546,321	-	5,753,152
-	7,000	9,500	7,000	7,000	-	-	-	-	-	-	-	210,736
1,026,453	1,051,086	1,081,080	1,120,192	1,196,705	1,307,770	1,471,659	1,535,480	1,643,475	1,941,177	2,184,296	-	19,931,553
-	-	-	-	-	-	-	-	-	-	-	-	406,381
-	-	5,939	2,007	10,663	7,318	10,078	29,276	41,638	68,041	224,332	-	401,299
-	-	-	11,982	922	18,542	20,652	10,065	18,084	85,742	13,733	-	179,722
-	-	-	-	-	-	-	-	-	-	-	44,601	44,601
1,746	2,821	3,916	1,610	10,024	1,045	9,019	8,145	20,658	51,606	44,073	-	155,002
35,061	36,344	37,044	33,156	29,853	30,013	27,766	24,436	44,806	41,926	46,372	-	416,204
175,756	163,885	172,123	171,980	174,665	172,543	174,875	199,574	249,397	-	-	-	2,127,516
3,729,829	3,967,518	4,142,291	3,637,841	5,803,551	5,889,048	7,074,409	7,951,426	9,562,938	9,722,978	11,670,523	44,601	103,771,023
205,266	(512,008)	(749,246)	263,478	(482,302)	569,212	2,109,025	3,023,739	2,948,723	3,010,800	1,322,846	182,704	17,319,882
-	-	-	-	-	-	-	-	-	-	-	-	-
772,855	-	-	-	-	-	-	-	-	-	-	-	-
-	522,307	-	-	-	-	-	-	-	-	-	-	-
-	-	659,100	-	-	-	-	-	-	-	-	-	-
-	-	-	380,929	-	-	-	-	-	-	-	-	-
-	-	-	-	685,572	-	-	-	-	-	-	-	-
(65,066)	-	-	-	-	565,066	-	-	-	-	-	-	-
-	-	-	-	-	-	348,772	-	-	-	-	-	-
-	-	-	-	-	-	-	240,852	-	-	-	-	-
-	-	-	-	-	-	-	-	171,079	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	250,000	-	-	-	-	-	-	-	250,000
913,055	10,299	(90,146)	644,407	453,270	1,134,278	2,457,797	3,264,591	3,119,802	3,010,800	1,322,846	182,704	17,569,882

See independent auditor's report.

Schedule 4

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Schedule of Claims Development Information**

	1997-98	1998-99	1999-00
	Fund Year	Fund Year	Fund Year
Contribution and investment revenue:			
Earned	\$ 3,454,618	3,399,961	3,851,910
Ceded	1,214,563	1,115,434	1,134,402
Net earned revenue	2,240,055	2,284,527	2,717,508
Unallocated expenses:	1,261,137	1,305,357	1,347,612
Estimated incurred claims and expense:			
Incurred	1,833,052	1,896,976	2,487,518
Ceded	353,548	276,624	572,798
Net incurred claims	1,479,504	1,620,352	1,914,720
Paid claims (cumulative) as of:			
End of policy year	757,448	1,072,135	782,365
One year later	1,083,535	1,315,431	1,090,984
Two years later	1,303,279	1,544,547	1,294,524
Three years later	2,014,724	1,836,987	1,334,069
Four years later	2,036,699	1,877,688	1,337,669
Five years later	2,035,380	1,923,496	1,335,512
Six years later	2,041,100	1,924,700	1,336,159
Seven years later	2,041,100	1,940,783	1,336,313
Eight years later	2,041,100	1,957,936	-
Nine years later	2,041,100	-	-
Reestimated ceded claims and expenses	492,573	249,043	79,790
Reestimated incurred claims and expense as of:			
End of policy year	1,479,504	1,620,352	1,914,720
One year later	1,633,873	1,620,352	1,665,637
Two years later	1,633,873	1,620,352	1,287,218
Three years later	1,561,306	1,620,352	1,201,496
Four years later	1,491,468	1,620,352	1,159,263
Five years later	1,492,363	1,638,575	1,159,263
Six years later	1,491,819	1,620,353	1,235,303
Seven years later	1,491,819	1,870,246	1,235,303
Eight years later	1,984,392	1,913,246	-
Nine years later	1,984,392	-	-
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ 504,888	292,894	(679,417)

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Schedule of Claims Development Information, Continued**

2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	2006-07 Fund Year
5,296,031	6,361,068	8,977,521	10,622,190	12,125,297	12,486,429	12,993,369
1,909,260	2,168,843	2,629,572	2,764,862	3,417,833	3,023,933	3,378,053
3,386,771	4,192,225	6,347,949	7,857,328	8,707,464	9,462,496	9,615,316
1,425,405	1,545,076	1,728,609	1,648,477	1,905,022	2,234,349	2,512,805
3,811,735	3,838,334	2,985,133	3,914,536	4,082,101	5,384,502	5,898,265
1,303,468	1,535,914	169,775	-	430,000	221,920	-
2,508,267	2,302,420	2,815,358	3,914,536	3,652,101	5,162,582	5,898,265
1,437,939	1,128,147	1,412,020	1,345,716	1,981,089	2,488,367	2,211,892
2,763,260	1,571,237	2,332,605	2,115,832	2,944,762	3,631,928	-
3,256,122	2,078,601	2,701,484	2,391,126	3,537,736	-	-
3,732,064	2,230,013	3,176,422	2,811,603	-	-	-
3,772,509	2,528,621	3,204,377	-	-	-	-
3,805,744	2,645,434	-	-	-	-	-
3,838,713	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,198,407	489,886	61,775	-	430,000	221,920	-
2,508,267	2,302,420	3,676,207	4,102,337	4,512,101	5,384,502	5,898,265
2,503,275	2,278,626	3,613,207	3,914,536	5,116,289	4,645,484	-
2,498,274	2,342,466	3,046,908	3,043,597	4,831,151	-	-
2,397,697	2,324,910	2,907,065	3,423,589	-	-	-
2,429,188	2,526,860	2,900,818	-	-	-	-
3,586,512	2,535,681	-	-	-	-	-
3,616,400	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,108,133	233,261	(775,389)	(678,748)	319,050	(739,018)	-

See independent auditor's report.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**

Financial Statements

For the years ended June 30, 2008 and 2007

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
For the years ended June 30, 2008 and 2007

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

Board of Directors
Maine Municipal Association
Property and Casualty Pool:

We have audited the accompanying statements of net assets of Maine Municipal Association Property and Casualty Pool as of June 30, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets; changes in net assets; and cash flows for the years then ended. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Municipal Association Property and Casualty Pool as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information presented in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Runyon Kersteen Ouellette".

December 3, 2008
South Portland, Maine

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2008**

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Maine Municipal Association Property & Casualty Pool (the Pool) annual financial report sets forth a narrative overview of its financial activities for the year ended June 30, 2008. Please read it in conjunction with the Pool's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

For all fund years combined, developments in fiscal year 2008 included:

- The Net Assets as of June 30, 2008 were \$21,504,955, an increase of 22.4% over the prior year.
- Cash and Investments totaled \$28,138,490, an increase of 16.4%.
- Operating revenues in 2008 totaled \$13,827,023, a decrease of 1.4%.
- Operating expenses in 2008 totaled \$10,077,897, a decrease of 9.9%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Pool's fiscal year is July 1 through June 30. The annual financial report consists of four parts:

- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Statements
- Supplemental Schedules.

Management's Discussion and Analysis provides a narrative overview of the statements and comments on significant developments during the reporting period.

Basic Financial Statements include: Statements of Net Assets; Statements of Revenues, Expenses and Changes in Net Assets; Statements of Changes in Net Assets; and Statements of Cash Flows.

These statements present the Pool's status at June 30, 2008 and financial developments during fiscal year 2008 for all fund years combined.

Notes to the Statements provide explanations of the accounting principles followed and of key items in the statements.

Supplemental Schedules include an analysis by fund year of the statement of net assets; statement of revenues and expenses; statement of revenues and expenses for the past ten years; and a history of claims development for the past ten years.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2008**

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

FINANCIAL ANALYSIS

The following table summarizes the Combined Statements of Net Assets.

	<u>06/30/08</u>	<u>06/30/07</u>
ASSETS		
Current Assets	\$ 28,477,993	\$ 24,651,283
Capital Assets (net)	73,771	110,656
Total Assets	<u>\$ 28,551,764</u>	<u>\$ 24,761,939</u>
LIABILITIES		
Net Claims and Service Fee Reserves	\$ 6,993,860	\$ 7,176,611
Other Liabilities	52,949	15,446
Total Liabilities	<u>\$ 7,046,809</u>	<u>\$ 7,192,057</u>
NET ASSETS		
Board Designated Reserves	\$ 1,628,711	\$ 1,399,209
Safety Enhancement Fund	177,589	182,705
Invested in Capital Assets	73,771	110,655
Contingency Reserve	19,624,884	15,877,313
Total Net Assets	<u>\$ 21,504,955</u>	<u>\$ 17,569,882</u>

The following table summarizes the Combined Statements of Revenues, Expenses and Changes in Net Assets during fiscal years 2007-2008 and 2006-2007 for all Pool years combined.

	<u>06/30/08</u>	<u>06/30/07</u>
REVENUE		
Member Contributions	\$ 12,598,903	\$ 12,817,944
Investment and Other Revenues	1,228,120	1,204,839
Total Revenues	<u>\$ 13,827,023</u>	<u>\$ 14,022,783</u>
EXPENSES		
Net Claims Expense	\$ 3,906,625	\$ 5,118,193
Reinsurance and Premium Remitted	3,375,845	3,386,349
Safety Scholarships and Grants	5,117	2,223
Other Expenses	2,790,310	2,675,731
Total Expenses	<u>\$ 10,077,897</u>	<u>\$ 11,182,496</u>
NET CHANGE IN NET ASSETS	<u>\$ 3,749,126</u>	<u>\$ 2,840,287</u>
Transfer from POL Program to P & C Pool	<u>\$ 185,947</u>	<u>\$ -</u>
NET ASSETS BEGINNING OF YEAR	<u>\$ 17,569,882</u>	<u>\$ 14,729,595</u>
NET ASSETS END OF YEAR	<u>\$ 21,504,955</u>	<u>\$ 17,569,882</u>

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2008

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2007-2008

The following table presents a budget to actual comparison for the 2007-2008 Pool Year in summarized form:

	<u>Budget</u>	<u>ACTUARIAL PROJECTION AT 06/30/2008</u>	
REVENUE			
Member Contributions	\$11,610,517	\$12,597,499	8.5%
Investment and Other Revenues	150,000	168,598	12.4%
Total Revenues	<u>\$11,760,517</u>	<u>\$12,766,097</u>	
EXPENSES			
Net Claims Expense at 95% Confidence Level	\$6,061,001	\$6,018,799	-0.7%
Reinsurance and Premiums Remitted	3,452,652	3,374,441	-2.3%
Other Expenses	2,829,243	3,010,808	6.4%
Total Expenses	<u>\$12,342,896</u>	<u>\$12,404,048</u>	
GAIN OR LOSS FROM OPERATIONS	<u>(\$582,379)</u>	<u>\$362,049</u>	

The major variance in fiscal year 2007-2008 was an increase in Member Contributions of \$986,982 (8.5%) and a reduction in the expected claims expense of \$828,435. Net Claims Expense at the 95% Confidence Level includes claims payments, reserves on open claims, actuarial estimates of claims development in the future (IBNR) and additional reserves recommended by the actuary to fund Pool claims to the 95% Confidence Level.

Other expenses include a \$350,000 provision for budgeted member dividends which had not been declared or distributed at June 30, 2008.

POOL FINANCIAL POSITION AT JUNE 30, 2008

At June 30, 2008, the Net Assets totaled \$21,504,955, an increase of \$3,935,073 (22.4%) over the prior year. Net Assets are divided into four components:

Invested in Capital Assets , maintained to record capital assets less depreciation.	\$ 73,771
Reserve for Adverse Development , maintained to increase Pooling of claims reserves to the 95% Confidence Level	1,628,711
Safety Enhancement Reserve , maintained to provide grants and scholarships to assist members in strengthening their work place safety practices	177,589
Contingency Reserve , maintained to provide resources to meet other challenges and opportunities	<u>19,624,884</u>
Total Net Assets	<u>\$ 21,504,955</u>

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2008

MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED

CAPITAL ASSETS AND LONG TERM DEBT

At June 30, 2008 the Pool had capital assets of \$231,326, net of accumulated depreciation of \$157,555, for a net capital asset balance of \$73,771. These assets are the Pool's investment in a claims and underwriting system jointly owned with the MMA Workers' Compensation Fund. The Pool has no long-term debt.

CONDITIONS WHICH MAY IMPACT ON THE POOL'S FINANCIAL CONDITION IN THE FUTURE

Management is aware of no conditions, decisions or contingencies which are expected to significantly impact on the Pool's financial position in the future.

REQUEST FOR INFORMATION

This financial report is designed to provide our members, customers, investors and creditors with a general overview of the Pool's finances and to show the Pool's accountability for the money it receives. If you have any questions about this report or need additional information, contact Martin Hanish, Chief Financial Officer at (207) 623-8428.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Statements of Net Assets
(All Fund Years)
June 30, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 11,094,994	7,738,990
Certificates of deposit	7,628,088	5,500,000
U.S. government and agency securities	9,415,408	10,945,101
Prepaid expenses	38,274	10,608
Accounts receivable	86,281	107,851
Accrued interest receivable	214,948	348,733
Total current assets	28,477,993	24,651,283
Capital assets:		
Computer equipment	231,326	221,001
Accumulated depreciation	(157,555)	(110,345)
Net capital assets	73,771	110,656
Total assets	\$ 28,551,764	24,761,939
LIABILITIES		
Liabilities:		
Accounts payable	41,490	15,446
Deferred revenue	11,459	-
Claims loss reserves	7,636,794	8,172,657
Reinsurance recoverable	(1,018,195)	(1,397,345)
Net claims loss reserves	6,618,599	6,775,312
Claims service reserves	375,261	401,299
Total liabilities	\$ 7,046,809	7,192,057
NET ASSETS		
Invested in capital assets, net of related debt	73,771	110,655
Unrestricted:		
Board designated:		
Reserve for adverse development	1,628,711	1,399,209
Safety enhancement fund	177,589	182,705
Contingency reserve	19,624,884	15,877,313
Total net assets	\$ 21,504,955	17,569,882

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Statements of Revenues, Expenses and Changes in Net Assets
(All Fund Years)
For the Years Ended June 30, 2008 and 2007**

	2008	2007
Revenues:		
Contributions	\$ 12,598,903	12,817,944
Investment income	1,228,120	1,204,839
Total revenues	13,827,023	14,022,783
Expenses:		
Claims paid	5,288,357	4,563,946
Less:		
Deductible recovery	(322,978)	(347,744)
Salvage recovery	(19,567)	(12,669)
Subrogation recovery	(188,376)	(193,415)
Net claims paid before reinsurance	4,757,436	4,010,118
Reinsurance recovery	(694,097)	(125,167)
Net claims paid after reinsurance	4,063,339	3,884,951
Claims reserve adjustment:		
Established claims	(535,863)	1,314,868
Less reinsurance recoverable estimate	379,149	(81,626)
Net claims expense adjustment	3,906,625	5,118,193
Reinsurance premium	2,817,313	2,831,731
Premiums remitted	558,532	554,618
Administrative fee	2,372,929	2,184,296
Claims service reserve adjustment	(26,038)	72,605
Consultants and legal fees	64,961	78,988
Safety scholarships and grants	5,117	2,223
Maintenance contracts	31,887	44,073
Dividends	299,360	249,397
Depreciation	47,211	46,372
Total expenses	10,077,897	11,182,496
Transfer from POL fund	185,947	-
Change in net assets	\$ 3,935,073	2,840,287

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Statements of Changes in Net Assets
(All Fund Years)

For the Years Ended June 30, 2008 and 2007

		Invested in capital assets	Reserve for adverse development	Safety enhancement fund	Contingency reserve	Total fund balance
Net assets at June 30, 2006	\$	142,025	1,290,708	184,928	13,111,934	14,729,595
Excess (deficiencies) of revenues over expenses		-	-	(2,223)	2,842,510	2,840,287
Net assets transfer		(31,370)	108,501	-	(77,131)	-
Net assets at June 30, 2007		110,655	1,399,209	182,705	15,877,313	17,569,882
Excess (deficiencies) of revenues over expenses		(36,884)	229,502	(5,116)	3,561,624	3,749,126
Net assets transfer		-	-	-	185,947	185,947
Net assets at June 30, 2008	\$	73,771	1,628,711	177,589	19,624,884	21,504,955

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Statements of Cash Flows
(All Fund Years)
Years Ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Receipts from net contributions	\$ 12,631,932	12,815,605
Receipts from investment income	1,361,905	1,025,534
Payments for net claims	(4,063,339)	(3,884,951)
Payments for reinsurance premium	(2,817,313)	(2,831,731)
Payments for premiums remitted	(586,198)	(320,168)
Payments for administrative fees	(2,346,885)	(2,233,343)
Payments for consultants and legal fees	(70,078)	(81,211)
Payments for maintenance contracts	(31,887)	(44,073)
Payments for dividends paid	(299,360)	(249,397)
Net cash provided by operating activities	3,778,777	4,196,265
Cash flows from capital and related financing activities:		
Net purchases of computer equipment	(10,326)	(15,003)
Net cash used in capital and related financing activities	(10,326)	(15,003)
Cash flows from investing activities:		
Purchase of investments	(11,512,447)	(8,878,693)
Sale of investments	11,100,000	8,850,000
Net cash used in investing activities	(412,447)	(28,693)
Net increase in cash	3,356,004	4,152,569
Cash, beginning of year	7,738,990	3,586,421
Cash, end of year	\$ 11,094,994	7,738,990
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 3,935,073	2,840,287
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	47,211	46,372
Transfer from POL fund	(185,947)	-
Changes in assets and liabilities:		
Accounts receivable	21,570	239,943
Accrued interest receivable	133,785	(179,305)
Prepaid expenses	(27,666)	234,450
Accounts payable	26,044	(49,047)
Deferred revenue	11,459	(242,282)
Claims loss reserves	(535,863)	1,314,868
Reinsurance recoverable	379,149	(81,626)
Claims service reserves	(26,038)	72,605
Net cash provided by operating activities	\$ 3,778,777	4,196,265

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND POOL DESCRIPTION

The Maine Municipal Association Property and Casualty Pool (the Pool) was established on March 1, 1987 as a self-insured pool for the purpose of providing liability and property coverage to municipalities and qualified local government instrumentalities or subdivisions who choose to participate. During the fiscal years ended June 30, 2008 and 2007, there were 438 and 429 governmental entities, respectively, which participated in the Pool. The Pool provides the following coverages: automobile liability; commercial general liability; police professional liability; ambulance/nurse malpractice liability; firefighters liability; public officials liability, including employment practices liability; automobile physical damage coverage; property and inland marine coverage; and comprehensive crime coverage. In addition the Pool offers coverage for forest fire suppression, earthquake, and flood on a pooled basis. The Pool also assists members in the purchase of other fully insured coverages through the services of its broker. The Pool is administered by the Maine Municipal Association for which a management fee is assessed and is included in expense. For the years ended June 30, 2008 and 2007, the Pool was assessed management fees totaling \$2,372,929 and \$2,184,296, respectively. These financial statements include only the accounts of the Maine Municipal Association Property and Casualty Pool.

The municipality or qualified local government instrumentality or subdivision must be a member of the Maine Municipal Association to participate in the Pool.

Tax Exempt Status - The Pool is exempt from income taxes.

Fund Accounting - Each year a new fund is established to cover the potential claims made for that specific period. Each fund year has a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues, and expenses.

Basis of Accounting - The accrual basis of accounting is followed for all fund years. The Fund follows the provisions of Government Accounting Standards Board (GASB) Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*. Contributions are recognized as revenue over the contract period for which risk protection is provided which corresponds to a fund year. A liability for unpaid claims, including estimated claims incurred but not reported, is accrued when insured events occur. Anticipated investment income is considered in determining whether a contribution deficiency exists. The Fund applies all applicable pronouncements of the Financial Accounting Standards Board except those which conflict with pronouncements of the GASB.

Cash and Cash Equivalents - The Pool considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments - All investments are carried at fair value, based on quoted market prices, in a single pooled investment account for all of the Property and Casualty Pool fund years. The Pool's investments consist of U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Pool estimates that the fair value of all financial instruments at June 30, 2008 and 2007, respectively, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements changes in of net assets. Each fund year's portion of principal, interest, capital gains and losses is determined by its cash and investments in the pooled investments.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND POOL DESCRIPTION, CONTINUED

Accounts Receivable - Accounts receivable has been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at June 30, 2008 and 2007.

Fixed Assets - The cost of computer hardware and software is depreciated on a straight-line basis over their estimated useful lives of three to five years.

Deferred Revenue - Deferred revenue represents contributions which have been received by the Pool related to the next fund year.

Claims Loss Reserves - Claims loss reserves represent the estimated ultimate cost of settling all reported and unreported losses at the balance sheet date, including the effects of inflation and other factors, as determined by an independent actuary. Management believes that the reserves are adequate, but the ultimate cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually. Any adjustments resulting from the settlement of losses will be reflected in the combined statements of revenues, expenses and changes in net assets at the time the adjustments are determined.

Claims Service Reserves - The claims service reserves is actuarially determined and consists of estimates for service fees for future claims. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually.

Reinsurance - The Pool uses reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Premiums paid for reinsurance and special coverages in Fund Years 2008 and 2007 were \$3,374,441 and \$3,378,052, respectively. The amounts deducted from claims liabilities as of June 30, 2008 and 2007 for reinsurance were \$1,018,195 and \$1,397,345, respectively.

Statements of Cash Flows - For purposes of the statements of cash flows, the Pool considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

Management Estimates - The preparation of financial statements in conformity with U.S. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS

Deposits

Cash and cash equivalents are composed of cash management accounts (CMA) and money market instruments, and consisted of the following at June 30:

	<u>2008</u>	<u>2007</u>
CMA - deposit account	\$ 77	2,276
CMA - mutual fund investment sweep account	6,825,536	4,201,196
Money market mutual fund	4,269,381	3,535,518
Totals	<u>\$ 11,094,994</u>	<u>7,738,990</u>

At June 30, 2008 and 2007, the portion of bank balances attributable to the Pool totaled \$6,928,311 and \$4,450,792, respectively. The bank balances for the Pool do not reflect a reduction for outstanding checks at that date. Amounts in the cash management-deposit account that exceed the \$100,000 FDIC insured limit are considered uninsured and uncollateralized.

Custodial Credit Risk-Fund Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits in excess of the FDIC insured limit may not be recoverable. The Pool addresses this risk by minimizing balances in bank accounts. Checking accounts are on a zero balance basis and collected funds are transferred from the CMA - deposit account on a daily basis either to the checking accounts to cover checks presented for payment or to a money market fund outside of the bank. Funds in the CMA - deposit account are insured by the FDIC up to \$100,000. Any balance in this account in excess of the \$100,000 FDIC insured limit is considered uninsured and uncollateralized and subject to custodial credit risk. The CMA - mutual fund investment sweep and the money market mutual fund are mutual funds outside the bank, invested in short term government securities. These funds are uninsured and uncollateralized, and subject to custodial credit risk.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

Investments

At June 30, the Pool had the following investments and maturities:

2008

	<u>Fair value</u>	<u>Less than one year</u>	<u>One to five years</u>	<u>More than five years</u>
Certificate of deposit *	\$ 7,628,088	7,178,088	450,000	N/A
U.S. government securities	9,415,408	4,286,333	5,129,075	N/A
Totals	\$ 17,043,496	11,464,421	5,579,075	N/A

2007

	<u>Fair value</u>	<u>Less than one year</u>	<u>One to five years</u>	<u>More than five years</u>
Certificate of deposit *	\$ 5,500,000	4,750,000	750,000	N/A
U.S. government securities	10,945,101	4,981,816	5,963,285	N/A
Totals	\$ 16,445,101	9,731,816	6,713,285	N/A

* Of the certificate of deposit bank balance, \$2,575,000 and \$1,700,000 were covered by federal depository insurance for 2008 and 2007, respectively; the remainder is uninsured and uncollateralized.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pool's investment policy requires that, to the extent possible, the Pool attempts to match investments with anticipated cash requirements. Purchases of securities are guided by the need to provide flexibility in the portfolio to meet expected cash flows, with a prudent margin for the unexpected, for the next five years, and to obtain the highest yield available within the context of the asset allocation target levels noted below. Maturities may extend to a maximum of five years, based on a projected cash requirement and available yields. Liquidity risk, as defined by the Pool's investment policy, is the risk that funds may not be available as needed, or may be available only by liquidating investments with a resultant capital loss. The Pool's investment policy requires that investment maturities be timed to meet projected cash flow requirements, with a margin for the unexpected. The maximum maturity permitted under Board policy in 2008 and 2007 was five years.

Credit Risk: Credit risk is the risk that the entity in which the Pool has invested may be unable to redeem investments when they mature. The Pool's investment policy limits investments to entities that have high ratings by recognized rating agencies. Management monitors the ratings of entities in which it has invested and would sell investments should a significant rating decline occur. No such issues were noted in 2008 or 2007, and the Pool had no investments in corporate stocks or bonds as of June 30, 2008 and 2007.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

Custodial Credit Risk-Fund Investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Pool will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pool addresses this risk by having the custodian hold investments to the Pool's benefit, by maintaining high quality standards for the entities in which it invests and by monitoring the ratings of entities in which it has invested.

Concentration of Credit Risk: It is the Pool's policy that investments will be primarily U.S. Agency issues and certificates of deposit, with a provision for up to \$1,000,000 of corporate bonds. In the event that suitable corporate bonds are not available, the Pool will purchase additional certificates of deposit. The portfolio composition shall be as follows: cash and money market funds-30%; certificates of deposit-20%; government securities-45%; and corporate bonds-5%. All target levels are flexible, except for corporate bonds, which is on a not to exceed basis.

NET APPRECIATION OR DEPRECIATION IN FAIR VALUE

Net appreciation in fair value during the years ended June 30, 2008 and 2007 by type of investment is as follows. Such amounts are included in investment income on the statements of revenues, expenses and changes in net assets.

	<u>2008</u>	<u>2007</u>
U.S. Government securities	\$ 122,170	101,603
Totals	\$ 122,170	101,603

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

UNPAID CLAIMS LIABILITIES

The Pool establishes liabilities for the estimated costs of both reported and unreported losses, which includes estimates of both future payments of losses and related claims service reserves. The following represents changes in those aggregate liabilities for the years ended June 30, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Claims loss and claims service reserves at beginning of year	\$7,176,611	\$5,870,766
Provision for insured events - current year	5,424,789	6,003,996
Increase (decrease) in provision for insured events - prior years	(1,544,201)	(813,200)
Total incurred claims and claims service reserve expenses	3,880,588	5,190,796
Claims paid on losses incurred in the current year	1,819,517	1,885,055
Claims paid on losses incurred in prior years	2,243,822	1,999,896
Total paid claims	4,063,339	3,884,951
Claims loss and claims service reserves at end of year	\$6,993,860	\$7,176,611
Unpaid claims liabilities are reported on the combined balance sheet as follows:		
Claims loss reserves, net	\$6,618,599	\$6,775,312
Claims service fee reserves	375,261	401,299
Totals	\$6,993,860	\$7,176,611

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE

The amounts shown for claims reserves are developed from an actuarially determined loss analysis as of June 30, 2008 and are as follows:

<u>Fund Year</u>	<u>Established on known claims</u>	<u>Actuarial reserves</u>	<u>Total reserves</u>	<u>Net paid claims</u>	<u>Actuarially determined ultimate losses</u>
1987-88	\$ -	-	-	747,446	747,446
1988-89	-	-	-	978,303	978,303
1989-90	-	-	-	850,237	850,237
1990-91	-	-	-	2,012,344	2,012,344
1991-92	-	-	-	1,644,216	1,644,216
1992-93	-	-	-	2,400,514	2,400,514
1993-94	-	-	-	1,991,992	1,991,992
1994-95	-	-	-	1,167,065	1,167,065
1995-96	2,993	-	2,993	1,891,370	1,894,363
1996-97	-	-	-	1,225,327	1,225,327
1997-98	-	-	-	1,984,392	1,984,392
1998-99	71,116	-	71,116	1,888,554	1,959,670
1999-00	6,270	-	6,270	1,229,034	1,235,304
2000-01	3,623	-	3,623	3,593,631	3,597,254
2001-02	9,969	-	9,969	2,520,622	2,530,591
2002-03	8,592	-	8,592	2,874,623	2,883,215
2003-04	254,517	-	254,517	2,695,461	2,949,978
2004-05	194,196	18,184	212,380	4,330,678	4,543,058
2005-06	771,014	158,067	929,081	3,441,964	4,371,045
2006-07	1,580,817	935,477	2,516,294	3,221,342	5,737,636
2007-08	1,850,082	1,771,877	3,621,959	1,819,515	5,441,474
Total	\$ 4,753,189	2,883,605	7,636,794	44,508,630	52,145,424

Each fund year has a Loss Fund that is established from the fund members' annual contributions. For each fund year, the Pool also purchases specific reinsurance that provides coverage for claims exceeding \$100,000 per occurrence.

In addition, for the fund years through 2001-2002, the Pool purchased aggregate reinsurance of \$1,000,000 in excess of the reinsurance attachment point. No aggregate coverage was purchased for the 2002-2003 through the 2007-2008 fund years.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

An analysis of the reinsurance attachment points, ultimate losses, reinsurance recovery, and ultimate net losses is as follows:

Fund year	Aggregate reinsurance attachment	Actuarially determined ultimate losses	Reinsurance recovered	Reinsurance re recoverable	Ultimate losses net of reinsurance
1987-88	845,834	747,446	185,928	-	561,518
1988-89	1,406,720	978,303	211,859	-	766,444
1989-90	963,226	850,237	-	-	850,237
1990-91	1,095,964	2,012,344	916,532	-	1,095,811
1991-92	1,564,127	1,644,216	280,538	-	1,363,678
1992-93	1,712,586	2,400,514	687,934	-	1,712,582
1993-94	2,362,467	1,991,992	472,013	-	1,519,979
1994-95	2,403,851	1,167,065	138,764	-	1,028,301
1995-96	2,250,000	1,894,363	162,946	2,993	1,728,424
1996-97	1,733,027	1,225,327	22,015	-	1,203,312
1997-98	1,633,873	1,984,392	492,574	-	1,491,818
1998-99	1,620,352	1,959,670	100,533	151,446	1,707,691
1999-00	1,741,520	1,235,304	35,103	44,687	1,155,514
2000-01	2,508,266	3,597,254	951,065	198,233	2,447,956
2001-02	3,128,504	2,530,591	291,470	61,239	2,177,882
2002-03	no aggregate	2,883,215	144,666	25,365	2,713,184
2003-04	no aggregate	2,949,978	-	-	2,949,979
2004-05	no aggregate	4,543,058	612,647	5,437	3,924,973
2005-06	no aggregate	4,371,045	173,303	218,130	3,979,612
2006-07	no aggregate	5,737,636	-	101,755	5,635,880
2007-08	no aggregate	5,441,474	-	208,910	5,232,568
Totals	\$ 26,970,317	52,145,424	5,879,890	1,018,195	45,247,343

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

A.M. BEST RATINGS

The following companies have provided reinsurance or excess insurance for the various fund years. The A.M. Best rating for each company is also listed.

Fund Year	Reinsurance Carrier	Type of Coverage	A.M. Best Rating	Fin Size Category
1987-1988 through 1988-1989	Lloyd's of London	Aggregate & Specific	A+	XV
	Fireman's Fund Ins. Co.	Excess Property	A+	X
	International Ins. Co.	GL/Auto Excess	not rated	
	CAN Insurance Companies (formerly CNA Casualty)	Prop & Liab Excess	A+	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
1989-1990 through 1992-1993	Lloyd's of London	Aggregate & Specific	A+	XV
	Fireman's Fund Ins. Co.	Excess Property	A+	X
	International Ins. Co.	GL/Auto Excess	not rated	
	CAN Insurance Companies (formerly CNA Casualty)	Prop & Liab Excess	A+	XV
	ACE Prop & Casualty Ins Co	Following Form	A+	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
1993-1994 through 1998-1999	Munich Reinsurance America	Aggregate & Specific	A-	X
	Royal Insurance Group	Excess Property	not rated	
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
1999-2000	Munich Reinsurance America	Aggregate & Specific	A-	X
	Swiss Re America Group	Excess Property	A+	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
2000-2001	Munich Reinsurance America	Aggregate & Specific	A-	X
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
2001-2002	Munich Reinsurance America	Aggregate & Specific	A-	X
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	F M Global Group	Boiler & Machinery	A+	XV

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

A.M. BEST RATINGS, CONTINUED

Fund Year	Reinsurance Carrier	Type of Coverage	A.M. Best Rating	Fin Size Category
2002-2003	Munich Reinsurance America	Specific	A-	X
	Essex Insurance Co.	Excess Property	A++	XV
	Federal Insurance Co.	Excess Property	A	XV
	Lexington Insurance Co.	Excess Property	A	XV
	St Paul Fire & Casualty Ins Co.	Excess Property	A+	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	Wausau Business Insurance Co.	Excess Property	A	XV
	Westchester Surplus Lines Ins Co.	Excess Property	A+	XII
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
2003-2004	Munich Reinsurance America	Specific	A-	X
	Federal Insurance Co.	Excess Property	A	XV
	Lexington Insurance Co.	Excess Property	A	XV
	St Paul Fire & Casualty Ins Co.	Excess Property	A+	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	U S Fire Insurance Co.	Excess Property	A	XIV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
2004-2005	Munich Reinsurance America	Specific	A-	X
	Discover Reinsurance Co	Excess Property	A	XII
	Essex Insurance Co.	Excess Property	A++	XV
	Federal Insurance Co.	Excess Property	A	XV
	Lexington Insurance Co.	Excess Property	A	XV
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	U S Fire Insurance Co.	Excess Property	A	XIV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
2005-2006	Discover Reinsurance Co	Specific & Excess Property	A	XII
	Essex Insurance Co.	Excess Property	A++	XV
	Federal Insurance Co.	Excess Property	A	XV
	Lexington Insurance Co.	Excess Property	A	XV
	Clarendon National Ins Co	Excess Property	A-	XV
	Travelers Casualty and Surety Co	Excess Property	A+	X
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

A.M. BEST RATINGS, CONTINUED

Fund Year	Reinsurance Carrier	Type of Coverage	A.M. Best Rating	Fin Size Category
2006-2007	Discover Reinsurance Co	Specific & Excess Property	A	XII
	Landmark American Insurance Co.	Excess Property	A	XII
	Federal Insurance Co.	Excess Property	A	XV
	U S Fire Insurance Co.	Excess Property	A	XIV
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
2007-2008	Discover Reinsurance Co	Specific & Excess Property	A	XII
	One Beacon	Excess Property	A	XIV
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	Landmark American Insurance Co.	Excess Property	A	XII
	Federal Insurance Co.	Excess Property	A	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	Lexington Insurance Co.	Excess Property	A	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV

EXPENSES

Estimates of reinsurance premiums, claims service fees and administrative fees are recorded as expenses in the initial fiscal year of each Pool for all of the services expected to arise out of that fund year. Changes in these estimated expenses are treated as current income or expenses in each fund year.

NET ASSETS

Under a policy adopted by the Board of Directors, net assets are segregated into two components.

The reserves for adverse development are maintained to recognize the possibility that actual loss development may vary from the expected development underlying the loss projections. The amount of the reserves is based on recommendations from an independent actuary. The reserves are established at the 95% Confidence Level, as calculated by the actuary. At June 30, 2008 and 2007, the reserves for adverse development totaled \$1,628,711 and \$1,399,209, respectively.

The contingency reserves are calculated as the net assets less the reserves for adverse development. The contingency reserves at June 30, 2008 and 2007 were \$19,624,884 and \$15,877,313, respectively. The contingency reserves represent accumulated funding in excess of statutory requirements and the board-designated reserves. The Property and Casualty Pool Trustees have established these reserves to be held for the financial stability of the Pool.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

INTERFUND TRANSFERS

In order to provide full funding, the Property and Casualty Pool Trustees have approved various transfers from some fund years to others. All transfers made between Property and Casualty Pool funds years since inception are reflected in Schedule 3.

INTEGRATION OF PUBLIC OFFICIALS LIABILITY PROGRAM

On January 27, 2000, the MMA Executive Committee and the Property and Casualty Pool Board voted to integrate the Public Officials Liability Program into the Property and Casualty Pool, effective July 1, 2000. From that date forward, Public Officials Liability claims will be self insured as a line of business within the Property and Casualty Pool. The Public Officials Liability Fund for 1999-2000 and prior fund years has remained open until all outstanding liabilities were relieved, at which time any remaining assets would be transferred to the Property and Casualty Fund. As of June 30, 2002, \$250,000 had been transferred from the Public Officials Liability program to the Property and Casualty Pool fund year 2000-2001. On June 30, 2008, an additional \$185,947 was transferred to the Property and Casualty Pool and the Public Officials Liability Program was officially closed.

CONTINGENCY

The Maine Municipal Association Property and Casualty Pool was named a party in a declaratory judgment action brought before the Cumberland County Superior Court by one of its public liability policyholders for an amount totaling \$380,000 plus interest. On September 5, 2007, the Court ruled in favor of the Maine Municipal Association Property and Casualty Pool, upon which the policyholder filed an appeal to the Maine Supreme Court. On August 7, 2008, the Maine Supreme Judicial Court ruled in favor of the policyholder, and the Maine Municipal Association Property and Casualty Pool paid the judgment in the amount of \$305,916. The case is now considered formally closed.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Statement of Net Assets by Fund Year
June 30, 2008

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
ASSETS							
Cash and cash equivalents	\$ 30,712	85,698	75,506	374,270	4,222	(17,278)	249,227
Certificates of deposit	21,115	58,919	51,912	257,320	2,902	(11,879)	171,351
U.S. government and agency securities	26,062	72,724	64,076	317,612	3,582	(14,663)	211,499
Prepaid expense	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Accrued interest receivable	595	1,660	1,463	7,251	82	(335)	4,828
Total current assets	78,484	219,001	192,957	956,453	10,788	(44,155)	636,905
Capital assets:							
Computer equipment	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Net capital assets	-	-	-	-	-	-	-
Total assets	\$ 78,484	219,001	192,957	956,453	10,788	(44,155)	636,905
LIABILITIES							
Liabilities:							
Accounts payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Claims loss reserves:							
Claims reserves	-	-	2,993	-	-	71,116	6,270
Reinsurance recoverable	-	-	(2,993)	-	-	(151,446)	(44,687)
Net claims loss reserves	-	-	-	-	-	(80,330)	(38,417)
Claims service fee reserve	-	-	1,382	-	-	4,103	1,382
Total liabilities	\$ -	-	1,382	-	-	(76,227)	(37,035)
NET ASSETS							
Invested in capital assets	-	-	-	-	-	-	-
Unrestricted:							
Board designated:							
Reserve for adverse development	-	-	-	-	-	-	-
Safety enhancement fund	-	-	-	-	-	-	-
Contingency reserve	78,484	219,001	191,575	956,453	10,788	32,072	673,940
Total net assets	\$ 78,484	219,001	191,575	956,453	10,788	32,072	673,940

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Statement of Net Assets by Fund Year, Continued

2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	2006-07 Fund Year	2007-08 Fund Year	P&C Safety Fund	Totals (memorandum only)	
									2008	2007
117,156	449,039	1,011,988	1,631,244	1,453,564	1,628,436	1,690,878	2,240,840	69,492	11,094,994	7,738,990
80,548	308,726	695,767	1,121,522	999,362	1,119,591	1,162,521	1,540,634	47,777	7,628,088	5,500,000
99,421	381,063	858,790	1,384,303	1,233,520	1,381,919	1,434,909	1,901,617	58,974	9,415,408	10,945,101
-	-	-	-	-	-	-	38,274	-	38,274	10,608
-	-	-	-	-	-	-	86,281	-	86,281	107,851
2,270	8,699	19,606	31,602	28,161	31,548	32,758	43,414	1,346	214,948	348,733
299,395	1,147,527	2,586,151	4,168,671	3,714,607	4,161,494	4,321,066	5,851,060	177,589	28,477,993	24,651,283
-	-	-	-	-	-	-	231,326	-	231,326	221,001
-	-	-	-	-	-	-	(157,555)	-	(157,555)	(110,345)
-	-	-	-	-	-	-	73,771	-	73,771	110,656
299,395	1,147,527	2,586,151	4,168,671	3,714,607	4,161,494	4,321,066	5,924,831	177,589	28,551,764	24,761,939
-	-	-	-	-	-	-	41,490	-	41,490	15,446
-	-	-	-	-	-	-	11,459	-	11,459	-
3,623	9,969	8,592	254,517	212,380	929,081	2,516,294	3,621,959	-	7,636,794	8,172,657
(198,233)	(61,239)	(25,365)	-	(5,437)	(218,130)	(101,755)	(208,910)	-	(1,018,195)	(1,397,345)
(194,610)	(51,270)	(16,773)	254,517	206,943	710,951	2,414,539	3,413,049	-	6,618,599	6,775,312
4,103	1,382	6,262	18,657	22,479	37,288	85,999	192,224	-	375,261	401,299
(190,507)	(49,888)	(10,511)	273,174	229,422	748,239	2,500,538	3,658,222	-	7,046,809	7,192,057
-	-	-	-	-	-	-	73,771	-	73,771	110,655
777	2,296	1,979	58,631	48,924	173,657	556,214	786,233	-	1,628,711	1,399,209
-	-	-	-	-	-	-	-	177,589	177,589	182,705
489,125	1,195,119	2,594,683	3,836,866	3,436,261	3,239,598	1,264,314	1,406,605	-	19,624,884	15,877,313
489,902	1,197,415	2,596,662	3,895,497	3,485,185	3,413,255	1,820,528	2,266,609	177,589	21,504,955	17,569,882

See independent auditor's report.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Statement of Revenues and Expenses by Fund Year
For the Period ended June 30, 2008

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenues:						
Contributions	\$ -	-	-	-	-	-
Investment income	5,847	12,223	12,946	43,398	489	(525)
Grant income	-	-	-	-	-	-
Total revenues	5,847	12,223	12,946	43,398	489	(525)
Expenses:						
Claims paid	-	-	-	-	-	55,989
Less: Deductible recovery	-	-	-	-	-	-
Salvage recovery	-	-	-	-	-	-
Subrogation recovery	-	-	(4,962)	-	-	-
Net claims paid before reinsurance	-	-	(4,962)	-	-	55,989
Reinsurance recovery	-	-	-	-	-	-
Net claims paid after reinsurance	-	-	(4,962)	-	-	55,989
Claims reserve adjustment:						
Established claims	-	-	(22,756)	-	-	(9,564)
Less reinsurance recoverable estimate	-	-	22,756	-	-	(55,989)
Net claims expense adjustment	-	-	(4,962)	-	-	(9,564)
Reinsurance premium	-	-	-	-	-	-
Premiums remitted	-	-	-	-	-	-
Administrative fee	-	-	-	-	-	-
Claims service reserve adjustment	-	-	(625)	-	-	(1,836)
Consultants and legal fees	-	-	-	-	-	-
Safety scholarships and grants	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Total expenses	-	-	(5,587)	-	-	(11,400)
Transfer from POL fund	-	-	-	-	-	-
Change in net assets	\$ 5,847	12,223	18,533	43,398	489	10,875

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Statement of Revenues and Expenses by Fund Year, Continued

1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	2006-07 Fund Year	2007-08 Fund Year	P&C Safety Fund	Totals (memorandum only)	
										2008	2007
-	-	-	-	-	-	-	1,404	12,597,499	-	12,598,903	12,817,944
28,908	13,570	52,111	117,445	190,677	170,047	191,480	220,906	168,598	-	1,228,120	1,204,839
-	-	-	-	-	-	-	-	-	-	-	-
28,908	13,570	52,111	117,445	190,677	170,047	191,480	222,310	12,766,097	-	13,827,023	14,022,783
449	4,558	52,115	6,711	68,953	1,287,427	220,529	1,536,516	2,055,110	-	5,288,357	4,563,946
-	-	(5,000)	(1,503)	(4,500)	(30,475)	(28,493)	(122,187)	(130,820)	-	(322,978)	(347,744)
-	-	-	-	-	-	-	(12,515)	(7,052)	-	(19,567)	(12,669)
-	(598)	(4,048)	(1,802)	(3,635)	(6,300)	(3,781)	(65,527)	(97,723)	-	(188,376)	(193,415)
449	3,960	43,067	3,406	60,818	1,250,652	188,255	1,336,287	1,819,515	-	4,757,436	4,010,118
-	(8,473)	-	-	-	(612,647)	(72,977)	-	-	-	(694,097)	(125,167)
449	(4,513)	43,067	3,406	60,818	638,005	115,278	1,336,287	1,819,515	-	4,063,339	3,884,951
(448)	(23,106)	(48,158)	(21,824)	(534,428)	(1,537,930)	(462,693)	(1,496,915)	3,621,959	-	(535,863)	1,314,868
-	11,117	-	(1)	44,000	724,563	(175,230)	16,844	(208,911)	-	379,149	(81,626)
1	(16,502)	(5,091)	(18,419)	(429,610)	(175,362)	(522,645)	(143,784)	5,232,563	-	3,906,625	5,118,193
-	-	-	-	-	-	-	-	2,817,313	-	2,817,313	2,831,731
-	-	-	-	-	-	-	1,404	557,128	-	558,532	554,618
-	-	-	-	-	-	-	-	2,372,929	-	2,372,929	2,184,296
(625)	(6,560)	(5,936)	(3,816)	(10,619)	(19,159)	(30,753)	(138,333)	192,224	-	(26,038)	72,605
-	-	-	-	-	-	43,063	5,341	16,557	-	64,961	78,988
-	-	-	-	-	-	-	-	-	5,117	5,117	2,223
-	-	-	-	-	-	-	-	31,887	-	31,887	44,073
-	-	-	-	-	-	299,360	-	-	-	299,360	249,397
-	-	-	-	-	-	-	-	47,211	-	47,211	46,372
(624)	(23,062)	(11,027)	(22,235)	(440,229)	(194,521)	(210,975)	(275,372)	11,267,812	5,117	10,077,897	11,182,496
-	-	-	-	-	-	-	-	185,947	-	185,947	-
29,532	36,632	63,138	139,680	630,906	364,568	402,455	497,682	1,684,232	(5,117)	3,935,073	2,840,287

See independent auditor's report.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Cumulative Statement of Revenues and Expenses
For the Period March 1, 1987 through June 30, 2008

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenues:									
Contributions	\$ 1,886,708	3,478,124	2,718,315	2,927,993	3,611,796	4,178,842	4,728,534	4,823,684	4,600,925
Investment income	170,048	522,661	303,155	143,822	222,683	140,144	557,769	667,493	350,034
Grant income	-	-	-	-	-	-	-	-	-
Total revenues	2,056,756	4,000,785	3,021,470	3,071,815	3,834,479	4,318,986	5,286,303	5,491,177	4,950,959
Expenses:									
Claims paid	830,180	1,120,078	979,918	2,197,076	1,817,965	2,649,148	2,058,998	1,261,447	2,012,365
Less: Deductible recovery	(74,588)	(109,119)	(105,595)	(100,511)	(122,654)	(183,579)	(22,045)	(21,915)	(26,066)
Salvage recovery	(1,295)	(4,754)	(6,508)	(3,229)	(6,057)	(12,301)	(7,795)	(1,628)	(8,627)
Subrogation recovery	(6,851)	(27,902)	(17,578)	(80,992)	(45,038)	(52,754)	(37,166)	(70,839)	(86,302)
Net claims paid before reinsurance	747,446	978,303	850,237	2,012,344	1,644,216	2,400,514	1,991,992	1,167,065	1,891,370
Reinsurance recovery	(185,928)	(211,859)	-	(470,387)	(280,538)	(637,713)	(472,013)	(138,764)	(162,946)
Reinsurance recovery aggregate	-	-	-	(446,145)	-	(50,221)	-	-	-
Net claims paid after reinsurance	561,518	766,444	850,237	1,095,812	1,363,678	1,712,580	1,519,979	1,028,301	1,728,424
Claims reserve adjustment:									
Established claims	-	-	-	-	-	-	-	-	2,993
Less reinsurance recoverable estimate	-	-	-	-	-	-	-	-	(2,993)
Net claims expense adjustment	561,518	766,444	850,237	1,095,812	1,363,678	1,712,580	1,519,979	1,028,301	1,728,424
Reinsurance premium	1,028,693	1,665,025	1,288,667	1,420,019	1,946,991	1,842,935	1,599,829	1,671,447	1,502,842
Premiums remitted	-	-	-	-	89,499	63,711	113,372	125,881	119,937
Claims service fee	28,688	41,887	25,885	22,746	22,290	24,740	-	-	14,000
Administrative fee	195,783	301,418	289,238	319,670	426,724	531,790	621,840	755,613	930,104
Loss prevention services	35,217	64,204	51,000	57,000	66,600	82,484	51,299	672	(2,095)
Claims service reserve adjustment	-	-	-	-	-	-	-	-	1,382
Consultants and legal fees	-	-	-	-	-	-	-	-	-
Safety scholarships and grants	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	339
Depreciation	-	-	-	-	-	-	-	-	29,426
Dividends	-	-	-	-	-	-	160,376	159,696	152,646
Total expenses	1,849,899	2,838,978	2,505,027	2,915,247	3,915,782	4,258,240	4,066,695	3,741,610	4,477,005
Excess (deficiency) of revenue over (under) expenses	206,857	1,161,807	516,443	156,568	(81,303)	60,746	1,219,608	1,749,567	473,954
Transfer to fund year									
1991-92	-	(447,535)	-	-	447,535	-	-	-	-
1996-97	(150,000)	(550,000)	(72,855)	-	-	-	-	-	-
1997-98	-	(150,000)	(372,307)	-	-	-	-	-	-
1998-99	-	-	-	(9,355)	(160,475)	(5,160)	(484,110)	-	-
1999-00	-	-	-	-	-	-	-	(380,929)	-
2000-01	-	-	-	-	-	-	-	(685,572)	-
2001-02	-	-	-	-	-	-	(250,000)	(250,000)	-
2002-03	-	-	-	(48,772)	(150,000)	-	(150,000)	-	-
2003-04	(56,857)	(14,272)	(71,281)	(98,441)	-	-	-	-	-
2004-05	-	-	-	-	-	-	(107,014)	(64,065)	-
2005-06	-	-	-	-	-	-	-	-	-
2006-07	-	-	-	-	-	-	-	-	-
2007-08	-	-	-	-	(55,757)	(55,586)	(150,000)	(150,000)	(282,379)
Transfer from POL to P&C	-	-	-	-	-	-	-	-	-
Net assets	\$ -	-	-	-	-	-	78,484	219,001	191,575

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Cumulative Statement of Revenues and Expenses, Continued

1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	2006-07 Fund Year	2007-08 Fund Year	P&C Safety Fund	Totals
3,549,226	3,372,596	3,375,152	3,687,173	5,142,450	6,208,414	8,825,598	10,486,038	12,037,771	12,370,087	12,811,051	12,597,499	-	127,417,976
429,267	83,404	17,368	243,054	192,368	301,958	475,281	679,805	643,936	555,171	404,627	168,598	-	7,272,646
-	-	-	-	-	-	-	-	-	-	-	-	227,305	227,305
3,978,493	3,456,000	3,392,520	3,930,227	5,334,818	6,510,372	9,300,879	11,165,843	12,681,707	12,925,258	13,215,678	12,766,097	227,305	134,917,927
1,275,736	2,041,100	2,013,925	1,336,762	3,843,271	2,697,549	3,211,903	2,880,556	4,824,348	3,852,456	3,748,408	2,055,110	-	48,708,299
(6,000)	(6,419)	(4,723)	(4,557)	(109,383)	(64,969)	(101,371)	(68,701)	(277,454)	(173,645)	(357,247)	(130,820)	-	(2,071,361)
(7,226)	(7,171)	(16,884)	(16,434)	(17,170)	(13,863)	(23,741)	(6,628)	(26,477)	(14,636)	(22,484)	(7,052)	-	(231,960)
(37,183)	(43,118)	(103,764)	(86,737)	(123,087)	(98,095)	(212,168)	(109,766)	(189,739)	(222,211)	(147,335)	(97,723)	-	(1,896,348)
1,225,327	1,984,392	1,888,554	1,229,034	3,593,631	2,520,622	2,874,623	2,695,461	4,330,678	3,441,964	3,221,342	1,819,515	-	44,508,630
(22,015)	(492,574)	(100,533)	(35,103)	(951,065)	(291,470)	(144,666)	-	(612,647)	(173,303)	-	-	-	(5,383,524)
-	-	-	-	-	-	-	-	-	-	-	-	-	(496,366)
1,203,312	1,491,818	1,788,021	1,193,931	2,642,566	2,229,152	2,729,957	2,695,461	3,718,031	3,268,661	3,221,342	1,819,515	-	38,628,740
-	-	71,116	6,270	3,623	9,969	8,592	254,517	212,380	929,081	2,516,294	3,621,959	-	7,636,794
-	-	(151,446)	(44,687)	(198,233)	(61,239)	(25,365)	-	(5,437)	(218,130)	(101,755)	(208,911)	-	(1,018,196)
1,203,312	1,491,818	1,707,691	1,155,514	2,447,956	2,177,882	2,713,184	2,949,978	3,924,974	3,979,612	5,635,881	5,232,563	-	45,247,338
1,075,765	973,632	866,631	802,491	1,492,095	1,707,266	2,113,070	1,970,970	2,525,573	2,478,472	2,831,731	2,817,313	-	35,621,457
211,736	240,931	248,803	331,911	417,165	461,578	516,502	793,892	918,156	553,758	547,725	557,128	-	6,311,685
-	7,000	9,500	7,000	7,000	-	-	-	-	-	-	-	-	210,736
1,026,453	1,051,088	1,081,080	1,120,190	1,196,706	1,307,772	1,471,659	1,535,480	1,643,474	1,941,175	2,184,295	2,372,929	-	22,304,481
-	-	-	-	-	-	-	-	-	-	-	-	-	406,381
-	-	4,103	1,382	4,103	1,382	6,262	18,657	22,479	37,288	85,999	192,224	-	375,261
-	-	-	11,982	922	18,542	20,652	10,065	18,084	128,806	19,074	16,557	-	244,684
-	-	-	-	-	-	-	-	-	-	-	-	49,716	49,716
1,746	2,821	3,916	1,610	10,023	1,045	9,019	8,145	20,658	51,606	44,073	31,887	-	186,888
35,061	36,344	37,044	33,156	29,853	30,013	27,766	24,436	44,806	41,926	46,372	47,211	-	463,414
175,756	163,885	172,123	171,980	174,665	172,543	174,875	199,574	249,397	299,360	-	-	-	2,426,876
3,729,829	3,967,519	4,130,891	3,637,216	5,780,488	5,878,023	7,052,989	7,511,197	9,367,601	9,512,003	11,395,150	11,267,812	49,716	113,848,917
248,664	(511,519)	(738,371)	293,011	(445,670)	632,349	2,247,890	3,654,646	3,314,106	3,413,255	1,820,528	1,498,285	177,589	21,069,010
-	-	-	-	-	-	-	-	-	-	-	-	-	-
772,855	-	-	-	-	-	-	-	-	-	-	-	-	-
-	522,307	-	-	-	-	-	-	-	-	-	-	-	-
-	-	659,100	-	-	-	-	-	-	-	-	-	-	-
-	-	-	380,929	-	-	-	-	-	-	-	-	-	-
-	-	-	-	685,572	-	-	-	-	-	-	-	-	-
(65,066)	-	-	-	-	565,066	-	-	-	-	-	-	-	-
-	-	-	-	-	-	348,772	-	-	-	-	-	-	-
-	-	-	-	-	-	-	240,851	-	-	-	-	-	-
-	-	-	-	-	-	-	-	171,079	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	111,343	-	-	-	-	-	-	-	-	582,377	-	-
-	-	-	-	250,000	-	-	-	-	-	-	185,947	-	435,947
956,453	10,788	32,072	673,940	489,902	1,197,415	2,596,662	3,895,497	3,485,185	3,413,255	1,820,528	2,266,609	177,589	21,504,955

See independent auditor's report.

Schedule 4

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Schedule of Claims Development Information**

	1998-99	1999-00	2000-01
	Fund Year	Fund Year	Fund Year
Contribution and investment revenue:			
Earned	\$ 3,399,961	3,851,910	5,296,031
Ceded	1,115,434	1,134,402	1,909,260
Net earned revenue	2,284,528	2,717,508	3,386,771
Unallocated expenses:	1,305,357	1,347,612	1,425,405
Estimated incurred claims and expense:			
Incurred	1,896,976	2,487,518	3,811,735
Ceded	276,624	572,798	1,303,468
Net incurred claims	1,620,352	1,914,720	2,508,267
Paid claims (cumulative) as of:			
End of policy year	1,072,135	782,365	1,437,939
One year later	1,315,431	1,090,984	2,763,260
Two years later	1,544,547	1,294,524	3,256,122
Three years later	1,836,987	1,334,069	3,732,064
Four years later	1,877,688	1,337,669	3,772,509
Five years later	1,923,496	1,335,512	3,805,744
Six years later	1,924,700	1,336,159	3,838,713
Seven years later	1,940,783	1,336,313	3,843,271
Eight years later	1,957,936	1,336,762	-
Nine years later	2,013,925	-	-
Reestimated ceded claims and expenses	249,043	79,790	1,198,407
Reestimated incurred claims and expense as of:			
End of policy year	1,620,352	1,914,720	2,508,267
One year later	1,620,352	1,665,637	2,503,275
Two years later	1,620,352	1,287,218	2,498,274
Three years later	1,620,352	1,201,496	2,397,697
Four years later	1,620,352	1,159,263	2,429,188
Five years later	1,638,575	1,159,263	3,586,512
Six years later	1,620,353	1,235,303	3,616,400
Seven years later	1,870,246	1,235,303	3,597,254
Eight years later	1,913,246	1,235,304	-
Nine years later	1,959,670	-	-
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ 339,318	(679,416)	1,088,987

Schedule 4, Cont.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Schedule of Claims Development Information, Continued**

2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	2006-07 Fund Year	2007-08 Fund Year
6,361,068	8,977,521	10,622,190	12,125,297	12,486,429	12,993,369	12,766,097
2,168,843	2,629,572	2,764,862	3,417,833	3,023,933	3,378,053	3,374,440
4,192,225	6,347,949	7,857,328	8,707,464	9,462,496	9,615,317	9,391,658
1,545,076	1,728,609	1,648,477	1,905,022	2,234,349	2,512,805	2,660,809
3,838,334	2,985,133	3,914,536	4,082,101	5,384,502	5,898,265	5,677,069
1,535,914	169,775	-	430,000	221,920	-	208,910
2,302,420	2,815,358	3,914,536	3,652,101	5,162,582	5,898,265	5,468,159
1,128,147	1,412,020	1,345,716	1,981,089	2,488,367	2,211,892	2,055,110
1,571,237	2,332,605	2,115,832	2,944,762	3,631,928	3,748,408	-
2,078,601	2,701,484	2,391,126	3,537,736	3,852,456	-	-
2,230,013	3,176,422	2,811,603	4,824,348	-	-	-
2,528,621	3,204,377	2,880,556	-	-	-	-
2,645,434	3,211,903	-	-	-	-	-
2,697,549	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
489,886	61,775	-	430,000	221,920	-	208,910
2,302,420	2,815,358	3,676,207	4,102,337	4,512,101	5,384,502	5,441,474
2,278,626	3,613,207	3,914,536	5,116,289	4,645,484	5,737,636	-
2,342,466	3,046,908	3,043,597	4,831,151	4,371,045	-	-
2,324,910	2,907,065	3,423,589	4,543,058	-	-	-
2,526,860	2,900,818	2,949,978	-	-	-	-
2,535,681	2,883,215	-	-	-	-	-
2,530,591	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
228,171	67,858	(726,229)	440,721	(141,056)	353,134	-

See independent auditor's report.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**

Financial Statements

For the Years Ended June 30, 2009 and 2008

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
For the Years Ended June 30, 2009 and 2008

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

Board of Directors
Maine Municipal Association
Property and Casualty Pool:

We have audited the accompanying statements of net assets of Maine Municipal Association Property and Casualty Pool (the Pool) as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets; changes in net assets; and cash flows for the years then ended. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Municipal Association Property and Casualty Pool as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information presented in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in dark ink, reading "Runyon Kersteen Ouellette".

December 21, 2009
South Portland, Maine

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis
Fiscal Year Ended 2009**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Maine Municipal Association Property & Casualty Pool (the Pool) annual financial report sets forth a narrative overview of its financial activities for the year ended June 30, 2009. Please read it in conjunction with the Pool's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

For all fund years combined, developments in fiscal year 2009 included:

- The Net Assets as of June 30, 2009 were \$22,296,968, an increase of 3.7% over the prior year.
- Cash and Investments totaled \$30,478,430, an increase of 8.3%.
- Operating revenues in 2009 totaled \$13,321,673, a decrease of 3.7%.
- Operating expenses in 2009 totaled \$12,529,660, a decrease of 24.3%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Pool's fiscal year is July 1 through June 30. The annual financial report consists of four parts:

- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Statements
- Supplemental Schedules.

Management's Discussion and Analysis provides a narrative overview of the statements and comments on significant developments during the reporting period.

Basic Financial Statements include: Statements of Net Assets; Statements of Revenues, Expenses and Changes in Net Assets; Statements of Changes in Net Assets; and Statements of Cash Flows.

These statements present the Pool's status at June 30, 2009 and financial developments during fiscal year 2009 for all fund years combined.

Notes to the Statements provide explanations of the accounting principles followed and of key items in the statements.

Supplemental Schedules include an analysis by fund year of the statement of net assets; statement of revenues and expenses; cumulative statement of revenues and expenses; and a history of claims development.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis, Continued**

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

FINANCIAL ANALYSIS

The following table summarizes the Combined Statements of Net Assets.

	<u>06/30/09</u>	<u>06/30/08</u>
ASSETS		
Current Assets	\$ 30,809,742	\$ 28,477,993
Capital Assets (net)	<u>53,503</u>	<u>73,771</u>
Total Assets	<u>\$ 30,863,245</u>	<u>\$ 28,551,764</u>
LIABILITIES		
Net Claims and Service Fee Reserves	\$ 8,479,356	\$ 6,993,860
Other Liabilities	<u>86,921</u>	<u>52,949</u>
Total Liabilities	<u>\$ 8,566,277</u>	<u>\$ 7,046,809</u>
NET ASSETS		
Board Designated Reserves	\$ 1,867,989	\$ 1,628,711
Safety Enhancement Fund	177,589	177,589
Invested in Capital Assets	53,503	73,771
Contingency Reserve	<u>20,197,887</u>	<u>19,624,884</u>
Total Net Assets	<u>\$ 22,296,968</u>	<u>\$ 21,504,955</u>

The following table summarizes the Combined Statements of Revenues, Expenses and Changes in Net Assets during fiscal years 2008-2009 and 2007-2008 for all Pool years combined.

	<u>06/30/09</u>	<u>06/30/08</u>
REVENUE		
Member Contributions	\$ 12,424,547	\$ 12,598,903
Investment Income	<u>897,126</u>	<u>1,228,120</u>
Total Revenues	<u>\$ 13,321,673</u>	<u>\$ 13,827,023</u>
EXPENSES		
Net Claims Expense	\$ 6,356,318	\$ 3,906,626
Reinsurance and Premium Remitted	3,256,535	3,375,845
Safety Scholarships and Grants	-	5,117
Other Expenses	<u>2,916,807</u>	<u>2,790,309</u>
Total Expenses	<u>\$ 12,529,660</u>	<u>\$ 10,077,897</u>
NET CHANGE IN NET ASSETS	\$ 792,013	\$ 3,749,126
Transfer from POL Program to P & C Pool	\$ -	\$ 185,947
NET ASSETS BEGINNING OF YEAR	<u>\$ 21,504,955</u>	<u>\$ 17,569,882</u>
NET ASSETS END OF YEAR	<u>\$ 22,296,968</u>	<u>\$ 21,504,955</u>

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis, Continued**

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2008-2009

The following table presents a budget to actual comparison for the 2008-2009 Pool Year in summarized form:

	Budget	ACTUARIAL PROJECTION AT 06/30/2009	
REVENUE			
Member Contributions	\$12,211,989	\$12,429,109	1.8%
Investment and Other Revenues	250,000	121,459	-51.4%
Total Revenues	\$12,461,989	\$12,550,568	
EXPENSES			
Net Claims Expense at 95% Confidence Level	\$6,236,802	\$8,773,866	40.7%
Reinsurance and Premiums Remitted	3,417,001	3,261,098	-4.6%
Other Expenses	3,231,537	3,160,794	-2.2%
Total Expenses	\$12,885,340	\$15,195,758	
GAIN OR LOSS FROM OPERATIONS	(\$423,351)	(\$2,645,190)	

The major variance in fiscal year 2008-2009 was an increase in net claims expense of \$2,537,064 (40.7%). Net Claims Expense at the 95% Confidence Level includes claims payments, reserves on open claims, actuarial estimates of claims development in the future (IBNR) and additional reserves recommended by the actuary to fund Pool claims to the 95% Confidence Level.

POOL FINANCIAL POSITION AT JUNE 30, 2009

At June 30, 2009, the Net Assets totaled \$22,296,968, an increase of \$792,013 (3.7%) over the prior year. Net Assets are divided into four components:

Invested in Capital Assets , maintained to record capital assets less depreciation	\$ 53,503
Reserve for Adverse Development , maintained to increase Pooling of claims reserves to the 95% Confidence Level	1,867,989
Safety Enhancement Reserve , maintained to provide grants and scholarships to assist members in strengthening their work place safety practices	177,589
Contingency Reserve , maintained to provide resources to meet other challenges and opportunities	<u>20,197,887</u>
Total Net Assets	<u>\$ 22,296,968</u>

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Management's Discussion and Analysis, Continued

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

CAPITAL ASSETS AND LONG TERM DEBT

At June 30, 2009 the Pool had capital assets of \$261,412, net of accumulated depreciation of \$207,909, for a net capital asset balance of \$53,503. These assets are the Pool's investment in a claims and underwriting system jointly owned with the MMA Workers' Compensation Fund. The Pool has no long-term debt.

CONDITIONS WHICH MAY IMPACT ON THE POOL'S FINANCIAL CONDITION IN THE FUTURE

Management is aware of no conditions, decisions or contingencies which are expected to significantly impact on the Pool's financial position in the future.

REQUEST FOR INFORMATION

This financial report is designed to provide our members, customers, investors and creditors with a general overview of the Pool's finances and to show the Pool's accountability for the money it receives. If you have any questions about this report or need additional information, contact Martin Hanish, Chief Financial Officer at (207) 623-8428.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Statements of Net Assets
(All Fund Years)
June 30, 2009 and 2008**

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 15,121,993	11,094,994
Certificates of deposit	4,916,595	7,628,088
U.S. government and agency securities	10,439,842	9,415,408
Prepaid expenses	81,950	38,274
Accounts receivable	90,990	86,281
Accrued interest receivable	158,372	214,948
Total current assets	30,809,742	28,477,993
Capital assets:		
Computer equipment	261,412	231,326
Accumulated depreciation	(207,909)	(157,555)
Net capital assets	53,503	73,771
Total assets	\$ 30,863,245	28,551,764
LIABILITIES		
Liabilities:		
Accounts payable	19,879	41,490
Deferred revenue	67,042	11,459
Claims loss reserves	8,977,630	7,636,794
Reinsurance recoverable	(915,803)	(1,018,195)
Net claims loss reserves	8,061,827	6,618,599
Claims service reserves	417,529	375,261
Total liabilities	\$ 8,566,277	7,046,809
NET ASSETS		
Invested in capital assets	53,503	73,771
Unrestricted:		
Board designated:		
Reserve for adverse development	1,867,989	1,628,711
Safety enhancement fund	177,589	177,589
Contingency reserve	20,197,887	19,624,884
Total net assets	\$ 22,296,968	21,504,955

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL**
Statements of Revenues, Expenses and Changes in Net Assets
(All Fund Years)
For the Years Ended June 30, 2009 and 2008

	2009	2008
Revenues:		
Member contributions	\$ 12,424,547	12,598,903
Investment income	897,126	1,228,120
Total revenues	13,321,673	13,827,023
Expenses:		
Claims paid	6,160,859	5,288,357
Less:		
Deductible recovery	(463,176)	(322,978)
Salvage recovery	(12,331)	(19,567)
Subrogation recovery	(339,097)	(188,376)
Net claims paid before reinsurance	5,346,255	4,757,436
Reinsurance recovery	(433,164)	(694,097)
Net claims paid after reinsurance	4,913,091	4,063,339
Claims reserve adjustment:		
Established claims	1,340,836	(535,863)
Less reinsurance recoverable estimate	102,391	379,149
Net claims expense adjustment	6,356,318	3,906,625
Reinsurance premium	2,736,133	2,817,313
Premiums remitted	520,402	558,532
Administrative fee	2,388,969	2,372,929
Claims service reserve adjustment	42,269	(26,038)
Consultants and legal fees	27,656	64,961
Safety scholarships and grants	-	5,117
Maintenance contracts	58,431	31,887
Dividends	349,129	299,360
Depreciation	50,353	47,211
Total expenses	12,529,660	10,077,897
Transfer from POL fund	-	185,947
Change in net assets	\$ 792,013	3,935,073

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Statements of Changes in Net Assets
(All Fund Years)

For the Years Ended June 30, 2009 and 2008

		Invested in capital assets	Reserve for adverse development	Safety enhancement fund	Contingency reserve	Total fund balance
Net assets at June 30, 2007	\$	110,655	1,399,209	182,705	15,877,313	17,569,882
Excess (deficiencies) of revenues over expenses		(36,884)	229,502	(5,116)	3,561,624	3,749,126
Net assets transfer		-	-	-	185,947	185,947
Net assets at June 30, 2008		73,771	1,628,711	177,589	19,624,884	21,504,955
Excess (deficiencies) of revenues over expenses		(20,268)	239,278	-	573,003	792,013
Net assets at June 30, 2009	\$	53,503	1,867,989	177,589	20,197,887	22,296,968

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Statements of Cash Flows
(All Fund Years)
Years Ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Receipts from net contributions	\$ 12,475,420	12,631,932
Receipts from investment income	953,702	1,361,905
Payments for net claims	(4,913,090)	(4,063,339)
Payments for reinsurance premium	(2,736,133)	(2,817,313)
Payments for premiums remitted	(564,078)	(586,198)
Payments for administrative fees	(2,410,580)	(2,346,885)
Payments for consultants and legal fees	(27,656)	(70,078)
Payments for maintenance contracts	(58,431)	(31,887)
Payments for dividends paid	(349,128)	(299,360)
Net cash provided by operating activities	2,370,026	3,778,777
Cash flows from capital and related financing activities:		
Net purchases of computer equipment	(30,086)	(10,326)
Net cash used in capital and related financing activities	(30,086)	(10,326)
Cash flows from investing activities:		
Purchase of investments	(15,498,751)	(11,512,447)
Sale of investments	17,185,810	11,100,000
Net cash provided by (used in) investing activities	1,687,059	(412,447)
Net increase in cash	4,026,999	3,356,004
Cash, beginning of year	11,094,994	7,738,990
Cash, end of year	\$ 15,121,993	11,094,994
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 792,013	3,935,073
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	50,353	47,211
Transfer from POL fund	-	(185,947)
Changes in assets and liabilities:		
Accounts receivable	(4,709)	21,570
Accrued interest receivable	56,576	133,785
Prepaid expenses	(43,676)	(27,666)
Accounts payable	(21,611)	26,044
Deferred revenue	55,584	11,459
Claims loss reserves	1,340,836	(535,863)
Reinsurance recoverable	102,391	379,149
Claims service reserves	42,269	(26,038)
Net cash provided by operating activities	\$ 2,370,026	3,778,777

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND POOL DESCRIPTION

The Maine Municipal Association Property and Casualty Pool (the Pool) was established on March 1, 1987 as a self-insured pool for the purpose of providing liability and property coverage to municipalities and qualified local government instrumentalities or subdivisions who choose to participate. During the fiscal years ended June 30, 2009 and 2008, there were 429 and 429 governmental entities, respectively, which participated in the Pool. The Pool provides the following coverages: automobile liability; commercial general liability; police professional liability; ambulance/nurse malpractice liability; firefighters liability; public officials liability, including employment practices liability; automobile physical damage coverage; property and inland marine coverage; and comprehensive crime coverage. In addition the Pool offers coverage for forest fire suppression, earthquake, and flood on a pooled basis. The Pool also assists members in the purchase of other fully insured coverages through the services of its broker. The Pool is administered by the Maine Municipal Association for which a management fee is assessed and is included in expense. For the years ended June 30, 2009 and 2008, the Pool was assessed management fees totaling \$2,388,969 and \$2,372,929, respectively. These financial statements include only the accounts of the Maine Municipal Association Property and Casualty Pool.

The municipality or qualified local government instrumentality or subdivision must be a member of the Maine Municipal Association to participate in the Pool.

Tax Exempt Status - The Pool is exempt from income taxes.

Fund Accounting - Each year a new fund is established to cover the potential claims made for that specific period. Each fund year has a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues, and expenses.

Basis of Accounting - The accrual basis of accounting is followed for all fund years. The fund follows the provisions of Government Accounting Standards Board (GASB) Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*. Contributions are recognized as revenue over the contract period for which risk protection is provided which corresponds to a fund year. A liability for unpaid claims, including estimated claims incurred but not reported, is accrued when insured events occur. Anticipated investment income is considered in determining whether a contribution deficiency exists. The Fund applies all applicable pronouncements of the Financial Accounting Standards Board except those which conflict with pronouncements of the GASB.

Cash and Cash Equivalents - The Pool considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments - All investments are carried at fair value, based on quoted market prices, in a single pooled investment account for all of the Property and Casualty Pool fund years. The Pool's investments consist of U.S. government and agency securities, corporate bonds, and certificates of deposit with maturities greater than three months, none of which are held for trading purposes. The Pool estimates that the fair value of all financial instruments at June 30, 2009 and 2008, respectively, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements changes in of net assets. Each fund year's portion of principal, interest, capital gains and losses is determined by its cash and investments in the pooled investments.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND POOL DESCRIPTION, CONTINUED

Accounts Receivable - Accounts receivable has been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at June 30, 2009 and 2008 as management considers all amounts to be fully collectible.

Capital Assets - The cost of computer hardware and software is depreciated on a straight-line basis over their estimated useful lives of three to five years. The policy is to capitalize expenditures for major improvements and additions, and charge maintenance and expenses currently for expenditures that do not extend the useful lives of the related assets.

Deferred Revenue - Deferred revenue represents contributions which have been received by the Pool related to the next fund year.

Claims Loss Reserves - Claims loss reserves represent the estimated ultimate cost of settling all reported and unreported losses at the balance sheet date, including the effects of inflation and other factors, as determined by an independent actuary. Management believes that the reserves are adequate, but the ultimate cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually. Any adjustments resulting from the settlement of losses will be reflected in the statements of revenues, expenses and changes in net assets at the time the adjustments are determined.

Claims Service Reserves - The claims service reserve is actuarially determined and consists of estimates for service fees for future claims. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount. Accordingly, this estimate is reviewed annually.

Reinsurance and Related Recoverable - The Pool uses reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

Statements of Cash Flows - For purposes of the statements of cash flows, the Pool considers all highly liquid deposits and debt instruments purchased with a maturity of three months or less to be cash equivalents.

Management Estimates - The preparation of financial statements in conformity with U.S. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS

Deposits

Cash and cash equivalents are composed of cash management accounts (CMA) and money market instruments, and consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
CMA - deposit account	\$ 415	77
CMA - mutual fund investment sweep account	8,343,486	6,825,536
Money market mutual fund	6,778,092	4,269,381
Totals	<u>\$ 15,121,993</u>	<u>11,094,994</u>

At June 30, 2009 and 2008, the portion of bank balances attributable to the Pool totaled \$8,434,480 and \$6,928,311, respectively. The bank balances for the Pool do not reflect a reduction for outstanding checks at that date. Amounts in the cash management-deposit account that exceed the FDIC insured limit (\$250,000 at June 30, 2009 and \$100,000 at June 30, 2008) are considered uninsured and uncollateralized.

Custodial Credit Risk-Fund Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits in excess of the FDIC insured limit may not be recoverable. The Pool addresses this risk by minimizing balances in bank accounts. Checking accounts are on a zero balance basis and collected funds are transferred from the CMA - deposit account on a daily basis either to the checking accounts to cover checks presented for payment or to a money market fund outside of the bank. Funds in the CMA - deposit account are insured by the FDIC up to \$250,000 at June 30, 2009 and \$100,000 at June 30, 2008. Any balance in this account in excess of the \$250,000 FDIC insured limit is considered uninsured and uncollateralized and subject to custodial credit risk. The CMA - mutual fund investment sweep and the money market mutual fund are mutual funds outside the bank, invested in short term government securities. These funds are uninsured and uncollateralized, and subject to custodial credit risk.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

DEPOSITS AND INVESTMENTS, CONTINUED

Investments

At June 30, the Pool had the following investments and maturities:

2009

	<u>Fair value</u>	<u>Less than one year</u>	<u>One to five years</u>	<u>More than five years</u>
Certificate of deposit *	\$ 4,916,595	3,713,208	1,203,387	N/A
U.S. government securities	10,439,842	3,692,097	6,747,745	N/A
Totals	\$ 15,356,437	7,405,305	7,951,132	N/A

2008

	<u>Fair value</u>	<u>Less than one year</u>	<u>One to five years</u>	<u>More than five years</u>
Certificate of deposit *	\$ 7,628,088	7,178,088	450,000	N/A
U.S. government securities	9,415,408	4,286,333	5,129,075	N/A
Totals	\$ 17,043,496	11,464,421	5,579,075	N/A

* Of the certificate of deposit bank balance, \$4,916,595 and \$3,603,088 were covered by federal depository insurance for 2009 and 2008, respectively; total uninsured and uncollateralized certificate of deposit bank balances at June 30, 2009 and 2008 amounted to \$-0- and \$4,025,000, respectively.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pool's investment policy requires that, to the extent possible, the Pool attempts to match investments with anticipated cash requirements. Purchases of securities are guided by the need to provide flexibility in the portfolio to meet expected cash flows, with a prudent margin for the unexpected, for the next five years, and to obtain the highest yield available within the context of the asset allocation target levels noted below. Maturities may extend to a maximum of five years, based on a projected cash requirement and available yields. Liquidity risk, as defined by the Pool's investment policy, is the risk that funds may not be available as needed, or may be available only by liquidating investments with a resultant capital loss. The Pool's investment policy requires that investment maturities be timed to meet projected cash flow requirements, with a margin for the unexpected. The maximum maturity permitted under Board policy in 2009 and 2008 was five years.

Credit Risk: Credit risk is the risk that the entity in which the Pool has invested may be unable to redeem investments when they mature. The Pool's investment policy limits investments to entities that have high ratings by recognized rating agencies. Management monitors the ratings of entities in which it has invested and would sell investments should a significant rating decline occur. No such issues were noted in 2009 or 2008, and the Pool had no investments in corporate stocks or bonds as of June 30, 2009 and 2008.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

Custodial Credit Risk-Fund Investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Pool will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pool addresses this risk by having the custodian hold investments to the Pool's benefit, by maintaining high quality standards for the entities in which it invests and by monitoring the ratings of entities in which it has invested.

Concentration of Credit Risk: It is the Pool's policy that investments will be primarily U.S. Agency issues and certificates of deposit, with a provision for up to \$1,000,000 of corporate bonds. In the event that suitable corporate bonds are not available, the Pool will purchase additional certificates of deposit. The portfolio composition shall be as follows: cash and money market funds-25%; certificates of deposit-35%; government securities-40%; and corporate bonds-0%. All target levels are flexible, except for corporate bonds, which is on a not to exceed basis.

NET APPRECIATION OR DEPRECIATION IN FAIR VALUE

Net appreciation in fair value during the years ended June 30, 2009 and 2008 by type of investment is as follows. Such amounts are included in investment income on the statements of revenues, expenses and changes in net assets.

	<u>2009</u>	<u>2008</u>
U.S. Government securities	\$ 189,746	122,170
Totals	\$ 189,746	122,170

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

UNPAID CLAIMS LIABILITIES

The Pool establishes liabilities for the estimated costs of both reported and unreported losses, which includes estimates of both future payments of losses and related claims service reserves. The following represents changes in those aggregate liabilities for the years ended June 30, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Claims loss and claims service reserves at beginning of year	\$6,993,860	\$7,176,611
Provision for insured events - current year	8,164,630	5,424,789
Decrease in provision for insured events - prior years	(518,275)	(1,544,201)
Total incurred claims and claims service reserve expenses	7,646,355	3,880,588
Claims paid on losses incurred in the current year	2,712,283	1,819,517
Claims paid on losses incurred in prior years	3,448,576	2,243,822
Total paid claims	6,160,859	4,063,339
Claims loss and claims service reserves at end of year	\$8,479,356	\$6,993,860
Unpaid claims liabilities are reported on the combined balance sheet as follows:		
Claims loss reserves, net	\$8,061,827	\$6,618,599
Claims service fee reserves	417,529	375,261
Totals	\$8,479,356	\$6,993,860

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE

The amounts shown for claims reserves are developed from an actuarially determined loss analysis as of June 30, 2009 and are as follows:

<u>Fund Year</u>	<u>Established on known claims</u>	<u>Actuarial reserves</u>	<u>Total reserves</u>	<u>Net paid claims</u>	<u>Actuarially determined ultimate losses</u>
1987-88	\$ -	-	-	747,446	747,446
1988-89	-	-	-	978,303	978,303
1989-90	-	-	-	850,237	850,237
1990-91	-	-	-	2,012,344	2,012,344
1991-92	-	-	-	1,644,216	1,644,216
1992-93	-	-	-	2,400,514	2,400,514
1993-94	-	-	-	1,991,992	1,991,992
1994-95	-	-	-	1,167,065	1,167,065
1995-96	2,993	-	2,993	1,886,378	1,889,371
1996-97	-	-	-	1,225,327	1,225,327
1997-98	-	-	-	1,984,392	1,984,392
1998-99	40,301	-	40,301	1,910,174	1,950,475
1999-00	6,270	-	6,270	1,230,799	1,237,069
2000-01	5,564	-	5,564	3,901,238	3,906,802
2001-02	23,434	-	23,434	2,538,361	2,561,795
2002-03	2,689	-	2,689	2,836,001	2,838,690
2003-04	140,500	-	140,500	2,719,787	2,860,287
2004-05	25,144	-	25,144	4,420,413	4,445,557
2005-06	366,422	-	366,422	4,093,539	4,459,961
2006-07	618,718	187,048	805,766	4,233,296	5,039,062
2007-08	1,717,111	497,032	2,214,143	2,630,094	4,844,237
2008-09	2,625,783	2,718,621	5,344,404	2,452,971	7,797,375
Totals	\$ 5,574,929	3,402,701	8,977,630	49,854,887	58,832,517

Each fund year has a Loss Fund that is established from the fund members' annual contributions. For each fund year, the Pool also purchases specific reinsurance that provides coverage for claims exceeding \$100,000 per occurrence.

In addition, for the fund years through 2001-2002, the Pool purchased aggregate reinsurance of \$1,000,000 in excess of the reinsurance attachment point. No aggregate coverage was purchased for the 2002-2003 through the 2008-2009 fund years.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

An analysis of the reinsurance attachment points, ultimate losses, reinsurance recovery, and ultimate net losses is as follows:

<u>Fund year</u>	<u>Aggregate reinsurance attachment</u>	<u>Actuarially determined ultimate losses</u>	<u>Reinsurance recovered</u>	<u>Reinsurance recoverable</u>	<u>Ultimate losses net of reinsurance</u>
1987-88	\$ 845,834	747,446	185,928	-	561,518
1988-89	1,406,720	978,303	211,859	-	766,444
1989-90	963,226	850,237	-	-	850,237
1990-91	1,095,964	2,012,344	916,532	-	1,095,811
1991-92	1,564,127	1,644,216	280,538	-	1,363,678
1992-93	1,712,586	2,400,514	687,933	-	1,712,582
1993-94	2,362,467	1,991,992	472,013	-	1,519,979
1994-95	2,403,851	1,167,065	138,764	-	1,028,301
1995-96	2,250,000	1,889,371	162,946	(18,134)	1,744,559
1996-97	1,733,027	1,225,327	22,015	-	1,203,312
1997-98	1,633,873	1,984,392	492,574	-	1,491,818
1998-99	1,620,352	1,950,475	100,533	189,289	1,660,653
1999-00	1,741,520	1,237,069	35,103	46,453	1,155,513
2000-01	2,508,266	3,906,802	1,276,748	74,780	2,555,274
2001-02	3,128,504	2,561,795	291,469	52,351	2,217,975
2002-03	no aggregate	2,838,690	144,666	-	2,694,024
2003-04	no aggregate	2,860,287	-	-	2,860,287
2004-05	no aggregate	4,445,557	612,647	-	3,832,910
2005-06	no aggregate	4,459,961	173,303	376,065	3,910,593
2006-07	no aggregate	5,039,062	107,481	-	4,931,581
2007-08	no aggregate	4,844,237	-	60,000	4,784,237
2008-09	no aggregate	7,797,375	-	135,000	7,662,375
Totals	\$ 26,970,317	58,832,517	6,313,052	915,804	51,603,661

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

A.M. BEST RATINGS

The following companies have provided reinsurance or excess insurance for the various fund years. The A.M. Best rating for each company is also listed.

Fund Year	Reinsurance Carrier	Type of Coverage	A.M. Best Rating	Fin Size Category
1987-1988 through 1988-1989	Lloyd's of London	Aggregate & Specific	A	XV
	Fireman's Fund Ins. Co.	Excess Property	A	XV
	International Ins. Co.	GL/Auto Excess	not rated	
	CAN Insurance Companies (formerly CNA Casualty)	Prop & Liab Excess	A	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	XV
1989-1990 through 1992-1993	Lloyd's of London	Aggregate & Specific	A	XV
	Fireman's Fund Ins. Co.	Excess Property	A	XV
	International Ins. Co.	GL/Auto Excess	not rated	
	CAN Insurance Companies (formerly CNA Casualty)	Prop & Liab Excess	A	XV
	ACE Prop & Casualty Ins Co	Following Form	A+	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	X
1993-1994 through 1998-1999	Munich Reinsurance America	Aggregate & Specific	A+	XV
	Royal Insurance Group	Excess Property	not rated	
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	X
1999-2000	Munich Reinsurance America	Aggregate & Specific	A+	XV
	Swiss Re America Group	Excess Property	A	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	X
2000-2001	Munich Reinsurance America	Aggregate & Specific	A+	XV
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	X
2001-2002	Munich Reinsurance America	Aggregate & Specific	A+	XV
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	F M Global Group	Boiler & Machinery	A+	XV

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

A.M. BEST RATINGS, CONTINUED

Fund Year	Reinsurance Carrier	Type of Coverage	A.M. Best Rating	Fin Size Category
2002-2003	Munich Reinsurance America	Specific	A+	XV
	Essex Insurance Co.	Excess Property	A	XII
	Federal Insurance Co.	Excess Property	A++	XV
	Lexington Insurance Co.	Excess Property	A	XV
	St Paul Fire & Casualty Ins Co.	Excess Property	A+	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	Wausau Business Insurance Co.	Excess Property	A	XV
	Westchester Surplus Lines Ins Co.	Excess Property	A+	XII
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	X
2003-2004	Munich Reinsurance America	Specific	A+	XV
	Federal Insurance Co.	Excess Property	A++	XV
	Lexington Insurance Co.	Excess Property	A	XV
	St Paul Fire & Casualty Ins Co.	Excess Property	A+	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	U S Fire Insurance Co.	Excess Property	A	XIII
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	X
2004-2005	Munich Reinsurance America	Specific	A+	XV
	Discover Reinsurance Co	Excess Property	A+	XV
	Essex Insurance Co.	Excess Property	A	XII
	Federal Insurance Co.	Excess Property	A++	XV
	Lexington Insurance Co.	Excess Property	A	XV
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	U S Fire Insurance Co.	Excess Property	A	XIII
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	X
2005-2006	Discover Reinsurance Co	Specific & Excess Property	A+	XV
	Essex Insurance Co.	Excess Property	A	XII
	Federal Insurance Co.	Excess Property	A++	XV
	Lexington Insurance Co.	Excess Property	A	XV
	Clarendon National Ins Co	Excess Property	A-	IX
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	X

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

A.M. BEST RATINGS, CONTINUED

Fund Year	Reinsurance Carrier	Type of Coverage	A.M. Best Rating	Fin Size Category
2006-2007	Discover Reinsurance Co	Specific & Excess Property	A+	XV
	Landmark American Insurance Co.	Excess Property	A	XII
	Federal Insurance Co.	Excess Property	A++	XV
	U S Fire Insurance Co.	Excess Property	A	XIII
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	X
2007-2008	Discover Reinsurance Co	Specific & Excess Property	A+	XV
	One Beacon	Excess Property	A	XIII
	Liberty Mutual Insurance Co.	Excess Property	A	XV
	Landmark American Insurance Co.	Excess Property	A	XII
	Federal Insurance Co.	Excess Property	A++	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	Lexington Insurance Co.	Excess Property	A	XV
	Hartford Steam & Boiler Group	Boiler & Machinery	A+	X
2008-2009	Discover Reinsurance Co	Specific & Excess Property	A+	XV
	Munich Re America	Excess Property	A+	XV
	One Beacon	Excess Property	A	XIII
	Federal Insurance Co.	Excess Property	A++	XV
	Travelers Casualty and Surety Co	Excess Property	A+	XV
	Lexington Insurance Co.	Excess Property	A	XV
	Hartford Steam & Boiler Group	Excess Property	A+	X

EXPENSES

Estimates of reinsurance premiums, claims service fees and administrative fees are recorded as expenses in the initial fiscal year of each Pool for all of the services expected to arise out of that fund year. Changes in these estimated expenses are treated as current income or expenses in each fund year.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Notes to Financial Statements, Continued**

NET ASSETS

Under a policy adopted by the Board of Directors, net assets are segregated into four components.

Invested in Capital Assets - Net assets invested in capital assets represents the pool's investment in computer equipment, less related accumulated depreciation. Total net assets invested in capital assets at June 30, 2009 and 2008 amounted to \$53,503 and \$73,771, respectively.

Reserves for Adverse Development - The reserves for adverse development are maintained to recognize the possibility that actual loss development may vary from the expected development underlying the loss projections. The amount of the reserves is based on recommendations from an independent actuary. The reserves are established at the 95% Confidence Level, as calculated by the actuary. At June 30, 2009 and 2008, the reserves for adverse development totaled \$1,867,989 and \$1,628,711, respectively.

Safety Enhancement Fund - The safety enhancement fund represents net assets maintained to provide grants and scholarships to assist in strengthening workplace safety. Total net assets designated for the safety enhancement fund at both June 30, 2009 and 2008 amounted to \$177,589.

Contingency Reserves - The contingency reserves are calculated as the net assets less the reserves for adverse development. The contingency reserves at June 30, 2009 and 2008 were \$20,197,887 and \$19,624,884, respectively. The contingency reserves represent accumulated funding in excess of statutory requirements and the board-designated reserves. The Property and Casualty Pool Trustees have established these reserves to be held for the financial stability of the Pool.

INTERFUND TRANSFERS

In order to provide full funding, the Property and Casualty Pool Trustees have approved various transfers from some fund years to others. All transfers made between Property and Casualty Pool funds years since inception are reflected in Schedule 3.

INTEGRATION OF PUBLIC OFFICIALS LIABILITY PROGRAM

On January 27, 2000, the MMA Executive Committee and the Property and Casualty Pool Board voted to integrate the Public Officials Liability Program into the Property and Casualty Pool, effective July 1, 2000. From that date forward, Public Officials Liability claims became self insured as a line of business within the Property and Casualty Pool. The Public Officials Liability Fund for 1999-2000 and prior fund years has remained open until all outstanding liabilities were relieved, at which time any remaining assets would be transferred to the Property and Casualty Fund. As of June 30, 2002, \$250,000 had been transferred from the Public Officials Liability program to the Property and Casualty Pool fund year 2000-2001. On June 30, 2008, an additional \$185,947 was transferred to the Property and Casualty Pool and the Public Officials Liability Program was officially closed.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Statement of Net Assets by Fund Year
June 30, 2009

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
ASSETS										
Cash and cash equivalents	\$ -	-	36,866	486,273	5,505	(33,387)	323,001	159,909	574,490	1,334,903
Certificates of deposit	-	-	11,987	158,102	1,789	(10,856)	105,018	51,991	186,783	434,015
U.S. government and agency securities	-	-	25,452	335,711	3,800	(23,050)	222,992	110,398	396,614	921,583
Prepaid expense	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-	-
Accrued interest receivable	-	-	386	5,093	58	(350)	3,383	1,675	6,017	13,980
Total current assets	-	-	74,691	985,179	11,152	(67,643)	654,394	323,973	1,163,904	2,704,481
Capital assets:										
Computer equipment	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Net capital assets	-	-	-	-	-	-	-	-	-	-
Total assets	\$ -	-	74,691	985,179	11,152	(67,643)	654,394	323,973	1,163,904	2,704,481
LIABILITIES										
Liabilities:										
Accounts payable	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Claims loss reserves:										
Claims reserves	-	-	2,993	-	-	40,301	6,269	5,564	23,434	2,689
Reinsurance recoverable	-	-	18,134	-	-	(189,289)	(46,452)	(74,780)	(52,351)	-
Net claims loss reserves	-	-	21,127	-	-	(148,988)	(40,183)	(69,216)	(28,917)	2,689
Claims service fee reserve	-	-	1,382	-	-	2,988	1,382	2,112	1,438	5,752
Total liabilities	\$ -	-	22,509	-	-	(146,000)	(38,801)	(67,104)	(27,479)	8,441
NET ASSETS										
Invested in capital assets	-	-	-	-	-	-	-	-	-	-
Unrestricted:										
Board designated:										
Reserve for adverse development	-	-	-	-	-	-	-	1,190	5,012	575
Safety enhancement fund	-	-	-	-	-	-	-	-	-	-
Contingency reserve	-	-	52,182	985,179	11,152	78,357	693,195	389,887	1,186,371	2,695,465
Total net assets	\$ -	-	52,182	985,179	11,152	78,357	693,195	391,077	1,191,383	2,696,040

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Statement of Net Assets by Fund Year, Continued

2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	2006-07 Fund Year	2007-08 Fund Year	2008-09 Fund Year	2009-10 Fund Year	P&C Safety Fund	Totals (memorandum only)	
								2009	2008
2,106,575	1,844,054	1,786,928	1,562,742	2,573,365	2,304,452	(31,339)	87,656	15,121,993	11,094,994
684,908	599,555	580,982	508,093	836,675	749,242	(10,189)	28,500	4,916,595	7,628,088
1,454,326	1,273,088	1,233,650	1,078,878	1,776,586	1,590,935	(21,636)	60,515	10,439,842	9,415,408
-	-	-	-	-	14,908	67,042	-	81,950	38,274
-	-	-	-	3,709	23,789	63,492	-	90,990	86,281
22,062	19,314	18,713	16,366	26,951	24,134	(328)	918	158,372	214,948
4,267,871	3,736,011	3,620,273	3,166,079	5,217,286	4,707,460	67,042	177,589	30,809,742	28,477,993
-	-	-	-	-	261,412	-	-	261,412	231,326
-	-	-	-	-	(207,909)	-	-	(207,909)	(157,555)
-	-	-	-	-	53,503	-	-	53,503	73,771
4,267,871	3,736,011	3,620,273	3,166,079	5,217,286	4,760,963	67,042	177,589	30,863,245	28,551,764
-	-	-	-	3,708	16,171	-	-	19,879	41,490
-	-	-	-	-	-	67,042	-	67,042	11,459
140,500	25,145	366,422	805,766	2,214,143	5,344,404	-	-	8,977,630	7,636,794
-	-	(376,065)	-	(60,000)	(135,000)	-	-	(915,803)	(1,018,195)
140,500	25,145	(9,643)	805,766	2,154,143	5,209,404	-	-	8,061,827	6,618,599
9,392	11,953	18,694	33,524	85,969	242,943	-	-	417,529	375,261
149,892	37,098	9,051	839,290	2,243,820	5,468,518	67,042	-	8,566,277	7,046,809
-	-	-	-	-	53,503	-	-	53,503	73,771
30,053	5,378	78,377	172,352	460,768	1,114,284	-	-	1,867,989	1,628,711
-	-	-	-	-	-	-	177,589	177,589	177,589
4,087,926	3,693,535	3,532,845	2,154,437	2,512,698	(1,875,342)	-	-	20,197,887	19,624,884
4,117,979	3,698,913	3,611,222	2,326,789	2,973,466	(707,555)	-	177,589	22,296,968	21,504,955

See independent auditor's report.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Statement of Revenues and Expenses by Fund Year
For the Period ended June 30, 2009

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenues:									
Contributions	\$ -	-	-	-	-	-	-	-	-
Investment income	-	-	2,608	28,726	364	(1,870)	19,255	6,503	34,116
Grant income	-	-	-	-	-	-	-	-	-
Total revenues	-	-	2,608	28,726	364	(1,870)	19,255	6,503	34,116
Expenses:									
Claims paid	-	-	-	-	-	27,623	1,765	308,726	17,786
Less: Deductible recovery	-	-	-	-	-	-	-	-	-
Salvage recovery	-	-	-	-	-	-	-	-	-
Subrogation recovery	-	-	(4,992)	-	-	(6,004)	-	(1,119)	(46)
Net claims paid before reinsurance	-	-	(4,992)	-	-	21,619	1,765	307,607	17,740
Reinsurance recovery	-	-	-	-	-	-	-	(325,683)	-
Net claims paid after reinsurance	-	-	(4,992)	-	-	21,619	1,765	(18,076)	17,740
Claims reserve adjustment:									
Established claims	-	-	-	-	-	(30,815)	-	1,941	13,465
Less reinsurance recoverable estimate	-	-	21,127	-	-	(37,843)	(1,766)	123,453	8,888
Net claims expense adjustment	-	-	16,135	-	-	(47,039)	(1)	107,318	40,093
Reinsurance premium	-	-	-	-	-	-	-	-	-
Premiums remitted	-	-	-	-	-	-	-	-	-
Administrative fee	-	-	-	-	-	-	-	-	-
Claims service reserve adjustment	-	-	-	-	-	(1,115)	-	(1,991)	56
Consultants and legal fees	-	-	-	-	-	-	-	-	-
Safety scholarships and grants	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Total expenses	-	-	16,135	-	-	(48,154)	(1)	105,327	40,149
Transfer from POL fund	-	-	-	-	-	-	-	-	-
Change in net assets	\$ -	-	(13,527)	28,726	364	46,284	19,256	(98,824)	(6,033)

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Statement of Revenues and Expenses by Fund Year, Continued

2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	2006-07 Fund Year	2007-08 Fund Year	2008-09 Fund Year	P&C Safety Fund	Totals (memorandum only)	
								2009	2008
-	-	-	-	-	(4,562)	12,429,109	-	12,424,547	12,598,903
78,567	124,667	111,139	112,264	102,396	156,931	121,460	-	897,126	1,228,120
-	-	-	-	-	-	-	-	-	-
78,567	124,667	111,139	112,264	102,396	152,369	12,550,569	-	13,321,673	13,827,023
(1,040)	26,922	94,636	654,174	1,284,102	1,033,882	2,712,283	-	6,160,859	5,288,357
-	-	(4,900)	(2,500)	(261,998)	(70,631)	(123,147)	-	(463,176)	(322,978)
-	-	-	-	-	-	(12,331)	-	(12,331)	(19,567)
(38,723)	(1,456)	-	(100)	(10,150)	(149,881)	(126,626)	-	(339,097)	(188,376)
(39,763)	25,466	89,736	651,574	1,011,954	813,370	2,450,179	-	5,346,255	4,757,436
-	-	-	-	(107,481)	-	-	-	(433,164)	(694,097)
(39,763)	25,466	89,736	651,574	904,473	813,370	2,450,179	-	4,913,091	4,063,339
(5,903)	(114,017)	(187,236)	(562,659)	(1,710,528)	(1,407,816)	5,344,404	-	1,340,836	(535,863)
25,365	-	5,437	(157,935)	101,755	148,910	(135,000)	-	102,391	379,149
(20,301)	(88,551)	(92,063)	(69,020)	(704,300)	(445,536)	7,659,583	-	6,356,318	3,906,625
-	-	-	-	-	-	2,736,133	-	2,736,133	2,817,313
-	-	-	-	-	(4,563)	524,965	-	520,402	558,532
-	-	-	-	-	-	2,388,969	-	2,388,969	2,372,929
(510)	(9,265)	(10,526)	(18,593)	(52,475)	(106,255)	242,943	-	42,269	(26,038)
-	-	-	1,910	3,781	1,866	20,099	-	27,656	64,961
-	-	-	-	-	-	-	-	-	5,117
-	-	-	-	-	-	58,431	-	58,431	31,887
-	-	-	-	349,129	-	-	-	349,129	299,360
-	-	-	-	-	-	50,353	-	50,353	47,211
(20,811)	(97,816)	(102,589)	(85,703)	(403,865)	(554,488)	13,681,476	-	12,529,660	10,077,897
-	-	-	-	-	-	-	-	-	185,947
99,378	222,483	213,728	197,967	506,261	706,857	(1,130,907)	-	792,013	3,935,073

See independent auditor's report.

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Cumulative Statement of Revenues and Expenses
For the Period March 1, 1987 through June 30, 2009

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenues:									
Contributions	\$ 1,885,708	3,478,124	2,718,315	2,927,993	3,611,796	4,178,842	4,728,534	4,823,684	4,600,925
Investment Income	170,048	522,661	303,155	143,822	222,683	140,144	557,759	667,493	352,643
Grant Income	-	-	-	-	-	-	-	-	-
Total revenues	2,056,756	4,000,785	3,021,470	3,071,815	3,834,479	4,318,986	5,286,303	5,491,177	4,953,568
Expenses:									
Claims paid	830,180	1,120,078	979,918	2,197,076	1,817,965	2,649,148	2,058,998	1,261,447	2,012,365
Less: Deductible recovery	(74,588)	(109,119)	(105,595)	(100,511)	(122,654)	(183,579)	(22,045)	(21,915)	(26,066)
Salvage recovery	(1,295)	(4,754)	(6,508)	(3,229)	(6,057)	(12,301)	(7,795)	(1,628)	(8,627)
Subrogation recovery	(6,851)	(27,902)	(17,578)	(80,992)	(45,038)	(52,754)	(37,166)	(70,839)	(91,294)
Net claims paid before reinsurance	747,446	978,303	850,237	2,012,344	1,644,216	2,400,514	1,991,992	1,167,065	1,886,378
Reinsurance recovery	(185,928)	(211,859)	-	(470,387)	(280,538)	(637,713)	(472,013)	(138,764)	(162,946)
Reinsurance recovery aggregate	-	-	-	(446,145)	-	(50,221)	-	-	-
Net claims paid after reinsurance	561,518	766,444	850,237	1,095,812	1,363,678	1,712,580	1,519,979	1,028,301	1,723,432
Claims reserve adjustment:									
Established claims	-	-	-	-	-	-	-	-	2,993
Less reinsurance recoverable estimate	-	-	-	-	-	-	-	-	18,134
Net claims expense adjustment	561,518	766,444	850,237	1,095,812	1,363,678	1,712,580	1,519,979	1,028,301	1,741,559
Reinsurance premium	1,028,693	1,665,025	1,288,667	1,420,019	1,946,991	1,842,935	1,599,829	1,671,447	1,502,842
Premiums remitted	-	-	-	-	89,499	63,711	113,372	125,881	119,937
Claims service fee	28,688	41,887	25,885	22,746	22,290	24,740	-	-	14,000
Administrative fee	195,783	301,418	289,238	319,670	426,724	531,790	621,840	755,613	930,104
Loss prevention services	35,217	64,204	51,000	57,000	66,600	82,484	51,299	672	(2,095)
Claims service reserve adjustment	-	-	-	-	-	-	-	-	1,382
Consultants and legal fees	-	-	-	-	-	-	-	-	-
Safety scholarships and grants	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	399
Depreciation	-	-	-	-	-	-	-	-	29,427
Dividends	-	-	-	-	-	-	160,376	159,696	152,646
Total expenses	1,849,899	2,838,978	2,505,027	2,915,247	3,915,782	4,258,240	4,066,695	3,741,610	4,493,141
Excess (deficiency) of revenue over (under) expenses	206,857	1,161,807	516,443	156,568	(81,303)	60,746	1,219,608	1,749,567	460,427
Transfer to fund year									
1991-92	-	(447,535)	-	-	447,535	-	-	-	-
1996-97	(150,000)	(550,000)	(72,855)	-	-	-	-	-	-
1997-98	-	(150,000)	(372,307)	-	-	-	-	-	-
1998-99	-	-	-	(9,355)	(160,475)	(5,160)	(484,110)	-	-
1999-00	-	-	-	-	-	-	-	(380,929)	-
2000-01	-	-	-	-	-	-	-	(685,572)	-
2001-02	-	-	-	-	-	-	(250,000)	(250,000)	-
2002-03	-	-	-	(48,772)	(150,000)	-	(150,000)	-	-
2003-04	(56,857)	(14,272)	(71,281)	(98,441)	-	-	-	-	-
2004-05	-	-	-	-	-	-	(107,014)	(64,065)	-
2005-06	-	-	-	-	-	-	-	-	-
2006-07	-	-	-	-	-	-	-	-	-
2007-08	-	-	-	-	(55,757)	(55,886)	(150,000)	(150,000)	(282,379)
2008-09	-	-	-	-	-	-	(78,484)	(219,001)	(125,866)
Transfer from POL to P&C	-	-	-	-	-	-	-	-	-
Net assets	\$ -	-	-	-	-	-	-	-	52,182

MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Cumulative Statement of Revenues and Expenses, Continued

1996-97 Fund Year	1997-98 Fund Year	1998-99 Fund Year	1999-00 Fund Year	2000-01 Fund Year	2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	2006-07 Fund Year	2007-08 Fund Year	2008-09 Fund Year	P&C Safety Fund	Totals
3,549,226	3,372,596	3,375,152	3,687,172	5,142,451	6,208,414	8,825,598	10,486,038	12,037,771	12,370,087	12,811,051	12,592,938	12,429,109	-	139,842,524
457,993	83,768	15,498	262,309	198,870	936,074	553,848	804,472	755,075	667,434	507,024	325,530	121,459	-	8,169,772
-	-	-	-	-	-	-	-	-	-	-	-	-	227,305	227,305
4,007,219	3,456,364	3,390,650	3,949,481	5,341,321	6,544,488	9,379,446	11,290,510	12,792,846	13,037,521	13,318,075	12,918,468	12,550,568	227,305	148,239,601
1,275,736	2,041,100	2,041,548	1,338,527	4,151,997	2,715,334	3,210,863	2,907,479	4,918,984	4,506,631	5,032,510	3,088,993	2,712,283	-	54,869,160
(6,000)	(6,419)	(4,723)	(4,557)	(109,381)	(64,969)	(101,371)	(68,701)	(282,355)	(176,145)	(619,245)	(201,450)	(123,148)	-	(2,534,536)
(7,226)	(7,171)	(16,885)	(16,434)	(17,170)	(13,863)	(23,741)	(6,628)	(26,477)	(14,636)	(22,484)	(7,052)	(12,331)	-	(244,292)
(37,183)	(43,118)	(109,768)	(86,737)	(124,208)	(98,140)	(250,891)	(111,222)	(189,739)	(222,311)	(157,485)	(247,604)	(126,626)	-	(2,235,446)
1,225,327	1,984,392	1,910,172	1,230,799	3,901,238	2,538,362	2,834,860	2,720,928	4,420,413	4,093,539	4,233,296	2,632,887	2,450,178	-	49,854,886
(22,015)	(492,574)	(100,533)	(35,103)	(1,276,748)	(291,469)	(144,666)	-	(612,647)	(173,303)	(107,481)	-	-	-	(5,816,687)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	(495,366)
1,203,312	1,491,818	1,809,639	1,195,696	2,624,490	2,246,893	2,690,194	2,720,928	3,807,766	3,920,236	4,125,815	2,632,887	2,450,178	-	43,541,833
-	-	40,301	6,270	5,564	23,434	2,689	140,500	25,144	366,422	805,766	2,214,143	5,344,404	-	8,977,630
-	1	(189,289)	(46,453)	(74,780)	(52,351)	-	-	-	(376,065)	-	(60,000)	(135,000)	-	(915,803)
1,203,312	1,491,819	1,660,651	1,155,513	2,555,274	2,217,976	2,692,883	2,861,428	3,832,910	3,910,593	4,931,581	4,787,030	7,659,582	-	51,609,660
1,075,765	973,632	866,631	802,491	1,492,095	1,707,265	2,113,070	1,970,970	2,525,573	2,478,472	2,831,731	2,817,313	2,736,133	-	38,357,589
211,736	240,931	248,803	331,911	417,165	461,578	516,502	793,892	918,156	553,758	547,725	552,565	524,965	-	6,832,087
-	7,000	9,500	7,000	7,000	-	-	-	-	-	-	-	-	-	210,736
1,026,453	1,051,088	1,081,080	1,120,190	1,196,706	1,307,771	1,471,659	1,535,480	1,643,475	1,941,175	2,184,295	2,372,929	2,388,969	-	24,693,450
-	-	-	-	-	-	-	-	-	-	-	-	-	-	406,361
-	-	2,988	1,382	2,112	1,438	5,752	9,392	11,959	18,693	33,524	85,969	242,943	-	417,528
-	-	-	11,982	923	18,542	20,652	10,065	18,084	130,716	22,856	18,424	20,099	49,716	322,059
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,746	2,820	3,916	1,610	10,023	1,045	9,019	8,145	20,658	51,606	44,073	31,887	58,430	-	245,317
35,061	36,344	37,044	33,156	29,853	30,013	27,766	24,436	44,806	41,926	46,372	47,211	50,353	-	513,768
175,756	163,885	172,123	171,980	174,665	172,543	174,875	199,574	249,397	299,360	349,129	-	-	-	2,776,005
3,729,829	3,967,519	4,082,736	3,637,215	5,885,816	5,918,171	7,032,178	7,413,382	9,265,012	9,426,299	10,991,286	10,713,328	13,681,474	49,716	126,378,580
277,390	(511,155)	(692,086)	312,266	(544,495)	626,317	2,347,268	3,877,128	3,527,834	3,611,222	2,326,789	2,205,140	(1,130,906)	177,589	21,861,021
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
772,855	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	522,307	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	659,100	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	380,929	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	685,572	-	-	-	-	-	-	-	-	-	-
(65,066)	-	-	-	-	565,066	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	348,772	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	240,851	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	171,079	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	111,343	-	-	-	-	-	-	-	-	-	-	-	(582,379)
-	-	-	-	-	-	-	-	-	-	-	582,379	423,351	-	582,379
-	-	-	-	250,000	-	-	-	-	-	-	185,947	-	-	435,947
985,179	11,152	78,357	693,195	391,077	1,191,383	2,696,040	4,117,979	3,698,913	3,611,222	2,326,789	2,973,466	(707,555)	177,589	22,296,968

See independent auditor's report.

Schedule 4

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Schedule of Claims Development Information**

	1999-00 Fund Year	2000-01 Fund Year
Contribution and investment revenue:		
Earned	\$ 3,851,910	5,296,031
Ceded	1,134,402	1,909,260
Net earned revenue	2,717,508	3,386,771
Unallocated expenses:	1,347,612	1,425,405
Estimated incurred claims and expense:		
Incurred	2,487,518	3,811,735
Ceded	572,798	1,303,468
Net incurred claims	1,914,720	2,508,267
Paid claims (cumulative) as of:		
End of policy year	782,365	1,437,939
One year later	1,090,984	2,763,260
Two years later	1,294,524	3,256,122
Three years later	1,334,069	3,732,064
Four years later	1,337,669	3,772,509
Five years later	1,335,512	3,805,744
Six years later	1,336,159	3,838,713
Seven years later	1,336,313	3,843,271
Eight years later	1,336,762	4,151,997
Nine years later	1,338,527	-
Reestimated ceded claims and expenses	79,790	1,198,407
Reestimated incurred claims and expense as of:		
End of policy year	1,914,720	2,508,267
One year later	1,665,637	2,503,275
Two years later	1,287,218	2,498,274
Three years later	1,201,496	2,397,697
Four years later	1,159,263	2,429,188
Five years later	1,159,263	3,586,512
Six years later	1,235,303	3,616,400
Seven years later	1,235,303	3,597,254
Eight years later	1,235,304	3,906,802
Nine years later	1,237,069	-
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ (677,651)	1,398,535

Schedule 4, Cont.

**MAINE MUNICIPAL ASSOCIATION
PROPERTY AND CASUALTY POOL
Schedule of Claims Development Information, Continued**

2001-02 Fund Year	2002-03 Fund Year	2003-04 Fund Year	2004-05 Fund Year	2005-06 Fund Year	2006-07 Fund Year	2007-08 Fund Year	2008-09 Fund Year
6,361,068	8,977,521	10,622,190	12,125,297	12,486,429	12,993,369	12,766,097	12,429,109
2,168,843	2,629,572	2,764,862	3,417,833	3,023,933	3,378,052	3,374,439	3,261,098
4,192,225	6,347,949	7,857,328	8,707,464	9,462,496	9,615,317	9,391,658	9,168,011
1,545,076	1,728,609	1,648,477	1,905,022	2,234,349	2,512,805	2,660,809	3,160,795
3,838,334	2,985,133	3,914,536	4,082,101	5,384,502	5,898,265	5,677,069	7,794,582
1,535,914	169,775	-	430,000	221,920	-	208,910	(135,000)
2,302,420	2,815,358	3,914,536	3,652,101	5,162,582	5,898,265	5,468,159	7,929,582
1,128,147	1,412,020	1,345,716	1,981,089	2,488,367	2,211,892	2,055,110	2,450,178
1,571,237	2,332,605	2,115,832	2,944,762	3,631,928	3,748,408	3,088,993	-
2,078,601	2,701,484	2,391,126	3,537,736	3,852,456	5,032,510	-	-
2,230,013	3,176,422	2,811,603	4,824,348	4,506,631	-	-	-
2,528,621	3,204,377	2,880,556	4,918,984	-	-	-	-
2,645,434	3,211,903	2,907,479	-	-	-	-	-
2,697,549	3,210,863	-	-	-	-	-	-
2,715,334	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
489,886	61,775	-	430,000	221,920	-	208,910	135,000
2,302,420	2,815,358	3,914,536	3,676,207	4,102,337	4,512,101	5,384,502	7,794,582
2,278,626	3,613,207	3,914,536	5,116,289	4,645,484	5,737,635	4,847,030	-
2,342,466	3,046,908	3,043,597	4,831,151	4,371,045	5,039,062	-	-
2,324,910	2,907,065	3,423,589	4,543,058	4,459,961	-	-	-
2,526,860	2,900,818	2,949,979	4,445,557	-	-	-	-
2,535,681	2,883,215	2,861,428	-	-	-	-	-
2,530,591	2,837,549	-	-	-	-	-	-
2,561,795	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
259,375	22,191	(1,053,108)	769,350	357,624	526,961	(537,472)	-

See independent auditor's report.