

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS

Financial Statements

December 31, 2002 and 2001

MAINE MUNICIPAL ASSOCIATION
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Financial Statements
December 31, 2002 and 2001

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

The Board of Trustees
Maine Municipal Association
Workers' Compensation Funds:

We have audited the accompanying combined balance sheets of Maine Municipal Association Workers' Compensation Funds as of December 31, 2002 and 2001, and the related combined statements of revenue and expenses, changes in fund balances and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Maine Municipal Association Workers' Compensation Funds as of December 31, 2002 and 2001 and the results of its operations, changes in its fund balances 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 presented in Schedules 1 through 4 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 audits 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 Ouelllette'.

March 7, 2003
South Portland, Maine

Exhibit A

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Combined Balance Sheets
(All Fund Years)
December 31, 2002 and 2001

	2002	2001
ASSETS		
Cash and cash equivalents	\$ 3,863,471	5,086,837
U. S. government and agency securities	42,088,890	39,558,417
Corporate bonds	7,330,910	7,311,818
Accounts receivable	11,803	26,311
Accrued interest receivable	609,666	611,305
Fixed assets:		
Computer equipment and software	488,118	492,299
Less accumulated depreciation	(328,648)	(281,518)
Net fixed assets	159,470	210,781
Total assets	\$ 54,064,210	52,805,469

MAINE MUNICIPAL ASSOCIATION
 WORKERS' COMPENSATION FUND
 Combined Balance Sheets, Continued
 (All Fund Years)
 December 31, 2002 and 2001

	2002	2001
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 31,422	5,148
Deferred revenue	14,087	899,260
Claims loss reserves:		
Claims reserve	20,254,405	18,311,765
Reinsurance recoverable	(1,968,681)	(1,372,130)
Supplemental benefits fund recoverable	(452,501)	(347,305)
Loss reserve discounting	(2,340,552)	(2,123,380)
Net claims loss reserve	15,492,671	14,468,950
Claim service/assessment reserve	3,180,254	2,756,141
Total liabilities	18,718,434	18,129,499
Fund balances:		
Reserve for statutory funding	1,151,322	1,093,088
Board designated reserve	1,699,962	1,623,980
Contingency reserve	32,494,492	31,958,902
Total fund balances	35,345,776	34,675,970
Total liabilities and fund balances	\$ 54,064,210	52,805,469

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Combined Statements of Revenue and Expenses
(All Fund Years)
For the years ended December 31, 2002 and 2001

	2002	2001
Revenue:		
Contributions	\$ 10,606,036	8,586,423
Less discounts	(895,300)	(722,503)
Less loss control credit	(328,432)	(340,183)
Less medical deductible credit	(8,848)	(9,594)
Net contributions	9,373,456	7,514,143
Investment income	4,106,762	3,712,619
Total revenue	13,480,218	11,226,762
Expenses:		
Claims paid	7,735,843	7,274,889
Claims reserve - current year adjustment	1,942,641	1,011,439
Subrogation recovery	(141,824)	(190,518)
Deductible recovery	(9,895)	(12,048)
Ultimate claims loss	9,526,765	8,083,762
Reinsurance recovered	(110,106)	(1,197,046)
Reinsurance recoverable adjustment	(596,549)	536,279
Supplemental benefits fund recoverable	(105,196)	(347,305)
Net ultimate claims loss	8,714,914	7,075,690
Loss reserve discounting - current year adjustment	(217,172)	(33,151)
Net claims expense	8,497,742	7,042,539
Reinsurance premium	535,703	513,664
Professional service	47,723	50,512
Administrative fees	2,286,467	1,930,412
Regulatory assessment and fees	451,190	172,847
Claims serve/assessment reserve	424,113	1,264,001
Safety and scholarship grants	113,907	55,097
Depreciation expense	47,130	39,616
Maintenance contracts	21,043	18,403
Dividends paid	385,394	368,132
Total expenses	12,810,412	11,455,223
Excess (deficiency) of revenue over (under) expenses	\$ 669,806	(228,461)

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Combined Statements of Changes in Fund Balances
(All Fund Years)
For the years ended December 31, 2002 and 2001

	Contingency reserve	Reserve for statutory funding	Board designated reserve	Total fund balances
Fund balances at December 31, 2000	\$ 32,197,432	1,088,784	1,618,215	34,904,431
Deficiency of revenue under expenses	(228,461)	-	-	(228,461)
Fund balance transfer	(10,069)	4,304	5,765	-
Fund balances at December 31, 2001	31,958,902	1,093,088	1,623,980	34,675,970
Excess of revenue over expenses	669,806	-	-	669,806
Fund balance transfer	(134,216)	58,234	75,982	-
Fund balances at December 31, 2002	\$ 32,494,492	1,151,322	1,699,962	35,345,776

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Combined Statements of Cash Flows
(All Fund Years)

For the years ended December 31, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Excess (deficiency) of revenue over (under) expenses	\$ 669,806	(228,461)
Adjustments to reconcile excess (deficiency) of revenue over (under) expenses to net cash used in operating activities:		
Depreciation	47,130	39,616
Investment income recognized	(4,106,762)	(3,712,619)
Changes in assets and liabilities:		
Accounts receivable	14,508	(24,271)
Accrued interest receivable	1,639	-
Prepaid expenses	-	556
Accounts payable	26,274	(218,850)
Deferred revenue	(885,173)	899,260
Claims loss reserves	1,023,720	1,167,262
Claim service/assessment reserve	424,112	1,264,001
Net cash used in operating activities	(2,784,746)	(813,506)
Cash flows from capital and related financing activities:		
Purchase of computer equipment	-	(129,544)
Net cash used in capital and related financing activities	-	(129,544)
Cash flows from investing activities:		
Maturities of U. S. government securities	12,982,400	20,000,000
Purchases of U. S. government securities and corporate bonds	(14,189,760)	(20,871,100)
Investment income received	2,768,740	3,092,979
Net cash provided by investing activities	1,561,380	2,221,879
Net increase (decrease) in cash and cash equivalents	(1,223,366)	1,278,829
Cash and cash equivalents at beginning of year	5,086,837	3,808,008
Cash and cash equivalents at end of year	\$ 3,863,471	5,086,837

See accompanying notes to financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maine Municipal Association Workers' Compensation Fund (the "Fund") was established on November 1, 1978 to provide an alternative to commercial workers' compensation insurance for members of the Maine Municipal Association. During 2002 and 2001, respectively, there were 521 and 512 governmental entities who participated in the Funds. Participants share risk in proportion to their contributions. The Fund is administered by Maine Municipal Association for which a management fee is assessed and included in expense. These financial statements include only the accounts of the Maine Municipal Association Workers' Compensation Funds. The Fund is regulated by the State of Maine Bureau of Insurance under Rule Chapter 250.

Tax Exempt Status - The Fund is a Trust Fund established and administered by the Maine Municipal Association, a tax exempt instrumentality of the municipalities, and therefore is exempt from income taxes.

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

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 Fund considers all highly liquid deposits with an initial maturity of three months or less to be cash and 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 Workers' Compensation fund years. The Fund's investments consist of U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Fund estimates that the fair value of all financial instruments at December 31, 2002 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. 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 have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at December 31, 2002 and 2001.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Deferred Revenue - Deferred revenue represents contributions which have been received by the Fund 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 statement of revenue and expenses at the time the adjustments are determined.

Claims Service/Assessments Reserve - The Claims Service/Assessments Reserve is actuarially determined and consists of estimates for (1) service fees for future claims and (2) future assessments by the State of Maine. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount.

Reinsurance - The Fund 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 Fund as direct insurer of the risks reinsured. The Fund 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 2002 and 2001 were \$535,703 and \$513,664, respectively. The amount deducted from claims liabilities as of December 31, 2002 and 2001 for reinsurance was \$1,968,681 and \$1,372,130, respectively.

Contributions - The member contributions required are based on the standard premium workers' compensation rates similar to an insured plan. Various premium discounts and credits are given to members. The contributions for 2002 have not been fully determined; the current premiums are based on estimated payrolls. Audits are conducted during each succeeding year to adjust for actual payroll expenses incurred by the members.

Safety Enhancement Fund - In November 1999, the Board of Trustees established a Safety Enhancement Fund by transferring \$500,000 from Contingency Funds. The purpose of this fund is to provide resources for scholarships and grants to Fund members to increase workplace safety and to support a crisis intervention program.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates utilized in the preparation of the financial statements include claims loss reserves and the claim service/assessment reserve.

DEPOSITS AND INVESTMENTS

Deposits - Cash and cash equivalents are composed of cash management (CMA) and money market accounts and consist of the following at December 31:

	<u>2002</u>	<u>2001</u>
CMA-deposit	\$ 4,746	125,469
CMA-sweep	35,018	987,836
Money market accounts	3,823,707	3,973,532
Totals	\$ 3,863,471	5,086,837

Cash and cash equivalents for all of the Maine Municipal entities are pooled together, at a single financial institution, in cash management and money market accounts. The cash management-deposit account amounts that exceed the \$100,000 FDIC insured limit are considered uninsured and uncollateralized. The CMA-sweep and money market accounts are held in a money market mutual fund which invests exclusively in securities issued or guaranteed by the U.S. Government or certain of its agencies and instrumentalities.

The MMA-Workers' Compensation Fund portion at December 31, 2002 and 2001, had bank balances totaling \$481,622 and \$1,234,021, 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, or securities held by the Fund or its agent in the Fund's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust company or agent in the Fund's name.
3. Uninsured and unregistered, with securities held by the counterparty or its trust department or agent but not in the Fund's name.

At December 31, 2002 and 2001, investment balances were as follows:

		<u>2002</u>	<u>2001</u>
	<u>Category</u>	<u>Fair value</u>	<u>Fair value</u>
Corporate bonds	1	\$ 7,330,910	7,311,818
U.S. Government and agency securities	1	42,088,890	39,558,417
Totals		\$ 49,419,800	46,870,235

The aggregate fair value of corporate bonds and U.S. government and agency securities at December 31, 2002, by contractual maturity, are as follows:

	<u>Aggregate fair value</u>
Due in one year or less	\$ 8,137,063
Due after one year through five years	41,282,737
Total	\$ 49,419,800

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Notes to Financial Statements, Continued**

NET APPRECIATION IN FAIR VALUE OF INVESTMENTS

Net appreciation in fair value during the years ended December 31, 2002 and 2001 by type of investment is as follows. Such amounts are included in investment income on the statement of revenue and expense.

	<u>2002</u>	<u>2001</u>
Corporate bonds	\$ (3,644)	198,188
U.S. Government and agency securities	1,456,537	657,408
Totals	\$1,452,893	855,596

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE

The amounts shown for claims reserves as of December 31, 2002, are developed from an actuarially determined loss analysis and are as follows:

Fund Year	Reserve based on known claims	Actuarial reserves	Total reserves	Net paid claims	Actuarially determined ultimate claims
1978-1979	\$ -	-	-	719,077	719,077
1979-1980	-	-	-	2,532,544	2,532,544
1980-1981	-	-	-	3,327,467	3,327,467
1981-1982	14,164	5,002	19,166	2,955,659	2,974,825
1982-1983	-	-	-	3,975,309	3,975,309
1983-1984	-	-	-	5,077,576	5,077,576
1985	476,091	3,438	479,529	7,002,092	7,481,621
1986	237,885	84,005	321,890	7,017,272	7,339,162
1987	284,380	8,383	292,763	8,538,442	8,831,205
1988	79,955	28,235	108,190	7,935,511	8,043,701
1989	85,893	30,332	116,225	9,441,637	9,557,862
1990	179,004	63,212	242,216	8,428,028	8,670,244
1991	196,107	84,385	280,492	7,840,689	8,121,181
1992	210,959	160,225	371,184	8,662,334	9,033,518
1993	867,380	253,198	1,120,578	8,238,949	9,359,527
1994	143,001	316,101	459,102	5,797,035	6,256,137
1995	177,449	248,274	425,723	3,861,373	4,287,096
1996	250,537	315,047	565,584	4,762,768	5,328,352
1997	245,691	425,792	671,483	3,863,621	4,535,104
1998	897,469	428,522	1,325,991	3,958,029	5,284,020
1999	749,495	861,037	1,610,532	4,608,881	6,219,413
2000	1,445,625	966,275	2,411,900	4,538,413	6,950,313
2001	1,435,501	2,374,011	3,809,512	3,999,539	7,809,051
2002	3,346,609	2,275,736	5,622,345	2,431,584	8,053,929
Totals	\$ 11,323,195	8,931,210	20,254,405	129,513,829	149,768,234

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Notes to Financial Statements, Continued

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

The net claims loss reserves as reported in Exhibit A include a reserve recommended by the independent actuary for loss reserve discounting. This reserve provides for discounting the claims loss reserves by 5.0% based on the payout patterns recorded over the fund's history. This reserve anticipates the accrual of conservatively projected investment income over the life of each fund. This adjustment conforms with the funding requirements of the State of Maine Bureau of Insurance.

Each fund has entered into specific reinsurance contracts for individual claims as noted below. Aggregate reinsurance contracts covering total claims paid have been purchased for each year except 1991-1993 in which there was no coverage. The limits for the specific reinsurance for individual claims are as follows:

<u>Fund year</u>	<u>Specific Reinsurance</u>	
	<u>Attachment</u>	
	<u>Regular</u>	<u>Maritime/ USL&H</u>
1978-1979 to 1983-1984	\$ 250,000	
1985 to 1990	350,000	
1991 to 1998	400,000	
1999 to 2001	350,000	400,000
2002	400,000	400,000

The aggregate reinsurance limits are listed below along with the total amounts recoverable from both the specific and aggregate reinsurance policies based on the actuarially determined ultimate losses are as follows:

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

Fund Year		Actuarially determined ultimate losses	Aggregate reinsurance attachment	Reinsurance recovered	Reinsurance recoverable
1978-1979	\$	719,077	1,000,000	-	-
1979-1980		2,532,544	1,647,658	884,886	-
1980-1981		3,327,467	1,896,317	1,431,150	-
1981-1982		2,974,825	2,756,246	198,564	20,015
1982-1983		3,975,309	2,987,190	988,119	-
1983-1984		5,077,576	3,379,864	1,697,712	-
1985		7,481,621	3,913,707	3,072,636	495,278
1986		7,339,162	4,923,803	2,089,578	325,781
1987		8,831,205	9,280,199	5,683	244,619
1988		8,043,701	11,524,021	149,907	(3,461)
1989		9,557,862	12,871,277	-	-
1990		8,670,244	14,547,254	44,829	(5,794)
1991		8,121,181	-	-	-
1992		9,033,518	-	145,143	-
1993		9,359,527	-	-	533,598
1994		6,256,137	13,858,008	-	-
1995		4,287,096	13,406,885	-	-
1996		5,328,352	11,636,779	-	-
1997		4,535,104	12,000,000	-	-
1998		5,284,020	7,894,675	-	192,869
1999		6,219,413	8,595,625	-	36,183
2000		6,950,313	9,733,330	-	-
2001		7,809,051	10,711,749	-	-
2002		8,053,929	11,356,927	-	129,593
Totals	\$	149,768,234	169,921,514	10,708,207	1,968,681

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Notes to Financial Statements, Continued

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A.M. BEST RATINGS

Reinsurance or excess insurance for the various fund years has been provided by the following companies. The 2002 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>
1978-79 to 1979-80	International Insurance Co. (ISLIC)	Specific	(not rated)	(not rated)
1980-81 to 1981-82	United States Fire Insurance Co.	Specific	A- (Excellent)	X
1982-83 to 1983-84	General Accident Ins. Co. of Amer.	Specific	A (Excellent)	XV
1978-79 to 1983-84	Employers Reinsurance Corp.	Specific and Aggregate	A++ (Superior)	XV
1981-82 to 1983-84	Northwestern National Insurance Co.	Excess Aggregate	(not rated)	V
1985 to 1990	General Reinsurance Corp.	Specific and Aggregate	A++ (Superior)	XV
1985 to 1986	Royal Insurance Company	Excess Specific	A- (Excellent)	XIV
1991	General Reinsurance Corp.	Specific	A++ (Superior)	XV
1992 to 1993	Odyssey America Reinsurance Corp. (formerly TIG Reinsurance Company)	Specific	A (Excellent)	XI
1994 to 1995	Travelers (formerly Aetna Casualty & Surety)	Specific and Aggregate	A++ (Superior)	XV
1996 to 2001	Safety National Casualty Corp.	Specific and Aggregate	A (Excellent)	VIII

UNPAID CLAIMS LIABILITIES

The Fund establishes liabilities for the estimated costs of both reported and unreported losses, which includes estimates of both future payments of losses and related claim service reserves. The following represents changes in these aggregate liabilities as of December 31:

	<u>2002</u>	<u>2001</u>
<u>Claims loss and claims service reserves at beginning of year</u>	\$ 17,225,091	14,793,828
Incurred claims and claims service reserve expenses:		
Provision for insured events of the current year	8,210,090	7,662,906
Increases in provision for insured events of prior years	973,590	2,043,244
<u>Total insured claims and claims service reserve expenses</u>	<u>9,183,680</u>	<u>9,706,150</u>
Payments:		
Claims attributable to insured events of the current year	2,445,502	2,218,838
Claims attributable to insured events of prior years	5,290,344	5,056,049
<u>Total payments</u>	<u>7,735,846</u>	<u>7,274,887</u>
<u>Total claims loss and claims service reserves at end of year</u>	<u>\$ 18,672,925</u>	<u>17,225,091</u>

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
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 Fund for all of the services expected to arise out of that Fund. Changes in these estimated expenses are treated as current income or expense.

INTERFUND TRANSFERS

In order to provide full funding, the Workers' Compensation Fund Trustees have approved various transfers between fund years. Where excess funding has been permitted, some of the funds transferred have been returned. Transfers affected during 2002 are shown within Schedule 2. The net of all transfers made between Workers' Compensation Funds since inception is reflected in Schedule 3.

FUND BALANCE

Under a policy of the Trustees of the Fund, the fund balance is segregated into three components.

The Reserve for Statutory Funding is calculated by an independent actuary to a 75% confidence level based on the loss development variations experienced by the Maine Municipal Association's Workers' Compensation Fund over its history. The calculation indicates that this reserve plus the claims loss reserve and claims service/assessment reserve will be adequate to that confidence level to cover variations in the claims loss reserve development. This adjustment also conforms with the funding requirements of the State of Maine Bureau of Insurance. As of December 31, 2002 and 2001, the Reserve for Statutory Funding totaled \$1,151,322 and \$1,093,088, respectively.

The Board Designated Reserve is maintained to recognize the possibility that actual loss development may vary from the expected development underlying the loss projections. An independent actuary has calculated this reserve to provide an additional reserve up to the 95% confidence level. As of December 31, 2002, and 2001, the Board Designated Reserve totaled \$1,699,962 and \$1,623,980, respectively.

The Contingency Reserve represents accumulated funding in excess of the statutory requirements and the board designated reserves. The Workers' Compensation Fund Trustees have established this reserve to be held for the future financial stability of the Fund. As of December 31, 2002 and 2001, the Contingency Reserve totaled \$32,494,492 and \$31,958,902, respectively.

ADMINISTRATIVE SERVICE FEES

In fund years 1979 to 1998, the annual services fees paid by the Workers' Compensation Funds to the Maine Municipal Association provided compensation for MMA services to each fund year until its conclusion. For this purpose, each fund year was estimated to have an effective span of ten calendar years. In 1998, management conducted a thorough analysis of the projected dollar value of future services to fund years 1978-1979 through 1998. As a result, the Maine Municipal Association refunded \$557,444 to the Workers' Compensation Funds at 12/31/98 and offset the 1999 fee by \$120,714. Management has also determined that service fees paid to the Association in 1999 and subsequent years will be limited to compensation for twelve months of service. The remaining balance of the Maine Municipal Association's Deferred Revenue Account, \$482,854, will be used to reduce the annual service fees in 2000 to 2003, in the form of annual fee offsets, to reflect prepayment of services to 1998 and prior fund years in this period. The balance in this account at December 31, 2002 and 2001 was \$120,712 and 241,424, respectively.

CONTINGENT LIABILITY

The Fund purchases certain annuity contracts from third-parties to settle claims liabilities. These liabilities have been removed from the combined balance sheet. The annuities have been purchased from highly rated insurance companies and management believes that the likelihood that the Fund will be required to make future payments on the claims is remote. The aggregate original purchase amount of such annuities at December 31, 2002 and 2001 totals \$7,441,690 and \$7,368,758, respectively.

TERMINATED MEMBER'S RESERVE

Section III.E.3 of Rule 250 requires that members who have left a group self insurance plan are liable for their proportionate share of the incremental difference between funding at the 90th confidence level and the 95th confidence level. The Rule further states that the group must increase its security by such sums.

At December 31, 2002, the Fund maintained security for all fund years at or above the 95th confidence level. Therefore, all departed members have met their obligation to fund exposures to the 95th confidence level and no additional security is required.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Combined Balance Sheet
December 31, 2002

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987	1988	1989	1990	1991
	Fund Year	Fund Year	Fund Year	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	\$ 4,588	5,723	1,753	6,529	6,189	7,420	11,099	8,325	44,851	55,241	61,406	67,704	120,996
Investments:													
Corporate bonds	8,706	10,859	3,326	12,388	11,744	14,080	21,060	15,797	85,165	104,819	116,517	128,468	229,589
U. S. government securities	49,984	62,343	19,095	71,125	67,423	80,835	120,909	90,696	488,614	601,799	668,959	737,575	1,318,137
Total investments	58,690	73,202	22,421	83,513	79,167	94,915	141,969	106,493	573,719	706,618	785,476	866,043	1,547,726
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued interest receivable	723	903	277	1,030	977	1,171	1,751	1,314	7,078	8,718	9,690	10,684	19,093
Fixed assets:													
Computer system	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
Net fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 64,001	79,828	24,451	91,072	86,333	103,506	154,819	116,132	625,648	770,577	856,572	944,431	1,687,815
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts payable	-	-	-	-	-	-	1,142	-	-	-	96	-	160
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims loss reserve:													
Claims reserves	-	-	-	19,166	-	-	479,529	321,890	292,763	108,190	116,225	242,216	280,492
Reinsurance recoverable	-	-	-	(20,015)	-	-	(495,278)	(325,782)	(244,619)	3,460	-	5,794	-
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss reserve discounting	-	-	-	-	-	-	-	-	(584)	(1,312)	(1,409)	(2,930)	(6,739)
Net claims loss reserves	-	-	-	(849)	-	-	(15,749)	(3,892)	47,560	110,338	114,816	245,074	273,753
Claims service/assessment reserve	-	-	-	5,418	51	-	60,238	47,351	36,910	16,873	17,334	47,651	47,635
Net claims loss reserve	-	-	-	4,569	51	-	44,489	43,459	83,570	127,211	132,150	292,725	321,388
Total liabilities	-	-	-	4,569	51	-	45,631	43,459	83,570	127,211	132,246	292,725	321,548
Fund balances:													
Reserve for statutory funding	-	-	-	-	-	-	-	-	2,382	8,355	9,392	19,637	22,140
Board designated reserve	-	-	-	-	-	-	-	-	3,616	11,849	12,313	25,596	29,610
Contingency reserve	64,001	79,828	24,451	86,503	86,282	103,506	109,188	72,673	536,080	623,162	702,621	606,473	1,314,517
Total fund balances	64,001	79,828	24,451	86,503	86,282	103,506	109,188	72,673	542,078	643,366	724,326	651,706	1,366,267
Total liabilities and fund balances	\$ 64,001	79,828	24,451	91,072	86,333	103,506	154,819	116,132	625,648	770,577	856,572	944,431	1,687,815

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Combined Balance Sheet, Continued

	1992 Fund Year	1993 Fund Year	1994 Fund Year	1995 Fund Year	1996 Fund Year	1997 Fund Year	1998 Fund Year	1999 Fund Year	2000 Fund Year	2001 Fund Year	2002 Fund Year	2003 Fund Year	WC SS Fund	Totals (memorandum only)	
														2002	2001
ASSETS															
Cash and cash equivalents	\$ 132,544	153,984	158,129	252,629	420,937	438,240	481,927	281,217	243,745	366,929	516,067	985	14,344	3,863,471	5,086,837
Investments:															
Corporate bonds	251,502	292,183	300,047	479,362	798,725	831,558	914,454	533,607	462,447	696,246	979,234	1,869	27,218	7,330,910	7,311,818
U. S. government securities	1,443,946	1,677,510	1,722,659	2,752,155	4,585,715	4,774,215	5,250,146	3,063,594	2,655,041	3,997,351	5,622,068	10,730	156,266	42,088,890	39,558,417
Total investments	1,695,448	1,969,693	2,022,706	3,231,517	5,384,440	5,605,773	6,164,600	3,597,201	3,117,488	4,693,597	6,601,302	12,599	183,484	49,419,800	46,870,235
Accounts receivable	-	-	-	-	-	-	356	-	-	(367)	11,814	-	-	11,803	26,311
Accrued interest receivable	20,915	24,299	24,953	39,865	66,425	69,155	76,050	44,376	38,438	57,903	81,438	156	2,264	609,666	611,305
Fixed assets:															
Computer system	-	-	-	-	-	-	-	-	-	-	488,118	-	-	488,118	492,299
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	(328,648)	-	-	(328,648)	(281,518)
Net fixed assets	-	-	-	-	-	-	-	-	-	-	159,470	-	-	159,470	210,781
Total assets	\$ 1,848,907	2,147,976	2,205,788	3,524,011	5,871,802	6,113,168	6,722,933	3,922,794	3,399,661	5,118,062	7,370,091	13,740	200,092	54,064,210	52,805,469
LIABILITIES AND FUND BALANCES															
Liabilities:															
Accounts payable	-	-	240	730	22	484	4	-	-	-	13,048	-	15,396	31,422	5,148
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	14,087	-	14,087	899,260
Claims loss reserve:															
Claims reserves	371,184	1,120,578	459,102	425,723	565,584	671,483	1,325,991	1,610,532	2,011,900	3,809,512	5,622,345	-	-	20,254,405	18,311,765
Reinsurance recoverable	-	(533,597)	-	-	-	-	(192,868)	(36,183)	-	-	(129,393)	-	-	(1,968,681)	(1,372,130)
Supplemental benefits fund recoverable	-	(24,306)	(14,372)	(83,949)	(67,595)	(193,365)	(31,568)	(37,346)	-	-	-	-	-	(452,501)	(347,305)
Loss reserve discounting	(17,544)	(42,452)	(41,701)	(47,938)	(70,532)	(83,315)	(169,214)	(242,206)	(343,806)	(538,235)	(730,629)	-	-	(2,340,552)	(2,123,380)
Net claims loss reserves	353,640	520,223	403,029	293,836	427,457	394,803	932,341	1,294,797	2,068,094	3,271,277	4,762,123	-	-	15,492,671	14,468,950
Claims service/assessment reserve	64,397	133,484	63,766	75,310	104,706	105,805	167,652	229,676	353,698	600,734	1,092,465	-	-	3,180,254	2,756,141
Net claims loss reserve	418,037	653,707	466,795	369,146	532,163	500,608	1,099,993	1,524,473	2,421,792	3,872,011	5,764,588	-	-	18,672,925	17,225,091
Total liabilities	418,037	653,707	467,135	369,876	532,185	501,092	1,099,997	1,524,473	2,421,792	3,872,011	5,777,636	14,087	15,396	18,718,434	18,129,499
Fund balances:															
Reserve for statutory funding	28,290	32,395	32,691	28,880	35,946	39,251	52,641	87,591	157,229	248,690	345,812	-	-	1,151,322	1,093,088
Board designated reserve	38,562	44,672	45,541	42,500	52,713	57,744	78,016	129,986	233,720	369,706	523,828	-	-	1,699,962	1,623,980
Contingency reserve	1,364,018	1,417,202	1,660,433	3,082,755	5,250,958	5,515,081	5,492,279	2,180,744	586,920	627,655	722,815	(347)	184,696	32,494,492	31,958,902
Total fund balances	1,430,870	1,494,269	1,738,653	3,154,135	5,339,617	5,612,076	5,622,936	2,398,321	977,869	1,246,051	1,592,455	(347)	184,696	35,345,776	34,675,970
Total liabilities and fund balances	\$ 1,848,907	2,147,976	2,205,788	3,524,011	5,871,802	6,113,168	6,722,933	3,922,794	3,399,661	5,118,062	7,370,091	13,740	200,092	54,064,210	52,805,469

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Combined Revenue and Expenses and Changes in Fund Balances
For the period ended December 31, 2002

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987	1988	1989	1990	1991
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:													
Standard premium	\$	-	-	-	-	-	-	-	-	-	-	-	-
Premium discount	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss control credit	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical deductible credit	-	-	-	-	-	-	-	-	-	-	-	-	-
Net contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	4,690	5,851	1,792	6,669	6,293	7,586	12,793	7,798	47,034	56,786	62,832	69,062	128,952
Total revenue	4,690	5,851	1,792	6,669	6,293	7,586	12,793	7,798	47,034	56,786	62,832	69,062	128,952
Expenses:													
Claims paid	-	-	-	935	550	-	42,528	15,887	28,264	9,480	2,287	124,050	103,602
Claims reserve-current year adj.	-	-	-	19,166	-	-	(39,090)	250,239	116,720	84,063	16,611	(81,806)	(184,104)
Subrogation recovery	-	-	-	-	-	-	-	-	-	-	-	-	-
Deductible recovery	-	-	-	-	-	-	-	-	-	-	-	-	-
Ultimate claims loss	-	-	-	20,101	550	-	3,438	266,126	144,984	93,543	18,898	42,244	(80,502)
Reins recovered	-	-	-	(5,583)	(4,984)	-	(38,878)	(15,832)	-	-	-	(44,829)	-
Reins recoverable adj.	-	-	-	(14,518)	4,434	-	42,238	(250,294)	(112,896)	3,460	-	44,350	-
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-	-	-	-	-	-
Net ultimate claims loss	-	-	-	-	-	-	6,798	-	32,088	97,003	18,898	41,765	(80,502)
Loss discounting	-	-	-	-	-	-	-	-	481	(732)	984	3,923	15,220
Net claims expense	-	-	-	-	-	-	6,798	-	32,569	96,271	19,882	45,688	(65,282)
Reinsurance premium	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional service fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Administrative service	-	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory assessments and fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims svs/assessment reserve	-	-	(1,931)	4,651	(5,292)	-	(4,750)	25,943	14,416	5,899	(567)	1,413	(18,512)
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	-	-	(1,931)	4,651	(5,292)	-	2,048	25,943	46,985	102,170	19,315	47,101	(83,794)
Excess (deficiency) of revenue over (under) expenses	4,690	5,851	3,723	2,018	11,585	7,586	10,745	(18,145)	49	(45,384)	43,517	21,961	212,746
Interfund transfers:													
To 2002 fund	-	-	-	-	-	-	-	-	(238,282)	(521,166)	(335,503)	(814,564)	(394,482)
Net change in fund balances	4,690	5,851	3,723	2,018	11,585	7,586	10,745	(18,145)	(238,233)	(566,550)	(291,986)	(792,603)	(181,736)
Fund balances, beginning	59,311	73,977	20,728	84,485	74,697	95,920	98,443	90,818	780,311	1,209,916	1,016,312	1,444,309	1,548,003
Fund balances, ending	\$ 64,001	79,828	24,451	86,503	86,282	103,506	109,188	72,673	542,078	643,366	724,326	651,706	1,366,267

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Combined Revenue and Expenses and Changes in Fund Balances, Continued

	1992 Fund Year	1993 Fund Year	1994 Fund Year	1995 Fund Year	1996 Fund Year	1997 Fund Year	1998 Fund Year	1999 Fund Year	2000 Fund Year	2001 Fund Year	2002 Fund Year	2003 Fund Year	WC SS Fund	Totals (memorandum only)		
														2002	2001	
Revenue:																
Standard premium	\$ -	-	-	-	-	-	-	-	(9,262)	423,233	10,192,065	-	-	-	10,806,036	8,586,423
Premium discount	-	-	-	-	-	-	-	-	-	-	(895,300)	-	-	-	(895,300)	(722,503)
Loss control credit	-	-	-	-	-	-	-	-	-	-	(328,432)	-	-	-	(328,432)	(340,183)
Medical deductible credit	-	-	-	-	-	-	-	-	-	-	(8,348)	-	-	-	(8,348)	(9,594)
Net contributions	-	-	-	-	-	-	-	-	(9,262)	423,233	8,959,485	-	-	-	9,373,456	7,514,143
Investment income	136,843	159,071	162,355	262,255	447,738	462,226	502,011	301,916	274,428	417,322	562,406	53	-	-	4,106,762	3,712,619
Total revenue	136,843	159,071	162,355	262,255	447,738	462,226	502,011	301,916	265,166	840,555	9,521,891	53	-	-	13,480,218	11,226,762
Expenses:																
Claims paid	64,156	114,172	27,491	137,337	382,178	393,326	392,335	670,460	966,146	1,815,157	2,445,502	-	-	-	7,735,843	7,274,889
Claims reserve-current year adj.	(287,941)	(306,029)	(269,405)	(121,324)	(334,530)	(179,374)	165,901	(341,014)	(821,832)	(1,372,955)	5,622,345	-	-	-	1,942,641	1,011,439
Subrogation recovery	-	-	(2,564)	(994)	-	(30,000)	(14,057)	(10,304)	(56,105)	(20,308)	(7,492)	-	-	-	(141,824)	(190,318)
Deductible recovery	-	-	-	-	-	126	-	-	(285)	(3,210)	(6,426)	-	-	-	(9,895)	(12,048)
Ultimate claims loss	(223,785)	(191,857)	(244,478)	15,019	47,648	192,952	542,308	319,142	87,924	418,584	8,051,929	-	-	-	9,526,765	8,083,762
Reins recovered	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(110,106)	(1,197,046)
Reins recoverable adj.	-	(73,188)	-	-	-	-	(110,542)	-	-	-	(129,593)	-	-	-	(596,549)	536,279
Supplemental benefits fund recoverable	-	29,089	(8,606)	23,854	15,540	(131,490)	(31,568)	(2,015)	-	-	-	-	-	-	(105,196)	(247,305)
Net ultimate claims loss	(223,783)	(235,956)	(253,084)	38,873	63,188	61,462	400,195	317,127	87,924	418,584	7,924,336	-	-	-	8,714,914	7,075,690
Loss discounting	28,440	46,006	40,251	20,171	45,201	48,647	3,134	41,907	100,046	119,278	(730,629)	-	-	-	(212,172)	(33,151)
Net claims expense	(195,343)	(189,950)	(212,833)	59,044	108,889	110,109	403,329	359,034	187,970	537,862	7,193,707	-	-	-	8,497,742	7,042,539
Reinsurance premium	-	-	-	-	-	-	-	-	-	-	535,703	-	-	-	535,703	513,664
Professional service fees	-	-	-	-	-	-	-	-	-	-	47,723	-	-	-	47,723	50,512
Administrative service	-	-	-	-	-	-	-	-	-	-	2,286,467	-	-	-	2,286,467	1,930,412
Regulatory assessments and fees	-	-	-	-	-	-	-	-	-	216,560	233,930	400	-	-	451,190	172,847
Claims svc/assessment reserve	(28,520)	(42,014)	(21,644)	770	(2,799)	(13,702)	18,199	(57,158)	(134,364)	(318,281)	1,002,465	-	-	-	424,113	1,264,001
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-	-	-	113,907	-	113,907	113,907
Depreciation expense	-	-	-	-	-	-	-	-	-	-	47,130	-	-	-	47,130	39,616
Maintenance contracts	-	-	-	-	-	-	-	-	-	-	21,043	-	-	-	21,043	18,403
Dividends paid	-	-	-	-	-	-	-	-	-	385,394	-	-	-	-	385,394	368,132
Total expenses	(223,874)	(231,964)	(234,477)	59,814	106,090	96,497	421,528	301,876	53,606	821,735	11,368,168	400	113,907	-	12,810,412	11,455,223
Excess (deficiency) of revenue over (under) expenses	360,717	391,035	396,832	202,441	341,648	365,819	80,483	40	211,560	18,820	(1,846,277)	(347)	(113,907)	-	669,806	(228,461)
Interfund transfers:																
To 2002 fund	(369,074)	(117,157)	(86,256)	(67,455)	-	-	-	-	-	-	3,443,939	-	-	-	-	-
Net change in fund balances	(8,357)	273,878	(189,424)	134,986	341,648	365,819	80,483	40	211,560	18,820	1,597,662	(347)	(113,907)	-	669,806	(228,461)
Fund balances, beginning	1,439,227	1,220,391	1,928,077	3,019,149	4,997,969	5,246,257	5,543,453	2,398,281	766,409	1,227,231	(5,307)	-	298,603	-	34,675,970	34,904,431
Fund balances, ending	\$ 1,430,870	1,494,269	1,738,653	3,154,135	5,339,617	5,612,076	5,622,936	2,398,321	977,869	1,246,051	1,592,455	(347)	184,696	-	35,345,776	34,675,970

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Cumulative Statement of Revenue and Expenses
For the period November 1, 1978 through December 31, 2002

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987	1988	1989	1990	1991
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:													
Standard premium	\$ 898,836	2,198,194	2,906,927	4,240,842	4,595,671	5,632,583	6,021,088	6,838,615	8,513,891	11,896,947	13,324,125	14,920,260	16,176,020
Premium discount	-	-	(290,693)	(424,084)	(459,567)	(796,892)	(852,654)	(980,663)	(1,236,385)	(1,216,358)	(1,027,854)	(1,237,948)	(1,428,079)
Loss control credit	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical deductible credit	-	-	-	-	-	-	-	-	-	-	-	-	-
Net contributions	898,836	2,198,194	2,616,234	3,816,758	4,136,104	4,835,691	5,168,434	5,857,952	7,277,506	10,680,589	12,296,271	13,682,312	14,747,941
Investment income	324,861	806,833	641,765	1,467,068	1,472,152	1,253,532	1,019,275	1,248,068	2,847,167	3,942,135	3,766,951	3,661,895	4,050,019
Miscellaneous revenue	-	36	234	124	(125)	891	2,180	2,372	11,737	3,703	2,861	2,981	2,050
Total revenue	1,223,697	3,005,063	3,258,233	5,283,950	5,608,131	6,090,114	6,189,889	7,108,392	10,136,410	14,626,427	16,066,083	17,347,188	18,800,010
Expenses:													
Claims paid	719,286	2,532,544	3,357,987	2,986,965	3,991,254	5,131,404	7,095,829	7,191,584	8,627,805	8,021,454	9,685,020	8,480,732	7,905,245
Claims reserve	-	-	-	19,166	-	-	479,529	321,890	292,763	108,190	116,225	242,216	280,492
Subrogation recovery	(209)	-	(30,520)	(31,306)	(15,945)	(53,828)	(93,737)	(174,312)	(89,363)	(85,944)	(243,383)	(52,704)	(64,556)
Deductible recovery	-	-	-	-	-	-	-	-	-	-	-	-	-
Ultimate claims loss	719,077	2,532,544	3,327,467	2,974,825	3,975,309	5,077,576	7,481,621	7,339,162	8,831,205	8,043,700	9,557,862	8,670,244	8,121,181
Reins recovered	-	(884,886)	(1,431,150)	(198,564)	(988,119)	(1,697,711)	(3,072,637)	(2,089,578)	(5,683)	(149,907)	-	(44,829)	-
Reins recoverable adj.	-	-	-	(20,014)	-	-	(495,278)	(325,781)	(244,619)	3,460	-	5,794	-
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-	-	-	-	-	-
Net ultimate claims loss	719,077	1,647,658	1,896,317	2,756,247	2,987,190	3,379,865	3,913,706	4,923,803	8,580,903	7,897,253	9,557,862	8,631,209	8,121,181
Loss discounting	-	-	-	-	-	-	-	(584)	(1,312)	(1,409)	(2,936)	(6,739)	-
Net claims expense	719,077	1,647,658	1,896,317	2,756,247	2,987,190	3,379,865	3,913,706	4,923,803	8,580,319	7,895,941	9,556,453	8,628,273	8,114,442
Reinsurance premium	137,237	312,790	419,524	478,576	363,680	411,812	520,415	699,461	1,178,993	1,384,557	1,768,008	1,884,136	1,000,000
Claims service fee paid	82,296	176,497	236,470	327,459	386,512	473,213	351,488	404,309	441,635	327,982	393,927	492,491	574,544
Loss control service	-	-	-	-	-	-	-	-	-	160,000	159,500	203,002	233,817
Administrative service	13,627	49,349	55,671	254,892	398,727	499,345	660,000	441,000	500,000	575,000	687,000	762,100	803,500
Regulatory assessments and fees	-	-	-	6,123	232	661	403	3,161	24,919	4,320	85,837	121,554	13,707
Claims service/assess reserve	-	-	-	5,418	51	-	60,238	47,351	36,010	16,873	17,334	47,651	47,635
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend refund	106,990	73,229	-	-	-	-	-	-	-	-	-	-	76,147
Interest refund	188,639	591,990	537,188	793,891	508,732	243,525	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	992,030	105,260	81,904	-	-
Total expenses	1,247,866	2,851,513	3,143,170	4,622,606	4,645,124	5,008,421	5,506,250	6,519,085	11,753,906	10,469,933	12,749,963	12,139,207	10,863,792
Excess (deficiency) of revenue over (under) expenses	(24,169)	153,550	113,063	661,344	963,007	1,081,693	683,639	589,307	(1,617,496)	4,156,494	3,316,120	5,207,981	7,936,218
Interfund transfers	88,170	(73,722)	(88,612)	(574,841)	(876,725)	(978,187)	(574,451)	(516,634)	2,159,574	(3,513,128)	(2,591,794)	(4,556,275)	(6,569,951)
From MMA General Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund balances, ending	\$ 64,001	79,828	24,451	86,503	86,282	103,506	109,188	72,673	542,078	643,366	724,326	651,706	1,366,267

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Cumulative Statement of Revenue and Expenses, Continued

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	WC SS Fund	Combined memorandum only
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year		
Revenue:														
Standard premium	\$ 13,370,101	14,698,127	16,420,659	13,726,365	9,210,964	7,426,059	6,724,762	6,563,966	7,228,092	8,781,293	10,192,065	-	-	212,506,452
Premium discount	(1,276,658)	(1,441,541)	(1,426,427)	(1,425,500)	(798,972)	(629,764)	(531,730)	(521,782)	(596,605)	(703,678)	(895,300)	-	-	(20,199,134)
Loss control credit	-	-	-	-	(362,288)	(169,007)	(184,472)	(206,437)	(220,584)	(333,223)	(328,432)	-	-	(1,804,443)
Medical deductible credit	-	-	-	-	-	-	(6,887)	(6,230)	(6,725)	(9,382)	(8,848)	-	-	(38,072)
Net contributions	12,093,443	13,256,586	14,994,232	12,300,865	8,049,704	6,627,288	6,061,673	5,829,517	6,404,178	7,735,010	8,959,485	-	-	190,464,803
Investment income	3,339,175	3,149,047	2,874,614	3,050,101	3,197,871	2,497,601	2,113,074	1,222,937	1,020,043	798,044	557,599	53	-	50,330,880
Miscellaneous revenue	3,937	8,906	(716)	814	(1)	-	-	-	-	-	-	-	-	41,984
Total revenue	15,436,555	16,414,539	17,869,130	15,366,780	11,247,574	9,124,889	8,114,747	7,052,454	7,424,221	8,533,054	9,517,084	53	-	240,837,667
Expenses:														
Claims paid	8,696,381	8,267,984	5,842,196	3,879,604	4,934,472	4,013,950	4,013,225	4,677,433	4,697,542	4,033,996	2,445,502	-	-	131,229,394
Claims reserve	371,184	1,120,578	459,102	425,723	565,584	671,483	1,325,991	1,610,532	2,411,900	3,809,512	5,622,345	-	-	20,254,405
Subrogation recovery	(34,047)	(29,034)	(45,161)	(18,231)	(153,996)	(138,206)	(41,694)	(58,088)	(149,169)	(23,010)	(7,492)	-	-	(1,633,935)
Deductible recovery	-	-	-	-	(17,708)	(12,123)	(13,501)	(10,464)	(9,960)	(11,447)	(6,426)	-	-	(81,629)
Ultimate claims loss	9,033,518	9,359,528	6,256,137	4,287,096	5,328,352	4,535,104	5,284,021	6,219,413	6,950,313	7,809,051	8,053,929	-	-	149,768,235
Reins recovered	(145,143)	-	-	-	-	-	-	-	-	-	-	-	-	(10,708,207)
Reins recoverable adj.	-	(533,597)	-	-	-	-	(192,868)	(36,182)	-	-	(129,593)	-	-	(1,968,678)
Supplemental benefits fund recoverable	-	(24,306)	(14,372)	(83,949)	(67,295)	(193,365)	(31,568)	(27,346)	-	-	-	-	-	(452,201)
Net ultimate claims loss	8,888,375	8,801,625	6,241,765	4,203,147	5,260,757	4,341,739	5,059,585	6,145,885	6,950,313	7,809,051	7,924,336	-	-	136,638,849
Loss discounting	(17,544)	(42,452)	(41,701)	(47,938)	(70,532)	(83,315)	(169,214)	(242,206)	(343,806)	(538,235)	(730,629)	-	-	(2,340,552)
Net claims expense	8,870,831	8,759,173	6,200,064	4,155,209	5,190,225	4,258,424	4,890,371	5,903,679	6,606,507	7,270,816	7,193,707	-	-	134,298,297
Reinsurance premium	1,258,394	1,396,197	1,377,769	1,326,533	949,462	842,497	508,299	474,434	615,289	472,360	535,703	-	-	20,316,126
Claims service fee paid	612,319	641,430	739,044	728,277	93,090	14,050	15,500	18,000	-	-	-	-	-	7,520,443
Loss control service	254,729	276,029	271,628	4,916	22,331	23,257	26,224	28,577	58,855	50,676	47,723	-	-	1,821,264
Administrative service	857,569	925,325	989,573	1,610,290	1,861,680	1,952,664	1,911,188	1,878,993	1,887,023	1,930,412	2,286,467	-	-	23,771,395
Regulatory assessments and fees	163,687	234,986	237,338	291,756	253,870	177,230	205,251	199,199	197,309	387,314	234,330	400	-	2,863,587
Claims service/assess reserve	64,397	133,484	63,766	75,310	104,706	105,805	167,652	229,676	353,698	600,734	1,002,465	-	-	3,180,254
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-	-	-	315,304	315,304
Depreciation expense	-	-	-	19,269	44,505	51,996	45,988	41,315	39,992	39,616	47,130	-	-	329,811
Maintenance contracts	-	-	-	1,431	1,431	3,830	3,245	6,394	7,414	18,403	21,043	-	-	61,780
Dividend refund	500,000	150,000	1,250,000	2,242,014	1,163,116	355,455	341,572	362,866	368,132	385,394	-	-	-	7,374,915
Interest refund	-	-	-	-	-	-	-	-	-	-	-	-	-	2,863,965
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	1,179,194
Total expenses	12,581,926	12,516,624	11,149,182	10,453,574	9,684,326	7,785,228	8,115,290	9,143,133	10,114,219	11,155,725	11,368,568	400	315,304	205,906,335
Excess (deficiency) of revenue over (under) expenses	2,854,629	3,897,915	6,718,948	4,907,206	1,563,248	1,339,661	(543)	(2,090,679)	(2,689,998)	(2,622,671)	(1,851,484)	(347)	(315,304)	34,931,332
Interfund transfers	(1,423,759)	(2,403,646)	(4,980,295)	(1,758,071)	3,776,369	4,272,415	5,209,035	4,489,000	3,667,867	3,868,722	3,443,939	-	500,000	-
From MMA-General Fund	-	-	-	-	-	-	414,444	-	-	-	-	-	-	414,444
Fund balances, ending	\$ 1,436,870	1,494,269	1,738,653	3,154,135	3,339,617	5,612,076	5,622,936	2,398,321	977,869	1,246,051	1,592,455	(347)	184,696	35,345,776

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Ten Year Claims Development Information
December 31, 2002**

The analysis gives a summary of the income and expenses by fund year, along with comparative data on paid claims and incurred claims since inception of the Fund Year.

	1993	1994	1995
Required contribution and investment income:			
Earned	\$ 16,414,539	17,868,130	15,360,780
Ceded	1,396,197	1,377,769	1,326,533
Net earned	15,018,342	16,490,361	14,034,247
Unallocated expenses	2,361,254	3,571,349	4,971,832
Estimated incurred claims and expense, end of policy year:			
Earned	10,529,275	10,937,855	8,809,133
Ceded	-	-	-
Net earned	10,529,275	10,937,855	8,809,133
Paid claims (cumulative) as of:			
End of policy year	1,657,059	1,671,211	1,430,231
One year later	3,781,413	3,103,386	2,405,214
Two years later	5,296,811	3,949,681	2,978,827
Three years later	6,056,116	4,680,859	3,289,847
Four years later	6,687,246	5,270,647	3,570,466
Five years later	7,083,174	5,597,068	3,633,960
Six years later	7,629,513	5,784,129	3,742,432
Seven years later	7,815,484	5,814,541	3,879,604
Eight years later	8,153,812	5,842,196	-
Nine years later	8,267,984	-	-
Ten years later	-	-	-
Reestimated ceded claims and expense	(533,597)	-	-
Reestimated incurred claims and expense as of:			
End of policy year	10,529,275	10,937,855	8,809,133
One year later	10,766,961	8,184,861	6,016,462
Two years later	10,475,780	7,305,712	5,140,623
Three years later	9,837,160	7,363,430	4,810,573
Four years later	9,261,119	7,063,495	4,634,850
Five years later	8,870,328	6,920,934	4,370,730
Six years later	8,993,939	6,591,175	4,272,242
Seven years later	8,822,158	6,500,450	4,287,096
Eight years later	9,551,385	6,256,137	-
Nine years later	9,359,527	-	-
Ten years later	-	-	-
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ (1,169,748)	(4,681,718)	(4,522,037)

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Ten Year Claims Development Information, Continued

	1996	1997	1998	1999	2000	2001	2002
\$	11,247,574	9,124,888	8,114,746	7,052,454	7,424,220	8,533,054	9,517,084
	949,462	842,497	508,299	474,434	615,289	472,360	535,703
	10,298,112	8,282,391	7,606,447	6,578,020	6,808,931	8,060,694	8,981,381
	3,544,639	2,684,306	2,716,620	2,765,020	2,892,422	3,412,550	3,639,157
	6,741,278	6,930,818	6,180,377	5,507,742	6,179,602	7,390,466	8,053,929
	-	-	-	-	-	-	129,593
	6,741,278	6,930,818	6,180,377	5,507,742	6,179,602	7,390,466	7,924,336
	1,213,296	1,522,480	1,499,370	1,685,234	1,873,700	2,218,838	2,445,502
	2,570,075	2,480,061	2,616,541	2,947,430	3,731,396	4,033,996	-
	3,406,083	2,985,677	3,243,287	4,006,973	4,697,542	-	-
	4,117,304	3,482,115	3,620,890	4,677,433	-	-	-
	4,420,349	3,620,624	4,013,225	-	-	-	-
	4,552,294	4,013,950	-	-	-	-	-
	4,934,472	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	(192,868)	(36,183)	-	-	(129,593)
	6,741,278	6,930,818	6,180,377	5,507,742	6,179,602	7,390,466	8,053,929
	5,662,187	5,299,270	4,915,253	5,616,297	6,862,389	7,809,051	-
	5,619,419	4,798,649	5,075,135	5,900,271	6,950,313	-	-
	5,866,346	4,638,547	4,741,715	6,219,413	-	-	-
	5,422,108	4,342,153	5,284,020	-	-	-	-
	5,280,704	4,535,104	-	-	-	-	-
	5,328,352	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
\$	(1,412,926)	(2,395,714)	(896,357)	711,671	770,711	418,585	-

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS

Financial Statements

December 31, 2003 and 2002

Financial Statements
 December 31, 2003 and 2002

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Independent Auditor's Report

The Board of Trustees
Maine Municipal Association
Workers' Compensation Funds

We have audited the accompanying statements of net assets of Maine Municipal Association Workers' Compensation Funds as of December 31, 2003 and 2002, and the related statements of revenue and expenses, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our 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 Workers' Compensation Funds as of December 31, 2003 and 2002 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 Funds 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 December 31, 2003. This resulted in changes in the Trust'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 financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 Trustees
Maine Municipal Association
Workers' Compensation Funds

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.



March 8, 2004
South Portland, Maine

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Maine Municipal Association Workers' Compensation Fund (The Fund) annual financial report sets forth a narrative overview of its financial activities for the year ended December 31, 2003. Please read it in conjunction with The Fund's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

For all fund years combined, developments in calendar year 2003 included:

- Net Assets at December 31, 2003 were \$36,379,754, an increase of 2.9% over the prior year.
- Cash and Investments totaled \$56,065,335, an increase of 5.2%.
- Operating revenues in 2003 totaled \$13,145,803, a decrease of 2.5%
- Operating expenses in 2003 totaled \$12,111,825, a decrease of 5.5%

The decrease in revenues was due primarily to declining interest rates. The decrease in expenses was due primarily to favorable claims experience.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's fiscal year is January 1 through December 31. The annual financial report consists of four parts:

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

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

Required Statements include: Statements of Net Assets; Statements of Activities; Statements of Changes in Net Assets; and Statements of Cash Flows

These statements present the Fund's status at December 31, 2003 and financial developments during fiscal year 2003 for all fund years combined.

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

Supplemental Exhibits include analyses of Fund assets and revenues and expenses by fund year, and a history of claims development for the past ten years.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS

The following table summarizes the Statements of Net Assets:

	12/31/03	12/31/02
ASSETS		
Current Assets	56,638,615	53,904,740
Capital Assets	127,423	159,470
Total Assets	56,766,038	54,064,210
LIABILITIES		
Net Claims Reserves	17,092,650	15,492,671
Other Liabilities	3,293,634	3,225,763
Total Liabilities	20,386,284	18,718,434
NET ASSETS		
Statutory Reserves	1,189,274	1,151,322
Board Designated Reserves	1,789,489	1,699,662
Net Investment in Fixed Assets	127,423	159,470
Contingency Reserve	33,273,568	32,335,022
Total Net Assets	36,379,754	35,345,476

The following table summarizes the Statements of Revenue and Expenses during calendar years 2003 and 2002 for all fund years combined:

	12/31/03	12/31/02
REVENUES		
Member Contributions	11,934,414	9,373,456
Investment and Other Revenues	1,211,389	4,106,762
Total Revenues	13,145,803	13,480,218
EXPENSES		
Net Claims Expense	7,820,146	8,497,742
Reinsurance Premium	675,972	535,703
Safety Scholarship and Grants	118,501	113,907
Other Expenses	3,497,206	3,663,060
Total Expenses	12,111,825	12,810,412
NET CHANGE IN NET ASSETS	1,033,978	669,806

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2003

The following table compares ultimate results for the 2003 Fund Year as projected at December 31, 2003 with the original budget. Investment Income and Net Claims Expense projections are based on an analysis by an independent actuary.

	BUDGET	PROJECTED ULTIMATE RESULTS
REVENUES		
Member Contributions	10,405,052	11,359,636
Investment and Other Revenues	1,336,645	920,253
Total Revenues	11,741,697	12,279,889
EXPENSES		
Net Claims Expense at the 95% Confidence Level	10,118,440	9,683,085
Reinsurance Premium	607,462	613,766
Provision for Member Dividends	400,000	400,000
Other Expenses	4,101,799	4,165,899
Total Expenses	15,227,701	14,862,750
TRANSFER TO (FROM) CONTINGENCY RESERVE	(3,486,004)	(2,582,861)

The major variances in the 2003 fund year during calendar year 2003 were reductions in Net Claims Expense (4.3%, due to favorable experience), Other Expenses (1.6%, primarily in Assessments), and projected Investment Income (31.2%, due to declining interest 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), a statutorily required reserve to fund claims to the 75% confidence level, and an additional reserve recommended by the actuary to fund claims to the 95% Confidence Level in accordance with Fund policy.

In the preceding table, Investment Income includes the actuary's projection of future earnings, which are shown as an offset to Claims Expense (Loss Fund Discount) in the financial statements. The Provision for Member Dividends is included in the projection, although it will not be reflected in the financial statements until the dividend has been formally declared by the Board of Trustees. This presentation is used herein to conform to the Workers' Compensation Fund budget.

FUND FINANCIAL POSITION AT DECEMBER 31, 2003

At December 31, 2003, the Fund's Net Assets totaled \$36,379,754, an increase of \$1,033,978 (2.9%) over the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CAPITAL ASSETS AND LONG TERM DEBT

At December 31, 2003 the Fund had capital assets of \$127,423, net of depreciation. These assets are the Fund's investment in a claims and underwriting system jointly owned with the MMA Property & Casualty Fund, net of accumulated depreciation. The Fund had no long-term debt.

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

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

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Statements of Net Assets
(All Fund Years)
December 31, 2003 and 2002

	2003	2002
ASSETS		
Cash and cash equivalents	\$ 5,439,892	3,863,471
Corporate bonds	5,146,337	7,330,910
U.S. Government and agency securities	45,479,106	42,088,890
Accounts receivable	259	11,803
Accrued interest receivable	564,061	609,666
Prepaid expenses	8,960	-
Capital assets:		
Computer equipment and software	462,302	488,118
Less accumulated depreciation	(334,879)	(328,648)
Net capital assets	127,423	159,470
Total assets	\$ 56,766,038	54,064,210
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	16,630	31,422
Deferred revenue	142,928	14,087
Claims loss reserves:		
Claims reserve	21,337,945	20,254,405
Reinsurance recoverable	(1,879,576)	(1,968,681)
Supplemental benefits fund recoverable	(81,435)	(452,501)
Loss reserve discounting	(2,284,284)	(2,340,552)
Net claims loss reserves	17,092,650	15,492,671
Claim service/assessment reserve	3,134,076	3,180,254
Total liabilities	20,386,284	18,718,434
Net assets:		
Invested in capital assets, net of related debt	127,423	159,470
Restricted for statutory funding	1,189,274	1,151,322
Unrestricted:		
Board designated	1,789,489	1,699,962
Contingency	33,273,568	32,335,022
Total net assets	36,379,754	35,345,776
Total liabilities and net assets	\$ 56,766,038	54,064,210

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statements of Revenue and Expenses
(All Fund Years)

For the years ended December 31, 2003 and 2002

	2003	2002
Revenue:		
Contributions	\$ 13,528,624	10,606,036
Less discounts	(1,183,988)	(895,300)
Less loss control credit	(401,161)	(328,432)
Less medical deductible credit	(9,061)	(8,848)
Net contributions	11,934,414	9,373,456
Investment income	1,211,389	4,106,762
Total revenue	13,145,803	13,480,218
Expenses:		
Claims paid	6,945,198	7,735,843
Claims reserve - current year adjustment	1,083,540	1,942,641
Subrogation recovery	(410,760)	(141,824)
Deductible recovery	(11,547)	(9,895)
Ultimate claims loss	7,606,431	9,526,765
Reinsurance recovered	(302,721)	(110,106)
Reinsurance recoverable adjustment	89,102	(596,549)
Supplemental benefits fund recoverable	371,066	(105,196)
Net ultimate claims loss	7,763,878	8,714,914
Loss reserve discounting - current year adjustment	56,268	(217,172)
Net claims expense	7,820,146	8,497,742
Reinsurance premium	675,972	535,703
Professional service	104,391	47,723
Administrative fees	2,473,038	2,286,467
Regulatory assessment and fees	502,314	451,190
Claims serve/assessment reserve	(46,178)	424,113
Safety and scholarship grants	118,503	113,907
Depreciation expense	56,306	47,130
Maintenance contracts	8,960	21,043
Dividends paid	398,373	385,394
Total expenses	12,111,825	12,810,412
Change in net assets	\$ 1,033,978	669,806

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statements of Changes in Net Assets
(All Fund Years)

For the years ended December 31, 2003 and 2002

	Contingency reserve	Reserve for statutory funding	Board designated reserve	Total net assets
Net assets at December 31, 2001	\$ 31,958,902	1,093,088	1,623,980	34,675,970
Excess of revenue over expenses	669,806	-	-	669,806
Net asset transfer	(134,216)	58,234	75,982	-
Net assets at December 31, 2002	32,494,492	1,151,322	1,699,962	35,345,776
Excess of revenue over expenses	1,033,978	-	-	1,033,978
Net asset transfer	(127,479)	37,952	89,527	-
Net assets at December 31, 2003	\$ 33,400,991	1,189,274	1,789,489	36,379,754

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Statements of Cash Flows
For the years ended December 31, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Receipts from net contributions	\$ 12,074,799	8,502,791
Receipts from investment income	1,256,994	4,108,401
Payments for net claims	(6,220,167)	(7,474,021)
Payments for reinsurance premium	(675,972)	(535,703)
Payments for professional service	(104,391)	(47,723)
Payments for administrative fees	(2,487,830)	(2,260,193)
Payments for regulatory assessment and fees	(502,314)	(451,190)
Payments for safety and scholarship grants	(118,503)	(113,907)
Payments for maintenance contracts	(17,920)	(21,043)
Payments for dividends paid	(398,373)	(385,394)
Net cash provided by operating activities	2,806,323	1,322,018
Cash flows from capital and related financing activities:		
Net (purchases) disposals of computer equipment	(24,259)	4,181
Net cash provided by (used in) capital and related financing activities	(24,259)	4,181
Cash flows from investing activities:		
(Purchase) sale of investments	(1,205,643)	(2,549,565)
Net cash used in investing activities	(1,205,643)	(2,549,565)
Increase (decrease) in cash	1,576,421	(1,223,366)
Cash, beginning of year	3,863,471	5,086,837
Cash, end of year	\$ 5,439,892	3,863,471
Reconciliation of excess of revenue over expenses to net cash provided by (used in) operating activities:		
Net increase in excess of revenue over expenses	\$ 1,033,978	669,806
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation expense	56,306	47,130
(Increase) decrease in assets:		
Accounts receivable	11,544	14,508
Accrued interest receivable	45,605	1,639
Prepaid expenses	(8,960)	-
Increase (decrease) in liabilities:		
Accounts payable	(14,792)	26,274
Deferred revenue	128,841	(885,173)
Net claims loss reserve	1,599,979	1,023,721
Claim service/assessment reserve	(46,178)	424,113
Net cash provided by operating activities	\$ 2,806,323	1,322,018

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maine Municipal Association Workers' Compensation Fund (the "Fund") was established on November 1, 1978 to provide an alternative to commercial workers' compensation insurance for members of the Maine Municipal Association. During 2003 and 2002, respectively, there were 582 and 521 governmental entities which participated in the Funds. Participants share risk in proportion to their contributions. The Fund is administered by Maine Municipal Association for which a management fee is assessed and included in expense. These financial statements include only the accounts of the Maine Municipal Association Workers' Compensation Funds. The Fund is regulated by the State of Maine Bureau of Insurance under Rule Chapter 250.

Tax Exempt Status - The Fund is a Trust Fund established and administered by the Maine Municipal Association, a tax exempt instrumentality of the municipalities, and therefore is exempt from income taxes.

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

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

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 Fund considers all highly liquid deposits with an initial maturity of three months or less to be cash and 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 Workers' Compensation fund years. The Fund's investments consist of U.S. Government and agency securities and corporate bonds, none of which are held for trading purposes. The Fund estimates that the fair value of all financial instruments at December 31, 2003 and 2002 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying 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.

Accounts Receivable - Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at December 31, 2003 and 2002.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Deferred Revenue - Deferred revenue represents contributions which have been received by the Fund 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 statement of revenue and expenses at the time the adjustments are determined.

Claims Service/Assessments Reserve - The Claims Service/Assessments Reserve is actuarially determined and consists of estimates for (1) service fees for future claims and (2) future assessments by the State of Maine. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount.

Reinsurance - The Fund 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 Fund as direct insurer of the risks reinsured. The Fund 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 2003 and 2002 were \$675,972 and \$535,703, respectively. The amount deducted from claims liabilities as of December 31, 2003 and 2002 for reinsurance was \$1,879,576 and \$1,968,681, respectively.

Contributions - The member contributions required are based on the standard premium workers' compensation rates similar to an insured plan. Various premium discounts and credits are given to members. The contributions for 2003 have not been fully determined; the current premiums are based on estimated payrolls. Audits are conducted during each succeeding year to adjust for actual payroll expenses incurred by the members.

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 equivalents.

Safety Enhancement Fund - In November 1999, the Board of Trustees established a Safety Enhancement Fund by transferring \$500,000 from Contingency Funds. The purpose of this fund is to provide resources for scholarships and grants to Fund members to increase workplace safety and to support a crisis intervention program.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates utilized in the preparation of the financial statements include claims loss reserves and the claim service/assessment reserve.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
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 consists of the following at December 31:

	<u>2003</u>	<u>2002</u>
CMA - deposit account	\$ 41,121	4,746
CMA - mutual fund investment sweep	457,510	35,018
Money market mutual fund	4,941,261	3,823,707
Totals	\$ 5,439,892	3,863,471

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 held in a separate Trust solely for the Workers' Compensation Fund.

The CMA - deposit account amounts in excess of the \$100,000 FDIC insured limit are considered uninsured and uncollateralized. Amounts in the CMA-mutual fund investment sweep and the money market mutual fund are indirectly invested in U.S. Government obligations.

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

1. Insured or registered, or securities held by the Fund or held in a custodian's name to benefit the Fund.
2. Uninsured and unregistered, with securities held by the counterparty's trust company or agent in the Fund's name.
3. Uninsured and unregistered, with securities held by the counterparty or its trust department or agent but not in the Fund's name.

At December 31, 2003 and 2002, investment balances were as follows:

		<u>2003</u>	<u>2002</u>
	<u>Category</u>	<u>Fair value</u>	<u>Fair value</u>
Corporate bonds	1	\$ 5,146,337	7,330,910
U.S. Government and agency securities	1	45,479,106	42,088,890
Totals		\$ 50,625,443	49,419,800

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Notes to Financial Statements, Continued

MMA_00018153

NET APPRECIATION IN FAIR VALUE

Net appreciation in fair value during the years ended December 31, 2003 and 2002 by type of investment is as follows. Such amounts are included in investment income on the statement of revenue and expense.

	<u>2003</u>	<u>2002</u>
Corporate bonds	\$ (205,694)	(3,644)
U.S. Government and agency securities	(576,893)	1,456,537
Totals	\$ (782,587)	1,452,893

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE

The amounts shown for claims reserves as of December 31, 2003, are developed from an actuarially determined loss analysis and are as follows:

Fund Year	Reserve based on known claims	Actuarial reserves	Total reserves	Net paid claims	Actuarially determined ultimate claims
1978-1979	\$ -	-	-	719,077	719,077
1979-1980	-	-	-	2,532,544	2,532,544
1980-1981	-	-	-	3,327,467	3,327,467
1981-1982	-	-	-	2,957,391	2,957,391
1982-1983	17,086	5,533	22,619	3,976,362	3,998,981
1983-1984	-	-	-	5,077,576	5,077,576
1985	447,308	6,299	453,607	7,039,733	7,493,340
1986	138,106	44,724	182,830	7,069,577	7,252,407
1987	232,577	-	232,577	8,568,200	8,800,777
1988	44,927	14,549	59,476	7,936,489	7,995,965
1989	118,820	38,478	157,298	9,459,409	9,616,707
1990	123,333	39,940	163,273	8,473,982	8,637,255
1991	71,849	242,057	313,906	7,876,772	8,190,678
1992	158,245	266,020	424,265	8,720,369	9,144,634
1993	844,505	255,252	1,099,757	8,490,030	9,589,787
1994	81,538	356,037	437,575	5,826,818	6,264,393
1995	239,425	139,545	378,970	3,874,753	4,253,723
1996	321,589	245,480	567,069	4,738,190	5,305,259
1997	233,523	254,458	487,981	3,954,718	4,442,699
1998	736,094	357,022	1,093,116	4,002,144	5,095,260
1999	1,231,024	302,286	1,533,310	4,828,220	6,361,530
2000	1,210,174	261,944	1,472,118	4,978,168	6,450,286
2001	1,214,362	1,188,040	2,402,402	4,628,204	7,030,606
2002	2,570,116	1,042,306	3,612,422	4,535,693	8,148,115
2003	3,799,061	2,444,313	6,243,374	2,444,835	8,688,209
Totals	\$ 13,833,662	7,504,283	21,337,945	136,036,719	157,374,664

MAINE MUNICIPAL ASSOCIATION
 WORKERS' COMPENSATION FUNDS
 Notes to Financial Statements, Continued

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

The net claims loss reserves as reported in Exhibit A include an offset recommended by the independent actuary for loss reserve discounting. This offset provides for discounting the claims loss reserves by 5.0% based on the payout patterns recorded over the fund's history. This reserve anticipates the accrual of conservatively projected investment income over the life of each fund. This adjustment conforms with the funding requirements of the State of Maine Bureau of Insurance.

Each fund has entered into specific reinsurance contracts for individual claims as noted below. Aggregate reinsurance contracts covering total claims paid have been purchased for each year except 1991-1993 in which there was no coverage. The limits for the specific reinsurance for individual claims are as follows:

<u>Fund year</u>	<u>Specific Reinsurance</u>	
	<u>Attachment</u>	
	<u>Regular</u>	<u>Maritime/ USL&H</u>
1978-1979 to 1983-1984	\$ 250,000	-
1985 to 1990	350,000	-
1991 to 1998	400,000	-
1999 to 2002	350,000	400,000
2003	400,000	400,000

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Notes to Financial Statements, Continued

MMA_00018155

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

The aggregate reinsurance limits are listed below along with the total amounts recoverable from both the specific and aggregate reinsurance policies based on the actuarially determined ultimate losses are as follows:

Fund Year	Actuarially determined ultimate losses	Aggregate reinsurance attachment	Reinsurance recovered	Reinsurance recoverable
1978-1979	\$ 719,077	1,000,000	-	-
1979-1980	2,532,544	1,647,658	884,886	-
1980-1981	3,327,467	1,896,317	1,431,150	-
1981-1982	2,957,391	2,756,246	201,145	-
1982-1983	3,998,981	2,987,190	988,119	23,672
1983-1984	5,077,576	3,379,864	1,697,712	-
1985	7,493,340	3,913,707	3,110,546	469,087
1986	7,252,407	4,923,803	2,143,460	185,143
1987	8,800,777	9,280,199	11,690	238,613
1988	7,995,965	11,524,021	149,907	(3,461)
1989	9,616,707	12,871,277	-	-
1990	8,637,255	14,547,254	45,686	(6,926)
1991	8,190,678	-	-	-
1992	9,144,634	-	145,143	-
1993	9,589,787	-	201,484	460,744
1994	6,264,393	13,858,008	-	-
1995	4,253,723	13,406,885	-	-
1996	5,305,259	11,636,779	-	-
1997	4,442,699	12,000,000	-	-
1998	5,095,260	7,894,675	-	266,356
1999	6,361,530	8,595,625	-	246,348
2000	6,450,286	9,733,330	-	-
2001	7,030,606	10,711,749	-	-
2002	8,148,115	11,329,907	-	-
2003	8,688,209	11,783,103	-	-
Totals	\$ 157,374,664	181,677,597	11,010,928	1,879,576

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
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 2003 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>
1978-79 to 1979-80	International Insurance Co. (ISLIC)	Specific	(not rated)	(not rated)
1980-81 to 1981-82	United States Fire Insurance Co.	Specific	A- (Excellent)	XI
1982-83 to 1983-84	General Accident Ins. Co. of Amer.	Specific	A (Excellent)	XV
1978-79 to 1983-84	Employers Reinsurance Corp.	Specific and Aggregate	A (Excellent)	XV
1981-82 to 1983-84	Northwestern National Insurance Co.	Excess Aggregate	(not rated)	V
1985 to 1990	General Reinsurance Corp.	Specific and Aggregate	A++ (Superior)	XV
1985 to 1986	Royal Insurance Company	Excess Specific	B (Fair)	XIV
1991	General Reinsurance Corp.	Specific	A++ (Superior)	XV
1992 to 1993	Odyssey America Reinsurance Corp (formerly TIG Reinsurance Company)	Specific	A (Excellent)	XII
1994 to 1995	Travelers (formerly Aetna Casualty & Surety)	Specific and Aggregate	A++ (Superior)	XV
1996 to 2003	Safety National Casualty Corp.	Specific and Aggregate	A (Excellent)	VIII

UNPAID CLAIMS LIABILITIES

The Fund establishes liabilities for the estimated costs of both reported and unreported losses, which includes estimates of both future payments of losses and related claim service reserves. The following represents changes in these aggregate liabilities as of December 31:

	<u>2003</u>	<u>2002</u>
<u>Claims loss and claims service reserves at beginning of year</u>	\$ 18,672,925	17,225,091
Incurred claims and claims service reserve expenses:		
Provision for insured events of the current year	8,955,782	8,210,090
Increases in provision for insured events of prior years	(456,789)	973,590
<u> Total insured claims and claims service reserve expenses</u>	<u>8,498,996</u>	<u>9,183,680</u>
Payments:		
Claims attributable to insured events of the current year	2,466,468	2,445,503
Claims attributable to insured events of prior years	4,475,730	5,290,343
<u> Total payments</u>	<u>6,945,198</u>	<u>7,735,846</u>
<u>Total claims loss and claims service reserves at end of year</u>	<u>\$ 20,226,726</u>	<u>18,672,925</u>

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
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 Fund for all of the services expected to arise out of that Fund. Changes in these estimated expenses are treated as current income or expense.

INTERFUND TRANSFERS

In order to provide full funding, the Workers' Compensation Fund Trustees have approved various transfers between fund years. Where excess funding has been permitted, some of the funds transferred have been returned. Transfers affected during 2003 are shown within Schedule 2. The net of all transfers made between Workers' Compensation Funds since inception is reflected in Schedule 3.

NET ASSETS

Under a policy of the Trustees of the Fund, the net assets are segregated into three components.

The amount restricted for Statutory Funding is calculated by an independent actuary to a 75% confidence level based on the loss development variations experienced by the Maine Municipal Association's Workers' Compensation Fund over its history. The calculation indicates that this reserve plus the claims loss reserve and claims service/assessment reserve will be adequate to that confidence level to cover variations in the claims loss reserve development. This adjustment also conforms with the funding requirements of the State of Maine Bureau of Insurance. As of December 31, 2003, the Reserve for Statutory Funding totaled \$1,189,274.

The Board Designated amount is maintained to recognize the possibility that actual loss development may vary from the expected development underlying the loss projections. An independent actuary has calculated this reserve to provide an additional reserve up to the 95% confidence level. As of December 31, 2003, the Board Designated Reserve totaled \$1,789,489.

The Contingency represents accumulated funding in excess of the statutory requirements and the board designated reserves. The Workers' Compensation Fund Trustees have established this reserve to be held for the future financial stability of the Fund. As of December 31, 2003, the Contingency Reserve totaled \$33,273,568.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Notes to Financial Statements, Continued

ADMINISTRATIVE SERVICE FEES

In fund years 1979 to 1998, the annual services fees paid by the Workers' Compensation Funds to the Maine Municipal Association provided compensation for MMA services to each fund year until its conclusion. For this purpose, each fund year was estimated to have an effective span of ten calendar years. In 1998, management conducted a thorough analysis of the projected dollar value of future services to fund years 1978-1979 through 1998. As a result, the Maine Municipal Association refunded \$557,444 to the Workers' Compensation Funds at 12/31/98 and offset the 1999 fee by \$120,714. Management has also determined that service fees paid to the Association in 1999 and subsequent years will be limited to compensation for twelve months of service. The remaining balance of the Maine Municipal Association's Deferred Revenue Account, \$482,854, will be used to reduce the annual service fees in 2000 to 2003, in the form of annual fee offsets, to reflect prepayment of services to 1998 and prior fund years in this period. The balance in this account at December 31, 2003 was \$-0-

CONTINGENT LIABILITY

The Fund purchases certain annuity contracts from third-parties to settle claims liabilities. These liabilities have been removed from the combined balance sheet. The annuities have been purchased from highly rated insurance companies and management believes that the likelihood that the Fund will be required to make future payments on the claims is remote. The aggregate original purchase amount of such annuities at December 31, 2003 totals \$7,441,690.

TERMINATED MEMBER'S RESERVE

Section III.E.3 of Rule 250 requires that members who have left a group self insurance plan are liable for their proportionate share of the incremental difference between funding at the 90th confidence level and the 95th confidence level. The Rule further states that the group must increase its security by such sums.

At December 31, 2003, the Fund maintained security for all fund years at or above the 95th confidence level. Therefore, all departed members have met their obligation to fund exposures to the 95th confidence level and no additional security is required.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year
December 31, 2003**

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987	1988	1989	1990	1991	1992
	Fund Year	Fund Year	Fund Year	Fund Year	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	\$ 6,279	7,832	2,399	9,015	8,369	10,155	15,092	11,491	33,863	64,958	64,376	69,811	131,033	140,617
Investments:														
Corporate bonds	5,940	7,409	2,269	8,529	7,918	9,607	14,278	10,871	32,036	61,452	60,902	66,044	123,962	133,028
U.S. Government securities	52,494	65,475	20,054	75,368	69,969	84,896	126,177	96,070	283,104	543,065	538,199	583,644	1,095,478	1,175,596
Total investments	58,434	72,884	22,323	83,897	77,887	94,503	140,455	106,941	315,140	604,517	599,101	649,688	1,219,440	1,308,624
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued interest receivable	651	812	249	935	868	1,053	1,565	1,192	3,511	6,735	6,675	7,239	13,587	14,580
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital assets:														
Computer system	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 65,364	81,528	24,971	93,847	87,124	105,711	157,112	119,624	352,514	676,210	670,152	726,738	1,364,060	1,463,821
LIABILITIES AND NET ASSETS														
Liabilities:														
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims loss reserve:														
Claims reserves	-	-	-	-	22,619	-	453,607	182,830	232,577	59,476	157,298	163,273	313,906	424,265
Reinsurance recoverable	-	-	-	-	(23,672)	-	(469,087)	(185,143)	(238,613)	3,461	-	6,926	-	-
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss reserve discounting	-	-	-	-	-	-	-	-	(18)	(721)	(1,907)	(1,979)	(3,806)	(10,194)
Net claims loss reserve	-	-	-	-	(1,053)	-	(15,480)	(2,313)	(6,054)	62,216	155,391	168,220	310,100	414,071
Claims service/assessment reserve	-	-	-	16	3,946	-	54,062	28,219	27,081	7,518	21,640	23,923	42,316	56,816
Net claims loss reserve	-	-	-	16	2,893	-	38,582	25,906	21,027	69,734	177,031	192,143	352,416	470,887
Total liabilities	-	-	-	16	2,893	-	38,582	25,906	21,027	69,734	177,031	192,143	352,416	470,887
Net assets:														
Restricted for statutory funding	-	-	-	-	-	-	-	-	-	4,394	12,155	12,656	23,987	31,671
Board designated	-	-	-	-	-	-	-	-	-	6,307	16,146	16,720	32,491	43,742
Contingency	65,364	81,528	24,971	93,831	84,231	105,711	118,530	93,718	331,487	595,775	464,820	505,219	955,166	917,521
Total net assets	65,364	81,528	24,971	93,831	84,231	105,711	118,530	93,718	331,487	606,476	493,121	534,595	1,011,644	992,934
Total liabilities and net assets	\$ 65,364	81,528	24,971	93,847	87,124	105,711	157,112	119,624	352,514	676,210	670,152	726,738	1,364,060	1,463,821

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year, Continued

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	WC SS	Totals	
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund	2003	2002
ASSETS															
Cash and cash equivalents	\$ 161,844	150,699	249,504	578,443	590,553	655,268	363,702	290,982	441,402	529,565	830,996	13,691	7,953	5,439,892	3,863,471
Investments:															
Corporate bonds	153,110	142,567	236,040	547,228	558,685	619,907	344,075	275,280	417,583	300,988	786,153	12,953	7,523	5,146,337	7,330,910
U.S. Government securities	1,353,063	1,259,889	2,085,928	4,835,952	4,937,196	5,478,232	3,040,653	2,432,696	3,690,253	4,427,322	6,947,376	114,464	66,493	45,479,106	42,088,890
Total investments	1,506,173	1,402,456	2,321,968	5,383,180	5,495,881	6,098,139	3,384,728	2,707,976	4,107,836	4,928,310	7,733,529	127,417	74,016	50,625,443	49,419,800
Accounts receivable	-	-	-	-	-	-	-	-	-	-	259	-	-	259	11,803
Accrued interest receivable	16,782	15,626	25,871	59,979	61,234	67,945	37,712	30,172	45,769	54,910	86,164	1,420	825	564,061	609,666
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	8,960	-	-	8,960	-
Capital assets:															
Computer system	-	-	-	-	-	-	-	-	-	-	462,302	-	-	462,302	488,118
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	(334,879)	-	-	(334,879)	(328,648)
Net capital assets	-	-	-	-	-	-	-	-	-	-	127,423	-	-	127,423	159,470
Total assets	\$ 1,684,799	1,568,781	2,597,343	6,021,602	6,147,668	6,821,352	3,786,142	3,029,130	4,595,007	5,512,785	8,787,331	142,528	82,794	56,766,038	54,064,210
LIABILITIES AND NET ASSETS															
Liabilities:															
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	29	16,601	16,630	31,422
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	142,928	-	142,928	14,087
Claims loss reserve:															
Claims reserves	1,099,758	437,575	378,970	567,070	487,981	1,093,116	1,533,310	1,472,119	2,402,402	3,612,421	6,243,372	-	-	21,337,945	20,254,405
Reinsurance recoverable	(160,744)	-	-	-	-	(266,356)	(246,348)	-	-	-	-	-	-	(1,879,576)	(1,968,681)
Supplemental benefits fund recoverable	(25,016)	-	-	-	(56,419)	-	-	-	-	-	-	-	-	(81,435)	(452,501)
Loss reserve discounting	(29,383)	(26,924)	(28,927)	(53,667)	(46,462)	(87,962)	(153,411)	(195,002)	(337,699)	(525,370)	(780,852)	-	-	(2,284,284)	(2,340,552)
Net claims loss reserve	584,615	410,651	350,043	513,403	385,100	738,798	1,133,551	1,277,117	2,064,703	3,087,051	5,462,520	-	-	17,092,650	15,492,671
Claims service/assessment reserve	142,967	48,606	42,205	57,121	62,782	111,106	176,262	216,594	345,846	638,258	1,026,792	-	-	3,134,076	3,180,254
Net claims loss reserve	727,582	459,257	392,248	570,524	447,882	849,904	1,309,813	1,493,711	2,410,549	3,725,309	6,489,312	-	-	20,226,726	18,672,925
Total liabilities	727,582	459,257	392,248	570,524	447,882	849,904	1,309,813	1,493,711	2,410,549	3,725,309	6,489,312	142,957	16,601	20,386,284	18,718,434
Net assets:															
Reserve for statutory funding	29,668	31,036	25,600	37,597	30,225	36,028	57,528	92,764	149,988	221,692	392,285	-	-	1,189,274	1,151,322
Board designated reserve	41,429	43,754	38,153	55,908	45,075	54,157	86,585	139,834	226,052	340,546	602,590	-	-	1,789,489	1,699,962
Contingency reserve	886,120	1,034,734	2,141,342	5,357,573	5,624,486	5,881,263	2,332,216	1,302,821	1,808,418	1,225,238	1,303,144	(429)	66,193	33,400,991	32,494,492
Total net assets	957,217	1,109,524	2,205,095	5,451,078	5,699,786	5,971,448	2,476,329	1,535,419	2,184,458	1,787,476	2,298,019	(429)	66,193	36,179,754	35,345,716
Total liabilities and net assets	\$ 1,684,799	1,568,781	2,597,343	6,021,602	6,147,668	6,821,352	3,786,142	3,029,130	4,595,007	5,512,785	8,787,331	142,528	82,794	56,766,038	54,064,210

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Revenue, Expenses, and Changes in Net Assets by Fund Year
For the period ended December 31, 2003

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987	1988	1989	1990	1991	1992
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:														
Standard premium	\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-
Premiums discount	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss control credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical deductible credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	1,363	1,700	520	1,926	1,844	2,205	3,167	1,913	9,377	14,838	15,611	17,080	30,724	34,091
Total revenue	1,363	1,700	520	1,926	1,844	2,205	3,167	1,913	9,377	14,838	15,611	17,080	30,724	34,091
Expenses:														
Claims paid	-	-	-	1,732	1,053	-	37,641	52,305	29,758	978	17,772	45,954	37,123	58,809
Claims reserve-current year adj.	-	-	-	(19,166)	22,619	-	(25,922)	(139,060)	(60,186)	(48,714)	41,073	(78,943)	33,414	53,081
Subrogation recovery	-	-	-	-	-	-	-	-	-	-	-	-	(1,040)	(773)
Deductible recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ultimate claims loss	-	-	-	(17,434)	23,672	-	11,719	(86,755)	(30,428)	(47,736)	58,845	(32,989)	69,497	111,117
Reins recovered	-	-	-	(2,581)	-	-	(37,909)	(53,882)	(6,007)	-	-	4857)	-	-
Reins recoverable adj.	-	-	-	20,015	(23,672)	-	26,191	140,637	6,007	1	-	1,132	-	-
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net ultimate claims loss	-	-	-	-	-	-	1	-	(30,428)	(47,735)	58,845	(32,714)	69,497	111,117
Loss discounting	-	-	-	-	-	-	-	-	566	591	(498)	957	2,933	7,350
Net claims expense	-	-	-	-	-	-	1	-	(29,862)	(47,144)	58,347	(31,757)	72,430	118,467
Reinsurance premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional service fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administrative service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory assessments and fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims svc/assessment reserve	-	-	-	(5,402)	3,895	-	(6,176)	(19,132)	(8,929)	(9,355)	4,306	(23,728)	(5,319)	(7,581)
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	-	-	-	(5,402)	3,895	-	(6,175)	(19,132)	(38,791)	(56,499)	62,653	(55,485)	67,111	110,886
Change in net assets before transfers	1,363	1,700	520	7,328	(2,051)	2,205	9,342	21,045	48,168	71,337	(47,042)	72,565	(36,387)	(76,795)
Interfund transfers:														
To 2003 fund	-	-	-	-	-	-	-	-	(258,759)	(108,227)	(184,163)	(189,676)	(318,236)	(361,141)
Net change in net assets	1,363	1,700	520	7,328	(2,051)	2,205	9,342	21,045	(210,591)	(36,890)	(231,205)	(117,111)	(354,623)	(437,936)
Net assets, beginning	64,001	79,828	24,451	86,503	86,282	103,506	109,188	72,673	542,078	643,366	724,326	651,706	1,366,267	1,430,870
Net assets, ending	\$ 65,364	81,528	24,971	93,831	84,231	105,711	118,530	93,718	331,487	606,476	493,121	534,595	1,011,644	992,934

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Revenue, Expenses, and Changes in Net Assets by Fund Year, Continued

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	WC SS	Totals	
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund	2003	2002
Revenue:															
Standard premium	\$ -	-	-	-	-	-	-	-	-	574,779	12,953,845	-	-	13,528,624	10,606,0
Premium discount	-	-	-	-	-	-	-	-	-	-	(1,183,988)	-	-	(1,183,988)	(895,3)
Loss control credit	-	-	-	-	-	-	-	-	-	-	(401,161)	-	-	(401,161)	(328,4)
Medical deductible credit	-	-	-	-	-	-	-	-	-	-	(9,061)	-	-	(9,061)	(8,8)
Net contributions	-	-	-	-	-	-	-	-	-	574,779	11,359,635	-	-	11,934,414	9,373,4
Investment income	36,032	37,619	62,711	125,243	128,356	142,550	82,686	69,223	105,610	145,650	139,350	-	-	1,211,389	4,106,7
Total revenue	36,032	37,619	62,711	125,243	128,356	142,550	82,686	69,223	105,610	720,429	11,498,985	-	-	13,145,803	13,480,2
Expenses:															
Claims paid	251,115	38,609	92,768	46,859	91,097	83,837	293,556	517,689	658,706	2,121,368	2,466,469	-	-	6,945,198	7,735,8
Claims reserve-current year adj.	(20,821)	(21,527)	(46,753)	1,485	(183,502)	(232,875)	(77,222)	(939,782)	(1,407,110)	(2,009,923)	6,243,374	-	-	1,083,540	1,942,6
Subrogation recovery	(35)	(8,826)	(79,388)	(71,437)	-	(39,598)	(74,074)	(77,682)	(30,429)	(14,405)	(13,073)	-	-	(410,760)	(141,8)
Deductible recovery	-	-	-	-	-	(126)	(144)	(252)	388	(2,854)	(8,559)	-	-	(11,547)	(9,8)
Ultimate claims loss	230,259	8,256	(33,373)	(23,093)	(92,405)	(188,762)	142,116	(500,027)	(778,445)	94,186	8,688,211	-	-	7,606,431	9,526,7
Reins received	(201,485)	-	-	-	-	-	-	-	-	-	-	-	-	(302,721)	(110,1)
Reins recoverable adj.	72,853	-	-	-	-	(73,488)	(210,165)	-	-	129,591	-	-	-	89,102	(596,5)
Supplemental benefits fund recoverable	(710)	14,372	83,949	67,595	136,946	31,568	37,346	-	-	-	-	-	-	371,066	(105,1)
Net ultimate claims loss	100,917	22,628	50,576	44,592	44,541	(230,682)	(30,703)	(500,027)	(778,445)	223,777	8,688,211	-	-	7,763,878	8,714,9
Loss discounting	13,069	14,777	19,011	16,865	36,853	81,252	88,795	148,804	200,536	205,259	(780,852)	-	-	56,268	(217,1)
Net claims expense	113,986	37,405	69,587	61,367	81,394	(149,430)	58,092	(351,223)	(577,909)	429,036	7,907,359	-	-	7,820,146	8,497,7
Reinsurance premium	-	-	-	-	-	-	-	-	-	62,206	613,766	-	-	675,972	535,7
Professional service fees	-	-	-	-	-	-	-	-	-	-	104,362	29	-	104,391	47,7
Administrative service	-	-	-	-	-	-	-	-	-	-	2,473,038	-	-	2,473,038	2,286,4
Regulatory assessments and fees	-	3,585	-	-	2,275	14	-	-	-	-	496,040	400	-	502,314	451,1
Claims xvc/assessment reserve	9,483	(15,160)	(33,105)	(47,585)	(43,023)	(56,546)	(53,414)	(137,104)	(254,888)	(364,207)	1,026,792	-	-	(46,178)	424,1
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-	-	-	118,503	118,503	113,9
Depreciation expense	-	-	-	-	-	-	-	-	-	-	56,306	-	-	56,306	47,1
Maintenance contracts	-	-	-	-	-	-	-	-	-	-	8,960	-	-	8,960	21,0
Dividends paid	-	-	-	-	-	-	-	-	-	398,373	-	-	-	398,373	385,3
Total expenses	123,469	25,830	36,482	13,782	40,646	(205,962)	4,678	(488,327)	(832,797)	525,408	12,686,623	429	118,503	12,111,825	12,810,4
Change in net assets before transfers:															
transfers	(87,437)	11,789	26,229	111,461	87,710	348,512	78,008	557,550	938,407	195,021	(1,187,638)	(429)	(118,503)	1,033,978	669,8
Interfund transfers:															
To 2002 fund	(449,615)	(640,918)	(973,269)	-	-	-	-	-	-	-	3,486,004	-	-	-	-
Net change in net assets	(537,052)	(629,129)	(949,040)	111,461	87,710	348,512	78,008	557,550	938,407	195,021	2,298,366	(429)	(118,503)	1,033,978	669,8
Net assets, beginning	1,494,269	1,738,653	3,154,135	5,339,617	5,612,076	5,622,936	2,398,321	977,869	1,246,051	1,592,455	(347)	-	184,696	35,345,776	34,675,9
Net assets, ending	\$ 957,217	1,109,524	2,205,095	5,451,078	5,699,786	5,971,448	2,476,329	1,535,419	2,184,458	1,787,476	2,298,019	(429)	66,193	36,379,754	35,345,7

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Cumulative Statement of Revenue and Expenses
For the period November 1, 1978 (through December 31, 2003)

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987	1988	1989	1990	1991	1992
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:														
Standard premium	\$ 898,836	2,108,194	2,906,927	4,240,842	4,595,671	5,632,583	6,021,088	6,838,615	8,513,891	11,896,947	13,324,125	14,920,260	16,176,020	13,370,101
Premium discount	-	-	(290,693)	(424,084)	(459,567)	(796,892)	(852,654)	(980,663)	(1,236,385)	(1,216,358)	(1,027,854)	(1,237,948)	(1,428,079)	(1,276,658)
Loss control credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical deductible credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net contributions	898,836	2,108,194	2,616,234	3,816,758	4,136,104	4,835,691	5,168,434	5,857,952	7,277,506	10,680,589	12,296,271	13,682,312	14,747,941	12,093,443
Investment income	326,224	808,533	642,285	1,468,993	1,473,996	1,255,737	1,022,441	1,249,982	2,856,542	3,956,974	3,782,562	3,678,975	4,080,744	3,373,265
Miscellaneous revenue	-	35	234	123	(125)	891	2,180	2,372	11,737	3,703	2,861	2,981	2,049	3,938
Total revenue	1,225,060	3,006,762	3,258,753	5,285,874	5,609,975	6,092,319	6,193,055	7,110,306	10,145,785	14,641,266	16,081,694	17,364,268	18,830,734	15,470,646
Expenses:														
Claims paid	719,286	2,532,544	3,357,987	2,988,697	3,992,307	3,131,404	7,133,470	7,243,889	8,657,563	8,022,433	9,702,792	8,526,686	7,942,368	8,755,189
Claims reserve	-	-	-	-	22,619	-	453,607	182,830	232,577	59,476	157,298	163,273	313,906	424,265
Subrogation recovery	(210)	-	(30,520)	(31,306)	(15,945)	(53,828)	(93,737)	(174,313)	(89,363)	(85,944)	(243,383)	(52,704)	(65,596)	(34,820)
Deductible recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ultimate claims loss	719,076	2,532,544	3,327,467	2,957,391	3,998,981	3,077,576	7,493,340	7,252,406	8,800,777	7,995,965	9,616,707	8,637,255	8,190,678	9,144,634
Reins recovered	-	(884,886)	(1,431,150)	(201,145)	(988,119)	(1,697,712)	(3,110,546)	(2,143,460)	(11,690)	(149,907)	-	(45,686)	-	(145,143)
Reins recoverable adj.	-	-	-	1	(23,672)	-	(469,087)	(185,143)	(238,613)	3,461	-	6,926	-	-
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net ultimate claims loss	719,076	1,647,658	1,896,317	2,756,247	2,987,190	3,379,864	3,913,707	4,923,803	8,550,474	7,849,519	9,616,707	8,598,495	8,190,678	8,999,491
Loss discounting	-	-	-	-	-	-	-	-	(18)	(721)	(1,907)	(1,979)	(3,806)	(10,194)
Net claims expense	719,076	1,647,658	1,896,317	2,756,247	2,987,190	3,379,864	3,913,707	4,923,803	8,550,456	7,848,798	9,614,800	8,596,516	8,186,872	8,989,297
Reinsurance premium	137,238	312,789	419,524	478,574	363,680	411,812	520,415	699,462	1,178,993	1,384,588	1,768,007	1,884,136	1,000,000	1,258,395
Claims service fee paid	82,296	176,497	236,470	327,459	386,512	473,213	351,488	404,309	441,635	327,982	393,927	492,491	574,544	612,319
Loss control service	-	-	-	-	-	-	-	-	-	160,000	159,500	263,002	233,817	254,729
Administrative service	13,627	49,349	55,671	254,892	398,727	499,345	660,000	441,000	500,000	575,000	687,000	762,100	803,500	857,569
Regulatory assessments and fees	-	-	-	6,123	232	662	402	3,161	24,918	4,319	85,838	121,554	13,707	163,687
Claims service/assess reserve	-	-	-	16	3,946	-	54,062	28,219	27,081	7,518	21,640	23,923	42,316	56,816
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend refund	106,990	73,229	-	-	-	-	-	-	-	-	-	-	76,147	500,000
Interest refund	188,639	591,990	537,188	793,891	508,732	243,525	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	992,030	105,260	81,904	-	-	-
Total expenses	1,247,866	2,851,512	3,145,170	4,617,292	4,649,019	5,008,421	5,500,074	6,499,954	11,715,113	10,413,435	12,812,616	12,083,722	10,930,903	12,692,812
Change in net assets before transfers:														
	(22,806)	155,250	113,583	668,672	960,956	1,083,898	692,981	610,352	(1,569,328)	4,227,831	3,260,078	5,280,546	7,899,831	2,777,834
Interfund transfers	88,170	(73,722)	(68,612)	(574,841)	(876,725)	(978,187)	(574,451)	(516,634)	1,900,815	(3,621,355)	(2,775,957)	(4,745,951)	(6,888,187)	(1,784,900)
From MMA General Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets, ending	\$ 65,364	81,528	24,971	93,831	84,231	105,711	118,530	93,718	351,487	606,476	493,121	534,595	1,013,644	992,934

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Cumulative Statement of Revenue and Expenses, Continued

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	WCSS	Totals
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund	
Revenue:														
Standard premium	\$ 14,698,127	16,420,639	13,726,365	9,210,964	7,428,059	6,724,762	6,563,966	7,228,092	8,781,293	10,766,844	12,953,845	-	-	226,035,076
Premium discount	(1,441,541)	(1,826,427)	(1,425,500)	(798,972)	(629,764)	(531,730)	(521,782)	(596,605)	(703,678)	(895,300)	(1,183,988)	-	-	(21,383,122)
Loss control credit	-	-	-	(362,288)	(169,007)	(184,472)	(206,437)	(220,584)	(333,223)	(328,432)	(401,161)	-	-	(2,205,604)
Medical deductible credit	-	-	-	-	-	(6,887)	(6,230)	(6,725)	(9,382)	(8,848)	(9,061)	-	-	(47,133)
Net contributions	13,256,586	14,994,232	12,300,865	8,049,704	6,627,288	6,001,673	5,829,517	6,404,178	7,735,010	9,534,264	11,359,635	-	-	202,399,217
Investment income	3,185,982	2,912,233	3,121,811	3,323,113	2,625,957	2,255,626	1,305,623	1,089,206	903,655	703,249	139,401	-	-	51,542,269
Miscellaneous revenue	8,906	(716)	814	(1)	-	-	-	-	-	-	-	-	-	41,982
Total revenue	16,450,574	17,905,749	15,423,490	11,372,816	9,253,245	8,257,299	7,135,140	7,493,444	8,638,665	10,237,513	11,499,036	-	-	253,983,468
Expenses:														
Claims paid	8,519,099	5,880,805	3,972,371	4,981,331	4,105,047	4,097,062	4,970,990	5,215,231	4,692,702	4,566,870	2,466,469	-	-	138,174,592
Claims reserve	1,099,757	437,575	378,970	567,069	487,981	1,093,116	1,533,310	1,472,118	2,402,402	3,612,422	6,243,374	-	-	21,337,945
Subrogation recovery	(29,069)	(53,987)	(97,619)	(225,433)	(138,206)	(81,292)	(132,162)	(226,851)	(53,439)	(21,897)	(13,073)	-	-	(2,044,697)
Deductible recovery	-	-	-	(17,708)	(12,123)	(13,627)	(10,608)	(10,213)	(11,059)	(9,280)	(8,599)	-	-	(93,177)
Ultimate claims loss	9,589,787	6,264,393	4,253,722	5,305,259	4,442,699	5,095,259	6,361,530	6,450,285	7,030,606	8,148,115	8,688,211	-	-	157,374,663
Reins recovered	(201,484)	-	-	-	-	-	-	-	-	-	-	-	-	(11,010,928)
Reins recoverable adj	(460,744)	-	-	-	-	(266,356)	(246,348)	-	-	-	-	-	-	(1,879,575)
Supplemental benefits fund recoverable	(25,016)	-	-	-	(56,419)	-	-	-	-	-	-	-	-	(81,435)
Net ultimate claims loss	8,902,543	6,264,393	4,253,722	5,305,259	4,386,280	4,828,903	6,115,182	6,450,285	7,030,606	8,148,115	8,688,211	-	-	144,402,725
Loss discounting	(29,383)	(26,924)	(28,927)	(53,667)	(46,462)	(87,962)	(153,411)	(195,002)	(337,699)	(525,370)	(780,852)	-	-	(2,284,284)
Net claims expense	8,873,160	6,237,469	4,224,795	5,251,592	4,339,818	4,740,941	5,961,771	6,255,283	6,692,907	7,622,745	7,907,359	-	-	142,118,441
Reinsurance premium	1,396,199	1,377,769	1,326,533	949,461	842,497	508,300	474,434	615,290	472,359	597,907	613,766	-	-	20,992,098
Claims service fee paid	641,430	739,044	728,277	93,000	14,050	15,500	18,000	-	-	-	-	-	-	7,530,443
Loss control service	276,029	271,628	4,916	22,331	23,257	26,224	28,577	58,855	50,676	47,723	104,362	29	-	1,925,655
Administrative service	925,325	989,573	1,610,290	1,861,680	1,952,664	1,911,188	1,878,993	1,867,023	1,930,412	2,286,467	2,473,038	-	-	26,244,433
Regulatory assessments and fees	234,986	260,923	291,756	253,870	179,505	205,266	199,199	197,309	387,316	234,330	496,438	400	-	3,365,901
Claims service/assess reserve	142,967	48,606	42,205	57,121	62,782	111,106	176,262	216,594	345,846	638,258	1,026,792	-	-	3,134,076
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-	-	-	433,807	433,807
Depreciation expense	-	-	19,269	44,505	51,996	45,988	41,315	39,992	39,616	47,130	56,306	-	-	386,117
Maintenance contracts	-	-	-	1,431	3,850	3,245	6,394	7,414	18,403	21,043	8,960	-	-	70,740
Dividend refund	450,000	1,250,000	2,242,044	1,163,116	355,455	341,572	362,866	368,132	385,394	398,173	-	-	-	7,773,288
Interest refund	-	-	-	-	-	-	-	-	-	-	-	-	-	2,863,965
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	1,179,194
Total expenses	12,640,096	11,175,012	10,490,055	9,698,107	7,825,874	7,909,330	9,147,811	9,625,892	10,322,929	11,893,976	12,687,021	429	433,807	218,018,158
Change in net assets before transfers	3,810,478	6,730,737	4,933,435	1,674,709	1,427,371	347,969	(2,012,671)	(2,132,448)	(1,684,264)	(1,656,463)	(1,187,985)	(429)	(433,807)	35,965,310
Interfund transfers	(2,853,261)	(5,621,213)	(2,728,340)	3,776,369	4,272,415	5,209,035	4,489,000	3,667,867	3,868,722	3,443,939	3,486,004	-	500,000	-
From MMA General Fund	-	-	-	-	-	411,444	-	-	-	-	-	-	-	411,444
Fund balances, ending	\$ 957,217	1,109,524	2,205,895	5,451,078	5,699,786	5,971,448	2,476,329	1,535,419	2,184,458	1,787,476	2,298,019	(429)	66,193	36,375,000

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Ten Year Claims Development Information
December 31, 2003**

The analysis gives a summary of the income and expenses by fund year, along with comparative data on paid claims and incurred claims since inception of the Fund Year.

	1994	1995	1996
Required contribution and investment income:			
Earned	\$ 17,905,749	15,423,490	11,372,817
Ceded	1,377,769	1,326,533	949,462
Net earned	16,527,980	14,096,957	10,423,355
Unallocated expenses	3,559,744	4,938,727	3,497,054
Estimated incurred claims and expense, end of policy year:			
Earned	10,937,855	8,809,133	6,741,278
Net earned	10,937,855	8,809,133	6,741,278
Paid claims (cumulative) as of:			
End of policy year	1,671,211	1,430,231	1,213,296
One year later	3,103,386	2,405,214	2,570,075
Two years later	3,949,681	2,978,827	3,406,083
Three years later	4,680,859	3,289,847	4,117,304
Four years later	5,270,647	3,570,466	4,420,349
Five years later	5,597,068	3,633,960	4,552,294
Six years later	5,784,129	3,742,432	4,934,472
Seven years later	5,814,541	3,879,604	4,981,331
Eight years later	5,842,196	3,972,371	-
Nine years later	5,880,805	-	-
Ten years later	-	-	-
Reestimated ceded claims and expense	-	-	-
Reestimated incurred claims and expense as of:			
End of policy year	10,937,855	8,809,133	6,741,278
One year later	8,184,861	6,016,462	5,662,187
Two years later	7,305,712	5,140,623	5,619,419
Three years later	7,363,430	4,810,573	5,866,346
Four years later	7,063,495	4,634,850	5,422,108
Five years later	6,920,934	7,370,730	5,280,704
Six years later	6,591,175	4,272,242	5,328,352
Seven years later	6,500,450	4,287,096	5,305,259
Eight years later	6,256,137	4,253,723	-
Nine years later	6,264,393	-	-
Ten years later	-	-	-
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ (4,673,462)	(4,555,410)	(1,436,019)

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Ten Year Claims Development Information, Continued

	1997	1998	1999	2000	2001	2002	2003
\$	9,253,244	8,257,298	7,135,140	7,493,443	8,638,665	10,237,514	11,499,055
	842,497	508,299	474,434	615,289	472,360	597,909	613,766
	8,410,747	7,748,999	6,660,706	6,878,154	8,166,305	9,639,605	10,885,289
	2,643,559	2,660,089	2,711,606	2,755,318	3,157,662	3,673,323	4,135,008
	6,930,818	6,180,377	5,507,742	6,179,602	7,390,466	8,053,929	8,688,209
	6,930,818	6,180,377	5,507,742	6,179,602	7,390,466	8,053,929	8,688,209
	1,522,480	1,499,370	1,685,234	1,873,700	2,218,838	2,445,502	2,466,468
	2,480,061	2,616,541	2,947,430	3,731,396	4,033,996	4,566,870	-
	2,985,677	3,243,287	4,006,973	4,697,542	4,692,702	-	-
	3,482,115	3,620,890	4,677,433	5,215,231	-	-	-
	3,620,624	4,013,225	4,970,990	-	-	-	-
	4,013,950	4,097,062	-	-	-	-	-
	4,105,047	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	(266,356)	(246,348)	-	-	-	-
	6,930,818	6,180,377	5,507,742	6,179,602	7,390,466	8,053,929	8,688,209
	5,299,270	4,915,253	5,616,297	6,862,389	7,809,051	8,148,115	-
	4,798,649	5,075,135	5,900,271	6,950,313	7,030,606	-	-
	4,638,547	4,741,715	6,219,413	6,450,286	-	-	-
	4,342,153	5,284,020	6,361,530	-	-	-	-
	4,535,104	5,095,260	-	-	-	-	-
	4,442,699	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
\$	(2,488,119)	(1,085,117)	853,788	270,684	(359,860)	94,186	-

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**

Financial Statements

December 31, 2004 and 2003

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Financial Statements
December 31, 2004 and 2003

MMA_00018168

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Independent Auditor's Report

The Board of Trustees
Maine Municipal Association
Workers' Compensation Fund

We have audited the accompanying statements of net assets of Maine Municipal Association Workers' Compensation Fund as of December 31, 2004 and 2003, and the related statements of revenue and expenses, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Municipal Association Workers' Compensation Fund as of December 31, 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 Management 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 the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 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.

Runyon Kersteen Ouellette

March 15, 2005
South Portland, Maine

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis
Fiscal Year Ended 2004

This section of the Maine Municipal Association Workers' Compensation Fund (the Fund) annual financial report sets forth a narrative overview of its financial activities for the year ended December 31, 2004. Please read it in conjunction with the Fund's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

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

- Net Assets at December 31, 2004 were \$33,501,367, a decrease of 7.9% versus the prior year.
- Cash and investments totaled \$56,962,528, an increase of 1.6%.
- Operating revenues in 2004 totaled \$14,549,248, an increase of 10.7%
- Operating expenses in 2004 totaled \$17,427,635, an increase of 43.9%

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's fiscal year is January 1 through December 31. The annual financial report consists of four parts:

- Management Discussion and Analysis
- Basic Financial Statements
- Notes to the Statements
- Supplemental Exhibits

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

Basic Statements include: Statements of Net Assets; Statements of Revenue and Expenses; Statements Changes in Net Assets; and Statements of Cash Flows.

These statements present the Fund's status at December 31, 2004 and financial developments during fiscal year 2004 for all fund years combined.

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

Supplemental Exhibits include analyses of Fund assets and revenues and expenses by fund year, and a history of claims development for the past ten years.

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

FINANCIAL ANALYSIS

The following table summarizes the Statements of Net Assets:

	12/31/04	12/31/03
ASSETS		
Current Assets	57,685,246	56,638,615
Capital Assets	371,332	127,423
Total Assets	58,056,578	56,766,038
LIABILITIES		
Net Claims Loss Reserves	20,576,817	17,092,650
Other Liabilities	3,978,394	3,293,634
Total Liabilities	24,555,211	20,386,284
NET ASSETS		
Statutory Reserves	1,382,759	1,189,274
Board Designated Reserves	2,101,845	1,789,489
Net Investment in Capital Assets	371,332	127,423
Contingency Reserve	29,645,431	33,273,568
Total Net Assets	33,501,367	36,379,754

The following table summarizes the Statements of Revenue and Expenses during calendar years 2004 and 2003 for all fund years combined.

	12/31/04	12/31/03
REVENUES		
Member Contributions	13,593,795	11,934,414
Investment and Other Revenues	955,453	1,211,389
Total Revenues	14,549,248	13,145,803
EXPENSES		
Net Claims Expense	11,997,461	7,820,146
Reinsurance Premium	524,095	675,972
Safety Scholarship, Grants and Training	194,130	118,503
Other Expenses	4,711,949	3,497,204
Total Expenses	17,427,635	12,111,825
NET CHANGE IN NET ASSETS	(2,878,387)	1,033,978

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2004

The following table compares ultimate results for the 2004 Fund Year as projected at December 31, 2004 with the original budget. Investment Income and Net Claims Expense projections are based on an analysis by an independent actuary.

	BUDGET	PROJECTED ULTIMATE RESULTS
REVENUES		
Member Contributions	12,879,326	13,058,380
Investment and Other Revenues	1,365,186	995,858
Total Revenues	14,244,512	14,054,238
EXPENSES		
Net Claims Expense at 95% Confidence Level	11,822,376	12,123,014
Reinsurance Premium	487,513	489,518
Provision for Member Dividends	500,000	500,000
Other Expenses	4,602,496	4,864,019
Total Expenses	17,412,385	17,976,551
Projected Transfer from Contingency Reserve	(3,167,873)	(3,922,313)

The major projected variances in the 2004 fund year during calendar year 2004 were increases in Net Claims Expense (2.5%); projected Investment Income (-27.2%, due to declining interest rates); and an increase in Other Expenses (5.2%, primarily depreciation on new claims system).

Net Claims Expense at the 95% Confidence Level includes claims payments, reserves on open claims, actuarial estimates of claims development in the future (IBNR), a statutorily required reserve to fund claims to the 75% confidence level, and an additional reserve recommended by the actuary to fund claims to the 95% Confidence Level in accordance with Fund policy.

In the preceding table, Investment Income includes the actuary's projection of future earnings, which are shown as an offset to Claims Expense (Loss Fund Discount) in the financial statements. The Provision for Member Dividends is included in the projection, although it will not be reflected in the financial statements until the dividend has been formally declared by the Board of Trustees. This presentation is used herein to conform the Workers' Compensation Fund budget.

FUND FINANCIAL POSITION AT DECEMBER 31, 2004

At December 31, 2004, the Fund's Net Assets totaled \$33,501,367, a decrease of \$2,878,387 (7.9%) versus the prior year.

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

CAPITAL ASSETS AND LONG TERM DEBT

At December 31, 2004 the Fund had capital assets of \$371,332, net of accumulated depreciation of \$60,477. These assets are the Fund's investment in a claims and underwriting system jointly owned with the MMA Property & Casualty Fund, net of accumulated depreciation. The Fund had no long-term debt.

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

Management is aware of no conditions, decisions or contingencies which are expected to significantly impact on the Fund'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 Fund's finances and to show the Fund'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
WORKERS' COMPENSATION FUND
Statements of Net Assets
(All Fund Years)
December 31, 2004 and 2003

	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,824,216	5,439,892
Corporate bonds	1,032,762	5,146,337
U.S. Government and agency securities	51,105,550	45,479,106
Accounts receivable	7,433	259
Accrued interest receivable	542,945	564,061
Prepaid expenses	172,340	8,960
Total current assets	57,685,246	56,638,615
Capital assets:		
Computer equipment and software	431,809	462,302
Less accumulated depreciation	(60,477)	(334,879)
Net capital assets	371,332	127,423
Total assets	\$ 58,056,578	56,766,038
LIABILITIES		
Liabilities:		
Accounts payable	117,407	16,630
Deferred revenue	-	142,928
Claims loss reserves:		
Claims reserve	24,937,845	21,337,945
Reinsurance recoverable	(1,749,374)	(1,879,576)
Supplemental benefits fund recoverable	(41,123)	(81,435)
Loss reserve discounting	(2,570,531)	(2,284,284)
Net claims loss reserves	20,576,817	17,092,650
Claim service/assessment reserve	3,860,987	3,134,076
Total liabilities	24,555,211	20,386,284
NET ASSETS		
Invested in capital assets, net of related debt	371,332	127,423
Restricted for statutory funding	1,382,759	1,189,274
Unrestricted:		
Board designated	2,101,845	1,789,489
Contingency	29,645,431	33,273,568
Total net assets	33,501,367	36,379,754

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Statements of Revenue and Expenses
(All Fund Years)

For the years ended December 31, 2004 and 2003

	2004	2003
Revenue:		
Contributions	\$ 15,361,544	13,528,624
Less discounts	(1,394,079)	(1,183,988)
Less loss control credit	(362,445)	(401,161)
Less medical deductible credit	(11,225)	(9,061)
Net contributions	13,593,795	11,934,414
Investment income	955,453	1,211,389
Total revenue	14,549,248	13,145,803
Expenses:		
Claims paid	8,732,977	6,945,198
Claims reserve - current year adjustment	3,599,901	1,083,540
Subrogation recovery	(185,656)	(410,760)
Deductible recovery	(1,393)	(11,547)
Ultimate claims loss	12,145,829	7,606,431
Reinsurance recovered	(32,633)	(302,721)
Reinsurance recoverable adjustment	130,200	89,102
Supplemental benefits fund recoverable	40,312	371,066
Net ultimate claims loss	12,283,708	7,763,878
Loss reserve discounting - current year adjustment	(286,247)	56,268
Net claims expense	11,997,461	7,820,146
Reinsurance premium	524,095	675,972
Professional service	29,711	104,391
Administrative fees	2,944,909	2,473,038
Regulatory assessment and fees	424,656	502,314
Claims service/assessments reserve	726,911	(46,178)
Safety and scholarship grants	184,130	118,503
Training expense	10,511	-
Depreciation expense	154,841	56,306
Maintenance contracts	30,951	8,960
Dividends paid	399,459	398,373
Total expenses	17,427,635	12,111,825
Change in net assets	\$ (2,878,387)	1,033,978

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statements of Changes in Net Assets
(All Fund Years)

For the years ended December 31, 2004 and 2003

		Invested in Capital Assets	Reserve for statutory funding	Board designated reserve	Contingency reserve	Total net assets
Net assets at December 31, 2002	\$	159,470	1,151,322	1,699,962	32,335,022	35,345,776
Change in net assets		(32,047)	-	-	1,066,025	1,033,978
Net asset transfer		-	37,952	89,527	(127,479)	-
Net assets at December 31, 2003		127,423	1,189,274	1,789,489	33,273,568	36,379,754
Change in net assets		243,909	-	-	(3,122,296)	(2,878,387)
Net asset transfer		-	193,485	312,356	(505,841)	-
Net assets at December 31, 2004	\$	371,332	1,382,759	2,101,845	29,645,431	33,501,367

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Statements of Cash Flows
For the years ended December 31, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Receipts from net contributions	\$ 13,443,693	12,074,799
Receipts from investment income	976,569	1,256,994
Payments for net claims	(8,513,294)	(6,220,167)
Payments for reinsurance premium	(524,095)	(675,972)
Payments for professional service	(29,711)	(104,391)
Payments for administrative fees	(2,844,132)	(2,487,830)
Payments for regulatory assessment and fees	(424,656)	(502,314)
Payments for safety and scholarship grants	(184,130)	(118,503)
Payments for training fees	(10,511)	-
Payments for maintenance contracts	(194,331)	(17,920)
Payments for dividends paid	(399,459)	(398,373)
Net cash provided by operating activities	1,295,943	2,806,323
Cash flows from capital and related financing activities:		
Net purchases of computer equipment	(398,750)	(24,259)
Net cash used in capital and related financing activities	(398,750)	(24,259)
Cash flows from investing activities:		
Net purchase of investments	(1,512,869)	(1,205,643)
Net cash used in investing activities	(1,512,869)	(1,205,643)
Increase (decrease) in cash	(615,676)	1,576,421
Cash, beginning of year	5,439,892	3,863,471
Cash, end of year	\$ 4,824,216	5,439,892
Reconciliation of change in net assets		
to net cash provided by operating activities:		
Change in net assets	\$ (2,878,387)	1,033,978
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	154,841	56,306
(Increase) decrease in assets:		
Accounts receivable	(7,174)	11,544
Accrued interest receivable	21,116	45,605
Prepaid expenses	(163,380)	(8,960)
Increase (decrease) in liabilities:		
Accounts payable	100,777	(14,792)
Deferred revenue	(142,928)	128,841
Net claims loss reserve	3,484,167	1,599,979
Claim service/assessments reserve	726,911	(46,178)
Net cash provided by operating activities	\$ 1,295,943	2,806,323

See accompanying notes to financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maine Municipal Association Workers' Compensation Fund (the "Fund") was established on November 1, 1978 to provide an alternative to commercial workers' compensation insurance for members of the Maine Municipal Association. During 2004 and 2003, respectively, there were 592 and 582 governmental entities which participated in the Fund. Participants share risk in proportion to their contributions. The Fund is administered by Maine Municipal Association for which a management fee is assessed and included in expenses. These financial statements include only the accounts of the Maine Municipal Association Workers' Compensation Fund. The Fund is regulated by the State of Maine Bureau of Insurance under Rule Chapter 250.

Tax Exempt Status - The Fund is a Trust Fund established and administered by the Maine Municipal Association, a tax exempt instrumentality of the municipalities, and therefore is exempt from income taxes.

Fund Accounting - Each year a new fund is established to cover potential claims incurred for that specific period. 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. The accompanying financial statements reflect the combined financial position, results of operations and cash flows of the fund for all fund years.

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

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.

Cash and Cash Equivalents - The Fund considers all highly liquid deposits with an initial maturity of three months or less to be cash and 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 Workers' Compensation fund years. The Fund's investments consist of U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Fund estimates that the fair value of all financial instruments at December 31, 2004 and 2003 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of changes in 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.

Accounts Receivable - Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at December 31, 2004 and 2003.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Deferred Revenue - Deferred revenue represents contributions which have been received by the Fund 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/Assessments Reserve - The claims service/assessments reserve is actuarially determined and consists of estimates for (1) future claims services and (2) future assessments by the State of Maine in connection with claims originating in fund years through 2004. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount.

Reinsurance - The Fund 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 Fund as direct insurer of the risks reinsured. The Fund 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 2004 and 2003 were \$524,095 and \$675,972, respectively. The amounts deducted from claims liabilities as of December 31, 2004 and 2003 for reinsurance recoveries were \$1,749,374 and \$1,879,576, respectively.

Contributions - The member contributions required are based on the standard premium workers' compensation rates similar to an insured plan. Various premium discounts and credits are given to members. The contributions for 2004 have not been fully determined; the current premiums are based on estimated payrolls. Audits are conducted during each succeeding year to adjust for actual payroll expenses incurred by the members.

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 equivalents.

Safety Enhancement Fund - In November 1999, the Board of Trustees established a Safety Enhancement Fund by transferring \$500,000 from Contingency Funds. The purpose of this fund is to provide resources for scholarships and grants to Fund members to increase workplace safety and to support a crisis intervention program.

Safety Training Fund - In 2004, the Board of Trustees established a training fund by transferring \$100,000 from the Safety Enhancement Fund. The purpose of this fund is to provide members specialized safety training beyond the on-going loss control program.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates utilized in the preparation of the financial statements include claims loss reserves and the claims service/assessments reserve.

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 December 31:

	<u>2004</u>	<u>2003</u>
CMA-deposit account	\$ -	41,121
CMA- mutual fund investment sweep	122,307	457,510
Money market mutual fund	4,701,909	4,941,261
Totals	\$ 4,824,216	5,439,892

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 held in a separate Trust solely for the Workers' Compensation Fund.

The CMA - deposit account amounts in excess of the \$100,000 FDIC insured limit are considered uninsured and uncollateralized. Amounts in the CMA - mutual fund investment sweep and the money market mutual fund are indirectly invested in U.S. government obligations.

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

1. Insured or registered, or securities held by the Fund or held in custodian's name to benefit the Fund.
2. Uninsured and unregistered, with securities held by the counterparty's trust company or agent in the Fund's name.
3. Uninsured and unregistered, with securities held by the counterparty or its trust department or agent but not in the Fund's name.

MAINE MUNICIPAL ASSOCIATION
 WORKERS' COMPENSATION FUND
 Notes to Financial Statements, Continued

MMA_00018181

DEPOSITS AND INVESTMENTS, CONTINUED

At December 31, 2004 and 2003, investment balances were as follows:

		<u>2004</u>	<u>2003</u>
	<u>Category</u>	<u>Fair value</u>	<u>Fair value</u>
Corporate bonds	1	\$ 1,032,762	5,146,337
U.S. Government and agency securities	1	51,105,550	45,479,106
Totals		\$ 52,138,312	50,625,443

NET DEPRECIATION IN FAIR VALUE

Net depreciation in fair value during the years ended December 31, 2004 and 2003 by type of investment is as follows. Such amounts are included in investment income on the statements of revenue and expenses.

	<u>2004</u>	<u>2003</u>
Corporate bonds	\$ (109,001)	(205,694)
U.S. Government and agency securities	(1,146,392)	(576,893)
Totals	\$ (1,255,393)	(782,587)

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE

The amounts shown for claims reserves as of December 31, 2004, are developed from an actuarially determined loss analysis and are as follows:

Fund Year	Reserve based on known claims	Actuarial reserves	Total reserves	Net paid claims	Actuarially determined ultimate claims
1978-1979	-	-	-	719,072	719,072
1979-1980	-	-	-	2,532,544	2,532,544
1980-1981	-	-	-	3,327,467	3,327,467
1981-1982	-	-	-	2,957,391	2,957,391
1982-1983	-	-	-	3,976,519	3,976,519
1983-1984	-	-	-	5,077,576	5,077,576
1985	273,031	11,500	284,531	7,055,630	7,340,161
1986	127,534	31,162	158,696	7,080,150	7,238,846
1987	203,576	-	203,576	8,597,200	8,800,776
1988	43,919	10,731	54,650	7,937,497	7,992,147
1989	111,495	27,243	138,738	9,494,216	9,632,954
1990	45,773	11,184	56,957	8,533,133	8,590,090
1991	88,077	180,172	268,249	7,915,490	8,183,739
1992	183,734	126,596	310,330	8,749,101	9,059,431
1993	675,790	244,785	920,575	8,564,660	9,485,235
1994	126,556	166,051	292,607	5,853,717	6,146,324
1995	244,765	82,542	327,307	3,925,299	4,252,606
1996	246,316	121,224	367,540	4,846,428	5,213,968
1997	209,035	244,928	453,963	4,047,697	4,501,660
1998	424,991	180,426	605,417	4,085,309	4,690,726
1999	1,412,837	230,141	1,642,978	5,169,589	6,812,567
2000	866,237	522,095	1,388,332	5,364,451	6,752,783
2001	1,438,622	308,707	1,747,329	5,248,267	6,995,596
2002	2,218,371	1,273,036	3,491,407	5,960,668	9,452,075
2003	2,680,966	1,583,541	4,264,507	4,635,621	8,900,128
2004	4,234,005	3,726,151	7,960,156	2,927,950	10,888,106
Totals	\$ 15,855,630	9,082,215	24,937,845	144,582,641	169,520,486

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

The net claims loss reserves as reported in Exhibit A include an offset recommended by the independent actuary for loss reserve discounting. This offset provides for discounting the claims loss reserves by 5.0% based on the payout patterns recorded over the Fund's history. This reserve anticipates the accrual of conservatively projected investment income over the life of each fund. This adjustment conforms with the funding requirements of the State of Maine Bureau of Insurance.

Each fund has entered into specific reinsurance contracts for individual claims as noted below. Aggregate reinsurance contracts covering total claims paid have been purchased for each year except 1991-1993 in which there was no coverage. The limits for the specific reinsurance for individual claims are as follows:

<u>Fund year</u>	Specific Reinsurance	
	<u>Attachment</u>	
	<u>Regular</u>	<u>Maritime/ USL&H</u>
1978-1979 to 1983-1984	\$ 250,000	-
1985 to 1990	350,000	-
1991 to 1997	400,000	-
1998 to 2000	350,000	400,000
2001 to 2002	400,000	400,000
2003	500,000	400,000
2004	1,000,000	400,000

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

The aggregate reinsurance limits are listed below along with the total amounts recoverable from both the specific and aggregate reinsurance policies based on the actuarially determined ultimate losses are as follows:

Fund Year		Actuarially determined ultimate losses	Aggregate reinsurance attachment	Reinsurance recovered	Reinsurance recoverable
1978-1979	\$	719,071	1,000,000	-	-
1979-1980		2,532,544	1,647,658	884,886	-
1980-1981		3,327,467	1,896,317	1,431,150	-
1981-1982		2,957,391	2,756,246	201,145	-
1982-1983		3,976,519	2,987,190	989,329	-
1983-1984		5,077,576	3,379,864	1,697,712	-
1985		7,340,162	3,913,707	3,129,924	296,530
1986		7,238,846	4,923,803	2,148,275	166,768
1987		8,800,776	9,280,199	19,191	231,111
1988		7,992,147	11,524,021	149,907	-
1989		9,632,954	12,871,277	-	-
1990		8,590,090	14,547,254	45,416	-
1991		8,183,739	-	-	-
1992		9,059,431	-	145,143	-
1993		9,485,235	-	201,484	467,064
1994		6,146,324	13,858,008	-	-
1995		4,252,606	13,406,985	-	-
1996		5,213,968	11,636,779	-	-
1997		4,501,660	12,000,000	-	6,200
1998		4,690,726	7,894,675	-	170,000
1999		6,812,567	8,595,625	-	411,700
2000		6,752,783	9,733,330	-	-
2001		6,995,596	10,711,749	-	-
2002		9,452,075	11,329,907	-	-
2003		8,900,128	12,156,437	-	-
2004		10,888,106	-	-	-
Totals	\$	169,520,486	182,051,031	11,043,562	1,749,374

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
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 2004 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>
1978-79 to 1979-80	International Insurance Co. (ISLIC)	Specific	(not rated)	(not rated)
1980-81 to 1981-82	United States Fire Insurance Co.	Specific	A- (Excellent)	XII
1982-83 to 1983-84	General Accident Ins. Co. of Amer.	Specific	A (Excellent)	XI
1978-79 to 1983-84	Employers Reinsurance Corp.	Specific and Aggregate	A (Excellent)	XV
1981-82 to 1983-84	Northwestern National Insurance Co.	Excess Aggregate	(not rated)	(not rated)
1985 to 1990	General Reinsurance Corp.	Specific and Aggregate	A++ (Superior)	XV
1985 to 1986	Royal Insurance Company	Excess Specific	B (Fair)	XIII
1991	General Reinsurance Corp.	Specific	A++ (Superior)	XV
1992 to 1993	Odyssey America Reinsurance Corp (formerly TIG Reinsurance Company)	Specific	A (Excellent)	XIV
1994 to 1995	Travelers (formerly Aetna Casualty & Surety)	Specific and Aggregate	A+ (Superior)	XV
1996 to 2003	Safety National Casualty Corp.	Specific and Aggregate	A (Excellent)	IX
2004	Safety National Casualty Corp.	Specific	A (Excellent)	IX

UNPAID CLAIMS LIABILITIES

The Fund establishes liabilities for the estimated costs of both reported and unreported losses, which includes estimates of both future payments of losses and related claim service reserves. The following represents changes in these aggregate liabilities as of December 31:

	<u>2004</u>	<u>2003</u>
Claims loss and claims service reserves at beginning of year	\$ 20,226,726	18,672,925
Incurred claims and claims service reserve expenses:		
Provision for insured events of the current year	11,268,441	8,955,782
Increases in provision for insured events of prior years	1,675,614	(456,789)
Total insured claims and claims service reserve expenses	12,944,055	8,498,996
Payments:		
Claims attributable to insured events of the current year	2,932,275	2,466,468
Claims attributable to insured events of prior years	5,800,702	4,475,730
Total payments	8,732,977	6,945,198
Total claims loss and claims service reserves at end of year	\$ 24,437,804	20,226,726

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

EXPENSES

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

INTERFUND TRANSFERS

In order to provide full funding, the Workers' Compensation Fund Trustees have approved various transfers between fund years. Where excess funding has been permitted, some of the funds transferred have been returned. Transfers affected during 2004 are shown within Schedule 2. The net of all transfers made between Workers' Compensation Funds since inception is reflected in Schedule 3.

NET ASSETS

Under a policy of the Trustees of the Fund, net assets are segregated into four components.

Amounts invested in capital assets, net of debt represents the fund's equity in claims and underwriting software held jointly with the MMA Property and Casualty Fund.

The amount restricted for statutory funding is calculated by an independent actuary to a 75% confidence level based on the loss development variations experienced by the Maine Municipal Association's Workers' Compensation Fund over its history. The calculation indicates that this reserve plus the claims loss reserve and claims service/assessments reserve will be adequate to that confidence level to cover variations in the claims loss reserve development. This adjustment also conforms with the funding requirements of the State of Maine Bureau of Insurance. As of December 31, 2004, the reserve for statutory funding totaled \$1,382,759.

The Board designated amount is maintained to recognize the possibility that actual loss development may vary from the expected development underlying the loss projections. An independent actuary has calculated this reserve to provide an additional reserve up to the 95% confidence level. As of December 31, 2004, the Board designated reserve totaled \$2,101,845.

The contingency represents accumulated funding in excess of the statutory requirements and the board designated reserves. The Workers' Compensation Fund Trustees have established this reserve to be held for the future financial stability of the Fund. As of December 31, 2004, the contingency reserve totaled \$29,645,431.

CONTINGENT LIABILITY

The Fund purchases certain annuity contracts from third-parties to settle claims liabilities. These liabilities have been removed from the statements of net assets. The annuities have been purchased from highly rated insurance companies and management believes that the likelihood that the Fund will be required to make future payments on the claims is remote. The aggregate original purchase amount of such annuities at December 31, 2004 totals \$8,101,992.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

TERMINATED MEMBER'S RESERVE

Section III.E.3 of Rule 250 requires that members who have left a group self insurance plan are liable for their proportionate share of the incremental difference between funding at the 90th confidence level and the 95th confidence level. The Rule further states that the group must increase its security by such sums.

At December 31, 2004, the Fund maintained security for all fund years at or above the 95th confidence level. Therefore, all departed members have met their obligation to fund exposures to the 95th confidence level and no additional security is required.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year
December 31, 2004

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987	1988	1989	1990	1991	1992
	Fund Year	Fund Year	Fund Year	Fund Year	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	\$ 2,175	2,193	2,128	2,208	7,514	2,220	13,687	9,710	21,380	28,459	36,098	35,431	74,704	87,215
Investments:														
Corporate bonds	466	469	456	473	1,609	475	2,930	2,079	4,577	6,093	7,728	7,585	15,992	18,671
U.S. Government securities	23,044	23,231	22,546	23,389	79,604	23,513	144,999	102,859	226,491	301,485	382,405	375,339	791,376	923,915
Total investments	23,510	23,700	23,002	23,862	81,213	23,988	147,929	104,938	231,068	307,578	390,133	382,924	807,368	942,586
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued interest receivable	245	247	240	248	845	250	1,541	1,092	2,407	3,202	4,063	3,987	8,407	9,815
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital assets:														
Computer system	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 25,930	26,140	25,370	26,318	89,572	26,458	163,157	115,740	254,858	339,239	430,294	422,342	890,479	1,039,616
LIABILITIES														
Liabilities:														
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims loss reserve:														
Claims reserves	-	-	-	-	-	-	284,532	158,696	203,576	54,650	138,738	56,957	268,249	310,330
Reinsurance recoverable	-	-	-	-	-	-	(296,531)	(166,768)	(231,111)	-	-	-	-	-
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss reserve discounting	-	-	-	-	-	-	-	-	(14)	(598)	(1,518)	(623)	(2,936)	(3,396)
Net claims loss reserve	-	-	-	-	-	-	(11,999)	(8,072)	(27,549)	54,052	137,220	56,334	265,313	306,934
Claims service/assessments reserve	-	-	-	-	-	-	38,409	23,248	24,625	7,425	23,842	18,941	35,523	43,256
Net claims loss reserve	-	-	-	-	-	-	26,410	15,176	(2,924)	61,477	161,062	75,275	300,836	350,190
Total liabilities	-	-	-	-	-	-	26,410	15,176	(2,924)	61,477	161,062	75,275	300,836	350,190
NET ASSETS														
Invested in capital assets, net of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted for statutory funding	-	-	-	-	-	-	-	-	-	3,872	10,293	4,238	19,675	22,507
Unrestricted														
Board designated	-	-	-	-	-	-	-	-	-	5,578	13,698	5,611	26,710	31,154
Contingency	25,930	26,140	25,370	26,318	89,572	26,458	136,747	100,564	257,779	268,312	245,241	337,218	543,258	635,765
Total net assets	\$ 25,930	26,140	25,370	26,318	89,572	26,458	136,747	100,564	257,779	277,762	269,232	347,067	589,643	689,426

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year, Continued

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	WC SS	WC Training	Totals		
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund	Fund	2004	2003	
ASSETS																		
Cash and cash equivalents	\$ 104,825	-86,762	152,794	504,075	316,327	574,397	293,987	225,706	339,254	349,874	571,994	756,640	(127,026)	27,082	7,513	4,824,216	5,439,892	
Investments:																		
Cropville bonds	22,441	18,574	32,691	107,912	110,535	122,966	62,932	48,319	72,627	74,901	122,452	161,977	(2,574)	5,798	1,608	1,032,762	5,146,337	
U.S. Government securities	1,110,468	919,118	1,617,677	5,339,938	5,469,736	6,084,905	3,114,155	2,391,023	3,593,803	3,706,411	6,959,442	8,015,489	(127,395)	286,891	79,593	51,405,550	45,479,106	
Total investments	1,132,909	937,692	1,650,368	5,447,850	5,580,271	6,207,871	3,177,087	2,439,342	3,666,530	3,781,312	6,181,894	8,177,466	(129,969)	292,689	81,201	52,138,312	50,625,443	
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	7,433	-	-	-	-	7,433	
Accrued interest receivable	11,798	9,765	17,185	56,731	58,110	61,647	33,080	25,802	38,181	29,377	64,375	85,157	(1,353)	3,047	847	542,943	564,061	
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	28,992	143,348	-	-	-	172,340	8,960
Capital assets:																		
Computer system	-	-	-	-	-	-	-	-	-	-	-	431,809	-	-	-	-	431,809	482,302
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	(60,477)	-	-	-	-	(60,477)	(334,879)
Net capital assets	-	-	-	-	-	-	-	-	-	-	-	371,332	-	-	-	-	371,332	147,423
Total assets	\$ 1,249,532	1,034,219	1,820,258	6,008,656	6,154,708	6,846,913	3,504,140	2,690,450	4,043,965	4,170,563	6,818,263	9,427,020	-	322,818	89,561	58,956,578	56,766,038	
LIABILITIES																		
Liabilities:																		
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	110,385	-	6,950	72	117,407	16,650	
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	142,928	
Claims loss reserve:																		
Claims reserves	920,575	292,607	327,307	367,540	453,963	605,417	1,642,978	1,388,332	1,747,329	3,491,407	4,204,507	7,960,155	-	-	-	24,937,845	21,337,943	
Reinsurance recoverable	(467,064)	-	-	-	(6,200)	(170,000)	(411,700)	-	-	-	-	-	-	-	-	-	(1,749,374)	(1,879,570)
Supplemental benefits fund recoverable	-	-	-	(30,468)	-	-	(10,655)	-	-	-	-	-	-	-	-	-	(41,123)	(81,435)
Loss reserve discounting	(9,845)	(10,461)	(18,018)	(25,234)	(42,014)	(69,048)	(146,112)	(177,613)	(220,195)	(436,327)	(529,890)	(896,689)	-	-	-	(2,570,531)	(2,284,284)	
Net claims loss reserve	443,666	282,146	309,289	311,838	405,749	386,369	1,074,511	1,210,719	1,527,134	3,055,080	3,734,617	7,063,466	-	-	-	20,576,817	17,092,650	
Claims service/assessments reserve	103,974	37,544	42,813	62,964	61,437	75,938	228,532	191,911	286,841	528,902	752,153	1,272,699	-	-	-	3,860,987	3,134,076	
Net claims loss reserve	547,640	319,690	352,102	374,802	467,186	462,307	1,303,043	1,402,630	1,813,975	3,583,982	4,486,770	8,336,165	-	-	-	24,437,804	20,226,726	
Total liabilities	547,640	319,690	352,102	374,802	467,186	462,307	1,303,043	1,402,630	1,813,975	3,583,982	4,486,770	8,446,550	-	6,950	72	24,555,211	20,386,284	
NET ASSETS																		
Invested in capital assets, net of debt	-	-	-	-	-	-	-	-	-	-	-	371,332	-	-	-	371,332	-	
Reserve for primary funding	21,900	20,444	21,694	21,989	19,916	24,627	47,290	84,332	106,381	210,351	257,122	486,138	-	-	-	1,582,739	1,189,274	
Unrestricted:																		
Bond designated reserve	30,658	28,884	32,389	32,746	29,742	37,087	71,295	127,339	160,609	323,771	393,804	748,772	-	-	-	2,101,945	1,789,489	
Contingency reserve	640,336	665,201	1,414,083	5,579,119	5,637,854	6,322,894	2,082,512	1,076,140	1,963,080	52,459	1,678,567	(625,772)	-	315,868	89,489	29,645,431	33,400,991	
Total net assets	\$ 701,892	714,529	1,468,156	5,633,854	5,687,512	6,384,608	2,201,097	1,287,820	2,229,990	586,581	2,331,493	980,470	-	315,868	89,489	33,503,367	36,379,754	

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Revenue, Expenses, and Changes in Net Assets by Fund Year
For the period ended December 31, 2004

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987	1988	1989	1990	1991	1992
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:														
Standard premium	\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-
Premium discount	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss control credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical deductible credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	930	1,140	399	1,302	1,395	1,458	2,564	1,874	5,327	9,812	9,770	10,244	20,305	22,048
Total revenue	930	1,140	399	1,302	1,395	1,458	2,564	1,874	5,327	9,812	9,770	10,244	20,305	22,048
Expenses:														
Claims paid	-	-	-	-	157	-	19,132	10,573	29,000	1,008	34,807	59,152	38,719	29,735
Claims reserve-current year adj.	-	-	-	-	(22,619)	-	(169,075)	(24,134)	(29,000)	(4,826)	(18,560)	(106,316)	(45,657)	(113,935)
Subrogation recovery	-	-	-	-	-	-	(3,235)	-	-	-	-	-	-	(1,003)
Deductible recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ultimate claims loss	-	-	-	-	(22,462)	-	(153,178)	(13,561)	-	(3,818)	16,247	(47,164)	(6,938)	(85,203)
Reins recovered	-	-	-	-	(1,210)	-	(19,378)	(4,814)	(7,501)	-	270	-	-	-
Reins recoverable adj.	-	-	-	-	23,672	-	172,556	18,375	7,501	(3,461)	-	(6,926)	-	-
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net ultimate claims loss	-	-	-	-	-	-	-	-	-	(7,279)	16,247	(53,820)	(6,938)	(85,203)
Loss discounting	-	-	-	-	-	-	-	-	4	123	389	1,356	870	6,798
Net claims expense	-	-	-	-	-	-	-	-	4	(7,156)	16,636	(52,464)	(6,068)	(78,405)
Reinsurance premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional service fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administrative service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory assessments and fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims svc/assessment reserve	-	-	-	(10)	(3,946)	-	(15,653)	(4,972)	(2,456)	(93)	2,203	(4,983)	(6,792)	(13,560)
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	-	-	-	(16)	(3,946)	-	(15,653)	(4,972)	(2,452)	(7,249)	18,839	(57,447)	(12,860)	(91,965)
Change in net assets before transfers	930	1,140	399	1,318	5,341	1,458	18,217	6,846	7,779	17,061	(9,069)	67,691	33,165	114,013
Interfund transfers:														
To 2004 fund	(40,364)	(56,528)	-	(68,831)	-	(80,711)	-	-	(81,487)	(345,775)	(214,820)	(255,219)	(455,166)	(417,521)
Net change in net assets	(39,434)	(55,388)	399	(67,513)	5,341	(79,253)	18,217	6,846	(73,708)	(328,714)	(223,889)	(187,528)	(423,001)	(303,508)
Net assets, beginning	65,364	81,528	24,971	93,831	84,231	105,711	118,530	93,718	331,487	606,476	493,121	534,595	1,011,644	992,934
Net assets, ending	\$ 25,930	26,140	25,370	26,318	89,572	26,458	136,747	100,564	257,779	277,762	269,232	347,067	588,643	689,426

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Revenue, Expenses, and Changes in Net Assets by Fund Year, Continued

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	WC SS	WC Training	Totals	
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund	Fund	2004	2003
Revenue:																	
Standard premium	\$ -	-	-	-	-	-	-	-	-	-	535,415	14,826,129	-	-	-	15,361,544	13,328,524
Premium discount	-	-	-	-	-	-	-	-	-	-	-	(1,394,079)	-	-	-	(1,394,079)	(1,183,988)
Loss control credits	-	-	-	-	-	-	-	-	-	-	-	(362,445)	-	-	-	(362,445)	(401,161)
Medical deductible credit	-	-	-	-	-	-	-	-	-	-	-	(11,225)	-	-	-	(11,225)	(9,061)
Net contributions	-	-	-	-	-	-	-	-	-	-	535,415	13,058,380	-	-	-	13,593,795	11,934,414
Investment income	25,484	23,485	37,863	95,293	97,781	108,729	59,268	47,603	69,021	82,752	120,337	99,169	-	-	-	955,453	1,211,589
Total revenue	25,484	23,485	37,863	95,293	97,781	108,729	59,268	47,603	69,021	82,752	655,752	13,157,549	-	-	-	14,549,248	13,145,803
Expenses:																	
Claims paid	74,830	26,899	50,546	109,478	92,978	96,787	341,370	397,037	628,179	1,548,583	2,213,933	2,932,274	-	-	-	8,732,977	6,943,198
Claims reserve-current year adj.	(179,182)	(144,968)	(51,663)	(189,529)	(34,018)	(487,699)	109,608	(83,786)	(655,075)	(121,015)	(1,978,867)	7,960,155	-	-	-	3,999,901	1,083,540
Subrogation recovery	-	-	-	(1,240)	-	(13,747)	-	-	(11,036)	(6,116)	(124,108)	(22,679)	(2,522)	-	-	(185,656)	(440,760)
Deductible recovery	-	-	-	-	-	126	-	252	-	50	(468)	(1,803)	-	-	-	(1,393)	(11,547)
Ultimate claims loss	(104,552)	(118,069)	(11,117)	(91,291)	58,960	(404,333)	451,038	302,497	(35,010)	1,303,960	211,919	10,888,104	-	-	-	12,145,829	7,606,431
Reins recovered	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(32,633)	(302,721)
Reins recoverable adj.	(6,321)	-	-	-	(6,200)	96,356	1165,352	-	-	-	-	-	-	-	-	(30,300)	89,102
Supplemental benefits fund recoverable	25,016	-	-	(30,468)	56,419	(10,655)	-	-	-	-	-	-	-	-	-	40,312	371,066
Net ultimate claims loss	(85,857)	(118,069)	(11,117)	(121,759)	109,179	(308,177)	275,031	302,497	(35,010)	1,303,960	211,919	10,888,104	-	-	-	12,283,708	7,763,878
Loss discounting	19,538	16,463	10,909	28,433	4,448	38,914	7,299	17,389	17,504	89,043	259,962	(896,689)	-	-	-	(286,247)	56,288
Net claims expense	(66,319)	(101,606)	9,792	(93,326)	113,627	(269,263)	282,330	319,886	82,494	1,393,003	462,881	9,991,415	-	-	-	11,997,461	7,820,146
Reimbursement premium	-	-	-	-	-	-	-	-	-	-	34,577	489,518	-	-	-	524,095	675,972
Professional service fees	-	-	-	-	-	-	-	-	-	-	-	29,711	-	-	-	29,711	104,391
Administrative services	-	-	-	-	-	-	-	-	-	-	-	2,944,909	-	-	-	2,944,909	2,473,038
Regulatory assessments and fees	-	(3,586)	-	-	(2,237)	-	-	-	-	-	-	430,479	-	-	-	434,636	802,314
Claims assessment reserve	(58,903)	(11,062)	609	5,844	(1,335)	(33,168)	52,270	(24,684)	(89,005)	(109,336)	(274,659)	1,272,089	-	-	-	726,911	(46,178)
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-	-	-	184,130	-	-	184,130	(18,503)
Training expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,511	10,511	-
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	154,841	-	-	-	154,841	76,339
Maintenance contracts	-	-	-	-	-	-	-	-	-	-	-	30,951	-	-	-	30,951	8,960
Dividends paid	-	-	-	-	-	-	-	-	-	-	390,459	-	-	-	-	390,459	598,371
Total expenses	(105,312)	(116,254)	10,401	(87,483)	(110,955)	(304,431)	334,600	295,202	23,489	1,283,647	622,378	15,344,523	-	184,130	10,511	(7,427,635)	(2,111,835)
Change in net assets before transfers	130,796	139,739	27,462	182,776	(12,274)	413,160	(275,232)	(247,599)	45,532	(1,200,895)	33,474	(2,186,974)	-	(184,130)	(10,511)	(2,878,387)	1,032,978
Interfund transfers:																	
To 2004 fund	(386,121)	(334,734)	(764,401)	-	-	-	-	-	-	-	-	3,167,877	-	433,205	193,000	-	-
Net change in net assets	(255,325)	(194,995)	(736,939)	182,776	(12,274)	413,160	(275,232)	(247,599)	45,532	(1,200,895)	33,474	980,899	-	249,675	89,489	(2,878,387)	1,032,978
Net assets, beginning	857,217	1,109,524	2,305,995	5,451,078	5,699,786	5,971,448	2,476,329	1,535,419	2,184,958	1,787,476	2,298,619	(429)	-	86,193	-	36,379,754	35,345,776
Net assets, ending	\$ 701,892	714,529	1,468,156	5,633,854	5,687,512	6,384,608	2,201,097	1,287,820	2,229,990	586,581	2,331,493	980,479	-	315,868	89,489	33,501,367	36,379,754

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND

Cumulative Statement of Revenue and Expenses
For the period November 1, 1978 through December 31, 2004

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987	1988	1989	1990	1991	1992
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:														
Standard premium	898,836	2,198,194	2,956,927	4,240,842	4,595,671	5,612,583	6,021,088	6,838,615	8,512,891	11,896,947	13,324,125	14,920,260	16,176,020	13,370,101
Premium discount	-	-	(290,693)	(424,084)	(459,567)	(796,892)	(852,654)	(982,663)	(1,236,385)	(1,216,358)	(1,027,854)	(1,237,948)	(1,428,079)	(1,276,658)
Loss control credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical deductible credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net contributions	898,836	2,198,194	2,616,234	3,816,758	4,136,104	4,815,691	5,168,434	5,855,952	7,277,506	10,680,589	12,296,271	13,682,312	14,747,941	12,093,443
Investment income:	327,153	809,674	642,684	1,470,296	1,475,392	1,257,195	1,025,086	1,231,837	2,861,869	3,966,786	3,792,332	3,689,219	4,101,047	3,395,312
Miscellaneous revenue	-	35	234	133	(125)	891	2,180	2,372	11,737	3,703	2,861	2,981	2,049	3,938
Total revenue	1,225,989	3,007,903	3,259,152	5,287,177	5,611,371	6,091,777	6,195,620	7,112,181	10,151,112	14,651,078	16,091,464	17,374,512	18,851,037	15,492,693
Expenses:														
Claims paid	719,286	2,572,544	3,357,987	2,988,697	3,992,464	5,131,404	7,152,602	7,254,462	8,686,563	9,023,441	9,737,599	8,585,837	7,981,087	8,784,924
Claims reserve	(210)	-	(30,520)	(31,396)	(15,945)	(53,828)	(96,972)	(174,313)	(89,363)	(85,944)	(243,483)	(92,704)	(65,596)	(35,823)
Subrogation recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deductible recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ultimate claims loss	719,076	2,572,544	3,327,467	2,957,301	3,976,519	5,077,576	7,340,162	7,238,845	8,800,776	7,992,147	9,672,054	8,590,090	8,183,740	9,059,431
Reins recoverable adj.	-	(884,886)	(1,431,150)	(201,145)	(989,329)	(1,697,742)	(3,129,924)	(2,148,275)	(19,191)	(149,907)	-	(45,416)	-	(145,143)
Supplemental benefits fund recoverable	-	-	-	-	-	-	(296,531)	(1,067,768)	(231,111)	-	-	-	-	-
Net ultimate claims loss	719,076	1,687,658	1,896,317	2,756,246	2,987,190	3,379,864	3,913,707	4,923,802	8,550,474	7,842,240	9,632,954	8,544,674	8,183,740	8,914,288
Loss discounting	-	-	-	-	-	-	-	-	(114)	(598)	(1,518)	(6,23)	(2,936)	(3,396)
Net claims expense	719,076	1,687,658	1,896,317	2,756,246	2,987,190	3,379,864	3,913,707	4,923,802	8,550,460	7,841,642	9,631,436	8,544,051	8,180,804	8,910,892
Reinsurance premium	137,237	312,790	419,524	478,576	363,680	411,812	520,415	699,461	1,178,993	1,394,557	1,768,008	1,884,136	1,000,000	1,258,394
Claims service fee paid	82,296	176,497	236,470	327,459	386,512	473,213	351,488	404,309	441,635	327,982	393,927	492,491	574,544	612,319
Loss control service	-	-	-	-	-	-	-	-	-	160,000	159,500	203,002	233,817	254,729
Administrative service	13,627	49,349	55,671	254,892	398,727	499,345	660,000	441,000	409,000	575,000	687,000	762,100	803,500	857,569
Regulatory assessments and fees	-	-	-	-	233	662	403	3,163	24,918	4,319	85,838	121,554	13,707	163,687
Claims service/assess reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Safety and scholarship grants	-	-	-	-	-	-	-	38,409	24,625	7,426	-	-	-	-
Training expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend refund	106,990	73,229	-	-	-	-	-	-	-	-	-	-	-	500,000
Interest refund	188,639	591,970	537,188	793,891	508,732	341,525	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	1,247,865	2,851,513	3,145,170	4,617,187	4,645,074	5,098,421	5,484,422	6,494,983	11,312,161	10,406,186	12,831,455	12,826,275	10,918,041	12,600,846
Change in net assets before transfers	(21,878)	156,390	115,982	669,090	666,297	1,085,356	711,108	617,198	(1,261,549)	4,244,892	3,260,009	5,348,237	7,952,996	2,891,847
Interfund transfers	47,808	(130,250)	(88,612)	(643,672)	(876,725)	(1,058,898)	(674,451)	(516,634)	1,819,228	(3,987,130)	(2,990,777)	(5,001,170)	(7,343,353)	(2,202,421)
From MMA General Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets, ending	\$ 25,930	\$ 26,440	\$ 25,379	\$ 26,318	\$ 89,572	\$ 26,458	\$ 136,747	\$ 100,564	\$ 257,779	\$ 277,762	\$ 269,232	\$ 347,967	\$ 589,643	\$ 689,426

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Cumulative Statement of Revenue and Expenses, Continued

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	WC SS	WC Training	Totals
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund	Fund	
Revenue:																
Standard premium	\$ 14,098,127	16,420,659	13,726,365	9,210,964	7,426,059	6,724,762	6,563,966	7,228,092	8,781,293	10,706,844	13,469,201	14,826,129	-	-	-	241,396,621
Premium discount	(1,441,541)	(1,426,427)	(1,425,500)	(798,972)	(629,764)	(531,730)	(521,782)	(596,605)	(703,678)	(895,300)	(1,183,986)	(1,494,079)	-	-	-	(32,777,201)
Loss control credit	-	-	-	(362,288)	(169,007)	(184,472)	(206,437)	(220,584)	(333,678)	(328,432)	(401,161)	(362,445)	-	-	-	(2,568,049)
Medical deductible credit	-	-	-	-	-	(6,887)	(6,230)	(6,725)	(9,382)	(8,848)	(9,061)	(11,225)	-	-	-	(58,358)
Net contributions	13,256,586	14,994,232	12,300,865	8,049,704	6,627,288	6,001,673	5,829,517	6,404,176	7,735,010	9,534,264	11,895,051	13,058,380	-	-	-	215,993,013
Investment income	3,210,566	2,933,718	3,159,674	3,418,406	2,723,738	2,364,355	1,364,993	1,136,869	973,676	786,002	259,738	99,169	-	-	-	52,497,723
Miscellaneous revenue	8,906	(716)	814	(1)	-	-	-	-	-	-	-	-	-	-	-	41,982
Total revenue	16,476,058	17,929,234	15,461,353	11,468,109	9,351,026	8,368,028	7,194,507	7,541,047	8,707,686	10,320,266	12,154,789	13,157,549	-	-	-	268,532,716
Expenses:																
Claims paid	8,593,729	5,907,704	4,022,917	5,090,809	4,198,025	4,193,849	5,312,359	5,612,268	5,318,891	6,115,453	4,680,401	2,932,274	-	-	-	146,907,566
Claims reserve	920,578	292,607	327,307	367,540	453,963	605,417	1,642,978	1,388,332	1,747,329	3,491,407	4,264,503	7,960,153	-	-	-	24,977,845
Subrogation recovery	(29,069)	(53,987)	(92,619)	(226,673)	(138,206)	(95,039)	(132,162)	(247,857)	(59,555)	(146,095)	(35,753)	(2,522)	-	-	-	(1,230,354)
Deductible recovery	-	-	-	(17,708)	(12,121)	(13,501)	(10,608)	(9,960)	(11,059)	(8,780)	(9,022)	(1,803)	-	-	-	(94,569)
Ultimate claims loss	9,485,235	6,146,324	4,252,605	5,213,968	4,501,659	4,690,726	6,812,567	6,752,783	6,995,596	9,452,075	8,900,128	10,858,104	-	-	-	169,520,488
Reins recovered	(201,484)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,043,562)
Reins recoverable adj	(467,064)	-	-	-	(6,200)	(170,000)	(411,700)	-	-	-	-	-	-	-	-	(1,749,374)
Supplemental benefits fund recoverable	-	-	-	(30,468)	-	-	(10,555)	-	-	-	-	-	-	-	-	(41,123)
Net ultimate claims loss	8,816,687	6,146,324	4,252,605	5,183,500	4,495,459	4,520,726	6,390,212	6,752,783	6,995,596	9,452,075	8,900,128	10,858,104	-	-	-	156,686,429
Loss discounting	(9,845)	(10,461)	(18,018)	(25,234)	(42,014)	(49,048)	(146,112)	(177,613)	(220,195)	(436,327)	(529,890)	(896,689)	-	-	-	(2,570,511)
Net claims expense	8,806,842	6,135,863	4,234,587	5,158,266	4,453,445	4,471,678	6,244,100	6,575,170	6,775,401	9,015,748	8,370,238	9,991,415	-	-	-	154,115,918
Reinsurance premium	1,396,197	1,377,769	1,326,533	949,462	842,497	508,299	474,434	615,289	472,360	597,909	648,343	489,518	-	-	-	21,516,193
Claims service fee paid	641,430	739,044	728,277	93,000	14,050	15,500	18,000	-	-	-	-	-	-	-	-	7,530,443
Loss control service	276,029	271,628	4,916	22,311	23,257	26,224	28,577	58,855	50,676	47,723	104,363	29,741	-	-	-	1,955,468
Administrative service	925,325	980,573	1,610,290	1,861,680	1,952,664	1,911,188	1,878,993	1,867,023	1,930,412	2,286,467	2,473,038	2,944,909	-	-	-	29,189,342
Regulatory assessments and fees	234,986	257,338	291,756	253,870	177,267	205,266	199,199	197,309	387,316	234,230	496,440	430,878	-	-	-	3,290,562
Claims service/loss reserve	103,975	37,543	42,814	62,963	61,448	75,938	228,532	191,911	286,841	528,902	752,153	1,272,699	-	-	-	3,860,989
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-	-	-	-	617,937	10,511	617,937
Training expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,511	10,511
Depreciation expense	-	-	19,269	44,500	51,990	45,988	41,315	39,992	30,616	47,130	56,306	154,841	-	-	-	540,958
Maintenance contracts	-	-	-	1,431	3,850	3,245	6,394	7,414	18,403	21,043	8,560	30,951	-	-	-	101,691
Dividend refund	(150,000)	1,250,000	2,242,014	1,163,116	355,455	341,573	362,866	368,131	385,393	398,372	399,459	-	-	-	-	8,172,744
Interest refund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,863,965
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,479,192
Total expenses	12,534,784	11,058,758	10,500,456	9,610,624	7,935,029	7,604,899	9,482,410	9,921,094	10,246,418	13,177,824	13,308,300	15,344,952	-	617,937	10,511	235,445,795
Change in net assets before transfers	3,941,274	6,870,476	4,960,897	1,857,483	1,415,997	761,129	(2,287,903)	(2,380,047)	(1,638,732)	(2,857,358)	(1,154,511)	(2,187,403)	-	(617,937)	(10,511)	33,086,923
Interfund transfers	(3,239,382)	(6,155,947)	(3,492,741)	3,778,369	4,272,415	5,209,035	4,489,000	3,667,867	3,868,722	5,443,939	3,486,094	3,167,873	-	935,808	100,000	-
From MMA General Fund	-	-	-	-	-	-	414,444	-	-	-	-	-	-	-	-	414,444
Fund balances, ending	\$ 701,892	714,529	1,468,156	5,633,854	5,687,512	6,384,608	2,201,097	1,287,820	2,229,990	586,581	2,331,493	980,470	-	315,868	89,489	33,501,367

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Ten Year Claims Development Information
December 31, 2004**

The analysis gives a summary of the income and expenses by fund year, along with comparative data on paid claims and incurred claims since inception of the Fund Year.

	1995	1996	1997
Required contribution and investment income:			
Earned	\$ 15,461,353	11,468,110	9,351,025
Ceded	1,326,533	949,462	842,497
Net earned	14,134,820	10,518,648	8,508,528
Unallocated expenses	4,939,335	3,502,897	2,639,986
Estimated incurred claims and expense, end of policy year:			
Earned	8,809,133	6,741,278	6,930,818
Net earned	8,809,133	6,741,278	6,930,818
Paid claims (cumulative) as of:			
End of policy year	1,430,231	1,213,296	1,522,480
One year later	2,405,214	2,570,075	2,480,061
Two years later	2,978,827	3,406,083	2,985,677
Three years later	3,289,847	4,117,304	3,482,115
Four years later	3,570,466	4,420,349	3,620,624
Five years later	3,633,960	4,552,294	4,013,950
Six years later	3,742,432	4,934,472	4,105,047
Seven years later	3,879,604	4,981,331	4,198,025
Eight years later	3,972,371	5,090,809	-
Nine years later	4,022,917	-	-
Ten years later	-	-	-
Reestimated ceded claims and expense	-	-	(6,200)
Reestimated incurred claims and expense as of:			
End of policy year	8,809,133	6,741,278	6,930,818
One year later	6,016,462	5,662,187	5,299,270
Two years later	5,140,623	5,619,419	4,798,649
Three years later	4,810,573	5,866,346	4,638,547
Four years later	4,634,850	5,422,108	4,342,153
Five years later	4,370,730	5,280,704	4,535,104
Six years later	4,272,242	5,328,352	4,442,699
Seven years later	4,287,096	5,305,259	4,501,660
Eight years later	4,253,723	5,213,968	-
Nine years later	4,252,606	-	-
Ten years later	-	-	-
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ (4,556,527)	(1,527,310)	(2,429,158)

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Ten Year Claims Development Information, Continued

	1998	1999	2000	2001	2002	2003	2004
\$	8,366,027	7,194,507	7,541,047	8,707,686	10,320,266	12,154,789	13,155,969
	508,299	474,434	615,289	472,360	597,909	648,343	489,518
	7,857,728	6,720,073	6,925,758	8,235,326	9,722,357	11,506,446	12,666,451
	2,624,921	2,763,876	2,730,635	3,098,657	3,563,967	4,290,718	4,842,029
	6,180,377	5,507,742	6,179,602	7,390,466	8,053,929	8,688,209	9,991,417
	6,180,377	5,507,742	6,179,602	7,390,466	8,053,929	8,688,209	9,991,417
	1,499,370	1,685,234	1,873,700	2,218,838	2,445,502	2,466,468	2,932,275
	2,616,541	2,947,430	3,731,396	4,033,996	4,566,870	4,680,401	
	3,243,287	4,006,973	4,697,542	4,692,702	6,115,453		
	3,620,890	4,677,433	5,215,231	5,318,881			
	4,013,225	4,970,990	5,612,268				
	4,097,062	5,312,359					
	4,193,849						
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	(170,000)	(411,700)	-	-	-	-	-
	6,180,377	5,507,742	6,179,602	7,390,466	8,053,929	8,688,209	10,888,106
	4,915,253	5,616,297	6,862,389	7,809,051	8,148,115	8,900,125	
	5,075,135	5,900,271	6,950,313	7,030,606	9,452,075		
	4,741,715	6,219,413	6,450,286	6,995,596			
	5,284,020	6,361,530	6,752,783				
	5,095,260	6,812,567					
	4,690,726						
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
\$	(1,489,651)	1,304,825	573,181	(394,870)	1,398,146	211,916	-

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND

Financial Statements

Years ended December 31, 2005 and 2004

MAINE MUNICIPAL ASSOCIATION
 WORKERS' COMPENSATION FUND
 Financial Statements
 For the years ended December 31, 2005 and 2004

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Independent Auditor's Report

The Board of Trustees
Maine Municipal Association
Workers' Compensation Fund

We have audited the accompanying statements of net assets of Maine Municipal Association Workers' Compensation Fund as of December 31, 2005 and 2004, and the related statements of revenue and expenses, statements of changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Municipal Association Workers' Compensation Fund as of December 31, 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 Management 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 the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 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 that reads "Runyon Kersteen Ouellette".

March 14, 2006
South Portland, Maine

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis
Year ended 2005

This section of the Maine Municipal Association Workers' Compensation Fund (the Fund) annual financial report sets forth a narrative overview of its financial activities for the year ended December 31, 2005. Please read it in conjunction with the Fund's financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's fiscal year is January 1 through December 31. The annual financial report consists of four parts:

- Management Discussion and Analysis
- Basic Financial Statements
- Notes to Financial Statements
- Supplementary Information (Schedules)

Management 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 and Expenses; Statements of Changes in Net Assets; and Statements of Cash Flows.

These statements present the Fund's status at December 31, 2005 and financial developments during fiscal year 2005 for all fund years combined.

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

Supplemental Schedules include analyses of Fund assets and revenues and expenses by fund year, and a history of claims development for the past ten years.

FINANCIAL HIGHLIGHTS

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

- Net assets at December 31, 2005 were \$35,964,388, an increase of 7.4% versus the prior year.
- Cash and investments totaled \$59,584,373, an increase of 4.6%.
- Revenues in 2005 totaled \$15,866,844, an increase of 9.1%
- Expenses in 2005 totaled \$13,403,823, a decrease of 23.1%

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

FINANCIAL ANALYSIS

The following table summarizes the Statements of Net Assets:

	<u>12/31/05</u>	<u>12/31/04</u>
ASSETS		
Current Assets	60,213,880	57,685,246
Capital Assets	318,173	371,332
Total Assets	<u>60,532,053</u>	<u>58,056,578</u>
LIABILITIES		
Net Claims Loss Reserves	24,512,198	24,437,804
Other Liabilities	55,467	117,407
Total Liabilities	<u>24,567,665</u>	<u>24,555,211</u>
NET ASSETS		
Statutory Reserves	1,378,297	1,382,759
Board Designated Reserves	2,108,815	2,101,845
Net Investment in Fixed Assets	318,173	371,332
Contingency Reserve	32,159,103	29,645,431
Total Net Assets	<u>35,964,388</u>	<u>33,501,367</u>

The following table summarizes the Statements of Revenue and Expenses during calendar years 2005 and 2004 for all fund years combined.

	<u>12/31/05</u>	<u>12/31/04</u>
REVENUES		
Member Contributions	14,677,224	13,593,795
Investment and Other Revenues	1,189,620	955,453
Total Revenues	<u>15,866,844</u>	<u>14,549,248</u>
EXPENSES		
Net Claims Expense	8,743,225	11,997,461
Reinsurance Premium	559,334	524,095
Safety Scholarship and Grants	205,406	184,130
Other Expenses	3,895,858	4,721,949
Total Expenses	<u>13,403,823</u>	<u>17,427,635</u>
CHANGE IN NET ASSETS	<u>2,463,021</u>	<u>(2,878,387)</u>

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2005

The following table compares ultimate results for the 2005 Fund Year as projected at December 31, 2005 with the original budget. Investment Income and Net Claims Expense projections are based on an analysis by an independent actuary.

	BUDGET	PROJECTED ULTIMATE RESULTS
REVENUES		
Member Contributions	13,081,549	14,217,716
Investment and Other Revenues	1,346,474	1,102,749
Total Revenues	14,428,023	15,320,465
EXPENSES		
Net Claims Expense @95% Confidence Level	12,296,159	11,565,332
Reinsurance Premium	527,478	537,943
Provision for Member Dividends	500,000	500,000
Other Expenses	4,801,443	4,757,720
Total Expenses	18,125,080	17,360,995
TRANSFER TO (FROM) CONTINGENCY RESERVE	(3,697,057)	(2,040,530)

The major projected variances in the 2005 fund year were the increase in Member Contributions (8.7%); decrease in Net Claims Expense (-5.9%); and a decrease in projected Investment Income (-18.1%), due to unrealized losses.

Net Claims Expense at the 95% Confidence Level includes claims payments, reserves on open claims, actuarial estimates of claims development in the future (IBNR), a statutorily required reserve to fund claims to the 75% confidence level, and an additional reserve recommended by the actuary to fund claims to the 95% Confidence Level in accordance with Fund policy.

In the preceding table, Investment Income includes the actuary's projection of future earnings, which are shown as an offset to Claims Expense (Loss Fund Discount) in the financial statements. The Provision for Member Dividends is included in the projection, although it will not be reflected in the financial statements until the dividend has been formally declared by the Board of Trustees. This presentation is used herein to conform to the Workers' Compensation Fund budget.

FUND FINANCIAL POSITION AT DECEMBER 31, 2005

At December 31, 2005, the Fund's Net Assets totaled \$35,964,388, an increase of \$2,463,021 (7.4%) versus the prior year.

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

CAPITAL ASSETS AND LONG TERM DEBT

At December 31, 2005 the Fund had capital assets of \$318,173, net of accumulated depreciation of \$159,650. These assets are the Fund's investment in a claims and underwriting system jointly owned with the MMA Property & Casualty Fund, net of accumulated depreciation. The Fund had no long-term debt.

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

Management is aware of no conditions, decisions or contingencies which are expected to significantly impact on the Fund'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 Fund's finances and to show the Fund'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
WORKERS' COMPENSATION FUND**

Statements of Net Assets
(All Fund Years)
December 31, 2005 and 2004

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,862,995	4,824,216
Corporate bonds	-	1,032,762
U.S. Government and agency securities	56,721,378	51,105,550
Accounts receivable	710	7,433
Accrued interest receivable	599,187	542,945
Prepaid expenses	29,610	172,340
Total current assets	60,213,880	57,685,246
Capital assets:		
Computer equipment and software	477,823	431,809
Less accumulated depreciation	(159,650)	(60,477)
Net capital assets	318,173	371,332
Total assets	\$ 60,532,053	58,056,578
LIABILITIES		
Liabilities:		
Accounts payable	55,467	117,407
Claims loss reserves:		
Claims reserve	26,633,956	24,937,845
Reinsurance recoverable	(2,890,761)	(1,749,374)
Supplemental benefits fund recoverable	-	(41,123)
Loss reserve discounting	(2,828,136)	(2,570,531)
Net claims loss reserves	20,915,059	20,576,817
Claim service/assessment reserve	3,597,139	3,860,987
Total liabilities	\$ 24,567,665	24,555,211
NET ASSETS		
Invested in capital assets, net of related debt	318,173	371,332
Restricted for statutory funding	1,378,297	1,382,759
Unrestricted:		
Board designated	2,108,815	2,101,845
Contingency	32,159,103	29,645,431
Total net assets	\$ 35,964,388	33,501,367

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Statements of Revenue and Expenses
(All Fund Years)
For the years ended December 31, 2005 and 2004

	2005	2004
Revenue:		
Contributions	\$ 16,610,754	15,361,544
Less discounts	(1,539,835)	(1,394,079)
Less loss control credit	(383,085)	(362,445)
Less medical deductible credit	(10,610)	(11,225)
Net contributions	14,677,224	13,593,795
Investment income	1,189,620	955,453
Total revenue	15,866,844	14,549,248
Expenses:		
Claims paid	8,721,455	8,732,977
Claims reserve - current year adjustment	1,696,111	3,599,901
Subrogation recovery	(192,413)	(185,656)
Deductible recovery	(11,923)	(1,393)
Ultimate claims loss	10,213,230	12,145,829
Reinsurance recovered	(112,137)	(32,633)
Reinsurance recoverable adjustment	(1,141,386)	130,200
Supplemental benefits fund recoverable	41,123	40,312
Net ultimate claims loss	9,000,830	12,283,708
Loss reserve discounting - current year adjustment	(257,605)	(286,247)
Net claims expense	8,743,225	11,997,461
Reinsurance premium	559,334	524,095
Professional service	100,261	29,711
Administrative fees	2,840,286	2,944,909
Regulatory assessment and fees	460,142	424,656
Claims service/assessments reserve	(263,847)	726,911
Safety and scholarship grants	205,406	184,130
Training expense	47,913	10,511
Depreciation expense	99,173	154,841
Maintenance contracts	113,003	30,951
Dividends paid	498,927	399,459
Total expenses	13,403,823	17,427,635
Change in net assets	\$ 2,463,021	(2,878,387)

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Statements of Changes in Net Assets
(All Fund Years)

For the years ended December 31, 2005 and 2004

	Invested in capital assets	Reserve for statutory funding	Board designated reserve	Contingency reserve	Total net assets
Net assets at December 31, 2003	\$ 127,423	1,189,274	1,789,489	33,273,568	36,379,754
Change in net assets	243,909	-	-	(3,122,296)	(2,878,387)
Net asset transfer	-	193,485	312,356	(505,841)	-
Net assets at December 31, 2004	371,332	1,382,759	2,101,845	29,645,431	33,501,367
Change in net assets	(53,159)	(4,462)	6,970	2,513,672	2,463,021
Net assets at December 31, 2005	\$ 318,173	1,378,297	2,108,815	32,159,103	35,964,388

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**

Statements of Cash Flows

For the years ended December 31, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Receipts from net contributions	\$ 14,683,947	13,443,693
Receipts from investment income	1,133,378	976,569
Payments for net claims	(8,404,983)	(8,513,294)
Payments for reinsurance premium	(559,334)	(524,095)
Payments for professional service	(100,261)	(29,711)
Payments for administrative fees	(2,902,226)	(2,844,132)
Payments for regulatory assessment and fees	(460,142)	(424,656)
Payments for safety and scholarship grants	(205,406)	(184,130)
Payments for training fees	(47,913)	(10,511)
Payments for maintenance contracts	29,727	(194,331)
Payments for dividends paid	(498,927)	(399,459)
Net cash provided by operating activities	2,667,860	1,295,943
Cash flows from capital and related financing activities:		
Net purchases of computer equipment	(46,014)	(398,750)
Net cash used in capital and related financing activities	(46,014)	(398,750)
Cash flows from investing activities:		
Net purchase of investments	(4,583,067)	(1,512,869)
Net cash used in investing activities	(4,583,067)	(1,512,869)
Decrease in cash	(1,961,221)	(615,676)
Cash, beginning of year	4,824,216	5,439,892
Cash, end of year	\$ 2,862,995	4,824,216
Reconciliation of change in net assets		
to net cash provided by operating activities:		
Change in net assets	\$ 2,463,021	(2,878,387)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	99,173	154,841
(Increase) decrease in assets:		
Accounts receivable	6,723	(7,174)
Accrued interest receivable	(56,242)	21,116
Prepaid expenses	142,730	(163,380)
Increase (decrease) in liabilities:		
Accounts payable	(61,940)	100,777
Deferred revenue	-	(142,928)
Net claims loss reserve	338,242	3,484,167
Claim service/assessments reserve	(263,847)	726,911
Net cash provided by operating activities	\$ 2,667,860	1,295,943
Non-cash activities:		
Net depreciation in fair value of investments	\$ (1,199,483)	(1,255,393)

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maine Municipal Association Workers' Compensation Fund (the "Fund") was established on November 1, 1978 to provide an alternative to commercial workers' compensation insurance for members of the Maine Municipal Association. During 2005 and 2004, respectively, there were 595 and 592 governmental entities which participated in the Fund. Participants share risk in proportion to their contributions. The Fund is administered by Maine Municipal Association for which a management fee is assessed and included in expenses. These financial statements include only the accounts of the Maine Municipal Association Workers' Compensation Fund. The Fund is regulated by the State of Maine Bureau of Insurance under Rule Chapter 250.

Tax Exempt Status - The Fund is a Trust Fund established and administered by the Maine Municipal Association, a tax-exempt instrumentality of the municipalities, and therefore 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 fund 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. In addition to the fund year operations, the Board established two additional funds, as detailed below:

- **Safety and Scholarship Fund ("WC SS Fund")** - The purpose of this fund is to provide resources for scholarships and grants to Fund members to increase workplace safety and to support a crisis intervention program. In 1999, the Board of Trustees established a Safety and Scholarship Fund by transferring \$500,000 from Contingency Funds. An additional \$433,805 was transferred in 2004.
- **Safety Training Fund ("WC Training Fund")** - The purpose of this fund is to provide members specialized safety training beyond the on-going loss control program. In 2005, the Board of Trustees established a training fund by transferring \$100,000 from the Safety Enhancement Fund.

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

The Fund 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 Fund 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 Fund 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 Fund considers all highly liquid deposits with an initial maturity of three months or less to be cash and cash equivalents. Amounts in the mutual fund investment sweep and the money market mutual fund are indirectly invested in U.S. government obligations.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments - All investments are carried at fair value, based on quoted market prices, in a single pooled investment account for all of the Workers' Compensation fund years. The Fund's investments consist of U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Fund estimates that the fair value of all financial instruments at December 31, 2005 and 2004 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of changes in 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.

Accounts Receivable - Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at December 31, 2005 and 2004.

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

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 revenue and expenses at the time the adjustments are determined.

Claims Service/Assessments Reserve - The claims service/assessments reserve is actuarially determined and consists of estimates for (1) future claims services and (2) future assessments by the State of Maine in connection with claims originating in fund years through 2005. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount.

Reinsurance - The Fund 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 Fund as direct insurer of the risks reinsured. The Fund does not report reinsured losses as liabilities unless it is probable that those losses will not be covered by reinsurers. Premiums ceded to reinsurers during 2005 and 2004 were \$559,334 and \$524,095, respectively. The amounts deducted from claims liabilities as of December 31, 2005 and 2004 for reinsurance recoveries were \$2,890,761 and \$1,749,374, respectively.

Contributions - Member contributions are based on the standard premium workers' compensation rates similar to an insured plan. Various premium discounts and credits are given to members. The contributions for 2005 have not been fully determined; the current premiums are based on estimated payrolls. Audits are conducted during each succeeding year to adjust for actual payroll expenses incurred by the members.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates utilized in the preparation of the financial statements include claims loss reserves and the claims service/assessments reserve.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
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 December 31:

	<u>2005</u>	<u>2004</u>
CMA - deposit account	\$ 1,217	-
CMA - mutual fund investment sweep	528,741	122,307
<u>Money market mutual fund</u>	<u>2,333,037</u>	<u>4,701,909</u>
Totals	\$ 2,862,995	4,824,216

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. The money market mutual fund is held in a separate Trust solely for the Workers' Compensation Fund. Only the assets belonging to the Workers' Compensation Fund are included in these financial statements.

The December 31, 2005 CMA-deposit account balance of \$1,217 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 Fund's deposits in excess of the FDIC insured limit may not be recoverable. The Fund 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 December 31, 2005, the Fund had the following investments and maturities:

	<u>Fair Value</u>	<u>< 1 year to Maturity</u>	<u>1 to 5 years to Maturity</u>	<u>5 + years to Maturity</u>
U.S. government obligations	\$ 56,721,378	11,024,492	45,696,886	-
Totals	\$ 56,721,378	11,024,492	45,696,886	-

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

DEPOSITS AND INVESTMENTS, CONTINUED

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund's investment policy requires that, to the extent possible, the Fund 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 Fund'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 Fund'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 2005 was 5 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 Fund'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 2005, and the Fund had no investments in corporate stocks or bonds as of December 31, 2005.

Custodial Credit Risk-Fund Investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fund addresses this risk by having the custodian hold investments to the Fund'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 Fund's policy to diversify its investments by security type to mitigate concentration risk. Asset allocation targets are, as follows: money market funds: 10%, U.S. government securities: 85%, and corporate bonds 5%. Actual levels vary over the course of the year, and may be adjusted by management based on changing economic conditions.

NET DEPRECIATION IN FAIR VALUE

Net depreciation in fair value during the years ended December 31, 2005 and 2004 by type of investment is as follows. Such amounts are included in investment income on the statements of revenue and expenses.

	<u>2005</u>	<u>2004</u>
Corporate bonds	\$ (23,385)	(109,001)
U.S. Government and agency securities	(1,176,098)	(1,146,392)
Totals	\$ (1,199,483)	(1,255,393)

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Notes to Financial Statements, Continued

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE

The amounts shown for claims reserves as of December 31, 2005, are developed from an actuarially determined loss analysis and are as follows:

Fund Year	Reserve based on known claims	Actuarial reserves	Total reserves	Net paid claims	Actuarially determined ultimate claims
1978-1979	\$ -	-	-	719,076	719,076
1979-1980	-	-	-	2,532,544	2,532,544
1980-1981	-	-	-	3,327,467	3,327,467
1981-1982	-	-	-	2,957,391	2,957,391
1982-1983	-	-	-	3,977,589	3,977,589
1983-1984	-	-	-	5,077,576	5,077,576
1985	468,368	17,004	485,372	7,081,939	7,567,311
1986	140,456	33,973	174,429	7,098,018	7,272,447
1987	649,962	24	649,986	8,628,255	9,278,241
1988	43,568	10,538	54,106	7,937,847	7,991,953
1989	64,458	15,591	80,049	9,511,966	9,592,015
1990	116,678	28,221	144,899	8,565,316	8,710,215
1991	45,585	100,200	145,785	7,922,392	8,068,177
1992	77,271	101,676	178,947	8,849,560	9,028,507
1993	757,427	150,141	907,568	8,672,322	9,579,890
1994	112,475	106,398	218,873	5,878,516	6,097,389
1995	186,939	46,372	233,311	4,008,753	4,242,064
1996	168,930	135,296	304,226	4,883,699	5,187,925
1997	39,377	208,652	248,029	4,262,533	4,510,562
1998	242,452	171,581	414,033	4,201,820	4,615,853
1999	1,161,025	188,431	1,349,456	5,511,315	6,860,771
2000	659,066	336,745	995,811	5,479,412	6,475,223
2001	1,411,187	222,319	1,633,506	5,582,117	7,215,623
2002	2,173,971	209,320	2,383,291	6,638,109	9,021,400
2003	2,588,299	842,132	3,430,431	5,882,098	9,312,529
2004	2,758,804	2,249,781	5,008,585	5,113,000	10,121,585
2005	3,322,595	4,270,668	7,593,263	2,799,134	10,392,397
Totals	\$ 17,188,893	9,445,063	26,633,956	153,099,764	179,733,720

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

The net claims loss reserves as reported in Exhibit A include an offset recommended by the independent actuary for loss reserve discounting. This offset provides for discounting the claims loss reserves by 5.0% based on the payout patterns recorded over the Fund's history. This reserve anticipates the accrual of conservatively projected investment income over the life of each fund. This adjustment conforms with the funding requirements of the State of Maine Bureau of Insurance.

Each fund has entered into specific reinsurance contracts for individual claims as noted below. Aggregate reinsurance contracts covering total claims paid have been purchased for each year, except 1991-1993 and 2004-2005, in which there was no coverage. The limits for the specific reinsurance for individual claims are as follows:

<u>Fund year</u>	<u>Specific Reinsurance</u>	
	<u>Attachment</u>	
	<u>Regular</u>	<u>Maritime/ USL&H</u>
1978-1979 to 1983-1984	\$ 250,000	-
1985 to 1990	350,000	-
1991 to 1997	400,000	-
1998 to 2000	350,000	400,000
2001 to 2002	400,000	400,000
2003	500,000	500,000
2004 to 2005	1,000,000	-

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

The aggregate reinsurance limits are listed below along with the total amounts recoverable from both the specific and aggregate reinsurance policies based on the actuarially determined ultimate losses are as follows:

Fund Year	Actuarially determined ultimate losses	Ultimate specific reinsurance recoverable	Ultimate losses, net of specific recovery	Aggregate reinsurance attachment	Ultimate aggregate reinsurance recoverable	Ultimate TOTAL reinsurance recoverable
1978-1979	\$ 719,076	-	719,076	1,000,000	-	-
1979-1980	2,532,544	128,876	2,403,668	1,647,658	756,010	884,886
1980-1981	3,327,467	380,643	2,946,824	1,896,317	1,050,507	1,431,150
1981-1982	2,957,391	62,621	2,894,770	2,756,246	138,524	201,145
1982-1983	3,977,589	433,045	3,544,544	2,987,190	557,354	990,399
1983-1984	5,077,576	273,943	4,803,633	3,379,864	1,423,769	1,697,712
1985	7,567,311	697,070	6,870,241	3,913,707	2,956,534	3,653,604
1986	7,272,447	-	7,272,447	4,923,803	2,348,644	2,348,644
1987	9,278,241	728,881	8,549,360	9,280,199	-	728,881
1988	7,991,953	149,907	7,842,046	11,524,021	-	149,907
1989	9,592,015	-	9,592,015	12,871,277	-	-
1990	8,710,215	45,416	8,664,799	14,547,254	-	45,416
1991	8,068,177	-	8,068,177	-	-	-
1992	9,028,507	145,143	8,883,364	-	-	145,143
1993	9,579,890	821,833	8,758,057	-	-	821,833
1994	6,097,389	-	6,097,389	13,858,008	-	-
1995	4,242,064	-	4,242,064	13,406,985	-	-
1996	5,187,925	-	5,187,925	11,636,779	-	-
1997	4,510,562	90,641	4,419,921	12,000,000	-	90,641
1998	4,615,853	-	4,615,853	7,894,675	-	-
1999	6,860,771	430,372	6,430,399	8,595,625	-	430,372
2000	6,475,223	-	6,475,223	9,733,330	-	-
2001	7,215,623	133,550	7,082,073	10,711,749	-	133,550
2002	9,021,400	-	9,021,400	11,329,907	-	-
2003	9,312,529	293,178	9,019,351	12,156,437	-	293,178
2004	10,121,585	-	10,121,585	-	-	-
2005	10,392,397	-	10,392,397	-	-	-
Totals	\$ 179,733,720	4,815,119	174,918,601	182,051,031	9,231,342	14,046,461

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
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 2005 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>
1978-79 to 1979-80	International Insurance Co. (ISLIC)	Specific	(not rated)	(not rated)
1980-81 to 1981-82	United States Fire Insurance Co.	Specific	A- (Excellent)	XIII
1982-83 to 1983-84	General Accident Ins. Co. of Amer.	Specific	A (Excellent)	XIV
1978-79 to 1983-84	Employers Reinsurance Corp.	Specific and Aggregate	A (Excellent)	XV
1981-82 to 1983-84	Northwestern National Insurance Co.	Excess Aggregate	(not rated)	(not rated)
1985 to 1990	General Reinsurance Corp.	Specific and Aggregate	A++ (Superior)	XV
1985 to 1986	Royal Insurance Company	Excess Specific	B (Fair)	XIII
1991	General Reinsurance Corp.	Specific	A++ (Superior)	XV
1992 to 1993	Odyssey America Reinsurance Corp (formerly TIG Reinsurance Company)	Specific	A (Excellent)	XIV
1994 to 1995	Travelers (formerly Aetna Casualty & Surety)	Specific and Aggregate	A+ (Superior)	XV
1996 to 2004	Safety National Casualty Corp.	Specific and Aggregate	A (Excellent)	IX
2005	Safety National Casualty Corp.	Specific	A (Excellent)	IX

UNPAID CLAIMS LIABILITIES

The Fund establishes liabilities for the estimated costs of both reported and unreported losses, which includes estimates of both future payments of losses and related claim service reserves. The following represents changes in these aggregate liabilities as of December 31:

	<u>2005</u>	<u>2004</u>
<u>Claims loss and claims service reserves at beginning of year</u>	\$ 24,437,804	20,226,726
Incurred claims and claims service reserve expenses:		
Provision for insured events of the current year	10,644,374	11,268,441
Increases in provision for insured events of prior years	(1,848,523)	1,675,614
<u>Total insured claims and claims service reserve expenses</u>	8,795,851	12,944,055
Payments:		
Claims attributable to insured events of the current year	2,810,538	2,932,275
Claims attributable to insured events of prior years	5,910,919	5,800,702
<u>Total payments</u>	8,721,457	8,732,977
<u>Total claims loss and claims service reserves at end of year</u>	<u>\$ 24,512,198</u>	<u>24,437,804</u>

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

EXPENSES

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

INTERFUND TRANSFERS

In order to provide full funding, the Workers' Compensation Fund Trustees have approved various transfers between fund years. Transfers affected during 2005 are shown within Schedule 2. The net of all transfers made between Workers' Compensation Funds since inception is reflected in Schedule 3.

NET ASSETS

Under a policy of the Trustees of the Fund, net assets are segregated into four components.

Amounts invested in capital assets, net of debt and depreciation represents the Fund's equity in claims and underwriting software held jointly with the MMA Property and Casualty Fund. As of December 31, 2005 and 2004, invested in capital assets, net of related debt and depreciation totaled \$318,173 and \$371,332, respectively.

The amount restricted for statutory funding is calculated by an independent actuary to a 75% confidence level based on the loss development variations experienced by the Maine Municipal Association's Workers' Compensation Fund over its history. The calculation indicates that this reserve plus the claims loss reserve and claims service/assessments reserve will be adequate to that confidence level to cover variations in the claims loss reserve development. This adjustment also conforms with the funding requirements of the State of Maine Bureau of Insurance. As of December 31, 2005 and 2004, the reserve for statutory funding totaled \$1,378,297 and \$1,382,759, respectively.

The Board designated amount is maintained to recognize the possibility that actual loss development may vary from the expected development underlying the loss projections. An independent actuary has calculated this reserve to provide an additional reserve up to the 95% confidence level. As of December 31, 2005 and 2004, the Board designated reserve totaled \$2,108,815 and \$2,101,845, respectively.

The contingency reserve represents accumulated funding in excess of the amounts invested in capital assets, the statutory requirements and the board designated reserves. The Workers' Compensation Fund Trustees have established this reserve to be held for the future financial stability of the Fund. As of December 31, 2005 and 2004, the contingency reserve totaled \$32,159,103 and \$29,645,431, respectively.

CONTINGENT LIABILITY

The Fund purchases certain annuity contracts from third-parties to settle claims liabilities. These liabilities have been removed from the statements of net assets. The annuities have been purchased from highly rated insurance companies and management believes that the likelihood that the Fund will be required to make future payments on the claims is remote. The aggregate original purchase amount of such annuities at December 31, 2005 totaled \$8,101,992.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

TERMINATED MEMBER'S RESERVE

Section III.E.3 of Rule 250 requires that members who have left a group self insurance plan are liable for their proportionate share of the incremental difference between funding at the 90th confidence level and the 95th confidence level. The Rule further states that the group must increase its security by such sums,

At December 31, 2005, the Fund maintained security for all fund years at or above the 95th confidence level. Therefore, all departed members have met their obligation to fund exposures to the 95th confidence level and no additional security is required.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year
December 31, 2005

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987	1988	1989	1990	1991	1992	1993	
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	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	\$ 5	1,192	1,184	1,210	1,179	1,146	1,173	8,109	5,740	7,986	10,468	19,445	14,989	28,013	32,921	40,000
Investments:																
Corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
U.S. Government securities	23,608	23,464	23,965	23,355	22,702	23,245	160,646	113,721	158,223	207,382	385,241	296,967	554,990	652,232	792,479	
Total investments	23,608	23,464	23,965	23,355	22,702	23,245	160,646	113,721	158,223	207,382	385,241	296,967	554,990	652,232	792,479	
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued interest receivable	249	249	253	246	240	245	1,697	1,202	1,671	2,191	4,069	3,138	5,863	6,890	8,372	
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital assets:																
Computer system	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 25,049	24,897	25,428	24,780	24,088	24,663	170,452	120,663	167,880	220,041	408,755	315,094	588,866	692,043	840,851	
LIABILITIES																
Liabilities:																
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims loss reserves:																
Claims reserve	-	-	-	-	-	-	485,372	174,429	649,986	54,106	80,049	144,899	145,785	178,947	907,568	
Reinsurance recoverable	-	-	-	-	(1,070)	-	(492,883)	(179,676)	(659,066)	-	-	-	-	-	(620,349)	
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Loss reserve discounting	-	-	-	-	-	-	-	-	(1)	(592)	(876)	(1,586)	(1,595)	(1,958)	(3,143)	
Net claims loss reserves	-	-	-	-	(1,070)	-	(7,511)	(5,247)	(9,081)	53,514	79,173	143,313	144,190	176,989	284,076	
Claims service/assessments reserve	-	-	-	-	93	-	52,941	22,891	61,505	6,909	10,633	21,817	18,751	30,882	99,103	
Net claims loss reserves	-	-	-	-	(977)	-	45,430	17,644	52,424	60,423	89,806	165,130	162,941	207,871	383,179	
Total liabilities	-	-	-	-	(977)	-	45,430	17,644	52,424	60,423	89,806	165,130	162,941	207,871	383,179	
NET ASSETS																
Invested in capital assets, net of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted for statutory funding	-	-	-	-	-	-	-	-	8	3,771	5,840	10,603	10,516	12,765	14,592	
Unrestricted:																
Board designated	-	-	-	-	-	-	-	-	13	5,379	7,697	13,902	14,138	17,497	20,220	
Contingency	25,049	24,897	25,428	24,780	25,065	24,663	125,022	103,019	115,435	150,468	305,412	125,459	401,271	453,910	422,869	
Total net assets	\$ 25,049	24,897	25,428	24,780	25,065	24,663	125,022	103,019	115,456	159,618	318,949	149,964	425,925	484,172	457,672	

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year, Continued

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	WC SS	WC Training	Totals	
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund	Fund	2005	2004
ASSETS																	
Cash and cash equivalents	\$ 33,041	35,635	235,810	288,292	336,492	133,978	129,977	180,050	169,793	270,862	344,061	517,135	(19)	5,255	1,978	2,862,995	4,824,216
Investments:																	
Corporate bonds																	1,032,762
U.S. Government securities	672,442	705,098	4,071,841	5,711,620	6,368,436	3,050,601	2,476,034	3,567,131	3,363,917	5,366,285	6,816,513	10,245,626	(378)	194,108	39,184	56,721,378	51,105,550
Total investments	672,442	705,098	4,671,841	5,711,620	6,368,436	3,050,601	2,476,034	3,567,131	3,363,917	5,366,285	6,816,513	10,245,626	(378)	194,108	39,184	56,721,378	51,105,550
Accounts receivable											117	393				710	7,433
Accrued interest receivable	7,104	7,458	49,352	60,336	68,331	32,225	26,156	37,682	35,535	56,687	72,008	108,229	(4)	1,099	414	599,187	542,943
Prepaid expenses												29,210	400			29,610	172,310
Capital assets:																	
Computer system																477,823	431,809
Accumulated depreciation																(159,650)	(60,477)
Net capital assets																318,173	371,332
Total assets	\$ 713,487	749,091	4,957,003	6,060,248	6,863,259	3,236,804	2,627,167	3,784,363	3,569,245	5,693,034	7,232,699	11,218,766	(1)	118,462	41,576	60,533,053	58,056,578
LIABILITIES																	
Liabilities:																	
Accounts payable																53,467	117,407
Claims loss reserves:																	
Reinsurance recoverable	218,873	233,311	304,276	248,029	414,034	1,349,456	995,831	1,633,506	2,383,290	3,430,431	5,008,585	7,593,263				26,633,956	24,937,845
Supplemental benefits fund recoverable				(30,641)		(420,348)		(133,550)		(293,178)						(2,490,761)	(1,749,374)
Loss reserve discounting	(4,253)	(9,979)	(19,237)	(29,613)	(42,402)	(108,485)	(128,498)	(205,245)	(329,298)	(413,235)	(632,360)	(934,252)				(2,870,531)	(41,123)
Net claims loss reserves	214,122	213,332	264,989	136,775	371,632	830,623	867,313	1,294,711	2,053,992	2,724,018	4,376,225	6,658,981				20,915,659	20,576,841
Claims service/assessments reserve	28,534	34,133	38,030	53,134	52,372	167,849	103,167	196,235	293,792	442,038	717,464	1,144,655				3,597,139	3,060,081
Net claims loss reserves	242,656	257,465	323,019	189,909	424,004	998,463	970,480	1,490,946	2,347,784	3,166,056	5,093,709	7,833,836				24,512,138	23,437,804
Total liabilities	242,656	257,465	323,019	189,909	424,004	998,463	970,480	1,490,946	2,347,784	3,166,056	5,093,709	7,889,303				24,507,668	24,555,211
NET ASSETS																	
Invested in capital assets, net of debt																	371,332
Reserve for statutory funding	15,263	15,410	19,698	15,694	25,519	41,611	50,459	80,384	139,394	172,477	283,131	452,762				1,378,297	1,382,759
Unrestricted:																	
Board designated reserve	21,349	22,777	29,031	33,191	38,025	61,180	88,839	119,793	211,808	262,465	431,348	720,163				2,108,815	2,101,845
Contingency reserve	434,210	483,439	4,885,255	5,831,454	6,328,211	3,146,190	1,508,189	2,093,740	870,299	2,092,836	1,424,511	1,838,365	(1)	110,362	41,876	32,159,103	29,645,431
Total net assets	\$ 470,831	491,626	4,633,984	5,870,339	6,439,255	2,248,341	1,656,687	2,293,917	1,221,461	2,527,778	2,138,990	3,329,463	(1)	110,462	41,576	35,964,388	33,501,367

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the period ended December 31, 2005

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987	1988	1989	1990	1991	1992	1993
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:															
Standard premium	\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Premium discount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss control credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical deductible credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	475	472	484	468	347	460	2,807	2,098	2,337	3,941	7,900	6,139	10,647	13,442	16,312
Total revenue	475	472	484	468	347	460	2,807	2,098	2,337	3,941	7,900	6,139	10,647	13,442	16,312
Expenses:															
Claims paid	-	-	-	-	1,070	-	29,217	17,868	31,055	351	17,750	32,182	6,902	101,808	107,661
Claims reserve-current year adjustment	-	-	-	-	-	-	200,841	15,733	446,419	(544)	(58,689)	87,942	(122,464)	(131,383)	(13,007)
Subrogation recovery	-	-	-	-	-	-	(2,909)	-	-	-	-	-	-	(1,349)	-
Deductible recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ultimate claims loss	-	-	-	-	1,070	-	227,149	33,601	477,465	(193)	(40,939)	120,124	(115,562)	(30,924)	94,654
Reinsurance recovered	-	-	-	-	-	-	(30,797)	(20,693)	(50,623)	-	-	-	-	-	-
Reinsurance recoverable adjustment	-	-	-	-	(1,070)	-	(196,352)	(12,908)	(427,955)	-	-	-	-	-	(153,284)
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net ultimate claims loss	-	-	-	-	-	-	-	-	(1,113)	(193)	(40,939)	120,124	(115,562)	(30,924)	(58,630)
Loss discounting	-	-	-	-	-	-	-	-	13	6	642	(963)	1,341	1,438	6,702
Net claims expense	-	-	-	-	-	-	-	-	(1,100)	(187)	(40,297)	119,161	(114,221)	(29,486)	(51,928)
Reinsurance premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional service fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administrative service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory assessments and fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims svc/assessment reserve	-	-	-	-	93	-	14,532	(357)	36,880	(516)	(13,209)	2,876	(16,772)	(12,374)	(4,871)
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	93	-	14,532	(357)	35,780	(703)	(53,506)	122,037	(130,993)	(41,860)	(56,799)
Change in net assets before transfers	475	472	484	468	254	460	(11,725)	2,455	(33,443)	4,644	61,406	(115,898)	141,640	55,302	73,111
Interfund transfers:															
To 2005 fund	(1,356)	(1,715)	(426)	(2,006)	(64,761)	(2,255)	-	-	(108,880)	(122,788)	(11,689)	(81,205)	(305,358)	(260,556)	(317,331)
Net change in net assets	(881)	(1,243)	58	(1,538)	(64,507)	(1,795)	(11,725)	2,455	(142,323)	(118,144)	49,717	(197,103)	(163,718)	(205,254)	(244,220)
Net assets, beginning	25,930	26,140	25,370	26,318	89,572	26,458	136,747	100,564	257,779	277,762	269,232	347,067	589,643	689,426	701,892
Net assets, ending	\$ 25,049	24,897	25,428	24,780	25,065	24,663	125,022	103,019	115,456	159,618	318,949	149,964	425,925	484,172	457,672

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year, Continued

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	WC SS Fund	WC Training Fund	Totals	
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund	Fund	2005	2001
Revenue:																	
Standard premium	-	-	-	-	-	-	-	-	-	-	459,508	56,151,346	-	-	-	16,610,754	15,361,544
Premium discount	-	-	-	-	-	-	-	-	-	-	(1,539,835)	(1,539,835)	-	-	-	(1,539,835)	(1,394,079)
Loss control credit	-	-	-	-	-	-	-	-	-	-	(383,085)	(383,085)	-	-	-	(383,085)	(302,445)
Medical deductible credit	-	-	-	-	-	-	-	-	-	-	(10,610)	(10,610)	-	-	-	(10,610)	(11,225)
Net contributions	-	-	-	-	-	-	-	-	-	-	458,908	14,117,116	-	-	-	14,677,234	14,594,795
Investment income	11,134	12,008	92,564	120,576	132,854	64,867	51,678	74,748	76,124	122,048	161,924	190,467	(1)	-	-	1,189,620	955,453
Total revenue	13,234	12,008	92,564	120,576	132,854	64,367	51,678	74,748	76,124	122,048	621,432	14,418,183	(1)	-	-	15,866,844	14,540,248
Expenses:																	
Claims paid	24,799	90,486	37,271	240,602	128,102	348,783	151,878	340,574	724,978	1,264,507	2,211,102	2,810,539	-	-	-	8,721,455	8,722,977
Claims reserve-current year adj.	(73,734)	(93,096)	(63,316)	(205,024)	(191,383)	(293,523)	(392,531)	(113,823)	(1,106,117)	(634,076)	(2,951,571)	7,593,263	-	-	-	1,696,111	3,599,501
Subrogation recovery	-	(7,031)	-	425,765	(11,592)	(7,027)	(38,917)	(6,724)	(47,530)	(18,030)	(20,454)	(5,079)	-	-	-	(192,413)	(185,658)
Deductible recovery	(48,835)	(10,541)	(26,043)	8,803	(74,873)	48,704	(277,560)	220,027	(140,675)	412,401	(706,521)	10,392,398	-	-	-	(11,923)	(1,393)
Ultimate claims loss	-	-	-	-	-	(10,024)	-	(113,550)	-	(293,178)	-	-	-	-	-	10,713,230	(2,145,828)
Reimbursement received	-	-	-	-	-	(84,441)	-	-	-	-	-	-	-	-	-	(112,137)	(32,653)
Reimburse recoverable adjustment	-	-	-	-	-	10,024	-	-	-	-	-	-	-	-	-	(1,141,366)	130,200
Supplemental benefits fund recoverable	-	-	30,468	-	170,000	10,055	-	-	-	-	-	-	-	-	-	41,123	40,312
Net ultimate claims loss	(48,835)	(10,541)	(4,425)	(75,538)	95,127	40,187	(277,560)	86,477	(430,675)	119,223	(766,521)	10,392,398	-	-	-	9,000,830	(2,283,768)
Less discounting	5,710	8,039	5,927	21,401	6,646	37,637	49,115	14,950	107,039	116,655	264,329	(984,382)	-	-	-	(112,137)	(32,653)
Net claims expense	(43,125)	(2,502)	(10,422)	(54,137)	101,773	77,814	(228,445)	101,427	(323,646)	235,878	(502,192)	9,408,116	-	-	-	8,743,225	(1,997,461)
Reinsurance premium	-	-	-	-	-	-	-	-	-	-	21,391	537,943	-	-	-	559,338	524,096
Professional service fees	-	-	-	-	-	-	-	-	-	-	-	100,243	-	-	-	100,243	29,711
Administrative service	-	-	-	-	-	-	-	-	-	-	-	2,840,286	-	-	-	2,840,286	2,644,509
Regulatory assessments and fees	-	-	-	-	-	-	-	-	-	-	-	460,142	-	-	-	460,142	424,650
Claims self-insurance reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(203,847)	726,911
Safety and scholarship grants	(9,010)	(6,680)	(24,934)	(6,313)	(23,560)	(90,691)	(88,744)	(90,660)	(215,110)	(310,115)	(555,215)	1,144,855	-	-	-	205,406	184,130
Training expense	-	-	-	-	-	-	-	-	-	-	-	-	-	205,406	-	47,913	10,511
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	99,173	-	-	-	99,173	154,841
Maintenance contracts	-	-	-	-	-	-	-	-	-	-	-	113,003	-	-	-	113,003	30,951
Dividends paid	-	-	-	-	-	-	-	-	-	-	498,927	-	-	-	-	498,927	399,439
Total expenses	(52,235)	(11,182)	(14,512)	(62,450)	78,207	(7,123)	(317,189)	10,821	(558,756)	(74,277)	(537,089)	14,783,779	-	-	-	13,403,823	17,427,633
Change in net assets before transfers	65,469	24,090	107,076	(42,826)	54,647	47,244	368,867	63,927	634,880	190,265	1,138,521	(367,590)	(1)	(205,406)	(979,13)	2,463,021	(2,878,307)
Interfund transfers:																	
To 2005 fund	(309,167)	(1,000,610)	(1,106,046)	-	-	-	-	-	-	-	-	3,697,089	-	-	-	(47,913)	2,463,021
Net change in net assets	(243,698)	(976,520)	(999,870)	182,826	54,647	47,244	368,867	63,927	634,880	190,265	1,138,521	(3,329,463)	(1)	(205,406)	(47,913)	2,463,021	(2,878,307)
Net assets, beginning	714,539	1,468,156	5,633,854	5,687,413	6,384,608	3,301,097	1,287,820	2,229,980	586,581	2,131,493	980,469	-	-	315,868	89,489	31,501,367	35,379,254
Net assets, ending	\$ 470,831	\$ 491,626	\$ 4,633,984	\$ 5,870,139	\$ 6,439,255	\$ 2,248,341	\$ 1,656,687	\$ 2,293,917	\$ 1,221,461	\$ 2,527,778	\$ 2,138,990	\$ 3,329,463	(1)	\$ 110,462	\$ 41,576	\$ 35,964,388	\$ 32,501,367

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Cumulative Statement of Revenues and Expenses
For the period November 1, 1978 through December 31, 2005

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987	1988	1989	1990	1991	1992
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:														
Standard premium	\$ 898,836	2,198,194	2,906,927	4,240,842	4,595,671	5,632,583	6,021,088	6,838,615	8,513,890	11,896,946	13,324,125	14,920,260	16,176,020	13,370,101
Premium discount	-	-	(290,693)	(424,084)	(459,567)	(796,892)	(852,654)	(980,663)	(1,236,385)	(1,216,358)	(1,027,834)	(1,237,948)	(1,428,079)	(1,276,658)
Loss control credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical deductible credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net contributions	898,836	2,198,194	2,616,234	3,816,758	4,136,104	4,835,691	5,168,434	5,857,952	7,277,505	10,680,588	12,296,271	13,682,312	14,747,941	12,093,443
Investment income	327,628	810,146	643,168	1,470,765	1,475,739	1,257,655	1,027,812	1,253,954	2,864,207	3,970,726	3,800,232	3,695,358	4,111,694	3,408,754
Miscellaneous revenue	-	35	234	123	(125)	891	2,180	2,372	11,737	3,703	2,861	2,981	2,048	3,938
Total revenue	1,226,464	3,008,375	3,259,636	5,287,646	5,611,718	6,094,237	6,198,426	7,114,278	10,153,449	14,655,017	16,099,364	17,380,651	18,861,683	15,506,135
Expenses:														
Claims paid	219,286	2,532,544	3,357,987	2,988,697	3,993,534	3,131,404	7,181,820	7,272,331	8,717,618	8,023,791	9,755,349	8,618,020	7,987,988	8,886,732
Claims reserve	-	-	-	-	-	-	485,372	174,479	649,986	54,106	80,049	144,899	145,785	178,947
Subrogation recovery	(210)	-	(30,520)	(31,306)	(15,945)	(53,828)	(99,881)	(174,313)	(89,363)	(85,944)	(243,383)	(52,704)	(65,596)	(37,172)
Deductible recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ultimate claims loss	719,076	2,532,544	3,327,467	2,957,391	3,977,589	3,077,576	7,567,311	7,272,447	9,278,241	7,991,953	9,592,015	8,710,215	8,068,177	9,028,507
Reinsurance recovered	-	(884,886)	(1,431,150)	(201,145)	(989,329)	(1,697,712)	(3,160,721)	(2,168,968)	(69,815)	(149,907)	-	(45,416)	-	(145,143)
Reinsurance recoverable adjustment	-	-	-	1	(1,070)	-	(492,883)	(179,676)	(659,066)	-	-	-	-	-
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net ultimate claims loss	719,076	1,647,658	1,896,317	2,756,247	2,987,190	3,379,864	3,913,707	4,923,803	8,549,360	7,842,046	9,592,015	8,664,799	8,068,177	8,883,364
Loss discounting	-	-	-	-	-	-	-	-	(1)	(592)	(876)	(1,586)	(1,595)	(1,958)
Net claims expense	719,076	1,647,658	1,896,317	2,756,247	2,987,190	3,379,864	3,913,707	4,923,803	8,549,359	7,841,454	9,591,139	8,663,213	8,066,582	8,881,406
Reinsurance premium	137,237	312,790	419,524	478,576	363,680	411,812	520,415	699,461	1,178,993	1,384,557	1,768,008	1,884,136	1,000,000	1,258,394
Claims service fee paid	82,296	176,497	236,470	327,459	386,512	423,213	351,488	404,309	441,635	327,982	393,927	492,491	574,544	612,319
Loss control service	-	-	-	-	-	-	-	-	-	160,000	159,500	203,002	233,817	254,729
Administrative service	13,627	49,349	55,671	254,892	398,727	499,345	660,000	441,000	500,000	575,000	687,000	762,100	803,500	857,569
Regulatory assessments and fees	-	-	-	6,123	232	662	402	3,161	24,918	4,319	85,838	121,554	13,707	163,687
Claims service/assess reserve	-	-	-	-	93	-	52,941	22,891	61,505	6,909	10,633	21,817	18,751	30,882
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend refund	106,990	73,229	-	-	-	-	-	-	-	-	-	-	76,146	500,000
Interest refund	188,639	591,990	537,188	793,891	508,732	243,525	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	992,030	105,260	81,904	-	-	-
Total expenses	1,247,865	2,851,513	3,145,170	4,617,188	4,645,166	5,008,421	5,498,953	6,494,625	11,748,440	10,405,481	12,777,949	12,148,313	10,787,047	12,558,986
Change in net assets before transfers														
	(21,401)	156,862	114,466	670,458	966,552	1,085,816	699,473	619,653	(1,594,991)	4,249,536	3,321,415	5,232,338	8,074,636	2,947,149
Interfund transfers														
	46,450	(131,965)	(89,038)	(645,678)	(941,487)	(1,061,153)	(574,451)	(516,634)	1,710,447	(4,089,918)	(3,002,466)	(5,082,374)	(7,648,711)	(2,462,977)
From MMA General Fund														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets, ending	\$ 25,049	24,897	25,428	24,780	25,065	24,663	125,022	103,019	115,456	159,618	318,949	149,964	425,925	484,172

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Cumulative Statement of Revenues and Expenses, Continued

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	WC/SS Fund	WC Training Fund	Totals
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year			
Revenue:																	
Standard premium	\$ 14,698,127	16,420,859	13,726,365	9,216,964	7,426,059	6,724,763	6,563,966	7,228,002	8,781,293	10,766,844	11,489,261	15,285,637	16,151,246	-	-	-	258,007,373
Premium discount	(1,441,541)	(1,426,427)	(1,425,500)	(798,972)	(629,764)	(531,710)	(521,782)	(596,605)	(703,678)	(895,300)	(1,183,988)	(1,394,079)	(1,539,835)	-	-	-	(24,317,036)
Loss control credit	-	-	-	(362,288)	(169,007)	(184,472)	(206,437)	(220,584)	(333,223)	(328,432)	(401,161)	(362,445)	(383,085)	-	-	-	(2,951,134)
Medical deductible credit	-	-	-	-	-	(6,887)	(6,230)	(6,725)	(9,382)	(8,848)	(9,061)	(11,225)	(10,610)	-	-	-	(108,968)
Net contributions	13,256,586	14,994,232	12,300,865	8,049,704	6,627,288	6,001,673	5,829,517	6,404,178	7,735,010	9,534,264	11,895,051	13,517,888	14,217,716	-	-	-	230,670,235
Investment income	3,220,878	2,948,952	3,172,581	3,510,971	2,844,114	2,497,209	1,429,357	1,188,547	1,047,424	862,126	381,786	261,093	198,467	(1)	-	-	53,687,342
Miscellaneous revenue	8,996	(716)	814	(1)	(1)	-	-	-	-	-	-	-	-	-	-	-	41,980
Total revenue	16,492,370	17,942,468	15,474,260	11,560,674	9,471,401	8,498,882	7,258,874	7,492,725	8,782,434	10,396,390	12,276,837	13,778,981	14,416,183	(1)	-	-	284,399,557
Expenses:																	
Claims paid	8,701,391	5,912,503	4,113,403	5,128,080	4,438,627	4,321,932	5,661,112	5,766,146	5,659,455	6,840,431	5,944,908	5,143,377	2,810,538	-	-	-	155,629,024
Claims reserves	907,568	218,873	233,311	304,226	248,029	414,034	1,349,456	995,811	1,633,506	2,383,290	3,430,431	5,008,585	7,593,263	-	-	-	26,633,956
Subrogation recovery	(29,069)	(53,987)	(104,650)	(226,673)	(163,971)	(106,631)	(139,189)	(226,774)	(66,279)	(193,542)	(53,783)	(22,976)	(5,079)	-	-	-	(2,422,768)
Deductible recovery	-	-	-	(17,708)	(12,123)	(13,501)	(10,608)	(9,960)	(11,059)	(8,780)	(9,027)	(7,401)	(6,325)	-	-	-	(106,492)
Ultimate claims loss	9,579,890	6,097,389	4,242,064	5,187,925	4,510,562	4,615,854	6,860,771	6,475,223	7,215,623	9,021,399	9,312,529	10,121,585	10,392,397	-	-	-	179,733,720
Reinsurance recovered	(201,484)	-	-	-	-	-	(10,024)	-	-	-	-	-	-	-	-	-	(11,155,700)
Reinsurance recoverable adjustment	(620,449)	-	-	-	(90,641)	-	(120,348)	-	(133,530)	-	(293,178)	-	-	-	-	-	(2,890,760)
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net ultimate claims loss	8,758,057	6,097,389	4,242,064	5,187,925	4,419,921	4,615,854	6,430,399	6,475,223	7,082,073	9,021,399	9,019,351	10,121,585	10,392,397	-	-	-	165,687,260
Loss discounting	(3,143)	(4,751)	(9,979)	(19,237)	(20,613)	(42,402)	(108,485)	(128,498)	(205,245)	(329,298)	(413,235)	(612,360)	(904,282)	-	-	-	(2,828,136)
Net claims expense	8,754,914	6,092,638	4,232,085	5,168,688	4,399,308	4,573,452	6,321,914	6,346,725	6,876,828	8,692,101	8,606,116	9,489,225	9,488,115	-	-	-	162,859,124
Reinsurance premiums	1,396,197	1,377,769	1,326,533	949,462	842,497	508,299	474,434	615,289	472,360	597,909	648,343	510,909	537,943	-	-	-	22,075,527
Claims service fee paid	641,430	739,644	728,277	93,000	14,030	15,500	18,000	-	-	-	-	-	-	-	-	-	7,530,443
Loss control service	276,029	271,628	4,916	22,331	21,257	26,224	28,577	58,855	50,676	47,723	104,363	29,741	100,261	-	-	-	2,055,629
Administrative service	925,325	989,573	1,610,290	1,861,680	1,952,664	1,911,188	1,878,993	1,867,023	1,930,412	2,286,467	2,473,038	2,944,909	2,840,286	-	-	-	32,029,628
Regulatory assessments and fees	234,986	257,138	291,756	253,870	177,267	205,266	199,199	197,309	387,216	234,330	496,440	430,879	460,142	-	-	-	4,250,701
Claims services/losses reserve	99,103	28,334	34,133	38,030	53,134	32,372	167,841	103,167	196,235	293,792	442,038	717,484	1,144,855	-	-	-	3,597,140
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	823,343	-	823,343
Training expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,424	58,424
Depreciation expense	-	-	19,269	44,505	51,996	45,988	41,315	39,992	39,616	47,130	56,306	154,841	99,173	-	-	-	640,131
Maintenance contracts	-	-	-	1,431	3,850	3,245	6,394	7,434	18,403	21,943	8,960	30,949	113,003	-	-	-	214,692
Dividend refund	150,000	1,250,000	2,242,014	1,163,116	355,455	341,573	362,866	368,131	385,393	398,373	399,459	498,927	-	-	-	-	8,671,672
Interest refund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,863,965
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,179,194
Total expenses	12,477,984	11,006,524	10,489,273	9,596,113	7,873,478	7,683,107	9,499,533	9,603,905	10,357,239	12,618,868	13,235,963	14,807,864	14,783,778	-	823,343	58,424	288,849,613
Change in net assets before transfers																	
	4,014,386	6,935,944	4,984,987	1,964,561	1,597,923	815,775	(2,240,659)	(2,011,180)	(1,574,805)	(2,222,478)	(958,226)	(1,028,883)	(367,595)	(1)	(823,343)	(58,424)	35,549,944
Interfund transfers																	
	(3,356,714)	(6,465,113)	(4,493,361)	2,669,423	4,272,416	5,209,016	4,489,006	3,667,667	3,868,722	3,443,939	3,486,004	3,167,873	3,697,058	-	933,805	100,000	-
From MMA General Fund																	
	-	-	-	-	-	414,444	-	-	-	-	-	-	-	-	-	-	414,444
Fund balances, ending	\$ 457,672	470,831	491,636	4,633,984	5,870,339	6,439,255	2,248,341	1,056,887	2,293,917	1,221,461	2,527,778	2,138,990	3,329,463	(1)	110,462	41,576	35,964,388

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Ten Year Claims Development Information
December 31, 2005**

The analysis gives a summary of the income and expenses by fund year, along with comparative data on paid claims and incurred claims since inception of the Fund Year.

	1996	1997	1998
Required contribution and investment income:			
Earned	\$ 11,560,674	9,471,401	8,498,882
Ceded	949,462	842,497	508,299
Net earned	10,611,212	8,628,904	7,990,583
Unallocated expenses	3,477,963	2,631,673	2,601,355
Estimated incurred claims and expense, end of policy year:			
Incurred	6,741,278	6,930,818	6,180,377
Net incurred	6,741,278	6,930,818	6,180,377
Paid claims (cumulative) as of:			
End of policy year	1,213,296	1,522,480	1,499,370
One year later	2,570,075	2,480,061	2,616,541
Two years later	3,406,083	2,985,677	3,243,287
Three years later	4,117,304	3,482,115	3,620,890
Four years later	4,420,349	3,620,624	4,013,225
Five years later	4,552,294	4,013,950	4,097,062
Six years later	4,934,472	4,105,047	4,193,849
Seven years later	4,981,331	4,198,025	4,321,952
Eight years later	5,090,809	4,438,627	-
Nine years later	5,128,080	-	-
Ten years later	-	-	-
Reestimated ceded claims and expense	-	(6,200)	(170,000)
Reestimated incurred claims and expense as of:			
End of policy year	6,741,278	6,930,818	6,180,377
One year later	5,662,187	5,299,270	4,915,253
Two years later	5,619,419	4,798,649	5,075,135
Three years later	5,866,346	4,638,547	4,741,715
Four years later	5,422,108	4,342,153	5,284,020
Five years later	5,280,704	4,535,104	5,095,260
Six years later	5,328,352	4,442,699	4,690,726
Seven years later	5,305,259	4,501,660	4,615,853
Eight years later	5,213,968	4,510,562	-
Nine years later	5,187,925	-	-
Ten years later	-	-	-
Decrease in estimated incurred claims and expense from end of policy year	\$ (1,553,353)	(2,420,256)	(1,564,524)

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS**
Ten Year Claims Development Information, Continued

	1999	2000	2001	2002	2003	2004	2005
\$	7,258,874	7,592,725	8,782,434	10,392,390	12,276,836	13,778,981	14,416,183
	474,434	615,289	472,360	597,909	648,343	510,909	537,943
	6,784,440	6,977,436	8,310,074	9,794,481	11,628,493	13,268,072	13,878,240
	2,703,184	2,641,891	3,008,051	3,328,857	3,980,603	4,807,730	4,786,931
	5,507,742	6,179,602	7,390,466	8,053,929	8,688,209	9,991,417	9,488,115
	5,507,742	6,179,602	7,390,466	8,053,929	8,688,209	9,991,417	9,488,115
	1,685,234	1,873,700	2,218,838	2,445,502	2,466,468	2,932,275	2,932,275
	2,947,430	3,731,396	4,033,996	4,566,870	4,680,401	-	-
	4,006,973	4,697,542	4,692,702	6,115,453	-	-	-
	4,677,433	5,215,231	5,318,881	-	-	-	-
	4,970,990	5,612,268	-	-	-	-	-
	5,312,359	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	(411,700)	-	-	-	-	-	-
	5,507,742	6,179,602	7,390,466	8,053,929	8,688,209	10,888,106	10,392,397
	5,616,297	6,862,389	7,809,051	8,148,115	8,900,125	10,121,585	-
	5,900,271	6,950,313	7,030,606	9,452,075	9,321,529	-	-
	6,219,413	6,450,286	6,995,596	9,021,400	-	-	-
	6,361,530	6,752,783	7,215,623	-	-	-	-
	6,812,567	6,475,223	-	-	-	-	-
	6,860,771	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
\$	1,353,029	295,621	(174,843)	967,471	633,320	(766,521)	-

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**

Financial Statements

For the years ended December 31, 2006 and 2005

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Financial Statements

For the years ended December 31, 2006 and 2005

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

The Board of Trustees
Maine Municipal Association
Workers' Compensation Fund

We have audited the accompanying statements of net assets of Maine Municipal Association Workers' Compensation Fund as of December 31, 2006 and 2005, and the related statements of revenue and expenses, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Municipal Association Workers' Compensation Fund as of December 31, 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 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 the Governmental Accounting Standards Board. 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 opinions 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 financial statements taken as a whole.

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

April 4, 2007
South Portland, Maine

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND

Management Discussion and Analysis

Year ended 2006

This section of the Maine Municipal Association Workers' Compensation Fund (the Fund) annual financial report sets forth a narrative overview of its financial activities for the year ended December 31, 2006. Please read it in conjunction with the Fund's financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's fiscal year is January 1 through December 31. The annual financial report consists of four parts:

- Management Discussion and Analysis
- Basic Financial Statements
- Notes to Financial Statements
- Supplementary Information (Schedules)

Management 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 Revenue and Expenses; Statements of Changes in Net Assets; and Statements of Cash Flows.

These statements present the Fund's status at December 31, 2006 and financial developments during fiscal year 2006 for all fund years combined.

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

Supplemental Schedules include analyses of Fund assets and revenues and expenses by fund year, and a history of claims development for the past ten years.

FINANCIAL HIGHLIGHTS

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

- Net assets at December 31, 2006 were \$38,188,272, an increase of 5.8% versus the prior year.
- Cash and investments totaled \$63,167,543, an increase of 5.7%.
- Revenues in 2006 totaled \$18,030,317, an increase of 12.0%.
- Expenses in 2006 totaled \$15,806,433, an increase of 15.2%.

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

FINANCIAL ANALYSIS

The following table summarizes the Statements of Net Assets:

	<u>12/31/06</u>	<u>12/31/05</u>
ASSETS		
Current Assets	63,859,810	60,213,880
Capital Assets	233,419	318,173
Total Assets	<u>64,093,229</u>	<u>60,532,053</u>
LIABILITIES		
Net Reserves - Claims, Service & Assessments	28,854,105	24,512,198
Other Liabilities	50,852	55,467
Total Liabilities	<u>28,904,957</u>	<u>24,567,665</u>
NET ASSETS		
Statutory Reserves	1,647,527	1,378,297
Board Designated Reserves	2,316,820	2,108,815
Net Investment in Capital Assets	233,419	318,173
Contingency Reserve	33,990,506	32,159,103
Total Net Assets	<u>38,188,272</u>	<u>35,964,388</u>

The following table summarizes the Statements of Revenue and Expenses during calendar years 2006 and 2005 for all fund years combined.

	<u>12/31/06</u>	<u>12/31/05</u>
REVENUES		
Member Contributions	15,218,607	14,677,224
Investment and Other Revenues	2,811,710	1,189,620
Total Revenues	<u>18,030,317</u>	<u>15,866,844</u>
EXPENSES		
Net Claims Expense	10,586,636	8,743,225
Reinsurance Premium	584,974	559,334
Safety Scholarship and Grants	202,992	205,406
Other Expenses	4,431,831	3,895,858
Total Expenses	<u>15,806,433</u>	<u>13,403,823</u>
CHANGE IN NET ASSETS	<u>2,223,884</u>	<u>2,463,021</u>

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2006

The following table compares ultimate results for the 2006 fund year as projected at December 31, 2006 with the original budget. Investment income and net claims expense projections are based on an analysis by an independent actuary.

	BUDGET	PROJECTED ULTIMATE RESULTS
REVENUES		
Member Contributions:	14,843,595	14,925,248
Investment and Other Revenues:	1,670,853	1,428,948
Total Revenues	<u>16,514,448</u>	<u>16,354,196</u>
EXPENSES		
Net Claims Expense @95% Confidence Level	13,912,871	11,735,421
Reinsurance Premium	572,622	584,974
Provision for Member Dividends	500,000	500,000
Other Expenses	4,650,228	4,877,101
Total Expenses	<u>19,635,721</u>	<u>17,697,496</u>
TRANSFER TO (FROM) CONTINGENCY RESERVE	<u>(3,121,273)</u>	<u>(1,343,300)</u>

The major projected variances in the 2006 fund year were the decrease in investment and other revenues (14.5%); decrease in net claims expense (24.5%). Net claims expense at the 95% confidence level includes claims payments, reserves on open claims, actuarial estimates of claims development in the future (IBNR), a statutorily required reserve to fund claims to the 75% confidence level, and an additional reserve recommended by the actuary to fund claims to the 95% confidence level in accordance with Fund policy.

In the preceding table, Investment Income includes the actuary's projection of future earnings, which are shown as an offset to claims expense (loss fund discount) in the financial statements. The provision for member dividends is included in the projection, although it will not be reflected in the financial statements until the dividend has been formally declared by the Board of Trustees. This presentation is used herein to conform to the Workers' Compensation Fund budget.

FUND FINANCIAL POSITION AT DECEMBER 31, 2006

At December 31, 2006, the Fund's net assets totaled \$38,188,272, an increase of \$2,223,884 (5.8%) versus the prior year.

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

CAPITAL ASSETS AND LONG TERM DEBT

At December 31, 2006 the Fund had capital assets of \$495,936, net of accumulated depreciation of \$262,517, for a net capital asset balance of \$233,419. These assets are the Fund's investment in a claims and underwriting system jointly owned with the MMA Property & Casualty Pool, less accumulated depreciation. The Fund had no long-term debt.

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

Management is aware of no conditions, decisions or contingencies that are expected to significantly impact on the Fund'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 Fund's finances and to show the Fund'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
WORKERS' COMPENSATION FUND
Statements of Net Assets
(All Fund Years)
December 31, 2006 and 2005

	2006	2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,339,793	2,862,995
U.S. Government and agency securities	58,827,750	56,721,378
Accounts receivable	21,756	710
Accrued interest receivable	625,615	599,187
Prepaid expenses	44,896	29,610
Total current assets	63,859,810	60,213,880
Capital assets:		
Computer equipment and software	495,936	477,823
Less accumulated depreciation	(262,517)	(159,650)
Net capital assets	233,419	318,173
Total assets	\$ 64,093,229	60,532,053
LIABILITIES		
Liabilities:		
Accounts payable	49,231	55,467
Deferred revenue	1,621	-
Claims loss reserves:		
Claims reserve	27,795,282	26,633,956
Reinsurance recoverable	(2,648,257)	(2,890,761)
Loss reserve discounting	(3,203,913)	(2,828,136)
Net claims loss reserves	21,943,112	20,915,059
Claim service/assessments reserve	3,910,993	3,597,139
Total liabilities	\$ 25,904,957	24,567,665
NET ASSETS		
Invested in capital assets, net of related debt	233,419	318,173
Reserve for statutory funding	1,647,527	1,378,297
Unrestricted:		
Board designated	2,316,820	2,108,815
Contingency reserve	33,990,506	32,159,103
Total net assets	\$ 38,188,272	35,964,388

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statements of Revenue and Expenses
(All Fund Years)
For the years ended December 31, 2006 and 2005

	2006	2005
Revenue:		
Contributions	\$ 17,247,890	16,610,754
Less discounts	(1,636,544)	(1,539,835)
Less loss control credit	(384,305)	(383,085)
Less medical deductible credit	(8,434)	(10,610)
Net contributions	15,218,607	14,677,224
Investment income	2,811,710	1,189,620
Total revenue	18,030,317	15,866,844
Expenses:		
Claims paid	10,173,792	8,721,455
Claims reserve - current year adjustment	1,161,326	1,696,111
Subrogation recovery	(376,039)	(192,413)
Deductible recovery	(12,966)	(11,923)
Ultimate claims loss	10,946,113	10,213,230
Reinsurance recovered	(122,254)	(112,137)
Reinsurance recoverable adjustment	242,504	(1,141,386)
Supplemental benefits fund recovered	(103,950)	-
Supplemental benefits fund recoverable	-	41,123
Net ultimate claims loss	10,962,413	9,000,839
Loss reserve discounting - current year adjustment	(375,777)	(257,605)
Net claims expense	10,586,636	8,743,225
Reinsurance premium	584,974	559,334
Professional service	82,651	100,261
Administrative fees	2,854,962	2,840,286
Regulatory assessments and fees	506,002	460,142
Claims service/assessments reserve	313,854	(263,847)
Safety and scholarship grants	202,992	205,406
Training expense	-	47,913
Depreciation expense	102,867	99,173
Maintenance contracts	73,323	113,003
Dividends paid	498,172	498,927
Total expenses	15,806,433	13,403,823
Change in net assets	\$ 2,223,884	2,463,021

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statements of Changes in Net Assets
(All Fund Years)

For the years ended December 31, 2006 and 2005

		Invested in capital assets	Reserve for statutory funding	Board designated reserve	Contingency reserve	Total net assets
Net assets at December 31, 2004	\$	371,332	1,382,759	2,101,845	29,645,431	33,501,367
Change in net assets		(53,159)	(4,462)	6,970	2,513,672	2,463,021
Net assets at December 31, 2005		318,173	1,378,297	2,108,815	32,159,103	35,964,388
Change in net assets		(84,754)	269,230	208,005	1,831,403	2,223,884
Net assets at December 31, 2006	\$	233,419	1,647,527	2,316,820	33,990,506	38,188,272

See accompanying notes to financial statements.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statements of Cash Flows
For the years ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Receipts from net contributions	\$ 15,199,182	14,683,947
Receipts from investment income	2,785,282	1,133,378
Payments for net claims	(9,558,583)	(8,404,983)
Payments for reinsurance premium	(584,974)	(559,334)
Payments for professional service	(82,651)	(100,261)
Payments for administrative fees	(2,861,198)	(2,902,226)
Payments for regulatory assessment and fees	(506,002)	(460,142)
Payments for safety and scholarship grants	(202,992)	(205,406)
Payments for training fees	-	(47,913)
Payments for maintenance contracts	(88,609)	29,727
Payments for dividends paid	(498,172)	(498,927)
Net cash provided by operating activities	3,601,283	2,667,860
Cash flows from capital and related financing activities:		
Net purchases of computer equipment	(18,113)	(46,014)
Net cash used in capital and related financing activities	(18,113)	(46,014)
Cash flows from investing activities:		
Net purchase of investments	(2,106,372)	(4,583,067)
Net cash used in investing activities	(2,106,372)	(4,583,067)
Increase (decrease) in cash	1,476,798	(1,961,221)
Cash, beginning of year	2,862,995	4,824,216
Cash, end of year	\$ 4,339,793	2,862,995
Reconciliation of change in net assets		
to net cash provided by operating activities:		
Change in net assets	\$ 2,223,884	2,463,021
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	102,867	99,173
(Increase) decrease in assets:		
Accounts receivable	(21,046)	6,723
Accrued interest receivable	(26,428)	(56,242)
Prepaid expenses	(15,286)	142,730
Increase (decrease) in liabilities:		
Accounts payable	(6,236)	(61,940)
Deferred revenue	1,621	-
Net claims loss reserve	1,028,053	338,242
Claim service/assessments reserve	313,854	(263,847)
Net cash provided by operating activities	\$ 3,601,283	2,667,860
Non-cash activities:		
Net appreciation (depreciation) in fair value of investments	\$ 178,136	(1,199,483)

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maine Municipal Association Workers' Compensation Fund (the "Fund") was established on November 1, 1978 to provide an alternative to commercial workers' compensation insurance for members of the Maine Municipal Association. During 2006 and 2005, respectively, there were 593 and 595 governmental entities that participated in the Fund. Participants share risk in proportion to their contributions. The Fund is administered by Maine Municipal Association for which a management fee is assessed and included in expenses. These financial statements include only the accounts of the Maine Municipal Association Workers' Compensation Fund. The Fund is regulated by the State of Maine Bureau of Insurance under Rule Chapter 250.

Tax Exempt Status - The Fund was established and is administered by the Maine Municipal Association, a tax-exempt instrumentality of the municipalities, and therefore 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 fund 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. In addition to the fund year operations, the Board established two additional funds, as detailed below:

- **Safety and Scholarship Fund ("WC SS Fund")** - The purpose of this fund is to provide resources for scholarships and grants to Fund members to increase workplace safety and to support a crisis intervention program. In 1999, the Board of Trustees established a Safety and Scholarship Fund by transferring \$500,000 from the Contingency Reserve. An additional \$433,805 was transferred in 2004 and \$600,000 in 2006.
- **Safety Training Fund ("WC Training Fund")** - The purpose of this fund is to provide members specialized safety training beyond the on-going loss control program. In 2005, the Board of Trustees established a training fund by transferring \$100,000 from the Contingency Reserve.

Basis of Accounting - The Fund maintained its books of accounts and prepared its financial statements on the accrual basis.

The Fund follows the applicable provisions of Government Accounting Standards Board's (GASB) U.S. generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Additionally, the Fund 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 Fund 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 Fund considers all highly liquid deposits with an initial maturity of three months or less to be cash and cash equivalents. Amounts in the mutual fund investment sweep and the money market mutual fund are indirectly invested in U.S. government obligations.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments - All investments are carried at fair value, based on quoted market prices, in a single pooled investment account for all of the Workers' Compensation fund years. The Fund's investments consist of U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Fund estimates that the fair value of all financial instruments at December 31, 2006 and 2005 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of changes in net assets. The estimated fair value amounts have been determined by quoted market prices. 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 have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at December 31, 2006 and 2005.

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

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 revenue and expenses at the time the adjustments are determined.

Claims Service/Assessments Reserve - The claims service/assessments reserve is actuarially determined and consists of estimates for (1) future claims services and (2) future assessments by the State of Maine in connection with claims originating in fund years through 2006. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount.

Reinsurance - The Fund 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 Fund as direct insurer of the risks reinsured. The Fund does not report reinsured losses as liabilities unless it is probable that those losses will not be covered by reinsurers. Premiums ceded to reinsurers during 2006 and 2005 were \$584,974 and \$559,334, respectively. The amounts deducted from claims liabilities as of December 31, 2006 and 2005 for reinsurance recoveries were \$2,691,408 and \$2,890,761, respectively.

Contributions - Member contributions are based on the standard premium workers' compensation rates similar to an insured plan. Various premium discounts and credits are given to members. The contributions for 2006 have not been fully determined; the current premiums are based on estimated payrolls. Audits are conducted during each succeeding year to adjust for actual payroll expenses incurred by the members.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates utilized in the preparation of the financial statements include claims loss reserves and the claims service/assessments reserve.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
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 December 31:

	<u>2006</u>	<u>2005</u>
CMA - deposit account	\$ 1,546	1,217
CMA - mutual fund investment sweep	236,394	528,741
Money market mutual fund	4,101,853	2,333,037
Totals	\$ 4,339,793	2,862,995

CMA - deposit account balances of \$1,546 and \$1,217 at December 31, 2006 and 2005, respectively, consist of checks deposited which are not yet available for transfer.

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. The money market mutual fund is held in a separate Trust solely for the Workers' Compensation Fund. Only the assets belonging to the Workers' Compensation Fund are included in these financial statements.

Custodial Credit Risk-Fund Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits in excess of the FDIC insured limit may not be recoverable. The Fund 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 December 31, 2006, the Fund had the following investments and maturities:

Investment types:	<u>Fair Value</u>	<u>< 1 year to Maturity</u>	<u>1 to 5 years to Maturity</u>	<u>5 + years to Maturity</u>
U.S. government obligations	\$ 58,827,750	14,403,275	44,424,475	-
Totals	\$ 58,827,750	14,403,275	44,424,475	-

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

At December 31, 2005, the Fund had the following investments and maturities:

Investment types:	Fair Value	< 1 year to Maturity	1 to 5 years to Maturity	5 + years to Maturity
U.S. government obligations	\$ 56,721,378	11,024,492	45,696,886	-
Totals	\$ 56,721,378	11,024,492	45,696,886	-

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund's investment policy requires that, to the extent possible, the Fund 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 Fund'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 Fund'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 and 2005 was 5 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 Fund'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 or 2005, and the Fund had no investments in corporate stocks or bonds as of December 31, 2006 and 2005.

Custodial Credit Risk-Fund Investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fund addresses this risk by having the custodian hold investments to the Fund'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 Fund's policy to diversify its investments by security type to mitigate concentration risk. 2006 asset allocation targets were, as follows: money market funds: 10%, U.S. government securities: 85%, and corporate bonds: 5%. 2005 asset allocation targets were, as follows: money market funds: 10%, U.S. government securities: 80%, and corporate bonds: 10%. Actual levels vary over the course of the year, and may be adjusted by management based on changing economic conditions.

NET DEPRECIATION IN FAIR VALUE

Net depreciation in fair value during the years ended December 31, 2006 and 2005 by type of investment is as follows. Such amounts are included in investment income on the statements of revenue and expenses.

	2006	2005
Corporate bonds	\$ -	(23,385)
U.S. Government and agency securities	178,137	(1,176,098)
Totals	\$ 178,137	(1,199,483)

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE

The amounts shown for claims reserves as of December 31, 2006, are developed from an actuarially determined loss analysis and are as follows:

Fund Year	Reserve based on known claims	Actuarial reserves	Total reserves	Net paid claims	Actuarially determined ultimate claims
1978-1979	\$ -	-	-	719,077	719,077
1979-1980	-	-	-	2,532,544	2,532,544
1980-1981	-	-	-	3,327,467	3,327,467
1981-1982	-	-	-	2,957,391	2,957,391
1982-1983	-	-	-	3,977,589	3,977,589
1983-1984	-	-	-	5,077,576	5,077,576
1985	441,383	23,057	464,440	7,098,443	7,562,883
1986	131,652	36,022	167,674	7,109,249	7,276,923
1987	633,066	3,880	636,946	8,653,365	9,290,311
1988	43,471	11,894	55,365	7,937,945	7,993,310
1989	63,094	17,263	80,357	9,514,706	9,595,063
1990	600	164	764	8,654,463	8,655,227
1991	42,416	50,921	93,337	7,925,999	8,019,336
1992	59,680	69,312	128,992	8,857,014	8,986,006
1993	710,939	43,441	754,380	8,752,984	9,507,364
1994	60,827	84,846	145,673	5,946,106	6,091,779
1995	171,102	53,258	224,360	4,068,654	4,293,014
1996	88,681	107,851	196,532	4,909,360	5,105,892
1997	51,571	122,608	174,179	4,359,297	4,533,476
1998	190,479	55,165	245,644	4,336,814	4,582,458
1999	815,027	133,749	948,776	5,825,452	6,774,228
2000	474,456	197,963	672,419	5,922,492	6,594,911
2001	865,557	463,551	1,329,108	6,084,471	7,413,579
2002	1,626,890	563,061	2,189,951	7,178,349	9,368,300
2003	2,379,138	779,767	3,158,905	6,765,206	9,924,111
2004	1,722,683	1,709,130	3,431,813	6,228,088	9,659,901
2005	1,908,560	3,119,717	5,028,277	5,227,462	10,255,739
2006	3,449,521	4,217,869	7,667,390	2,833,039	10,500,429
Totals	\$ 15,930,793	11,864,489	27,795,282	162,780,602	190,575,884

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

The net claims loss reserves as reported in Statement 1 include an offset recommended by the independent actuary for loss reserve discounting. This offset provides for discounting the claims loss reserves by 5.0% based on the payout patterns recorded over the Fund's history. This reserve anticipates the accrual of conservatively projected investment income over the life of each fund. This adjustment conforms with the funding requirements of the State of Maine Bureau of Insurance.

Each fund has entered into specific reinsurance contracts for individual claims as noted below. Aggregate reinsurance contracts covering total claims paid have been purchased for each year, except 1991-1993 and 2004-2006, in which there was no coverage. The limits for the specific reinsurance for individual claims are as follows:

<u>Fund year</u>	<u>Specific Reinsurance</u>	
	<u>Attachment</u>	
	<u>Regular</u>	<u>Maritime/ USL&H</u>
1978 to 1984	\$ 250,000	-
1985 to 1990	350,000	-
1991 to 1997	400,000	-
1998	350,000	-
1999 to 2000	350,000	200,000
2001 to 2002	400,000	400,000
2003	500,000	500,000
2004 to 2006	1,000,000	-

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

The aggregate reinsurance limits are listed below along with the total amounts recoverable from both the specific and aggregate reinsurance policies based on the actuarially determined ultimate losses are as follows:

Fund Year	Actuarially determined ultimate losses	Ultimate specific reinsurance recoverable	Ultimate losses, net of specific recovery	Aggregate reinsurance attachment	Ultimate aggregate reinsurance recoverable	Ultimate TOTAL reinsurance recoverable
1978-1979	\$ 719,077	-	719,077	1,000,000	-	-
1979-1980	2,532,544	128,876	2,403,668	1,647,658	756,010	884,886
1980-1981	3,327,467	380,643	2,946,824	1,896,317	1,050,507	1,431,150
1981-1982	2,957,391	62,621	2,894,770	2,756,246	138,524	201,145
1982-1983	3,977,589	433,045	3,544,544	2,987,190	557,354	990,399
1983-1984	5,077,576	273,943	4,803,633	3,379,864	1,423,769	1,697,712
1985	7,562,883	697,070	6,865,813	3,913,707	2,952,106	3,649,176
1986	7,276,923	-	7,276,923	4,923,803	2,353,120	2,353,120
1987	9,290,311	720,393	8,569,918	9,280,199	-	720,393
1988	7,993,310	149,907	7,843,403	11,524,021	-	149,907
1989	9,595,063	-	9,595,063	12,871,277	-	-
1990	8,655,227	45,416	8,609,811	14,547,254	-	45,416
1991	8,019,336	-	8,019,336	-	-	-
1992	8,986,006	145,143	8,840,863	-	-	145,143
1993	9,507,364	821,832	8,685,532	-	-	821,832
1994	6,091,779	-	6,091,779	13,858,008	-	-
1995	4,293,014	-	4,293,014	13,406,985	-	-
1996	5,105,892	-	5,105,892	11,636,779	-	-
1997	4,533,476	91,013	4,442,463	12,000,000	-	91,013
1998	4,582,458	-	4,582,458	7,894,675	-	-
1999	6,774,228	323,457	6,450,771	8,595,625	-	323,457
2000	6,594,911	27,799	6,567,112	9,733,330	-	27,799
2001	7,413,579	133,550	7,280,029	10,711,749	-	133,550
2002	9,368,300	-	9,368,300	11,329,907	-	-
2003	9,924,111	303,261	9,620,850	12,156,437	-	303,261
2004	9,659,901	-	9,659,901	-	-	-
2005	10,255,739	-	10,255,739	-	-	-
2006	10,500,429	-	10,500,429	-	-	-
Totals	\$ 190,575,884	4,737,969	185,837,915	182,051,031	9,231,390	13,969,359

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
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 2006 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>
1978-79 to 1979-80	International Insurance Co. (ISLIC)	Specific	(not rated)	(not rated)
1980-81 to 1981-82	United States Fire Insurance Co.	Specific	A- (Excellent)	XIII
1982-83 to 1983-84	General Accident Ins. Co. of Amer.	Specific	A (Excellent)	XIV
1978-79 to 1983-84	Employers Reinsurance Corp.	Specific and Aggregate	A+ (Superior)	XV
1981-82 to 1983-84	Northwestern National Insurance Co.	Excess Aggregate	(not rated)	(not rated)
1985 to 1990	General Reinsurance Corp.	Specific and Aggregate	A++ (Superior)	XV
1985 to 1986	Royal Insurance Company	Excess Specific	B (Fair)	XIII
1991	General Reinsurance Corp.	Specific	A++ (Superior)	XV
1992 to 1993	Odyssey America Reinsurance Corp (formerly TIG Reinsurance Company)	Specific	A (Excellent)	XV
1994 to 1995	Travelers (formerly Aetna Casualty & Surety)	Specific and Aggregate	A+ (Superior)	XV
1996 to 2004	Safety National Casualty Corp.	Specific and Aggregate	A (Excellent)	IX
2005-2006	Safety National Casualty Corp.	Specific	A (Excellent)	IX

UNPAID CLAIMS LIABILITIES

The Fund establishes liabilities for the estimated costs of both reported and unreported losses, which includes estimates of both future payments of losses and related claim service reserves. The following represents changes in these aggregate liabilities as of December 31:

	<u>2006</u>	<u>2005</u>
<u>Claims loss and claims service reserves at beginning of year</u>	\$ 24,512,198	24,437,804
Incurred claims and claims service reserve expenses:		
Provision for insured events of the current year	10,665,701	10,644,374
Increases in provision for insured events of prior years	806,847	(1,848,523)
Total insured claims and claims service reserve expenses	11,472,548	8,795,851
Payments:		
Claims attributable to insured events of the current year	2,853,293	2,810,538
Claims attributable to insured events of prior years	7,320,499	5,910,919
Total payments	10,173,792	8,721,457
<u>Total claims loss and claims service reserves at end of year</u>	<u>\$ 25,810,954</u>	<u>24,512,198</u>

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

EXPENSES

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

INTERFUND TRANSFERS

In order to provide full funding, the Workers' Compensation Fund Trustees have approved various transfers between fund years. Transfers affected during 2006 are shown within Schedule 2. The net of all transfers made between Workers' Compensation Funds since inception is reflected in Schedule 3.

NET ASSETS

Under a policy of the Trustees of the Fund, net assets are segregated into four components.

Amounts invested in capital assets, net of debt and depreciation, represent the Fund's equity in claims and underwriting software held jointly with the MMA Property and Casualty Fund. As of December 31, 2006 and 2005, invested in capital assets, net of related debt and depreciation totaled \$233,419 and \$318,173, respectively.

The amount restricted for statutory funding is calculated by an independent actuary to a 75% confidence level based on the loss development variations experienced by the Maine Municipal Association's Workers' Compensation Fund over its history. The calculation indicates that this reserve plus the claims loss reserve and claims service/assessments reserve will be adequate to that confidence level to cover variations in the claims loss reserve development. This adjustment also conforms with the funding requirements of the State of Maine Bureau of Insurance. As of December 31, 2006 and 2005, the reserve for statutory funding totaled \$1,647,527 and \$1,378,297, respectively.

The Board designated amount is maintained to recognize the possibility that actual loss development may vary from the expected development underlying the loss projections. An independent actuary has calculated this reserve to provide an additional reserve up to the 95% confidence level. As of December 31, 2006 and 2005, the Board designated reserve totaled \$2,316,820 and \$2,108,815, respectively.

The contingency reserve represents accumulated funding in excess of the amounts invested in capital assets, the statutory requirements and the board designated reserves. The Workers' Compensation Fund Trustees have established this reserve to be held for the future financial stability of the Fund. As of December 31, 2006 and 2005, the contingency reserve totaled \$34,033,657 and \$32,159,103, respectively.

CONTINGENT LIABILITY

The Fund purchases certain annuity contracts from third-parties to settle claims liabilities. These liabilities have been removed from the statements of net assets. The annuities have been purchased from highly rated insurance companies and management believes that the likelihood that the Fund will be required to make future payments on the claims is remote. The aggregate original purchase amount of such annuities at December 31, 2006 and 2005 totaled \$8,350,683 and \$8,101,992, respectively.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

TERMINATED MEMBER'S RESERVE

Section III.E.3 of Rule 250 requires that members who have left a group self insurance plan are liable for their proportionate share of the incremental difference between funding at the 90th confidence level and the 95th confidence level. The Rule further states that the group must increase its security by such sums.

At December 31, 2006, the Fund maintained security for all fund years at or above the 95th confidence level. Therefore, all departed members have met their obligation to fund exposures to the 95th confidence level and no additional security is required.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year
December 31, 2006

Schedule 1

		1978-79 Fund Year	1979-80 Fund Year	1980-81 Fund Year	1981-82 Fund Year	1982-83 Fund Year	1983-84 Fund Year	1984-85 Fund Year	1986 Fund Year	1987 Fund Year
ASSETS										
Cash and cash equivalents	\$	1,756	1,756	1,778	1,757	1,711	1,754	10,425	8,161	9,252
Investments:										
U.S. Government and agency securities		23,807	23,805	24,101	23,813	23,191	23,771	141,329	110,622	125,424
Total investments		23,807	23,805	24,101	23,813	23,191	23,771	141,329	110,622	125,424
Accounts receivable		-	-	-	-	-	-	-	-	-
Accrued interest receivable		253	253	256	253	247	253	1,503	1,176	1,334
Prepaid expenses		-	-	-	-	-	-	-	-	-
Capital assets:										
Computer equipment and software		-	-	-	-	-	-	-	-	-
Less accumulated depreciation		-	-	-	-	-	-	-	-	-
Net capital assets		-	-	-	-	-	-	-	-	-
Total assets	\$	25,816	25,814	26,135	25,823	25,149	25,778	153,257	119,959	136,010
LIABILITIES										
Liabilities:										
Accounts payable		-	-	-	-	-	-	-	-	-
Deferred revenue		-	-	-	-	-	-	-	-	-
Claims loss reserves:										
Claims reserve		-	-	-	-	-	-	464,440	167,674	636,946
Reinsurance recoverable		-	-	-	-	-	-	(496,278)	(178,905)	(650,579)
Loss reserve discounting		-	-	-	-	-	-	-	-	(198)
Net claims loss reserves		-	-	-	-	-	-	(31,838)	(11,231)	(13,831)
Claims service/assessments reserve		-	-	-	-	-	-	54,604	27,114	66,765
Net claims loss reserves		-	-	-	-	-	-	22,766	15,883	52,934
Total liabilities		-	-	-	-	-	-	22,766	15,883	52,934
NET ASSETS										
Invested in capital assets, net of related debt		-	-	-	-	-	-	-	-	-
Reserve for statutory funding		-	-	-	-	-	-	-	-	1,305
Unrestricted:										
Board designated		-	-	-	-	-	-	-	-	1,997
Contingency reserve		25,816	25,814	26,135	25,823	25,149	25,778	130,491	104,076	79,774
Total net assets	\$	25,816	25,814	26,135	25,823	25,149	25,778	130,491	104,076	83,076

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year
December 31, 2006

Schedule 1

	1988	1989	1990	1991	1992	1993	1994	1995
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
ASSETS								
Cash and cash equivalents	\$ 11,760	22,398	16,087	31,575	48,327	54,138	44,508	45,400
Investments:								
U.S. Government and agency securities	159,409	303,607	218,060	428,020	655,096	733,853	603,331	615,432
Total investments	159,409	303,607	218,060	428,020	655,096	733,853	603,331	615,432
Accounts receivable	-	-	-	-	-	-	-	-
Accrued interest receivable	1,695	3,229	2,319	4,552	6,967	7,805	6,416	6,545
Prepaid expenses	-	-	-	-	-	-	-	-
Capital assets:								
Computer equipment and software	-	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-	-
Net capital assets	-	-	-	-	-	-	-	-
Total assets	\$ 172,864	329,234	236,466	464,147	710,390	795,796	654,255	667,377
LIABILITIES								
Liabilities:								
Accounts payable	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Claims loss reserves:								
Claims reserve	55,365	80,357	764	93,337	128,992	754,380	145,673	224,360
Reinsurance recoverable	-	-	-	-	-	(620,348)	-	-
Loss reserve discounting	(606)	(879)	(8)	(1,021)	(1,412)	(1,779)	(1,594)	(4,871)
Net claims loss reserves	54,759	79,478	756	92,316	127,580	132,253	144,079	219,489
Claims service/assessments reserve	7,994	10,416	12,451	13,462	17,126	90,697	30,097	32,131
Net claims loss reserves	62,753	89,894	13,207	105,778	144,706	222,950	174,176	251,620
Total liabilities	62,753	89,894	13,207	105,778	144,706	222,950	174,176	251,620
NET ASSETS								
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-
Reserve for statutory funding	4,163	6,370	61	7,337	10,043	9,476	11,226	16,568
Unrestricted:								
Board designated	5,961	8,324	78	9,731	13,545	12,879	15,412	24,013
Contingency reserve	99,987	224,646	223,120	341,301	542,096	550,491	453,441	375,176
Total net assets	\$ 110,111	239,340	223,259	358,369	565,684	572,846	480,079	415,757

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year
December 31, 2006

Schedule 1

	1996	1997	1998	1999	2000	2001	2002	2003
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
ASSETS								
Cash and cash equivalents	\$ 237,850	359,963	426,486	210,364	155,529	233,961	215,842	343,134
Investments:								
U.S. Government and agency securities	3,224,155	4,879,451	5,781,202	2,851,581	2,108,265	3,171,446	2,925,829	4,651,317
Total investments	3,224,155	4,879,451	5,781,202	2,851,581	2,108,265	3,171,446	2,925,829	4,651,317
Accounts receivable	-	-	-	-	-	-	-	-
Accrued interest receivable	34,288	51,891	61,481	30,326	22,421	33,727	31,115	49,465
Prepaid expenses	-	-	-	-	-	-	-	-
Capital assets:								
Computer equipment and software	-	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-	-
Net capital assets	-	-	-	-	-	-	-	-
Total assets	\$ 3,496,293	5,291,305	6,269,169	3,092,271	2,286,215	3,439,134	3,172,786	5,043,916
LIABILITIES								
Liabilities:								
Accounts payable	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Claims loss reserves:								
Claims reserve	196,532	174,179	245,644	948,776	672,419	1,329,108	2,189,951	3,158,905
Reinsurance recoverable	-	-	-	(237,537)	(27,799)	(133,550)	-	(303,261)
Loss reserve discounting	(8,406)	(11,014)	(18,739)	(65,770)	(70,640)	(147,959)	(287,522)	(390,288)
Net claims loss reserves	188,126	163,165	226,905	645,469	573,980	1,047,599	1,902,429	2,465,356
Claims service/assessments reserve	26,671	29,547	49,626	129,641	114,839	196,315	284,523	396,912
Net claims loss reserves	214,797	192,712	276,531	775,110	688,819	1,243,914	2,186,952	2,862,268
Total liabilities	214,797	192,712	276,531	775,110	688,819	1,243,914	2,186,952	2,862,268
NET ASSETS								
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-
Reserve for statutory funding	14,356	12,868	17,728	42,688	25,583	74,468	145,952	179,150
Unrestricted:								
Board designated	20,427	17,300	24,224	58,473	35,798	103,233	205,788	251,140
Contingency reserve	3,246,713	5,068,425	5,950,686	2,216,000	1,536,015	2,017,519	634,094	1,751,358
Total net assets	\$ 3,281,496	5,098,593	5,992,638	2,317,161	1,597,396	2,195,220	985,834	2,181,648

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year
December 31, 2006

Schedule I

	2004 Fund Year	2005 Fund Year	2006 Fund Year	2007 Fund Year	WC SS Fund	WC Training Fund	Totals	
							2006	2005
ASSETS								
Cash and cash equivalents	\$ 435,964	617,304	753,260	83	34,683	2,827	4,339,793	2,862,995
Investments:								
U.S. Government and agency securities	5,909,679	8,367,817	10,210,734	1,126	470,136	38,341	58,827,750	56,721,378
Total investments	5,909,679	8,367,817	10,210,734	1,126	470,136	38,341	58,827,750	56,721,378
Accounts receivable	-	-	21,756	-	-	-	21,756	710
Accrued interest receivable	62,848	88,989	108,588	12	5,000	408	625,615	599,187
Prepaid expenses	-	-	44,496	400	-	-	44,896	29,610
Capital assets:								
Computer equipment and software	-	-	495,936	-	-	-	495,936	477,823
Less accumulated depreciation	-	-	(262,517)	-	-	-	(262,517)	(159,650)
Net capital assets	-	-	233,419	-	-	-	233,419	318,173
Total assets	\$ 6,408,491	9,074,110	11,372,253	1,621	509,819	41,576	64,093,229	60,532,053
LIABILITIES								
Liabilities:								
Accounts payable	-	-	46,882	-	2,349	-	49,231	55,467
Deferred revenue	-	-	-	1,621	-	-	1,621	-
Claims loss reserves:								
Claims reserve	3,431,813	5,028,277	7,667,390	-	-	-	27,795,282	26,633,956
Reinsurance recoverable	-	-	-	-	-	-	(2,648,257)	(2,890,761)
Loss reserve discounting	(491,702)	(711,690)	(987,815)	-	-	-	(3,203,913)	(2,828,136)
Net claims loss reserves	2,940,111	4,316,587	6,679,575	-	-	-	21,943,112	20,915,059
Claims service/assessments reserve	454,247	732,982	1,132,833	-	-	-	3,910,993	3,597,139
Net claims loss reserves	3,394,358	5,049,569	7,812,408	-	-	-	25,854,105	24,512,198
Total liabilities	3,394,358	5,049,569	7,859,290	1,621	2,349	-	25,904,957	24,567,665
NET ASSETS								
Invested in capital assets, net of related debt	-	-	233,419	-	-	-	233,419	318,173
Reserve for statutory funding	226,355	331,895	509,935	-	-	-	1,647,527	1,378,297
Unrestricted:								
Board designated	317,242	466,199	725,056	-	-	-	2,316,820	2,108,815
Contingency reserve	2,470,536	3,226,447	2,044,553	-	507,470	41,576	33,990,506	32,159,103
Total net assets	\$ 3,014,133	4,024,541	3,512,963	-	507,470	41,576	38,188,272	35,964,388

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the period ended December 31, 2006

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1986	1987
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:									
Contributions	\$ -	-	-	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-	-	-	-
Less loss control credit	-	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-	-
Net contributions	-	-	-	-	-	-	-	-	-
Investment income	1,044	1,043	1,058	1,054	979	1,040	6,798	4,869	6,033
Unrealized gain (loss) on investments	75	75	75	76	70	75	335	411	370
Total revenue	1,119	1,118	1,133	1,130	1,049	1,115	7,133	5,280	6,403
Expenses:									
Claims paid	-	-	-	-	-	-	49,717	11,231	32,138
Claims reserve - current year adjustment	-	-	-	-	-	-	(20,932)	(6,755)	(13,040)
Subrogation recovery	-	-	-	-	-	-	(33,212)	-	(7,027)
Deductible recovery	-	-	-	-	-	-	-	-	-
Ultimate claims loss	-	-	-	-	-	-	(4,427)	4,476	12,071
Reinsurance recovered	-	-	-	-	(1,070)	-	7,823	(5,247)	-
Reinsurance recoverable adjustment	-	-	-	-	1,070	-	(3,395)	771	8,487
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-	-
Net ultimate claims loss	-	-	-	-	-	-	1	-	20,558
Loss reserve discounting	-	-	-	-	-	-	-	-	(197)
Net claims expense	-	-	-	-	-	-	1	-	20,361
Reinsurance premium	-	-	-	-	-	-	-	-	-
Claims service	-	-	-	-	-	-	-	-	-
Professional service	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-	-	-
Regulatory assessments and fees	-	-	-	-	-	-	-	-	-
Claims service/assessments reserve	-	-	-	-	(93)	-	1,663	4,223	5,260
Safety and scholarship grants	-	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	(93)	-	1,664	4,223	25,621
Change in net assets before transfers	1,119	1,118	1,133	1,130	1,142	1,115	5,469	1,057	(19,218)
Interfund transfers:									
To 2006 fund	(352)	(201)	(426)	(87)	(1,058)	-	-	-	(13,162)
Net change in net assets	767	917	707	1,043	84	1,115	5,469	1,057	(32,380)
Net assets, beginning	25,049	24,897	25,428	24,780	25,065	24,663	125,022	103,019	115,456
Net assets, ending	\$ 25,816	25,814	26,135	25,823	25,149	25,778	130,491	104,076	83,076

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the period ended December 31, 2006

	1988	1989	1990	1991	1992	1993	1994	1995
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:								
Contributions	\$ -	-	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-	-	-
Less loss control credit	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-
Net contributions	-	-	-	-	-	-	-	-
Investment income	7,340	13,955	9,833	19,746	28,767	33,560	26,961	28,824
Unrealized gain (loss) on investments	498	946	686	1,336	2,037	2,046	2,333	1,823
Total revenue	7,838	14,901	10,519	21,082	30,804	35,606	29,294	30,647
Expenses:								
Claims paid	97	2,740	89,147	3,607	8,623	80,662	115,590	73,286
Claims reserve - current year adjustment	1,259	308	(144,135)	(52,448)	(49,955)	(153,188)	(73,200)	(8,951)
Subrogation recovery	-	-	-	-	(1,171)	-	-	(9,826)
Deductible recovery	-	-	-	-	-	-	-	-
Ultimate claims loss	1,356	3,048	(54,988)	(48,841)	(42,501)	(72,526)	42,390	54,509
Reinsurance recovered	-	-	-	-	-	-	-	-
Reinsurance recoverable adjustment	-	-	-	-	-	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	(48,000)	(3,558)
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-
Net ultimate claims loss	1,356	3,048	(54,988)	(48,841)	(42,501)	(72,526)	(5,610)	50,951
Loss reserve discounting	(14)	(3)	1,578	574	546	1,364	3,157	5,108
Net claims expense	1,342	3,045	(53,410)	(48,267)	(41,955)	(71,162)	(2,453)	56,059
Reinsurance premium	-	-	-	-	-	-	-	-
Claims service	-	-	-	-	-	-	-	-
Professional service	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-	-
Regulatory assessments and fees	-	-	-	-	-	-	-	-
Claims service/assessments reserve	1,085	(217)	(9,366)	(5,289)	(13,756)	(8,406)	1,563	(2,002)
Safety and scholarship grants	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-
Total expenses	2,427	2,828	(62,776)	(53,556)	(55,711)	(79,568)	(890)	54,057
Change in net assets before transfers	5,411	12,073	73,295	74,638	86,515	115,174	30,184	(23,410)
Interfund transfers:								
To 2006 fund	(54,918)	(91,682)	-	(142,194)	(5,003)	-	(20,936)	(52,459)
Not change in net assets	(49,507)	(79,609)	73,295	(67,556)	81,512	115,174	9,248	(75,869)
Net assets, beginning	159,618	318,949	149,964	425,925	484,172	457,672	470,831	491,626
Net assets, ending	\$ 110,111	239,340	223,259	358,369	565,684	572,846	480,079	415,757

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the period ended December 31, 2006

	1996	1997	1998	1999	2000	2001	2002	2003
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:								
Contributions	\$ -	-	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-	-	-
Less loss control credit	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-
Net contributions	-	-	-	-	-	-	-	-
Investment income	158,321	220,604	261,532	127,393	96,183	148,227	136,115	220,534
Unrealized gain (loss) on investments	6,630	16,203	18,168	9,464	5,945	8,398	7,665	12,656
Total revenue	164,951	236,807	279,700	136,857	102,128	156,625	143,780	233,190
Expenses:								
Claims paid	25,661	96,763	152,987	386,662	478,305	502,354	627,193	939,891
Claims reserve - current year adjustment	(107,694)	(73,850)	(168,390)	(400,680)	(323,392)	(304,398)	(193,339)	(271,526)
Subrogation recovery	-	-	(8,751)	(29,375)	(35,225)	-	(86,454)	(56,783)
Deductible recovery	-	-	-	-	-	-	(500)	-
Ultimate claims loss	(82,033)	22,913	(24,154)	(43,393)	119,688	197,956	346,900	611,582
Reinsurance recovered	-	(91,013)	-	(32,747)	-	-	-	-
Reinsurance recoverable adjustment	-	90,641	-	182,812	(27,799)	-	-	(10,083)
Supplemental benefits fund recovered	-	-	(9,241)	(43,151)	-	-	-	-
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-
Net ultimate claims loss	(82,033)	22,541	(33,395)	63,521	91,889	197,956	346,900	601,499
Loss reserve discounting	10,831	9,599	23,663	42,715	57,858	57,286	41,776	22,947
Net claims expense	(71,202)	32,140	(9,732)	106,236	149,747	255,242	388,676	624,446
Reinsurance premium	-	-	-	-	-	-	-	-
Claims service	-	-	-	-	-	-	-	-
Professional service	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-	-
Regulatory assessments and fees	-	-	-	-	-	-	-	-
Claims service/assessments reserve	(11,359)	(23,587)	(2,746)	(38,199)	11,672	80	(9,269)	(45,126)
Safety and scholarship grants	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-
Total expenses	(82,561)	8,553	(12,478)	68,037	161,419	255,322	379,407	579,320
Change in net assets before transfers	247,512	228,254	292,178	68,820	(59,291)	(98,697)	(235,627)	(346,130)
Interfund transfers:								
To 2006 fund	(1,600,000)	(1,000,000)	(738,795)	-	-	-	-	-
Net change in net assets	(1,352,488)	(771,746)	(446,617)	68,820	(59,291)	(98,697)	(235,627)	(346,130)
Net assets, beginning	4,633,984	5,870,339	6,439,255	2,248,341	1,656,687	2,293,917	1,221,461	2,527,778
Net assets, ending	\$ 3,281,496	5,098,593	5,992,638	2,317,161	1,597,396	2,195,220	985,834	2,181,648

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the period ended December 31, 2006

	2004	2005	2006	2007	WC SS	WC Training	Totals	
	Fund Year	Fund Year	Fund Year	Fund Year	Fund	Fund	2006	2005
Revenue:								
Contributions	\$ -	293,359	16,954,531	-	-	-	17,247,890	16,610,754
Less discounts	-	-	(1,636,544)	-	-	-	(1,636,544)	(1,539,835)
Less loss control credit	-	-	(384,305)	-	-	-	(384,305)	(383,085)
Less medical deductible credit	-	-	(8,434)	-	-	-	(8,434)	(10,610)
Net contributions	-	293,359	14,925,248	-	-	-	15,218,607	14,677,224
Investment income	277,229	405,390	389,142	-	-	-	2,633,574	2,389,103
Unrealized gain (loss) on investments	13,650	14,099	51,991	-	-	-	178,136	(1,199,483)
Total revenue	290,879	712,848	15,366,381	-	-	-	18,030,317	15,866,844
Expenses:								
Claims paid	1,166,140	2,477,703	2,853,293	-	-	-	10,173,792	8,721,453
Claims reserve - current year adjustment	(1,576,772)	(2,564,986)	7,667,390	-	-	-	1,161,326	1,696,111
Subrogation recovery	(51,053)	(43,073)	(14,089)	-	-	-	(376,039)	(192,413)
Deductible recovery	-	(6,302)	(6,164)	-	-	-	(12,966)	(11,923)
Ultimate claims loss	(461,685)	(136,658)	10,500,430	-	-	-	10,946,113	10,213,230
Reinsurance recovered	-	-	-	-	-	-	(122,254)	(112,137)
Reinsurance recoverable adjustment	-	-	-	-	-	-	242,504	(1,141,386)
Supplemental benefits fund recovered	-	-	-	-	-	-	(103,950)	-
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	41,123
Net ultimate claims loss	(461,685)	(136,658)	10,500,430	-	-	-	10,962,413	9,000,830
Loss reserve discounting	140,658	192,592	(987,815)	-	-	-	(375,777)	(257,605)
Net claims expense	(321,027)	55,934	9,512,615	-	-	-	10,586,636	8,743,225
Reinsurance premium	-	-	584,974	-	-	-	584,974	559,334
Claims service	-	-	-	-	-	-	-	-
Professional service	-	-	82,651	-	-	-	82,651	100,261
Administrative fees	-	(124,463)	2,979,425	-	-	-	2,854,962	2,840,286
Regulatory assessments and fees	-	-	506,002	-	-	-	506,002	460,142
Claims service/assessments reserve	(263,237)	(411,873)	1,132,833	-	-	-	313,854	(263,847)
Safety and scholarship grants	-	-	-	-	202,992	-	202,992	205,406
Legal and consultant fees	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	47,913
Depreciation expense	-	-	102,867	-	-	-	102,867	99,173
Maintenance contracts	-	-	73,323	-	-	-	73,323	113,003
Dividends paid	-	498,172	-	-	-	-	(498,172)	498,927
Total expenses	(584,264)	17,770	14,974,690	-	202,992	-	15,806,433	13,403,823
Change in net assets before transfers	875,143	695,078	391,691	-	(202,992)	-	2,223,884	2,463,021
Interfund transfers:								
To 2006 fund	-	-	3,121,273	-	600,000	-	-	-
Net change in net assets	875,143	695,078	3,512,964	-	397,008	-	2,223,884	2,463,021
Net assets, beginning	2,138,990	3,329,463	(1)	-	110,462	41,576	35,964,388	33,501,367
Net assets, ending	\$ 3,014,133	4,024,541	3,512,963	-	507,470	41,576	38,188,272	35,964,388

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
 Cumulative Statement of Revenues and Expenses
 For the period November 1, 1978 through December 31, 2006

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1986
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:								
Contributions	\$ 898,836	2,198,194	2,906,927	4,240,842	4,595,670	5,632,582	6,021,088	6,838,615
Less discounts	-	-	(290,693)	(424,084)	(459,567)	(796,892)	(852,654)	(980,663)
Less loss control credit	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-
Net contributions	898,836	2,198,194	2,616,234	3,816,758	4,136,103	4,835,690	5,168,434	5,857,952
Investment income	328,747	811,264	644,302	1,471,895	1,476,788	1,258,771	1,034,945	1,259,236
Miscellaneous revenue	-	35	234	123	(125)	891	2,180	2,371
Total revenue	1,227,583	3,009,493	3,260,770	5,288,776	5,612,766	6,095,352	6,205,559	7,119,559
Expenses:								
Claims paid	719,286	2,532,544	3,357,988	2,988,697	3,993,534	5,131,404	7,231,537	7,283,563
Claims reserve	-	-	-	-	-	-	464,440	167,674
Subrogation recovery	(210)	-	(30,520)	(31,306)	(15,945)	(53,828)	(133,093)	(174,313)
Deductible recovery	-	-	-	-	-	-	-	-
Ultimate claims loss	719,076	2,532,544	3,327,468	2,957,391	3,977,589	5,077,576	7,562,884	7,276,924
Reinsurance recovered	-	(884,886)	(1,431,150)	(201,145)	(990,399)	(1,697,712)	(3,152,898)	(2,174,215)
Reinsurance recoverable adjustment	-	-	-	1	-	-	(496,278)	(178,905)
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-
Net ultimate claims loss	719,076	1,647,658	1,896,318	2,756,247	2,987,190	3,379,864	3,913,708	4,923,804
Loss reserve discounting	-	-	-	-	-	-	-	-
Net claims expense	719,076	1,647,658	1,896,318	2,756,247	2,987,190	3,379,864	3,913,708	4,923,804
Reinsurance premium	137,237	312,790	419,524	478,576	363,680	411,812	520,415	699,461
Claims service fee paid	82,296	176,497	236,470	327,459	386,512	473,213	351,488	404,309
Loss control service	-	-	-	-	-	-	-	-
Administrative fees	13,627	49,349	55,671	254,892	398,727	499,345	660,000	441,000
Regulatory assessments and fees	-	-	-	6,123	232	662	402	3,161
Claims service/assessments reserve	-	-	-	-	-	-	54,604	27,114
Safety and scholarship grants	-	-	-	-	-	-	-	-
Legal and scholarship grants	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-
Dividends paid	106,990	23,229	-	-	-	-	-	-
Interest refund	188,639	591,990	537,188	793,891	508,732	243,525	-	-
Interest expense	-	-	-	-	-	-	-	-
Total expenses	1,247,865	2,851,513	3,145,171	4,617,188	4,645,073	5,008,421	5,500,617	6,498,849
Change in net assets before transfers	(20,282)	157,980	115,599	671,588	967,693	1,086,931	704,942	620,710
Interfund transfers	46,098	(132,166)	(89,464)	(645,765)	(942,544)	(1,061,153)	(574,451)	(516,634)
From MMA General Fund	-	-	-	-	-	-	-	-
Net assets, ending	\$ 25,816	25,814	26,135	25,823	25,149	25,778	130,491	104,076

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Cumulative Statement of Revenues and Expenses
For the period November 1, 1978 through December 31, 2006

	1987	1988	1989	1990	1991	1992	1993	1994
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue								
Contributions	\$ 8,513,891	11,896,947	13,324,125	14,920,260	16,176,020	13,370,101	14,698,127	16,420,659
Less discounts	(1,236,385)	(1,216,358)	(1,027,854)	(1,237,948)	(1,428,079)	(1,276,658)	(1,441,541)	(1,426,427)
Less loss control credit	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-
Net contributions	7,277,506	10,680,589	12,296,271	13,682,312	14,747,941	12,093,443	13,256,586	14,994,232
Investment income	2,870,610	3,978,563	3,815,133	3,705,878	4,132,776	3,439,558	3,262,483	2,978,246
Miscellaneous revenue	11,735	3,703	2,861	2,981	2,049	3,938	8,906	(716)
Total revenue	10,159,851	14,662,855	16,114,265	17,391,171	18,882,766	15,536,939	16,527,975	17,971,762
Expenses								
Claims paid	8,749,756	8,023,888	9,758,089	8,707,167	7,991,595	8,895,357	8,782,053	6,048,093
Claims reserve	636,946	55,365	80,357	764	93,337	128,992	754,380	145,673
Subrogation recovery	(96,390)	(85,944)	(243,383)	(52,704)	(65,596)	(38,343)	(29,069)	(101,987)
Deductible recovery	-	-	-	-	-	-	-	-
Ultimate claims loss	9,290,312	7,993,309	9,595,063	8,655,227	8,019,336	8,986,006	9,507,364	6,091,779
Reinsurance recovered	(69,815)	(149,907)	-	(45,416)	-	(145,143)	(201,484)	-
Reinsurance recoverable adjustment	(650,579)	-	-	-	-	-	(620,349)	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-
Net ultimate claims loss	8,569,918	7,843,402	9,595,063	8,609,811	8,019,336	8,840,863	8,685,531	6,091,779
Loss reserve discounting	(198)	(606)	(879)	(8)	(1,021)	(1,412)	(1,779)	(1,594)
Net claims expense	8,569,720	7,842,796	9,594,184	8,609,803	8,018,315	8,839,451	8,683,752	6,090,185
Reinsurance premium	1,178,993	1,384,557	1,768,008	1,884,136	1,000,000	1,258,394	1,396,197	1,377,769
Claims service fee paid	441,635	327,982	393,927	492,491	574,544	612,319	641,430	739,044
Loss control service	-	160,000	159,500	203,802	233,817	254,729	276,029	271,628
Administrative fees	500,000	575,000	687,000	762,100	803,500	857,569	925,325	989,573
Regulatory assessments and fees	24,918	4,319	85,838	121,554	13,707	163,687	234,986	257,337
Claims service/assessments reserve	66,765	7,994	10,416	12,451	13,462	17,126	90,697	30,097
Safety and scholarship grants	-	-	-	-	-	-	-	-
Legal and scholarship grants	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	76,147	500,000	150,000	1,250,000
Interest refund	-	-	-	-	-	-	-	-
Interest expense	992,030	105,260	81,904	-	-	-	-	-
Total expenses	11,774,061	10,902,908	12,780,777	12,085,537	10,733,492	12,503,275	12,398,416	11,905,633
Change in net assets before transfers	(1,614,210)	4,254,947	3,333,488	5,305,634	8,149,274	3,033,664	4,129,559	6,966,129
Interfund transfers	1,697,286	(4,144,836)	(3,094,148)	(5,082,375)	(7,799,905)	(2,467,980)	(3,556,313)	(6,486,050)
From MMA General Fund	-	-	-	-	-	-	-	-
Net assets, ending	\$ 83,076	110,111	239,340	223,259	358,369	565,684	572,846	480,079

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Cumulative Statement of Revenues and Expenses
For the period November 1, 1978 through December 31, 2006

	1995	1996	1997	1998	1999	2000	2001	2002
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:								
Contributions	\$ 13,726,365	9,210,964	7,426,059	6,724,762	6,563,966	7,228,092	8,781,293	10,766,844
Less discounts	(1,425,500)	(798,972)	(629,764)	(531,730)	(521,782)	(596,605)	(703,678)	(895,300)
Less loss control credit	-	(362,288)	(169,007)	(184,472)	(206,437)	(220,584)	(333,223)	(328,432)
Less medical deductible credit	-	-	-	(6,887)	(6,230)	(6,725)	(9,382)	(8,848)
Net contributions	12,300,865	8,049,704	6,627,288	6,001,673	5,829,517	6,404,178	7,735,010	9,534,264
Investment income	3,203,228	3,675,922	3,080,920	2,776,909	1,566,213	1,290,674	1,204,049	1,005,906
Miscellaneous revenue	814	-	-	-	-	-	-	-
Total revenue	15,504,907	11,725,626	9,708,208	8,778,582	7,395,730	7,694,852	8,939,059	10,540,170
Expenses:								
Claims paid	4,186,689	5,153,742	4,535,390	4,474,939	6,047,774	6,244,450	6,161,809	7,467,624
Claims reserve	224,360	196,532	174,179	245,644	948,776	672,419	1,329,108	2,189,951
Subrogation recovery	(118,034)	(226,673)	(138,206)	(124,623)	(168,564)	(311,999)	(66,279)	(279,996)
Deductible recovery	-	(17,708)	(12,123)	(13,501)	(10,608)	(9,960)	(11,059)	(9,280)
Ultimate claims loss	4,293,015	5,105,893	4,559,240	4,582,459	6,817,378	6,594,910	7,413,579	9,368,299
Reinsurance recovered	-	-	(91,013)	-	(42,770)	-	-	-
Reinsurance recoverable adjustment	-	-	-	-	(237,536)	(27,799)	(133,550)	-
Supplemental benefits fund recovered	-	-	(25,765)	-	(43,151)	-	-	-
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-
Net ultimate claims loss	4,293,015	5,105,893	4,442,462	4,582,459	6,493,921	6,567,111	7,280,029	9,368,299
Loss reserve discounting	(4,871)	(8,406)	(11,014)	(18,739)	(65,770)	(70,640)	(147,959)	(287,522)
Net claims expense	4,288,144	5,097,487	4,431,448	4,563,720	6,428,151	6,496,471	7,132,070	9,080,777
Reinsurance premium	1,326,533	949,462	842,497	508,299	474,434	615,289	472,360	597,909
Claims service fee paid	728,277	93,000	14,050	15,500	18,000	-	-	-
Loss control service	4,916	22,331	23,256	26,224	28,578	58,855	50,676	47,723
Administrative fees	1,610,290	1,861,680	1,952,664	1,911,188	1,878,993	1,867,023	1,930,412	2,286,467
Regulatory assessments and fees	291,756	253,870	177,267	205,266	199,199	197,308	387,316	234,330
Claims service/assessments reserve	32,131	26,671	29,547	49,626	129,641	114,839	196,315	284,523
Safety and scholarship grants	-	-	-	-	-	-	-	-
Legal and scholarship grants	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-
Depreciation expense	19,269	44,505	51,996	45,988	41,315	39,992	39,615	47,130
Maintenance contracts	-	1,431	3,850	3,245	6,392	7,414	18,403	21,043
Dividends paid	2,242,014	1,163,116	355,455	341,572	362,866	368,132	385,394	398,373
Interest refund	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-
Total expenses	10,543,330	9,513,553	7,882,030	7,670,628	9,567,569	9,765,323	10,612,561	12,998,275
Change in net assets before transfers	4,961,577	2,212,073	1,826,178	1,107,954	(2,171,839)	(2,070,471)	(1,673,502)	(2,458,105)
Interfund transfers	(4,545,820)	1,069,423	3,272,415	4,470,240	4,489,000	3,667,867	3,868,722	3,443,939
From MMA General Fund	-	-	-	414,444	-	-	-	-
Net assets, ending	\$ 415,757	3,281,496	5,098,593	5,992,638	2,317,161	1,597,396	2,195,220	985,834

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Cumulative Statement of Revenues and Expenses
For the period November 1, 1978 through December 31, 2006

	2003	2004	2005	2006	2007	WC SS	WC Training	Totals
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund	Fund	
Revenue:								
Contributions	\$ 13,489,261	15,285,637	16,444,605	16,954,531	-	-	-	275,255,263
Less discounts	(1,183,988)	(1,394,079)	(1,539,835)	(1,636,544)	-	-	-	(25,953,580)
Less loss control credit	(401,161)	(362,445)	(383,085)	(384,305)	-	-	-	(3,335,439)
Less medical deductible credit	(9,061)	(11,225)	(10,610)	(8,434)	-	-	-	(77,402)
Net contributions	11,895,051	13,517,888	14,511,075	14,925,248	-	-	-	245,888,842
Investment income	614,976	551,973	617,956	441,133	-	-	-	56,499,054
Miscellaneous revenue	-	-	-	(1)	-	-	-	41,979
Total revenue	12,510,027	14,069,861	15,129,031	15,366,380	-	-	-	302,429,875
Expenses:								
Claims paid	6,884,799	6,309,517	5,288,241	2,853,293	-	-	-	165,802,818
Claims reserve	3,158,905	3,431,813	5,028,277	7,667,390	-	-	-	27,795,282
Subrogation recovery	(110,566)	(74,029)	(48,152)	(14,089)	-	-	-	(2,833,841)
Deductible recovery	(9,027)	(7,400)	(12,627)	(6,164)	-	-	-	(119,457)
Ultimate claims loss	9,924,111	9,659,901	10,255,739	10,500,430	-	-	-	190,644,802
Reinsurance recovered	-	-	-	-	-	-	-	(11,277,953)
Reinsurance recoverable adjustment	(303,261)	-	-	-	-	-	-	(2,648,256)
Supplemental benefits fund recovered	-	-	-	-	-	-	-	(68,916)
Supplemental benefits fund recoverable	-	-	-	-	-	-	-	-
Net ultimate claims loss	9,620,850	9,659,901	10,255,739	10,500,430	-	-	-	176,649,677
Loss reserve discounting	(390,288)	(491,702)	(711,690)	(987,815)	-	-	-	(3,203,913)
Net claims expense	9,230,562	9,168,199	9,544,049	9,512,615	-	-	-	173,445,764
Reinsurance premium	648,343	510,909	537,943	584,974	-	-	-	22,660,501
Claims service fee paid	-	-	-	-	-	-	-	7,330,443
Loss control service	104,363	29,741	100,261	82,651	-	-	-	2,138,280
Administrative fees	2,473,038	2,944,909	2,745,034	2,979,425	-	-	-	34,913,801
Regulatory assessments and fees	496,440	430,880	460,142	506,002	-	-	-	4,756,702
Claims service/assessments reserve	396,912	454,247	732,982	1,132,833	-	-	-	3,910,993
Safety and scholarship grants	-	-	-	-	-	1,026,335	-	1,026,335
Legal and scholarship grants	-	-	-	-	-	-	10,511	10,511
Training expense	-	-	-	-	-	-	47,913	47,913
Depreciation expense	56,306	154,841	99,172	102,867	-	-	-	742,996
Maintenance contracts	8,960	30,948	83,794	73,323	-	-	-	258,803
Dividends paid	399,459	498,927	498,172	-	-	-	-	9,169,846
Interest refund	-	-	-	-	-	-	-	2,863,965
Interest expense	-	-	-	-	-	-	-	1,179,194
Total expenses	13,814,383	14,223,604	14,801,549	14,974,690	-	1,026,335	58,424	264,656,047
Change in net assets before transfers	(1,304,356)	(153,740)	327,482	391,690	-	(1,026,335)	(58,424)	37,773,828
Interfund transfers	3,486,004	3,167,873	3,697,059	3,121,273	-	1,533,805	100,000	-
From MMA General Fund	-	-	-	-	-	-	-	414,444
Net assets, ending	\$ 2,181,648	3,014,133	4,024,541	3,512,963	-	507,470	41,576	38,188,272

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Ten Year Claims Development Information
December 31, 2006

The analysis gives a summary of the income and expenses by fund year, along with comparative data on paid claims and incurred claims since inception of the Fund Year.

	1997	1998	1999	2000	2001
Required contribution and investment income:					
Earned	\$ 9,708,209	\$ 8,778,582	7,395,732	7,694,852	8,939,059
Ceded	842,497	508,299	474,434	615,289	472,360
Net earned	8,865,712	8,270,283	6,921,298	7,079,563	8,466,699
Unallocated expenses	2,608,086	2,598,609	2,664,985	2,653,563	3,008,131
Estimated incurred claims and expense, end of policy year:					
Incurred	6,930,818	6,180,377	5,507,742	6,179,602	7,390,466
Net incurred	6,930,818	6,180,377	5,507,742	6,179,602	7,390,466
Paid claims (cumulative) as of:					
End of policy year	1,522,480	1,499,370	1,685,234	1,873,700	2,218,838
One year later	2,480,061	2,616,541	2,947,430	3,731,396	4,033,996
Two years later	2,985,677	3,243,287	4,006,973	4,697,542	4,692,702
Three years later	3,482,115	3,620,890	4,677,433	5,215,231	5,318,881
Four years later	3,620,624	4,013,225	4,970,990	5,612,268	5,659,455
Five years later	4,013,950	4,097,062	5,312,359	5,766,146	6,161,809
Six years later	4,105,047	4,193,849	5,661,112	6,244,452	-
Seven years later	4,198,025	4,321,952	6,047,774	-	-
Eight years later	4,438,627	4,474,638	-	-	-
Nine years later	4,535,391	-	-	-	-
Ten years later	-	-	-	-	-
Reestimated ceded claims and expense	(91,013)	-	(323,457)	(27,799)	(133,550)
Reestimated incurred claims and expense as of:					
End of policy year	6,930,818	6,180,377	5,507,742	6,179,602	7,390,466
One year later	5,299,270	4,915,253	5,616,297	6,862,389	7,809,051
Two years later	4,798,649	5,075,135	5,900,271	6,950,313	7,030,606
Three years later	4,638,547	4,741,715	6,219,413	6,450,286	6,995,596
Four years later	4,342,153	5,284,020	6,361,530	6,752,783	7,215,623
Five years later	4,535,104	5,095,260	6,812,567	6,475,223	7,413,579
Six years later	4,442,699	4,690,726	6,860,771	6,594,911	-
Seven years later	4,501,660	4,615,853	6,774,228	-	-
Eight years later	4,510,562	4,582,458	-	-	-
Nine years later	4,533,476	-	-	-	-
Ten years later	-	-	-	-	-
Decrease in estimated incurred claims and expense from end of policy year	\$ (2,397,342)	(1,597,919)	1,266,486	415,309	23,113

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Ten Year Claims Development Information
December 31, 2006

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Schedule 4

The analysis gives a summary of the income and expenses by fund y data on paid claims and incurred claims since inception of the Fund

	2002	2003	2004	2005	2006
Required contribution and investment income:					
Earned	\$ 10,540,170	12,510,026	14,069,861	15,129,030	15,366,378
Ceded	597,909	648,343	510,909	537,943	584,974
Net earned	9,942,261	11,861,683	13,558,952	14,591,087	14,781,404
Unallocated expenses	3,319,588	3,935,477	4,544,493	4,719,557	4,855,194
Estimated incurred claims and expense, end of policy year:					
Incurred	8,053,929	8,688,209	9,991,417	9,488,115	9,512,614
Net incurred	8,053,929	8,688,209	9,991,417	9,488,115	9,512,614
Paid claims (cumulative) as of:					
End of policy year	2,445,502	2,466,468	2,932,275	2,810,538	2,853,292
One year later	4,566,870	4,680,401	5,143,377	5,288,241	-
Two years later	6,115,453	5,944,908	6,309,517	-	-
Three years later	6,840,431	6,884,799	-	-	-
Four years later	7,467,625	-	-	-	-
Five years later	-	-	-	-	-
Six years later	-	-	-	-	-
Seven years later	-	-	-	-	-
Eight years later	-	-	-	-	-
Nine years later	-	-	-	-	-
Ten years later	-	-	-	-	-
Reestimated ceded claims and expense	-	(303,263)	-	-	-
Reestimated incurred claims and expense as of:					
End of policy year	8,053,929	8,688,209	10,888,106	10,392,397	10,500,429
One year later	8,148,115	8,900,125	10,121,585	10,255,739	-
Two years later	9,452,075	9,312,529	9,659,901	-	-
Three years later	9,021,400	9,924,111	-	-	-
Four years later	9,368,300	-	-	-	-
Five years later	-	-	-	-	-
Six years later	-	-	-	-	-
Seven years later	-	-	-	-	-
Eight years later	-	-	-	-	-
Nine years later	-	-	-	-	-
Ten years later	-	-	-	-	-
Decrease in estimated incurred claims and expense from end of policy year	\$ 1,314,371	1,235,902	(1,228,205)	(136,658)	-

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**

Financial Statements

For the years ended December 31, 2007 and 2006

MAINE MUNICIPAL ASSOCIATION
 WORKERS' COMPENSATION FUND
 Financial Statements
 For the years ended December 31, 2007 and 2006

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

The Board of Trustees
Maine Municipal Association
Workers' Compensation Fund

We have audited the accompanying statements of net assets of Maine Municipal Association Workers' Compensation Fund as of December 31, 2007 and 2006, and the related statements of revenue and expenses, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our 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 Workers' Compensation Fund as of December 31, 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 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 the 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 opinions 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.

March 27, 2008
South Portland, Maine

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis
Year ended 2007

This section of the Maine Municipal Association Workers' Compensation Fund (the Fund) annual financial report sets forth a narrative overview of its financial activities for the year ended December 31, 2007. Please read it in conjunction with the Fund's financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's fiscal year is January 1 through December 31. The annual financial report consists of four parts:

- Management Discussion and Analysis
- Basic Financial Statements
- Notes to Financial Statements
- Supplementary Information (Schedules)

Management 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 Revenue and Expenses; Statements of Changes in Net Assets; and Statements of Cash Flows.

These statements present the Fund's status at December 31, 2007 and financial developments during fiscal year 2007 for all fund years combined.

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

Supplemental Schedules include analyses of Fund assets and revenues and expenses by fund year, and a history of claims development for the past ten years.

FINANCIAL HIGHLIGHTS

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

- Net assets at December 31, 2007 were \$40,827,885, an increase of 6.9% versus the prior year.
- Cash and investments totaled \$68,170,645, an increase of 7.9%.
- Revenues in 2007 totaled \$20,300,686, an increase of 12.6%.
- Expenses in 2007 totaled \$17,661,073, an increase of 11.7%.

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

FINANCIAL ANALYSIS

The following table summarizes the Statements of Net Assets:

	<u>12/31/07</u>	<u>12/31/06</u>
ASSETS		
Current Assets	68,921,025	63,859,810
Capital Assets	182,118	233,419
Total Assets	<u>69,103,143</u>	<u>64,093,229</u>
LIABILITIES		
Net Reserves - Claims, Service & Assessments	28,275,258	28,854,105
Other Liabilities	-	50,852
Total Liabilities	<u>28,275,258</u>	<u>28,904,957</u>
NET ASSETS		
Statutory Reserves	1,919,383	1,647,527
Board Designated Reserves	2,777,731	2,316,820
Net Investment in Capital Assets	182,118	233,419
Contingency Reserve	35,948,653	33,990,506
Total Net Assets	<u>40,827,885</u>	<u>38,188,272</u>

The following table summarizes the Statements of Revenue and Expenses during calendar years 2007 and 2006 for all fund years combined.

	<u>12/31/07</u>	<u>12/31/06</u>
REVENUES		
Member Contributions	15,645,253	15,218,607
Investment and Other Revenues	4,655,433	2,811,710
Total Revenues	<u>20,300,686</u>	<u>18,030,317</u>
EXPENSES		
Net Claims Expense	11,677,564	10,586,636
Reinsurance Premium	606,908	584,974
Safety Scholarship and Grants	203,513	202,992
Other Expenses	5,173,088	4,431,831
Total Expenses	<u>17,661,073</u>	<u>15,806,433</u>
CHANGE IN NET ASSETS	<u>2,639,613</u>	<u>2,223,884</u>

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2007

The following table compares ultimate results for the 2007 fund year as projected at December 31, 2007 with the original budget. Investment income and net claims expense projections are based on an analysis by an independent actuary.

	BUDGET	PROJECTED ULTIMATE RESULTS
REVENUES		
Member Contributions	15,401,969	15,315,678
Investment and Other Revenues	1,968,647	1,706,653
Total Revenues	17,370,616	17,022,331
EXPENSES		
Net Claims Expense @95% Confidence Level	14,866,604	12,870,683
Reinsurance Premium	602,597	606,908
Provision for Member Dividends	500,000	500,000
Other Expenses	5,116,984	5,451,343
Total Expenses	21,086,185	19,428,934
TRANSFER TO (FROM) CONTINGENCY RESERVE	(3,715,569)	(2,406,603)

The major projected variances in the 2007 fund year were the decrease in investment and other revenues (13.3%) and the decrease in net claims expense (13.4%). Net claims expense at the 95% confidence level includes claims payments, reserves on open claims, actuarial estimates of claims development in the future (IBNR), a statutorily required reserve to fund claims to the 75% confidence level, and an additional reserve recommended by the actuary to fund claims to the 95% confidence level in accordance with Fund policy.

In the preceding table, Investment Income includes the actuary's projection of future earnings, which are shown as an offset to claims expense (loss fund discount) in the financial statements. The provision for member dividends is included in the projection, although it will not be reflected in the financial statements until the dividend has been formally declared by the Board of Trustees. This presentation is used herein to conform to the Workers' Compensation Fund budget.

FUND FINANCIAL POSITION AT DECEMBER 31, 2007

At December 31, 2007, the Fund's net assets totaled \$40,827,885, an increase of \$2,639,613 (6.9%) versus the prior year.

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

CAPITAL ASSETS AND LONG TERM DEBT

At December 31, 2007 the Fund had capital assets of \$547,239, net of accumulated depreciation of \$365,121, for a net capital asset balance of \$182,118. These assets are the Fund's investment in a claims and underwriting system jointly owned with the MMA Property & Casualty Pool, less accumulated depreciation. The Fund had no long-term debt.

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

Management is aware of no conditions, decisions or contingencies that are expected to significantly impact on the Fund'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 Fund's finances and to show the Fund'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
WORKERS' COMPENSATION FUND**
Statements of Net Assets
(All Fund Years)
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,482,574	4,339,793
U.S. Government and agency securities	58,688,071	58,827,750
Accounts receivable	52,112	21,756
Accrued interest receivable	665,663	625,615
Prepaid expenses	32,605	44,896
Total current assets	68,921,025	63,859,810
Capital assets:		
Computer equipment and software	547,239	495,936
Less accumulated depreciation	(365,121)	(262,517)
Net capital assets	182,118	233,419
Total assets	\$ 69,103,143	64,093,229
LIABILITIES		
Liabilities:		
Accounts payable	-	49,231
Deferred revenue	-	1,621
Claims loss reserves:		
Claims reserve	29,609,402	27,795,282
Reinsurance recoverable	(2,254,263)	(2,648,257)
Loss reserve discounting	(3,487,566)	(3,203,913)
Net claims loss reserves	23,867,573	21,943,112
Claim service/assessments reserve	4,407,685	3,910,993
Total liabilities	\$ 28,275,258	25,904,957
NET ASSETS		
Invested in capital assets, net of related debt	182,118	233,419
Reserve for statutory funding	1,919,383	1,647,527
Unrestricted:		
Board designated	2,777,731	2,316,820
Contingency reserve	35,948,653	33,990,506
Total net assets	\$ 40,827,885	38,188,272

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Statements of Revenue and Expenses
(All Fund Years)

For the Years Ended December 31, 2007 and 2006

	2007	2006
Revenue:		
Contributions	\$ 17,730,206	17,247,890
Less discounts	(1,681,943)	(1,636,544)
Less loss control credit	(394,652)	(384,305)
Less medical deductible credit	(8,358)	(8,434)
Net contributions	15,645,253	15,218,607
Investment income	4,655,433	2,811,710
Total revenue	20,300,686	18,030,317
Expenses:		
Claims paid	10,235,523	10,173,792
Claims reserve - current year adjustment	1,814,120	1,161,326
Subrogation recovery	(229,281)	(376,039)
Deductible recovery	(10,556)	(12,966)
Supplemental benefits fund recovered	(21,000)	-
Ultimate claims loss	11,788,806	10,946,113
Reinsurance recovered	(221,583)	(122,254)
Reinsurance recoverable adjustment	393,994	242,504
Supplemental benefits fund recovered	-	(103,950)
Net ultimate claims loss	11,961,217	10,962,413
Loss reserve discounting - current year adjustment	(283,653)	(375,777)
Net claims expense	11,677,564	10,586,636
Reinsurance premium	606,908	584,974
Professional service	129,664	82,651
Administrative fees	3,176,335	2,854,962
Regulatory assessments and fees	647,945	506,002
Claims service/assessments reserve	496,692	313,854
Safety and scholarship grants	203,513	202,992
Legal and consultant fees	13,137	-
Training expense	32,500	-
Depreciation expense	102,604	102,867
Maintenance contracts	76,232	73,323
Dividends paid	497,979	498,172
Total expenses	17,661,073	15,806,433
Change in net assets	\$ 2,639,613	2,223,884

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Statements of Changes in Net Assets
(All Fund Years)

For the Years Ended December 31, 2007 and 2006

	Invested in capital assets	Reserve for statutory funding	Board designated reserve	Contingency reserve	Total net assets
Net assets at December 31, 2005	\$ 318,173	1,378,297	2,108,815	32,159,103	35,964,388
Change in net assets	(84,754)	269,230	208,005	1,831,403	2,223,884
Net assets at December 31, 2006	233,419	1,647,527	2,316,820	33,990,506	38,188,272
Change in net assets	(51,301)	271,856	460,911	1,958,147	2,639,613
Net assets at December 31, 2007	\$ 182,118	1,919,383	2,777,731	35,948,653	40,827,885

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Statements of Cash Flows
For the Years Ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Receipts from net contributions	\$ 15,613,276	15,199,182
Receipts from investment income	4,615,385	2,785,282
Payments for net claims	(9,753,103)	(9,558,583)
Payments for reinsurance premium	(606,908)	(584,974)
Payments for professional service	(129,664)	(82,651)
Payments for legal and consultant fees	(13,137)	-
Payments for administrative fees	(3,225,566)	(2,861,198)
Payments for regulatory assessment and fees	(647,945)	(506,002)
Payments for safety and scholarship grants	(203,513)	(202,992)
Payments for training fees	(32,500)	-
Payments for maintenance contracts	(63,941)	(88,609)
Payments for dividends paid	(497,979)	(498,172)
Net cash provided by operating activities	5,054,405	3,601,283
Cash flows from capital and related financing activities:		
Net purchases of computer equipment	(51,303)	(18,113)
Net cash used in capital and related financing activities	(51,303)	(18,113)
Cash flows from investing activities:		
Net proceeds (purchase) of investments	139,679	(2,106,372)
Net cash provided by (used in) investing activities	139,679	(2,106,372)
Increase in cash	5,142,781	1,476,798
Cash, beginning of year	4,339,793	2,862,995
Cash, end of year	\$ 9,482,574	4,339,793
Reconciliation of change in net assets		
to net cash provided by operating activities:		
Change in net assets	\$ 2,639,613	2,223,884
Adjustments to reconcile change in net assets to		
net cash provided by operating activities:		
Depreciation expense	102,604	102,867
(Increase) decrease in assets:		
Accounts receivable	(30,356)	(21,046)
Accrued interest receivable	(40,048)	(26,428)
Prepaid expenses	12,291	(15,286)
Increase (decrease) in liabilities:		
Accounts payable	(49,231)	(6,236)
Deferred revenue	(1,621)	1,621
Net claims loss reserve	1,924,461	1,028,053
Claim service/assessments reserve	496,692	313,854
Net cash provided by operating activities	\$ 5,054,405	3,601,283
Non-cash activities:		
Net appreciation (depreciation) in fair value of investments	\$ 1,733,210	178,136

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maine Municipal Association Workers' Compensation Fund (the "Fund") was established on November 1, 1978 to provide an alternative to commercial workers' compensation insurance for members of the Maine Municipal Association. During 2007 and 2006, respectively, there were 595 and 593 governmental entities that participated in the Fund. Participants share risk in proportion to their contributions. The Fund is administered by Maine Municipal Association for which a management fee is assessed and included in expenses. These financial statements include only the accounts of the Maine Municipal Association Workers' Compensation Fund. The Fund is regulated by the State of Maine Bureau of Insurance under Rule Chapter 250.

Tax Exempt Status - The Fund was established and is administered by the Maine Municipal Association, a tax-exempt instrumentality of the municipalities, and therefore 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 fund 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. In addition to the fund year operations, the Board established two additional funds, as detailed below:

- **Safety and Scholarship Fund ("WC SS Fund")** - The purpose of this fund is to provide resources for scholarships and grants to Fund members to increase workplace safety and to support a crisis intervention program. In 1999, the Board of Trustees established a Safety and Scholarship Fund by transferring \$500,000 from the Contingency Reserve. An additional \$433,805 was transferred in 2004 and \$600,000 in 2006.
- **Safety Training Fund ("WC Training Fund")** - The purpose of this fund is to provide members specialized safety training beyond the on-going loss control program. In 2005, the Board of Trustees established a training fund by transferring \$100,000 from the Contingency Reserve. An additional \$135,000 was transferred in 2007.

Basis of Accounting - The Fund maintained its books of accounts and prepared its financial statements on the accrual basis.

The Fund follows the applicable provisions of Government Accounting Standards Board's (GASB), U.S. generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Additionally, the Fund 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 Fund 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 Fund considers all highly liquid deposits with an initial maturity of three months or less to be cash and cash equivalents. Amounts in the mutual fund investment sweep and the money market mutual fund are indirectly invested in U.S. government obligations.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments - All investments are carried at fair value, based on quoted market prices, in a single pooled investment account for all of the Workers' Compensation fund years. The Fund's investments consist of U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Fund estimates that the fair value of all financial instruments at December 31, 2007 and 2006 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of changes in net assets. The estimated fair value amounts have been determined by quoted market prices. 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 have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at December 31, 2007 and 2006.

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

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 revenue and expenses at the time the adjustments are determined.

Claims Service/Assessments Reserve - The claims service/assessments reserve is actuarially determined and consists of estimates for (1) future claims services and (2) future assessments by the State of Maine in connection with claims originating in fund years through 2007. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount.

Reinsurance - The Fund 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 Fund as direct insurer of the risks reinsured. The Fund does not report reinsured losses as liabilities unless it is probable that those losses will not be covered by reinsurers. Premiums ceded to reinsurers during 2007 and 2006 were \$606,908 and \$584,974, respectively. The amounts deducted from claims liabilities as of December 31, 2007 and 2006 for reinsurance recoveries were \$2,254,263 and \$2,648,257, respectively.

Contributions - Member contributions are based on the standard premium workers' compensation rates similar to an insured plan. Various premium discounts and credits are given to members. The contributions for 2007 have not been fully determined; the current premiums are based on estimated payrolls. Audits are conducted during each succeeding year to adjust for actual payroll expenses incurred by the members.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates utilized in the preparation of the financial statements include claims loss reserves and the claims service/assessments reserve.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
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 December 31:

	<u>2007</u>	<u>2006</u>
CMA - deposit account	\$ 87	1,546
CMA - mutual fund investment sweep	663,445	236,394
Money market mutual fund	8,819,042	4,101,853
Totals	\$ 9,482,574	4,339,793

CMA - deposit account balances of \$87 and \$1,546 at December 31, 2007 and 2006, respectively, consist of checks deposited which are not yet available for transfer.

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 Workers' Compensation Fund are included in these financial statements. The money market mutual fund is held in a separate Trust solely for the Workers' Compensation Fund.

Custodial Credit Risk-Fund Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits in excess of the FDIC insured limit may not be recoverable. The Fund 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 December 31, 2007, the Fund had the following investments and maturities:

Investment types:	Fair Value	< 1 year to Maturity	1 to 5 years to Maturity	5 + years to Maturity
U.S. government obligations	\$ 58,688,071	17,096,686	41,591,385	-
Totals	\$ 58,688,071	17,096,686	41,591,385	-

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

DEPOSITS AND INVESTMENTS, CONTINUED

At December 31, 2006, the Fund had the following investments and maturities:

Investment types:	Fair Value	< 1 year to Maturity	1 to 5 years to Maturity	5 + years to Maturity
U.S. government obligations	\$ 58,827,750	14,403,275	44,424,475	-
Totals	\$ 58,827,750	14,403,275	44,424,475	-

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund's investment policy requires that, to the extent possible, the Fund 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 Fund'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 Fund'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 5 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 Fund'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 Fund had no investments in corporate stocks or bonds as of December 31, 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 Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fund addresses this risk by having the custodian hold investments to the Fund'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 Fund's policy to diversify its investments by security type to mitigate concentration risk. 2007 and 2006 asset allocation targets were, as follows: money market funds: 10%, U.S. government securities: 85%, and corporate bonds: 5%. Actual levels vary over the course of the year, and may be adjusted by management based on changing economic conditions.

NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS

Net depreciation in fair value during the years ended December 31, 2007 and 2006 by type of investment is as follows. Such amounts are included in investment income on the statements of revenue and expenses.

	<u>2007</u>	<u>2006</u>
U.S. Government and agency securities	\$ 1,733,210	178,136
Totals	\$ 1,733,210	178,136

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE

The amounts shown for claims reserves as of December 31, 2007, are developed from an actuarially determined loss analysis and are as follows:

Fund Year	Reserve based on known claims	Actuarial reserves	Total reserves	Net paid claims	Actuarially determined ultimate claims
1978-1979	\$ -	-	-	719,076	719,076
1979-1980	-	-	-	2,532,544	2,532,544
1980-1981	-	-	-	3,327,467	3,327,467
1981-1982	-	-	-	2,957,391	2,957,391
1982-1983	-	-	-	3,977,589	3,977,589
1983-1984	-	-	-	5,077,576	5,077,576
1985	435,593	36,996	472,589	7,110,467	7,583,056
1986	113,700	35,603	149,303	7,119,653	7,268,956
1987	593,221	1,799	595,020	8,692,705	9,287,725
1988	43,327	13,567	56,894	7,938,089	7,994,983
1989	119,136	37,305	156,441	9,539,648	9,696,089
1990	600	188	788	8,655,113	8,655,901
1991	29,784	9,326	39,110	7,926,913	7,966,023
1992	54,412	20,096	74,508	8,862,196	8,936,704
1993	356,409	46,392	402,801	9,228,676	9,631,477
1994	50,594	116,296	166,890	5,952,802	6,119,692
1995	86,221	60,368	146,589	4,157,345	4,303,934
1996	69,460	175,958	245,418	4,914,530	5,159,948
1997	187,982	79,898	267,880	4,456,297	4,724,177
1998	65,324	254,610	319,934	4,386,466	4,706,400
1999	297,353	282,439	579,792	6,072,220	6,652,012
2000	571,619	376,325	947,944	6,019,541	6,967,485
2001	573,093	496,703	1,069,796	6,515,785	7,585,581
2002	1,205,281	981,059	2,186,340	8,031,416	10,217,756
2003	1,783,599	989,841	2,773,440	7,380,724	10,154,164
2004	1,702,167	1,266,453	2,968,620	6,916,684	9,885,304
2005	1,217,731	2,524,226	3,741,957	6,162,553	9,904,510
2006	2,031,052	2,236,560	4,267,612	4,581,256	8,848,868
2007	3,804,712	4,175,024	7,979,736	3,542,567	11,522,303
Totals	\$ 15,392,370	14,217,032	29,609,402	172,755,289	202,364,691

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

The net claims loss reserves as reported in Statement 1 include an offset recommended by the independent actuary for loss reserve discounting. This offset provides for discounting the claims loss reserves by 5.0% based on the payout patterns recorded over the Fund's history. This reserve anticipates the accrual of conservatively projected investment income over the life of each fund. This adjustment conforms with the funding requirements of the State of Maine Bureau of Insurance.

Each fund has entered into specific reinsurance contracts for individual claims as noted below. Aggregate reinsurance contracts covering total claims paid have been purchased for each year, except 1991-1993 and 2004-2006, in which there was no coverage. The limits for the specific reinsurance for individual claims are as follows:

<u>Fund year</u>	<u>Specific Reinsurance Attachment</u>	
	<u>Regular</u>	<u>Maritime/ USL&H</u>
1978-1979 to 1983-1984	\$ 250,000	-
1985 to 1990	350,000	-
1991 to 1997	400,000	-
1998 to 2000	350,000	400,000
2001 to 2002	400,000	400,000
2003	500,000	500,000
2004 to 2007	1,000,000	-

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

The aggregate reinsurance limits are listed below along with the total amounts recoverable from both the specific and aggregate reinsurance policies based on the actuarially determined ultimate losses as follows:

Fund Year	Actuarially determined ultimate losses	Ultimate specific reinsurance recoverable	Ultimate losses, net of specific recovery	Aggregate reinsurance attachment	Ultimate aggregate reinsurance recoverable	Ultimate TOTAL reinsurance recoverable
1978-1979	\$ 719,076	-	719,076	1,000,000	-	-
1979-1980	2,532,544	128,876	2,403,668	1,647,659	756,009	884,885
1980-1981	3,327,467	380,643	2,946,824	1,896,317	1,050,507	1,431,150
1981-1982	2,957,391	62,621	2,894,770	2,756,247	138,523	201,144
1982-1983	3,977,589	433,044	3,544,545	2,987,190	557,355	990,399
1983-1984	5,077,576	273,943	4,803,633	3,379,864	1,423,769	1,697,712
1985	7,583,056	697,693	6,885,363	3,913,707	2,971,656	3,669,349
1986	7,268,956	-	7,268,956	4,923,804	2,345,152	2,345,152
1987	9,287,725	727,622	8,560,103	9,280,199	-	727,622
1988	7,994,983	149,907	7,845,076	11,524,021	-	149,907
1989	9,696,089	-	9,696,089	12,871,277	-	-
1990	8,655,901	45,416	8,610,485	14,547,254	-	45,416
1991	7,966,023	-	7,966,023	-	-	-
1992	8,936,704	145,143	8,791,561	-	-	145,143
1993	9,631,477	856,889	8,774,588	-	-	856,889
1994	6,119,692	-	6,119,692	13,858,008	-	-
1995	4,303,934	-	4,303,934	13,406,985	-	-
1996	5,159,948	-	5,159,948	11,636,779	-	-
1997	4,724,177	91,013	4,633,164	12,000,000	-	91,013
1998	4,706,400	-	4,706,400	7,894,675	-	-
1999	6,652,012	42,769	6,609,243	8,595,625	-	42,769
2000	6,967,485	32,887	6,934,598	9,733,330	-	32,887
2001	7,585,581	139,097	7,446,484	10,711,749	-	139,097
2002	10,217,756	-	10,217,756	11,329,907	-	-
2003	10,154,164	303,261	9,850,903	12,156,437	-	303,261
2004	9,885,304	-	9,885,304	-	-	-
2005	9,904,510	-	9,904,510	-	-	-
2006	8,848,868	-	8,848,868	-	-	-
2007	11,522,303	-	11,522,303	-	-	-
Totals	\$ 202,364,691	4,510,824	197,853,867	182,051,034	9,242,971	13,753,795

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
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 2006 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>
1978-79 to 1979-80	International Insurance Co. (ISLIC)	Specific	(not rated)	(not rated)
1980-81 to 1981-82	United States Fire Insurance Co.	Specific	A- (Excellent)	XIII
1982-83 to 1983-84	General Accident Ins. Co. of Amer.	Specific	A- (Excellent)	VIII
1978-79 to 1983-84	Employers Reinsurance Corp.	Specific and Aggregate	A+ (Superior)	XV
1981-82 to 1983-84	Northwestern National Insurance Co.	Excess Aggregate	(not rated)	(not rated)
1985 to 1990	General Reinsurance Corp.	Specific and Aggregate	A++ (Superior)	XV
1985 to 1986	Royal Insurance Company	Excess Specific	B (Fair)	XIII
1991	General Reinsurance Corp.	Specific	A++ (Superior)	XV
1992 to 1993	Odyssey America Reinsurance Corp (formerly TIG Reinsurance Company)	Specific	A (Excellent)	XV
1994 to 1995	Travelers (formerly Aetna Casualty & Surety)	Specific and Aggregate	A+ (Superior)	XV
1996 to 2004	Safety National Casualty Corp.	Specific and Aggregate	A (Excellent)	IX
2005 to 2007	Safety National Casualty Corp.	Specific	A (Excellent)	IX

UNPAID CLAIMS LIABILITIES

The Fund establishes liabilities for the estimated costs of both reported and unreported losses, which includes estimates of both future payments of losses and related claim service reserves. The following represents changes in these aggregate liabilities as of December 31:

	<u>2007</u>	<u>2006</u>
<u>Claims loss and claims service reserves at beginning of year</u>	<u>\$ 25,904,957</u>	<u>24,512,198</u>
Incurred claims and claims service reserve expenses:		
Provision for insured events of the current year	11,784,107	10,665,701
<u>Increases in provision for insured events of prior years</u>	<u>821,717</u>	<u>900,850</u>
Total insured claims and claims service reserve expenses	<u>12,605,824</u>	<u>11,566,551</u>
Payments:		
Claims attributable to insured events of the current year	3,555,443	2,853,292
<u>Claims attributable to insured events of prior years</u>	<u>6,680,080</u>	<u>7,320,500</u>
Total payments	<u>10,235,523</u>	<u>10,173,792</u>
<u>Total claims loss and claims service reserves at end of year</u>	<u>\$ 28,275,258</u>	<u>25,904,957</u>

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

EXPENSES

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

INTERFUND TRANSFERS

In order to provide full funding, the Workers' Compensation Fund Trustees have approved various transfers between fund years. Transfers affected during 2007 are shown within Schedule 2. The net of all transfers made between Workers' Compensation Funds since inception is reflected in Schedule 3.

NET ASSETS

Under a policy of the Trustees of the Fund, net assets are segregated into four components.

Amounts invested in capital assets, net of debt and depreciation, represent the Fund's equity in claims and underwriting software held jointly with the MMA Property and Casualty Fund. As of December 31, 2007 and 2006, invested in capital assets, net of related debt and depreciation, totaled \$182,118 and \$233,419, respectively.

The amount restricted for statutory funding is calculated by an independent actuary to a 75% confidence level based on the loss development variations experienced by the Maine Municipal Association's Workers' Compensation Fund over its history. The calculation indicates that this reserve plus the claims loss reserve and claims service/assessments reserve will be adequate to that confidence level to cover variations in the claims loss reserve development. This adjustment also conforms with the funding requirements of the State of Maine Bureau of Insurance. As of December 31, 2007 and 2006, the reserve for statutory funding totaled \$1,919,383 and \$1,647,527, respectively.

The Board designated amount is maintained to recognize the possibility that actual loss development may vary from the expected development underlying the loss projections. An independent actuary has calculated this reserve to provide an additional reserve up to the 95% confidence level. As of December 31, 2007 and 2006, the Board designated reserve totaled \$2,777,731 and \$2,316,820, respectively.

The contingency reserve represents accumulated funding in excess of the amounts invested in capital assets, the statutory requirements and the board designated reserves. The Workers' Compensation Fund Trustees have established this reserve to be held for the future financial stability of the Fund. As of December 31, 2007 and 2006, the contingency reserve totaled \$35,948,653 and \$33,990,506, respectively.

CONTINGENT LIABILITY

The Fund purchases certain annuity contracts from third parties to settle claims liabilities. These liabilities have been removed from the statements of net assets. The annuities have been purchased from highly rated insurance companies and management believes that the likelihood that the Fund will be required to make future payments on the claims is remote. The aggregate original purchase amount of such annuities at December 31, 2007 and 2006 totaled \$8,524,041 and \$8,350,683, respectively.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

TERMINATED MEMBER'S RESERVE

Section III.E.3 of Rule 250 requires that members who have left a group self insurance plan are liable for their proportionate share of the incremental difference between funding at the 90th confidence level and the 95th confidence level. The Rule further states that the group must increase its security by such sums.

At December 31, 2007, the Fund maintained security for all fund years at or above the 95th confidence level. Therefore, all departed members have met their obligation to fund exposures to the 95th confidence level and no additional security is required.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year
December 31, 2007

Schedule 1

	1978-79 Fund Year	1979-80 Fund Year	1980-81 Fund Year	1981-82 Fund Year	1982-83 Fund Year	1983-84 Fund Year	1985 Fund Year	1986 Fund Year	1987 Fund Year	1988 Fund Year
ASSETS										
Cash and cash equivalents	\$ 3,738	3,738	3,796	3,740	3,711	3,739	25,378	17,855	20,572	18,103
Investments:										
U.S. Government and agency securities	23,133	23,133	23,492	23,149	22,970	23,133	157,067	110,507	127,322	112,043
Total investments	23,133	23,133	23,492	23,149	22,970	23,133	157,067	110,507	127,322	112,043
Accounts receivable	-	-	-	-	-	-	-	-	-	-
Accrued interest receivable	262	262	266	263	261	262	1,781	1,253	1,444	1,271
Prepaid expenses	-	-	-	-	-	-	-	-	-	-
Capital assets:										
Computer equipment and software	-	-	-	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Net capital assets	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 27,133	27,133	27,554	27,152	26,942	27,134	184,226	129,615	149,338	131,417
LIABILITIES										
Liabilities:										
Accounts payable	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Claims loss reserves:										
Claims reserve	-	-	-	-	-	-	472,589	149,303	595,020	56,894
Reinsurance recoverable	-	-	-	-	-	-	(486,404)	(159,706)	(615,742)	-
Loss reserve discounting	-	-	-	-	-	-	-	-	(83)	(623)
Net claims loss reserves	-	-	-	-	-	-	(13,815)	(10,403)	(20,805)	56,271
Claims service/assessments reserve	-	-	-	-	-	-	57,425	21,173	67,488	8,299
Net claims loss reserves	-	-	-	-	-	-	43,610	10,770	46,683	64,570
Total liabilities	-	-	-	-	-	-	43,610	10,770	46,683	64,570
NET ASSETS										
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-	-	-
Reserve for statutory funding	-	-	-	-	-	-	-	-	573	4,501
Unrestricted:										
Board designated	-	-	-	-	-	-	-	-	884	6,484
Contingency reserve	27,133	27,133	27,554	27,152	26,942	27,134	140,616	118,845	101,198	55,862
Total net assets	\$ 27,133	27,133	27,554	27,152	26,942	27,134	140,616	118,845	102,655	66,847

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year
December 31, 2007**

Schedule 1

	1989	1990	1991	1992	1993	1994	1995	1996
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
ASSETS								
Cash and cash equivalents	\$ 28,278	9,934	44,539	66,617	36,314	79,189	78,066	369,894
Investments:								
U.S. Government and agency securities	175,014	61,481	275,653	412,293	224,753	490,104	483,157	2,289,290
Total investments	175,014	61,481	275,653	412,293	224,753	490,104	483,157	2,289,290
Accounts receivable	-	-	-	-	-	-	-	-
Accrued interest receivable	1,985	697	3,127	4,676	2,549	5,559	5,480	25,966
Prepaid expenses	-	-	-	-	-	-	-	-
Capital assets:								
Computer equipment and software	-	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-	-
Net capital assets	-	-	-	-	-	-	-	-
Total assets	\$ 205,277	72,112	323,319	483,586	263,616	574,852	566,703	2,685,150
LIABILITIES								
Liabilities:								
Accounts payable	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Claims loss reserves:								
Claims reserve	156,441	788	39,110	74,508	402,801	166,890	146,589	245,418
Reinsurance recoverable	-	-	-	-	(655,405)	-	-	-
Loss reserve discounting	(1,712)	(9)	(428)	(815)	(2,184)	(1,826)	(1,604)	(5,328)
Net claims loss reserves	154,729	779	38,682	73,693	(254,788)	165,064	144,985	240,090
Claims service/assessments reserve	23,297	2,911	9,427	9,845	109,339	22,292	28,585	31,638
Net claims loss reserves	178,026	3,690	48,109	83,538	(145,449)	187,356	173,570	271,728
Total liabilities	178,026	3,690	48,109	83,538	(145,449)	187,356	173,570	271,728
NET ASSETS								
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-
Reserve for statutory funding	13,051	66	3,235	6,105	15,868	13,534	11,514	19,277
Unrestricted:								
Board designated	17,155	86	4,316	8,281	21,695	18,689	16,790	27,593
Contingency reserve	(2,955)	68,270	267,659	385,662	371,502	355,273	364,829	2,366,552
Total net assets	\$ 27,251	68,422	275,210	400,048	409,065	387,496	393,133	2,413,422

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year
December 31, 2007**

Schedule 1

		1997 Fund Year	1998 Fund Year	1999 Fund Year	2000 Fund Year	2001 Fund Year	2002 Fund Year	2003 Fund Year	2004 Fund Year
ASSETS									
Cash and cash equivalents	\$	621,933	796,991	420,915	323,526	465,211	344,409	655,694	846,302
Investments:									
U.S. Government and agency securities		3,849,175	4,932,614	2,605,063	2,002,315	2,879,209	2,131,564	4,058,116	5,237,800
Total investments		3,849,175	4,932,614	2,605,063	2,002,315	2,879,209	2,131,564	4,058,116	5,237,800
Accounts receivable		-	-	-	-	-	-	-	-
Accrued interest receivable		43,660	55,948	29,548	22,711	32,657	24,177	46,029	59,409
Prepaid expenses		-	-	-	-	-	-	-	-
Capital assets:									
Computer equipment and software		-	-	-	-	-	-	-	-
Less accumulated depreciation		-	-	-	-	-	-	-	-
Net capital assets		-	-	-	-	-	-	-	-
Total assets	\$	4,514,768	5,785,553	3,055,526	2,348,552	3,377,077	2,500,150	4,759,839	6,143,511
LIABILITIES									
Liabilities:									
Accounts payable		-	-	-	-	-	-	-	-
Deferred revenue		-	-	-	-	-	-	-	-
Claims loss reserves:									
Claims reserve		267,880	319,934	579,792	947,944	1,069,796	2,186,340	2,773,440	2,968,620
Reinsurance recoverable		-	-	-	(32,887)	(858)	-	(303,261)	-
Loss reserve discounting		(11,458)	(20,230)	(45,723)	(85,347)	(113,557)	(253,605)	(308,104)	(395,461)
Net claims loss reserves		256,422	299,704	534,069	829,710	955,381	1,932,735	2,162,075	2,573,159
Claims service/assessments reserve		41,087	40,852	90,066	121,811	181,728	334,460	351,565	388,148
Net claims loss reserves		297,509	340,556	624,135	951,521	1,137,109	2,267,195	2,513,640	2,961,307
Total liabilities		297,509	340,556	624,135	951,521	1,137,109	2,267,195	2,513,640	2,961,307
NET ASSETS									
Invested in capital assets, net of related debt		-	-	-	-	-	-	-	-
Reserve for statutory funding		21,280	24,639	43,847	50,942	77,959	156,014	166,538	208,445
Unrestricted:									
Board designated		28,778	33,869	60,414	71,707	108,717	221,293	234,852	293,885
Contingency reserve		4,167,201	5,386,489	2,327,130	1,274,382	2,053,292	(144,352)	1,844,809	2,679,874
Total net assets	\$	4,217,259	5,444,997	2,431,391	1,397,031	2,239,968	232,955	2,246,199	3,182,204

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year
December 31, 2007**

Schedule 1

	2005 Fund Year	2006 Fund Year	2007 Fund Year	2008 Fund Year	WC SS Fund	WC Training Fund	Totals	
							2007	2006
ASSETS								
Cash and cash equivalents	\$ 1,204,258	1,394,891	1,531,819	(2,295)	41,872	19,847	9,482,574	4,339,793
Investments:								
U.S. Government and agency securities	7,453,206	8,633,042	9,480,499	(14,207)	259,146	122,835	58,688,071	58,827,750
Total investments	7,453,206	8,633,042	9,480,499	(14,207)	259,146	122,835	58,688,071	58,827,750
Accounts receivable	-	275	51,837	-	-	-	52,112	21,756
Accrued interest receivable	84,537	97,919	107,532	(161)	2,939	1,394	665,663	625,615
Prepaid expenses	-	-	32,205	400	-	-	32,605	44,896
Capital assets:								
Computer equipment and software	-	-	547,239	-	-	-	547,239	495,936
Less accumulated depreciation	-	-	(365,121)	-	-	-	(365,121)	(262,517)
Net capital assets	-	-	182,118	-	-	-	182,118	233,419
Total assets	\$ 8,742,001	10,126,127	11,386,010	(16,263)	303,957	144,076	69,103,143	64,093,229
LIABILITIES								
Liabilities:								
Accounts payable	-	-	-	-	-	-	-	49,231
Deferred revenue	-	-	-	-	-	-	-	1,621
Claims loss reserves:								
Claims reserve	3,741,957	4,267,612	7,979,736	-	-	-	29,609,402	27,795,282
Reinsurance recoverable	-	-	-	-	-	-	(2,254,263)	(2,648,257)
Loss reserve discounting	(530,535)	(636,173)	(1,072,761)	-	-	-	(3,487,566)	(3,203,913)
Net claims loss reserves	3,211,422	3,631,439	6,906,975	-	-	-	23,867,573	21,943,112
Claims service/assessments reserve	496,702	647,858	1,321,689	-	-	-	4,407,685	3,910,993
Net claims loss reserves	3,708,124	4,279,297	8,228,664	-	-	-	28,275,258	25,854,105
Total liabilities	3,708,124	4,279,297	8,228,664	-	-	-	28,275,258	25,904,957
NET ASSETS								
Invested in capital assets, net of related debt	-	-	182,118	-	-	-	182,118	233,419
Reserve for statutory funding	259,790	291,803	530,402	-	-	-	1,919,383	1,647,527
Unrestricted:								
Board designated	367,141	417,124	817,978	-	-	-	2,777,731	2,316,820
Contingency reserve	4,406,946	5,137,903	1,626,848	(16,263)	303,957	144,076	35,948,653	33,990,506
Total net assets	\$ 5,033,877	5,846,830	3,157,346	(16,263)	303,957	144,076	40,827,885	38,188,272

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the period ended December 31, 2007

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987	1988
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:										
Contributions	\$ -	-	-	-	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-	-	-	-	-
Less loss control credit	-	-	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-	-	-
Net contributions	-	-	-	-	-	-	-	-	-	-
Investment income	1,134	1,135	1,152	1,140	1,117	1,136	8,188	5,529	6,711	6,028
Unrealized gain (loss) on investments	683	683	693	683	676	682	4,757	3,299	3,889	3,497
Total revenue	1,817	1,818	1,845	1,823	1,793	1,818	12,945	8,828	10,600	9,525
Expenses:										
Claims paid	-	-	-	-	-	-	68,190	10,403	32,312	144
Claims reserve - current year adjustment	-	-	-	-	-	-	8,149	(18,371)	(41,926)	1,529
Subrogation recovery	-	-	-	-	-	-	(56,166)	-	7,027	-
Deductible recovery	-	-	-	-	-	-	-	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-	-
Ultimate claims loss	-	-	-	-	-	-	20,173	(7,968)	(2,587)	1,673
Reinsurance recovered	-	-	-	-	-	-	(30,047)	(11,231)	(42,066)	-
Reinsurance recoverable adjustment	-	-	-	-	-	-	9,874	19,199	34,837	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-	-
Net ultimate claims loss	-	-	-	-	-	-	-	-	(9,816)	1,673
Loss reserve discounting	-	-	-	-	-	-	-	-	115	(17)
Net claims expense	-	-	-	-	-	-	-	-	(9,701)	1,656
Reinsurance premium	-	-	-	-	-	-	-	-	-	-
Professional service	-	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-	-	-	-
Regulatory assessments and fees	-	-	-	-	-	-	-	-	-	-
Claims service/assessments reserve	-	-	-	-	-	-	2,821	(5,941)	723	305
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-	2,821	(5,941)	(8,978)	1,961
Change in net assets before transfers	1,817	1,818	1,845	1,823	1,793	1,818	10,124	14,769	19,578	7,564
Interfund transfers:										
To 2007 fund	(500)	(498)	(426)	(494)	-	(462)	-	-	-	(50,828)
Net change in net assets	1,317	1,320	1,419	1,329	1,793	1,356	10,124	14,769	19,578	(43,264)
Net assets, beginning	25,816	25,813	26,135	25,823	25,149	25,778	130,492	104,076	83,077	110,111
Net assets, ending	\$ 27,133	27,133	27,554	27,152	26,942	27,134	140,616	118,845	102,655	66,847

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the period ended December 31, 2007

Schedule 2

	1989	1990	1991	1992	1993	1994	1995	1996
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:								
Contributions	\$ -	-	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-	-	-
Less loss control credit	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-
Net contributions	-	-	-	-	-	-	-	-
Investment income	10,695	4,882	15,261	23,026	21,986	25,307	25,843	122,735
Unrealized gain (loss) on investments	5,895	2,482	8,757	13,154	10,793	14,903	14,631	71,292
Total revenue	16,590	7,364	24,018	36,180	32,779	40,210	40,474	194,027
Expenses:								
Claims paid	24,942	650	914	6,261	496,692	6,696	99,110	5,170
Claims reserve - current year adjustment	76,084	24	(54,227)	(54,484)	(351,579)	21,217	(77,771)	48,886
Subrogation recovery	-	-	-	(1,079)	-	-	(10,420)	-
Deductible recovery	-	-	-	-	-	-	-	-
Supplemental benefits fund recovered	-	-	-	-	(21,000)	-	-	-
Ultimate claims loss	101,026	674	(53,313)	(49,302)	124,113	27,913	10,919	54,056
Reinsurance recovered	-	-	-	-	-	-	-	-
Reinsurance recoverable adjustment	-	-	-	-	(35,057)	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-
Net ultimate claims loss	101,026	674	(53,313)	(49,302)	89,056	27,913	10,919	54,056
Loss reserve discounting	(833)	(1)	593	597	(405)	(232)	3,267	3,078
Net claims expense	100,193	673	(52,720)	(48,705)	88,651	27,681	14,186	57,134
Reinsurance premium	-	-	-	-	-	-	-	-
Professional service	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-	-
Regulatory assessments and fees	-	-	-	-	-	-	-	-
Claims service/assessments reserve	12,881	(9,540)	(4,035)	(7,281)	18,642	(7,805)	(3,546)	4,967
Safety and scholarship grants	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-
Total expenses	113,074	(8,867)	(56,755)	(55,986)	107,293	19,876	10,640	62,101
Change in net assets before transfers	(96,484)	16,231	80,773	92,166	(74,514)	20,334	29,834	131,926
Interfund transfers:								
To 2007 fund	(115,605)	(171,067)	(163,933)	(257,802)	(89,266)	(112,917)	(52,459)	(1,000,000)
Net change in net assets	(212,089)	(154,836)	(83,160)	(165,636)	(163,780)	(92,583)	(22,625)	(868,074)
Net assets, beginning	239,340	223,258	358,370	565,684	572,845	480,079	415,758	3,281,496
Net assets, ending	\$ 27,251	68,422	275,210	400,048	409,065	387,496	393,133	2,413,422

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the period ended December 31, 2007

	1997	1998	1999	2000	2001	2002	2003	2004
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:								
Contributions	\$ -	-	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-	-	-
Less loss control credit	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-
Net contributions	-	-	-	-	-	-	-	-
Investment income	202,092	251,591	131,912	100,014	145,247	115,188	209,983	267,480
Unrealized gain (loss) on investments	118,371	148,756	78,111	59,372	85,771	65,243	121,458	156,136
Total revenue	320,463	400,347	210,023	159,386	231,018	180,431	331,441	423,616
Expenses:								
Claims paid	98,475	49,652	246,768	127,231	431,314	870,441	653,168	740,850
Claims reserve - current year adjustment	93,701	74,290	(368,984)	275,525	(259,312)	(3,611)	(385,465)	(463,193)
Subrogation recovery	(1,475)	-	-	(30,182)	-	(17,374)	(37,650)	(52,254)
Deductible recovery	-	-	-	-	-	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-
Ultimate claims loss	190,701	123,942	(122,216)	372,574	172,002	849,456	230,053	225,403
Reinsurance recovered	-	-	-	-	(138,239)	-	-	-
Reinsurance recoverable adjustment	-	-	237,537	(5,088)	132,692	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-
Net ultimate claims loss	190,701	123,942	115,321	367,486	166,455	849,456	230,053	225,403
Loss reserve discounting	(444)	(1,491)	20,047	(14,707)	34,402	33,917	82,184	96,241
Net claims expense	190,257	122,451	135,368	352,779	200,857	883,373	312,237	321,644
Reinsurance premium	-	-	-	-	-	-	-	-
Professional service	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-	-
Regulatory assessments and fees	-	-	-	-	-	-	-	-
Claims service/assessments reserve	11,540	(8,774)	(39,575)	6,972	(14,587)	49,937	(45,347)	(66,099)
Safety and scholarship grants	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-
Total expenses	201,797	113,677	95,793	359,751	186,270	933,310	266,890	255,545
Change in net assets before transfers	118,666	286,670	114,230	(200,365)	44,748	(752,879)	64,551	168,071
Interfund transfers:								
To 2007 fund	(1,000,000)	(834,312)	-	-	-	-	-	-
Net change in net assets	(881,334)	(547,642)	114,230	(200,365)	44,748	(752,879)	64,551	168,071
Net assets, beginning	5,098,593	5,992,639	2,317,161	1,597,396	2,195,220	985,834	2,181,648	3,014,133
Net assets, ending	\$ 4,217,259	5,444,997	2,431,391	1,397,031	2,239,968	232,955	2,246,199	3,182,204

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the period ended December 31, 2007

Schedule 2

	2005	2006	2007	2008	WC SS	WC Training	Totals	
	Fund Year	Fund Year	Fund Year	Fund Year	Fund	Fund	2007	2006
Revenue:								
Contributions	\$ -	329,575	17,400,631	-	-	-	17,730,206	17,247,890
Less discounts	-	-	(1,681,943)	-	-	-	(1,681,943)	(1,636,544)
Less loss control credit	-	-	(394,652)	-	-	-	(394,652)	(384,305)
Less medical deductible credit	-	-	(8,358)	-	-	-	(8,358)	(8,434)
Net contributions	-	329,575	15,315,678	-	-	-	15,645,253	15,218,607
Investment income	380,337	460,627	374,747	-	-	-	2,922,223	2,633,574
Unrealized gain (loss) on investments	222,646	256,752	259,145	-	-	-	1,733,210	178,136
Total revenue	602,983	1,046,954	15,949,570	-	-	-	20,300,686	18,030,317
Expenses:								
Claims paid	949,680	1,761,017	3,555,443	-	-	-	10,235,523	10,173,792
Claims reserve - current year adjustment	(1,286,320)	(3,399,778)	7,979,736	-	-	-	1,814,120	1,161,326
Subrogation recovery	(14,588)	(6,925)	(8,195)	-	-	-	(229,281)	(376,039)
Deductible recovery	-	(5,875)	(4,681)	-	-	-	(10,556)	(12,966)
Supplemental benefits fund recovered	-	-	-	-	-	-	(21,000)	-
Ultimate claims loss	(351,228)	(1,651,561)	11,522,303	-	-	-	11,788,806	10,946,113
Reinsurance recovered	-	-	-	-	-	-	(221,583)	(122,254)
Reinsurance recoverable adjustment	-	-	-	-	-	-	393,994	242,504
Supplemental benefits fund recovered	-	-	-	-	-	-	-	(103,950)
Net ultimate claims loss	(351,228)	(1,651,561)	11,522,303	-	-	-	11,961,217	10,962,413
Loss reserve discounting	181,155	351,642	(1,072,761)	-	-	-	(283,653)	(375,777)
Net claims expense	(170,073)	(1,299,919)	10,449,542	-	-	-	11,677,564	10,586,636
Reinsurance premium	-	-	606,908	-	-	-	606,908	584,974
Professional service	-	-	113,401	16,263	-	-	129,664	82,651
Administrative fees	-	-	3,176,335	-	-	-	3,176,335	2,854,962
Regulatory assessments and fees	-	-	647,945	-	-	-	647,945	506,002
Claims service/assessments reserve	(236,280)	(484,975)	1,321,689	-	-	-	496,692	313,854
Safety and scholarship grants	-	-	-	-	203,513	-	203,513	202,992
Legal and consultant fees	-	-	13,137	-	-	-	13,137	-
Training expense	-	-	-	-	-	32,500	32,500	-
Depreciation expense	-	-	102,604	-	-	-	102,604	102,867
Maintenance contracts	-	-	76,232	-	-	-	76,232	73,323
Dividends paid	-	497,979	-	-	-	-	497,979	498,172
Total expenses	(406,353)	(1,286,915)	16,507,793	16,263	203,513	32,500	17,661,073	15,806,433
Change in net assets before transfers	1,009,336	2,333,869	(558,223)	(16,263)	(203,513)	(32,500)	2,639,613	2,223,884
Interfund transfers:								
To 2007 fund	-	-	3,715,569	-	-	135,000	-	-
Net change in net assets	1,009,336	2,333,869	3,157,346	(16,263)	(203,513)	102,500	2,639,613	2,223,884
Net assets, beginning	4,024,541	3,512,961	-	-	507,470	41,576	38,188,272	35,964,388
Net assets, ending	\$ 5,033,877	5,846,830	3,157,346	(16,263)	303,957	144,076	40,827,885	38,188,272

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Cumulative Statement of Revenues and Expenses**

Schedule 3

For the period November 1, 1978 through December 31, 2007

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:									
Contributions	\$ 898,836	2,198,194	2,906,927	4,240,842	4,595,671	5,632,583	6,021,088	6,838,615	8,513,891
Less discounts	-	-	(290,693)	(424,084)	(459,567)	(796,892)	(852,654)	(980,663)	(1,236,385)
Less loss control credit	-	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-	-
Net contributions	898,836	2,198,194	2,616,234	3,816,758	4,136,104	4,835,691	5,168,434	5,857,952	7,277,506
Investment income	330,564	813,082	646,146	1,473,718	1,478,580	1,260,588	1,047,890	1,268,063	2,881,210
Miscellaneous revenue	-	35	234	123	(125)	891	2,180	2,372	11,737
Total revenue	1,229,400	3,011,311	3,262,614	5,290,599	5,614,559	6,097,170	6,218,504	7,128,387	10,170,453
Expenses:									
Claims paid	719,286	2,532,544	3,357,987	2,988,697	3,993,534	5,131,404	7,299,726	7,293,965	8,782,068
Claims reserve	-	-	-	-	-	-	472,589	149,303	595,020
Subrogation recovery	(210)	-	(30,520)	(31,306)	(15,945)	(53,828)	(189,259)	(174,312)	(89,363)
Deductible recovery	-	-	-	-	-	-	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-
Ultimate claims loss	719,076	2,532,544	3,327,467	2,957,391	3,977,589	5,077,576	7,583,056	7,268,956	9,287,725
Reinsurance recovered	-	(884,885)	(1,431,150)	(201,144)	(990,399)	(1,697,712)	(3,182,945)	(2,185,446)	(111,880)
Reinsurance recoverable adjustment	-	-	-	-	-	-	(486,404)	(159,706)	(615,742)
Net ultimate claims loss	719,076	1,647,659	1,896,317	2,756,247	2,987,190	3,379,864	3,913,707	4,923,804	8,560,103
Loss reserve discounting	-	-	-	-	-	-	-	-	(83)
Net claims expense	719,076	1,647,659	1,896,317	2,756,247	2,987,190	3,379,864	3,913,707	4,923,804	8,560,020
Reinsurance premium	137,237	312,790	419,524	478,576	363,680	411,812	520,415	699,461	1,178,993
Claims service fee paid	82,296	176,497	236,470	327,459	386,512	473,213	351,488	404,309	441,635
Professional service fees	-	-	-	-	-	-	-	-	-
Administrative fees	13,627	49,349	55,671	254,892	398,727	499,345	660,000	441,000	500,000
Regulatory assessments and fees	-	-	-	6,123	232	662	402	3,161	24,918
Claims service/assessments reserve	-	-	-	-	-	-	57,425	21,173	67,488
Safety and scholarship grants	-	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-
Dividends paid	106,990	73,229	-	-	-	-	-	-	-
Interest refund	188,639	591,990	537,188	793,891	508,732	243,525	-	-	-
Interest expense	-	-	-	-	-	-	-	-	992,030
Total expenses	1,247,865	2,851,514	3,145,170	4,617,188	4,645,073	5,008,421	5,503,437	6,492,908	11,765,084
Change in net assets before transfers	(18,465)	159,797	117,444	673,411	969,486	1,088,749	715,067	635,479	(1,594,631)
Interfund transfers	45,598	(132,664)	(89,890)	(646,259)	(942,544)	(1,061,615)	(574,451)	(516,634)	1,697,286
From MMA General Fund	-	-	-	-	-	-	-	-	-
Net assets, ending	\$ 27,133	27,133	27,554	27,152	26,942	27,134	140,616	118,845	102,655

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Cumulative Statement of Revenues and Expenses
For the period November 1, 1978 through December 31, 2007

	1988	1989	1990	1991	1992	1993	1994	1995
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:								
Contributions	\$ 11,896,947	13,324,125	14,920,260	16,176,020	13,370,101	14,698,127	16,420,659	13,726,365
Less discounts	(1,216,358)	(1,027,854)	(1,237,948)	(1,428,079)	(1,276,658)	(1,441,541)	(1,426,427)	(1,425,500)
Less loss control credit	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-
Net contributions	10,680,589	12,296,271	13,682,312	14,747,941	12,093,443	13,256,586	14,994,232	12,300,865
Investment income	3,988,089	3,831,723	3,713,242	4,156,794	3,475,738	3,295,263	3,018,456	3,243,703
Miscellaneous revenue	3,703	2,861	2,980	2,050	3,938	8,905	(716)	814
Total revenue	14,672,381	16,130,855	17,398,534	18,906,785	15,573,119	16,560,754	18,011,972	15,545,382
Expenses:								
Claims paid	8,024,033	9,783,031	8,707,817	7,992,509	8,901,618	9,278,745	6,054,789	4,285,799
Claims reserve	56,894	156,441	788	39,110	74,508	402,801	166,890	146,589
Subrogation recovery	(85,944)	(243,383)	(52,704)	(65,596)	(39,422)	(29,069)	(101,987)	(128,454)
Deductible recovery	-	-	-	-	-	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	(21,000)	-	-
Ultimate claims loss	7,994,983	9,696,089	8,655,901	7,966,023	8,936,704	9,631,477	6,119,692	4,303,934
Reinsurance recovered	(149,907)	-	(45,416)	-	(145,143)	(201,484)	-	-
Reinsurance recoverable adjustment	-	-	-	-	-	(655,405)	-	-
Net ultimate claims loss	7,845,076	9,696,089	8,610,485	7,966,023	8,791,561	8,774,588	6,119,692	4,303,934
Loss reserve discounting	(623)	(1,712)	(9)	(428)	(815)	(2,184)	(1,826)	(1,604)
Net claims expense	7,844,453	9,694,377	8,610,476	7,965,595	8,790,746	8,772,404	6,117,866	4,302,330
Reinsurance premium	1,384,557	1,768,008	1,884,136	1,000,000	1,258,394	1,396,197	1,377,769	1,326,533
Claims service fee paid	327,982	393,927	492,491	574,544	612,319	641,430	739,044	728,277
Professional service fees	160,000	159,500	203,002	233,817	254,729	276,029	271,628	4,916
Administrative fees	575,000	687,000	762,100	803,500	857,569	925,325	989,573	1,610,290
Regulatory assessments and fees	4,319	85,838	121,554	13,707	163,687	234,986	257,337	291,756
Claims service/assessments reserve	8,299	23,297	2,911	9,427	9,845	109,339	22,292	28,585
Safety and scholarship grants	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	19,269
Maintenance contracts	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	76,147	500,000	150,000	1,250,000	2,242,014
Interest refund	-	-	-	-	-	-	-	-
Interest expense	105,260	81,904	-	-	-	-	-	-
Total expenses	10,409,870	12,893,851	12,076,670	10,676,737	12,447,289	12,505,710	11,025,509	10,553,970
Change in net assets before transfers	4,262,511	3,237,004	5,321,864	8,230,048	3,125,830	4,055,044	6,986,463	4,991,412
Interfund transfers	(4,195,664)	(3,209,753)	(5,253,442)	(7,954,838)	(2,725,782)	(3,645,979)	(6,598,967)	(4,598,279)
From MMA General Fund	-	-	-	-	-	-	-	-
Net assets, ending	\$ 66,847	27,251	68,422	275,210	400,048	409,065	387,496	393,133

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Cumulative Statement of Revenues and Expenses
For the period November 1, 1978 through December 31, 2007

	1996	1997	1998	1999	2000	2001	2002	2003
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:								
Contributions	\$ 9,210,964	7,426,059	6,724,762	6,563,966	7,228,092	8,781,293	10,766,844	13,489,261
Less discounts	(798,972)	(629,764)	(531,730)	(521,782)	(596,605)	(703,678)	(895,300)	(1,183,988)
Less loss control credit	(362,288)	(169,007)	(184,472)	(206,437)	(220,584)	(333,223)	(328,432)	(401,161)
Less medical deductible credit	-	-	(6,887)	(6,230)	(6,725)	(9,382)	(8,848)	(9,061)
Net contributions	8,049,704	6,627,288	6,001,673	5,829,517	6,404,178	7,735,010	9,534,264	11,895,051
Investment income	3,869,948	3,401,384	3,177,256	1,776,238	1,450,061	1,435,067	1,186,337	946,417
Miscellaneous revenue	-	-	-	-	-	-	-	-
Total revenue	11,919,652	10,028,672	9,178,929	7,605,755	7,854,239	9,170,077	10,720,601	12,841,468
Expenses:								
Claims paid	5,158,910	4,633,866	4,524,590	6,294,542	6,371,683	6,593,123	8,338,066	7,537,967
Claims reserve	245,418	267,880	319,934	579,792	947,944	1,069,796	2,186,340	2,773,440
Subrogation recovery	(226,672)	(165,446)	(124,623)	(168,563)	(342,182)	(66,279)	(297,370)	(148,216)
Deductible recovery	(17,708)	(12,123)	(13,501)	(10,608)	(9,960)	(11,059)	(9,280)	(9,027)
Supplemental benefits fund recovered	-	-	-	(43,151)	-	-	-	-
Ultimate claims loss	5,159,948	4,724,177	4,706,400	6,652,012	6,967,485	7,585,581	10,217,756	10,154,164
Reinsurance recovered	-	(91,013)	-	(42,769)	-	(138,239)	-	-
Reinsurance recoverable adjustment	-	-	-	-	(32,887)	(858)	-	(303,261)
Net ultimate claims loss	5,159,948	4,633,164	4,706,400	6,609,243	6,934,598	7,446,484	10,217,756	9,850,903
Loss reserve discounting	(5,328)	(11,458)	(20,230)	(45,723)	(85,347)	(113,557)	(253,605)	(308,104)
Net claims expense	5,154,620	4,621,706	4,686,170	6,563,520	6,849,251	7,332,927	9,964,151	9,542,799
Reinsurance premium	949,462	842,497	508,299	474,434	615,289	472,360	597,909	648,343
Claims service fee paid	93,000	14,050	15,500	18,000	-	-	-	-
Professional service fees	22,331	23,256	26,224	28,577	58,855	50,675	47,723	104,363
Administrative fees	1,861,680	1,952,664	1,911,188	1,878,993	1,867,023	1,930,412	2,286,467	2,473,038
Regulatory assessments and fees	253,870	177,267	205,266	199,199	197,309	387,316	234,330	496,440
Claims service/assessments reserve	31,638	41,087	40,852	90,066	121,811	181,728	334,460	351,565
Safety and scholarship grants	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-
Depreciation expense	44,505	51,996	45,988	41,315	39,991	39,616	47,129	56,306
Maintenance contracts	1,431	3,850	3,245	6,394	7,414	18,403	21,043	8,960
Dividends paid	1,163,116	355,455	341,572	362,866	368,132	385,394	398,373	399,459
Interest refund	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-
Total expenses	9,575,653	8,083,828	7,784,304	9,663,364	10,125,075	10,798,831	13,931,585	14,081,273
Change in net assets before transfers	2,343,999	1,944,844	1,394,625	(2,057,609)	(2,270,836)	(1,628,754)	(3,210,984)	(1,239,805)
Interfund transfers	69,423	2,272,415	3,635,928	4,489,000	3,667,867	3,868,722	3,443,939	3,486,004
From MMA General Fund	-	-	414,444	-	-	-	-	-
Net assets, ending	\$ 2,413,422	4,217,259	5,444,997	2,431,391	1,397,031	2,239,968	232,955	2,246,199

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Cumulative Statement of Revenues and Expenses
For the period November 1, 1978 through December 31, 2007

	2004	2005	2006	2007	2008	WC SS	WC Training	Totals
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund	Fund	
Revenue:								
Contributions	\$ 15,285,637	16,444,605	17,284,106	17,400,631	-	-	-	292,985,471
Less discounts	(1,394,079)	(1,539,835)	(1,636,544)	(1,681,943)	-	-	-	(27,635,523)
Less loss control credit	(362,445)	(383,085)	(384,305)	(394,652)	-	-	-	(3,730,091)
Less medical deductible credit	(11,225)	(10,610)	(8,434)	(8,358)	-	-	-	(85,760)
Net contributions	13,517,888	14,511,075	15,254,823	15,315,678	-	-	-	261,534,097
Investment income	975,589	1,220,938	1,158,509	633,892	-	-	-	61,154,485
Miscellaneous revenue	-	-	-	-	-	-	-	41,982
Total revenue	14,493,477	15,732,013	16,413,332	15,949,570	-	-	-	322,730,564
Expenses:								
Claims paid	7,050,367	6,237,921	4,614,309	3,555,443	-	-	-	176,038,339
Claims reserve	2,968,620	3,741,957	4,267,612	7,979,736	-	-	-	29,609,402
Subrogation recovery	(126,283)	(62,741)	(21,013)	(8,195)	-	-	-	(3,088,885)
Deductible recovery	(7,400)	(12,627)	(12,040)	(4,681)	-	-	-	(130,014)
Supplemental benefits fund recovered	-	-	-	-	-	-	-	(64,151)
Ultimate claims loss	9,885,304	9,904,510	8,848,868	11,522,303	-	-	-	202,364,691
Reinsurance recovered	-	-	-	-	-	-	-	(11,499,532)
Reinsurance recoverable adjustment	-	-	-	-	-	-	-	(2,254,263)
Net ultimate claims loss	9,885,304	9,904,510	8,848,868	11,522,303	-	-	-	188,610,896
Loss reserve discounting	(395,461)	(530,535)	(636,173)	(1,072,761)	-	-	-	(3,487,566)
Net claims expense	9,489,843	9,373,975	8,212,695	10,449,542	-	-	-	185,123,330
Reinsurance premium	510,909	537,943	584,974	606,908	-	-	-	23,267,409
Claims service fee paid	-	-	-	-	-	-	-	7,530,443
Professional service fees	29,741	100,262	82,651	113,401	16,263	-	-	2,267,943
Administrative fees	2,944,909	2,745,034	2,979,425	3,176,335	-	-	-	38,090,136
Regulatory assessments and fees	430,879	460,142	506,002	647,945	-	-	-	5,404,647
Claims service/assessments reserve	388,148	496,702	647,858	1,321,689	-	-	-	4,407,685
Safety and scholarship grants	-	-	-	-	-	1,229,848	-	1,229,848
Legal and consultant fees	-	-	-	13,137	-	-	10,511	23,648
Training expense	-	-	-	-	-	-	80,413	80,413
Depreciation expense	154,841	99,173	102,867	102,604	-	-	-	845,600
Maintenance contracts	30,949	83,792	73,324	76,232	-	-	-	335,037
Dividends paid	498,927	498,172	497,979	-	-	-	-	9,667,825
Interest refund	-	-	-	-	-	-	-	2,863,965
Interest expense	-	-	-	-	-	-	-	1,179,194
Total expenses	14,479,146	14,395,195	13,687,775	16,507,793	16,263	1,229,848	90,924	282,317,123
Change in net assets before transfers	14,331	1,336,818	2,725,557	(558,223)	(16,263)	(1,229,848)	(90,924)	40,413,441
Interfund transfers	3,167,873	3,697,059	3,121,273	3,715,569	-	1,533,805	235,000	-
From MMA General Fund	-	-	-	-	-	-	-	414,444
Net assets, ending	\$ 3,182,204	5,033,877	5,846,830	3,157,346	(16,263)	303,957	144,076	40,827,885

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Ten Year Claims Development Information
December 31, 2007

Schedule 4

The analysis gives a summary of the income and expenses by fund year, along with comparative data on paid claims and incurred claims since inception of the Fund Year.

	1998	1999	2000	2001	2002
Required contribution and investment income:					
Earned	\$ 9,178,928	7,605,755	7,854,239	9,170,077	10,720,601
Ceded	508,299	474,434	615,289	472,360	597,909
Net earned	8,670,629	7,131,321	7,238,950	8,697,717	10,122,692
Unallocated expenses	2,589,835	2,625,410	2,660,535	2,993,544	3,369,525
Estimated incurred claims and expense, end of policy year:					
Incurred	6,180,377	6,180,377	5,507,742	6,179,602	7,390,466
Net incurred	6,180,377	6,180,377	5,507,742	6,179,602	7,390,466
Paid claims (cumulative) as of:					
End of policy year	1,499,370	1,685,234	1,873,700	2,218,838	2,445,502
One year later	2,616,541	2,947,430	3,731,396	4,033,996	4,566,870
Two years later	3,243,287	4,006,973	4,697,542	4,692,702	6,115,453
Three years later	3,620,624	4,677,433	5,215,231	5,318,881	6,840,431
Four years later	4,013,950	4,970,990	5,612,268	5,659,455	7,467,625
Five years later	4,097,062	5,312,359	5,766,146	6,161,809	8,338,066
Six years later	4,193,849	5,661,112	6,244,452	6,593,123	-
Seven years later	4,321,952	6,047,774	6,371,683	-	-
Eight years later	4,474,638	6,294,542	-	-	-
Nine years later	4,524,590	-	-	-	-
Ten years later	-	-	-	-	-
Reestimated ceded claims and expense	-	(42,769)	(32,887)	(139,097)	-
Reestimated incurred claims and expense as of:					
End of policy year	6,180,377	5,507,742	6,179,602	7,390,466	8,053,929
One year later	4,915,253	5,616,297	6,862,389	7,809,051	8,148,115
Two years later	5,075,135	5,900,271	6,950,313	7,030,606	9,452,075
Three years later	4,741,715	6,219,413	6,450,286	6,995,596	9,021,400
Four years later	5,284,020	6,361,530	6,752,783	7,215,623	9,368,300
Five years later	5,095,260	6,812,567	6,475,223	7,413,579	10,217,756
Six years later	4,690,726	6,860,771	6,594,911	7,585,581	-
Seven years later	4,615,853	6,774,228	6,967,485	-	-
Eight years later	4,582,458	6,652,012	-	-	-
Nine years later	4,706,400	-	-	-	-
Ten years later	-	-	-	-	-
(Increase) Decrease in estimated incurred claims and expense from end of policy year	\$ (1,473,977)	1,144,270	787,883	195,115	2,163,827

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Ten Year Claims Development Information
December 31, 2007

Schedule 4

The analysis gives a summary of the income and expenses by fund year, along with comparative data on paid claims and incurred claims since inception of the Fund Year.

	2003	2004	2005	2006	2007
Required contribution and investment income:					
Earned	\$ 12,841,468	14,498,477	15,732,013	16,413,332	15,949,570
Ceded	648,343	510,909	537,943	584,974	606,908
Net earned	12,193,125	13,987,568	15,194,070	15,828,358	15,342,662
Unallocated expenses	3,890,131	4,478,394	4,483,277	4,890,106	5,451,343
Estimated incurred claims and expense, end of policy year:					
Incurred	8,053,929	8,688,209	9,991,417	9,488,115	10,449,542
Net incurred	8,053,929	8,688,209	9,991,417	9,488,115	10,449,542
Paid claims (cumulative) as of:					
End of policy year	2,466,468	2,932,275	2,810,538	2,853,292	3,555,443
One year later	4,680,401	5,143,377	5,288,241	4,614,309	-
Two years later	5,944,908	6,309,517	6,237,921	-	-
Three years later	6,884,799	7,050,367	-	-	-
Four years later	7,537,967	-	-	-	-
Five years later	-	-	-	-	-
Six years later	-	-	-	-	-
Seven years later	-	-	-	-	-
Eight years later	-	-	-	-	-
Nine years later	-	-	-	-	-
Ten years later	-	-	-	-	-
Reestimated ceded claims and expense	(303,261)	-	-	-	-
Reestimated incurred claims and expense as of:					
End of policy year	8,688,209	10,888,106	10,392,397	10,500,429	11,522,303
One year later	8,900,125	10,121,585	10,255,739	8,848,868	-
Two years later	9,312,529	9,659,901	9,904,510	-	-
Three years later	9,924,111	9,885,304	-	-	-
Four years later	10,154,164	-	-	-	-
Five years later	-	-	-	-	-
Six years later	-	-	-	-	-
Seven years later	-	-	-	-	-
Eight years later	-	-	-	-	-
Nine years later	-	-	-	-	-
Ten years later	-	-	-	-	-
(Increase) Decrease in estimated incurred claims and expense from end of policy year	\$ 1,465,955	(1,002,802)	(487,887)	(1,651,561)	-

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**

Financial Statements

For the Years Ended December 31, 2008 and 2007

MAINE MUNICIPAL ASSOCIATION
 WORKERS' COMPENSATION FUND
 Financial Statements
 For the Years Ended December 31, 2008 and 2007

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

The Board of Trustees
Maine Municipal Association
Workers' Compensation Fund

We have audited the accompanying statements of net assets of Maine Municipal Association Workers' Compensation Fund (the Fund) as of December 31, 2008 and 2007, and the related statements of revenue and expenses, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our 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 Workers' Compensation Fund as of December 31, 2008 and 2007 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 discussion and analysis and the required supplemental information are not required parts of the financial statements but are 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 supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The additional information presented in schedules 2 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.

April 27, 2009
South Portland, Maine

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis
Year Ended 2008

This section of the Maine Municipal Association Workers' Compensation Fund (the Fund) annual financial report sets forth a narrative overview of its financial activities for the year ended December 31, 2008. Please read it in conjunction with the Fund's financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's fiscal year is January 1 through December 31. The annual financial report consists of four parts:

- Management Discussion and Analysis
- Basic Financial Statements
- Notes to Financial Statements
- Supplementary Information (Schedules)

Management 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 Revenue and Expenses; Statements of Changes in Net Assets; and Statements of Cash Flows.

These statements present the Fund's status at December 31, 2008 and financial developments during fiscal year 2008 for all fund years combined.

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

Supplemental Schedules include analyses of Fund assets and revenues and expenses by fund year, and a history of claims development for the past ten years.

FINANCIAL HIGHLIGHTS

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

- Net assets at December 31, 2008 were \$43,781,856, an increase of 7.2% versus the prior year.
- Cash and investments totaled \$75,716,497, an increase of 11.1%.
- Revenues in 2008 totaled \$21,837,900, an increase of 7.6%.
- Expenses in 2008 totaled \$18,883,929, an increase of 6.9%.

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

FINANCIAL ANALYSIS

The following table summarizes the Statements of Net Assets:

	<u>12/31/08</u>	<u>12/31/07</u>
ASSETS		
Current Assets	76,440,029	68,921,025
Capital Assets	65,726	182,118
Total Assets	<u>76,505,755</u>	<u>69,103,143</u>
LIABILITIES		
Net Reserves - Claims, Service & Assessments	32,602,557	28,275,258
Other Liabilities	121,342	-
Total Liabilities	<u>32,723,899</u>	<u>28,275,258</u>
NET ASSETS		
Statutory Reserves	1,971,565	1,919,383
Board Designated Reserves	2,964,392	2,777,731
Net Investment in Capital Assets	65,726	182,118
Contingency Reserve	38,780,173	35,948,653
Total Net Assets	<u>43,781,856</u>	<u>40,827,885</u>

The following table summarizes the Statements of Revenue and Expenses during calendar years 2008 and 2007 for all fund years combined.

	<u>12/31/08</u>	<u>12/31/07</u>
REVENUES		
Member Contributions	17,120,678	15,645,253
Investment and Other Revenues	4,717,222	4,655,434
Total Revenues	<u>21,837,900</u>	<u>20,300,687</u>
EXPENSES		
Net Claims Expense	13,498,989	11,677,564
Reinsurance Premium	586,075	606,908
Safety Scholarship and Grants	198,974	203,513
Other Expenses	4,599,891	5,173,088
Total Expenses	<u>18,883,929</u>	<u>17,661,073</u>
CHANGE IN NET ASSETS	<u>2,953,971</u>	<u>2,639,614</u>

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2008

The following table compares ultimate results for the 2008 fund year as projected at December 31, 2008 with the original budget. Investment income and net claims expense projections are based on an analysis by an independent actuary.

	BUDGET	PROJECTED ULTIMATE RESULTS
REVENUES		
Member Contributions	15,867,136	16,662,205
Investment and Other Revenues	1,829,195	2,019,053
Total Revenues	17,696,331	18,681,258
EXPENSES		
Net Claims Expense @95% Confidence Level	14,446,598	14,266,007
Reinsurance Premium	551,018	569,910
Provision for Member Dividends	500,000	500,000
Other Expenses	4,968,247	5,223,304
Total Expenses	20,465,863	20,559,221
TRANSFER TO (FROM) CONTINGENCY RESERVE	(2,769,532)	(1,877,963)

The major projected variances in the 2008 fund year were the increase in revenues of 5.6% and the decrease in net claims expense (1.3%). Net claims expense at the 95% confidence level includes claims payments, reserves on open claims, actuarial estimates of claims development in the future (IBNR), a statutorily required reserve to fund claims to the 75% confidence level, and an additional reserve recommended by the actuary to fund claims to the 95% confidence level in accordance with Fund policy.

In the preceding table, Investment Income includes the actuary's projection of future earnings, which are shown as an offset to claims expense (loss fund discount) in the financial statements. The provision for member dividends is included in the projection, although it will not be reflected in the financial statements until the dividend has been formally declared by the Board of Trustees. This presentation is used herein to conform to the Workers' Compensation Fund budget.

FUND FINANCIAL POSITION AT DECEMBER 31, 2008

At December 31, 2008, the Fund's net assets totaled \$43,781,856, an increase of \$2,953,971 (7.2%) versus the prior year.

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

CAPITAL ASSETS AND LONG TERM DEBT

At December 31, 2008 the Fund had capital assets of \$523,266, net of accumulated depreciation of \$457,540, for a net capital asset balance of \$65,726. These assets are the Fund's investment in a claims and underwriting system jointly owned with the MMA Property & Casualty Pool, less accumulated depreciation. The Fund had no long-term debt.

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

Management is aware of no conditions, decisions or contingencies that are expected to significantly impact on the Fund'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 Fund's finances and to show the Fund'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
WORKERS' COMPENSATION FUND
Statements of Net Assets
(All Fund Years)
December 31, 2008 and 2007**

	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,622,664	9,482,574
Certificates of deposit	4,118,737	-
Corporate bonds	418,780	-
U.S. Government and agency securities	61,556,316	58,688,071
Accounts receivable	5,064	52,112
Accrued interest receivable	668,117	665,663
Prepaid expenses	50,351	32,605
Total current assets	76,440,029	68,921,025
Capital assets:		
Computer equipment and software	523,266	547,239
Less accumulated depreciation	(457,540)	(365,121)
Net capital assets	65,726	182,118
Total assets	\$ 76,505,755	69,103,143
LIABILITIES		
Liabilities:		
Accounts payable	34,051	-
Deferred revenue	87,291	-
Claims loss reserves:		
Claims reserve	34,174,692	29,609,402
Reinsurance recoverable	(2,660,828)	(2,254,263)
Loss reserve discounting	(3,509,049)	(3,487,566)
Net claims loss reserves	28,004,815	23,867,573
Claim service/assessments reserve	4,597,742	4,407,685
Total liabilities	\$ 32,723,899	28,275,258
NET ASSETS		
Invested in capital assets, net of related debt	65,726	182,118
Reserve for statutory funding	1,971,565	1,919,383
Unrestricted:		
Board designated	2,964,392	2,777,731
Contingency reserve	38,780,173	35,948,653
Total net assets	\$ 43,781,856	40,827,885

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statements of Revenue and Expenses
(All Fund Years)**

For the Years Ended December 31, 2008 and 2007

	2008	2007
Revenue:		
Contributions	\$ 19,462,552	17,730,206
Less discounts	(1,866,762)	(1,681,943)
Less loss control credit	(466,599)	(394,652)
Less medical deductible credit	(8,513)	(8,358)
Net contributions	17,120,678	15,645,253
Investment income	4,717,222	4,655,434
Total revenue	21,837,900	20,300,687
Expenses:		
Claims paid	9,723,022	10,235,523
Claims reserve - current year adjustment	4,565,290	1,814,120
Subrogation recovery	(170,001)	(229,281)
Deductible recovery	(11,515)	(10,556)
Supplemental benefits fund recovered	-	(21,000)
Ultimate claims loss	14,106,796	11,788,806
Reinsurance recovered	(179,759)	(221,583)
Reinsurance recoverable adjustment	(406,565)	393,994
Supplemental benefits fund recovered	-	-
Net ultimate claims loss	13,520,472	11,961,217
Loss reserve discounting - current year adjustment	(21,483)	(283,653)
Net claims expense	13,498,989	11,677,564
Reinsurance premium	586,075	606,908
Professional services	107,644	129,664
Administrative fees	2,899,222	3,176,335
Regulatory assessments and fees	609,915	647,945
Claims service/assessments reserve	190,056	496,692
Safety and scholarship grants	198,974	203,513
Legal and consultant fees	11,500	13,137
Training expense	85,000	32,500
Depreciation expense	92,419	102,604
Maintenance contracts	104,632	76,232
Dividends paid	499,503	497,979
Total expenses	18,883,929	17,661,073
Change in net assets	\$ 2,953,971	2,639,614

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statements of Changes in Net Assets
(All Fund Years)**

For the Years Ended December 31, 2008 and 2007

	Invested in capital assets	Reserve for statutory funding	Board designated reserve	Contingency reserve	Total net assets
Net assets at December 31, 2006	\$ 233,419	1,647,527	2,316,820	33,990,505	38,188,271
Change in net assets	(51,301)	271,856	460,911	1,958,148	2,639,614
Net assets at December 31, 2007	182,118	1,919,383	2,777,731	35,948,653	40,827,885
Change in net assets	(116,392)	52,182	186,661	2,831,520	2,953,971
Net assets at December 31, 2008	\$ 65,726	1,971,565	2,964,392	38,780,173	43,781,856

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007**

	2008	2007
Cash flows from operating activities:		
Receipts from net contributions	\$ 17,255,018	15,613,277
Receipts from investment income	4,714,768	4,615,385
Payments for net claims	(9,361,747)	(9,753,103)
Payments for reinsurance premium	(586,075)	(606,908)
Payments for professional services	(107,644)	(129,664)
Payments for legal and consultant fees	(11,500)	(13,137)
Payments for administrative fees	(2,865,171)	(3,225,566)
Payments for regulatory assessments and fees	(609,915)	(647,945)
Payments for safety and scholarship grants	(198,974)	(203,513)
Payments for training expense	(85,000)	(32,500)
Payments for maintenance contracts	(122,378)	(63,941)
Payments for dividends paid	(499,503)	(497,979)
Net cash provided by operating activities	7,521,879	5,054,406
Cash flows from capital and related financing activities:		
Net proceeds (purchases) of computer equipment	23,973	(51,303)
Net cash provided by (used in) capital and related financing activities	23,973	(51,303)
Cash flows from investing activities:		
Net proceeds (purchase) of investments	(7,405,762)	139,678
Net cash provided by (used in) investing activities	(7,405,762)	139,678
Increase in cash	140,090	5,142,781
Cash, beginning of year	9,482,574	4,339,793
Cash, end of year	\$ 9,622,664	9,482,574
Reconciliation of change in net assets		
to net cash provided by operating activities:		
Change in net assets	\$ 2,953,971	2,639,614
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	92,419	102,604
(Increase) decrease in assets:		
Accounts receivable	47,048	(30,356)
Accrued interest receivable	(2,454)	(40,048)
Prepaid expenses	(17,746)	12,291
Increase (decrease) in liabilities:		
Accounts payable	34,051	(49,231)
Deferred revenue	87,291	(1,621)
Net claims loss reserves	4,137,242	1,924,461
Claim service/assessments reserve	190,057	496,692
Net cash provided by operating activities	\$ 7,521,879	5,054,406
Non-cash activities:		
Net appreciation (depreciation) in fair value of investments	\$ 1,991,156	1,733,210

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maine Municipal Association Workers' Compensation Fund (the "Fund") was established on November 1, 1978 to provide an alternative to commercial workers' compensation insurance for members of the Maine Municipal Association. During 2008 and 2007, respectively, there were 597 and 595 governmental entities that participated in the Fund. Participants share risk in proportion to their contributions. The Fund is administered by Maine Municipal Association for which a management fee is assessed and included in expenses. These financial statements include only the accounts of the Maine Municipal Association Workers' Compensation Fund. The Fund is regulated by the State of Maine Bureau of Insurance under Rule Chapter 250.

Tax Exempt Status - The Fund was established and is administered by the Maine Municipal Association, a tax-exempt instrumentality of the municipalities, and therefore 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 fund 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. In addition to the fund year operations, the Board established two additional funds, as detailed below:

- **Safety and Scholarship Fund ("WC SS Fund")** - The purpose of this fund is to provide resources for scholarships and grants to Fund members to increase workplace safety and to support a crisis intervention program.
- **Safety Training Fund ("WC Training Fund")** - The purpose of this fund is to provide members specialized safety training beyond the on-going loss control program.

Basis of Accounting - The Fund maintained its books of accounts and prepared its financial statements on the accrual basis.

The Fund follows the applicable provisions of Government Accounting Standards Board's (GASB) and U.S. generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Additionally, the Fund 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 Fund 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.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents - The Fund considers all highly liquid deposits with an initial maturity of three months or less to be cash and cash equivalents. Amounts in the mutual fund investment sweep and the money market mutual fund are indirectly invested in U.S. government obligations.

Investments - All investments are carried at fair value, based on quoted market prices, in a single pooled investment account for all of the Workers' Compensation fund years. The Fund's investments consist of U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Fund estimates that the fair value of all financial instruments at December 31, 2008 and 2007 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of changes in net assets. The estimated fair value amounts have been determined by quoted market prices. 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 have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at December 31, 2008 and 2007.

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 which do not extend the useful lives of the related assets.

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 revenue and expenses at the time the adjustments are determined.

Claims Service/Assessments Reserve - The claims service/assessments reserve is actuarially determined and consists of estimates for (1) future claims services and (2) future assessments by the State of Maine in connection with claims originating in fund years through 2008. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount.

Reinsurance - The Fund 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 Fund as direct insurer of the risks reinsured. The Fund does not report reinsured losses as liabilities unless it is probable that those losses will not be covered by reinsurers. Premiums ceded to reinsurers during 2008 and 2007 were \$586,075 and \$606,908, respectively. The amounts deducted from claims liabilities as of December 31, 2008 and 2007 for reinsurance recoveries were \$2,660,828 and \$2,254,263, respectively.

Contributions - Member contributions are based on the standard premium workers' compensation rates similar to an insured plan. Various premium discounts and credits are given to members. The contributions for 2008 have not been fully determined; the current premiums are based on estimated payrolls. Audits are conducted during each succeeding year to adjust for actual payroll expenses incurred by the members.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates utilized in the preparation of the financial statements include claims loss reserves and the claims service/assessments reserve.

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 December 31:

	<u>2008</u>	<u>2007</u>
CMA - deposit account	\$ 41,235	87
CMA - mutual fund investment sweep	3,157,999	663,445
<u>Money market mutual fund</u>	<u>6,423,430</u>	<u>8,819,042</u>
<u>Totals</u>	<u>\$ 9,622,664</u>	<u>9,482,574</u>

CMA - deposit account balances of \$41,235 and \$87 at December 31, 2008 and 2007, respectively, consist of checks deposited which are not yet available for transfer.

Depository and mutual fund sweep accounts are pooled accounts containing assets of the General Fund, Special Funds, Workers' Compensation Fund, Unemployment Compensation Fund, and Property & Casualty Pool. Only the assets belonging to the Workers' Compensation Fund are included in these financial statements. The money market mutual fund is held in a separate Trust solely for the Workers' Compensation Fund.

Custodial Credit Risk-Fund Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits in excess of the FDIC insured limit may not be recoverable. The Fund 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 through December 31, 2009. Any balance in this account in excess of the 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
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

DEPOSITS AND INVESTMENTS, CONTINUED

Investments

At December 31, 2008, the Fund had the following investments and maturities:

Investment types:	Fair Value	< 1 year to Maturity	1 to 5 years to Maturity	5 + years to Maturity
Certificates of deposit (1)	\$ 4,118,737	3,000,000	1,118,737	-
Corporate Bonds	418,780	-	418,780	-
U.S. government obligations	61,556,316	13,181,205	48,375,111	-
Totals	\$ 66,093,833	16,181,205	49,912,628	-

(1) All of the certificates of deposit held at December 31, 2008 were covered by FDIC.

At December 31, 2007, the Fund had the following investments and maturities:

Investment types:	Fair Value	< 1 year to Maturity	1 to 5 years to Maturity	5 + years to Maturity
U.S. government obligations	\$ 58,688,071	17,096,686	41,591,385	-
Totals	\$ 58,688,071	17,096,686	41,591,385	-

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund's investment policy requires that, to the extent possible, the Fund 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. Maturities may extend to a maximum of five years, based on a projected cash requirement and available yields. Liquidity risk, as defined by the Fund'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 Fund'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 Fund has invested may be unable to redeem investments when they mature. The Fund'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. The Fund held one investment in a corporate bond as of December 31, 2008, with a fair value of \$418,780, which had an S&P rating of BBB-.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
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 Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fund addresses this risk by having the custodian hold investments to the Fund'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 Fund's policy to diversify its investments by security type to mitigate concentration risk. 2008 and 2007 asset allocation targets were as follows: money market funds: 10%, U.S. government securities: 85%, and corporate bonds: 5%. Actual levels vary over the course of the year, and may be adjusted by management based on changing economic conditions.

NET APPRECIATION IN FAIR VALUE OF INVESTMENTS

Net appreciation in fair value during the years ended December 31, 2008 and 2007 by type of investment is as follows. Such amounts are included in investment income on the statements of revenue and expenses.

	<u>2008</u>	<u>2007</u>
U.S. Government and agency securities	\$ 1,991,156	1,733,210
Totals	\$ 1,991,156	1,733,210

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	<u>Balance 12/31/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/08</u>
Capital assets, being depreciated:				
Computer equipment and software	\$ 547,239	3,579	27,552	523,266
Less: accumulated depreciation	(365,121)	(100,076)	(7,657)	(457,540)
Total capital assets, net	\$ 182,118	(96,497)	19,895	65,726

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE

The amounts shown for claims reserves as of December 31, 2008, are developed from an actuarially determined loss analysis and are as follows:

Fund Year	Reserve based on known claims	Actuarial reserves	Total reserves	Net paid claims	Actuarially determined ultimate claims
1978-1979	\$ -	-	-	719,077	719,077
1979-1980	-	-	-	2,532,544	2,532,544
1980-1981	-	-	-	3,327,467	3,327,467
1981-1982	-	-	-	2,957,391	2,957,391
1982-1983	-	-	-	3,977,589	3,977,589
1983-1984	-	-	-	5,077,576	5,077,576
1985	406,709	51,544	458,253	7,122,139	7,580,392
1986	86,731	34,626	121,357	7,166,459	7,287,816
1987	555,009	-	555,009	8,740,479	9,295,488
1988	43,225	17,257	60,482	7,938,191	7,998,673
1989	77,044	30,759	107,803	9,557,118	9,664,921
1990	10,385	4,146	14,531	8,656,211	8,670,742
1991	28,945	6,020	34,965	7,930,136	7,965,101
1992	52,754	15,665	68,419	8,886,641	8,955,060
1993	115,791	30,645	146,436	9,287,128	9,433,564
1994	27,519	23,521	51,040	6,014,132	6,065,172
1995	271,726	22,802	294,528	4,206,774	4,501,302
1996	151,914	83,350	235,264	4,932,758	5,168,022
1997	224,976	106,193	331,169	4,545,371	4,876,540
1998	3,322	169	3,491	4,420,930	4,424,422
1999	285,826	151,045	436,871	6,113,366	6,550,237
2000	567,921	188,526	756,447	6,127,130	6,883,577
2001	650,562	288,368	938,930	6,717,034	7,655,964
2002	1,663,974	516,444	2,180,418	8,340,379	10,520,797
2003	1,711,324	816,480	2,527,804	8,065,213	10,593,017
2004	1,244,954	1,679,127	2,924,081	7,792,877	10,716,958
2005	1,198,597	1,824,209	3,022,806	6,916,377	9,939,183
2006	1,953,415	2,085,775	4,039,190	5,624,158	9,663,348
2007	3,039,569	2,128,306	5,167,875	5,617,384	10,785,259
2008	3,118,589	6,578,934	9,697,523	2,986,765	12,684,288
Totals	\$ 17,490,781	16,683,911	34,174,692	182,296,794	216,471,486

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

The net claims loss reserves as reported in Statement 2 include an offset recommended by the independent actuary for loss reserve discounting. This offset provides for discounting the claims loss reserves by 5.0% based on the payout patterns recorded over the Fund's history. This reserve anticipates the accrual of conservatively projected investment income over the life of each fund. This adjustment conforms with the funding requirements of the State of Maine Bureau of Insurance.

Each fund year has entered into specific reinsurance contracts for individual claims as noted below. The limits for the specific reinsurance for individual claims are as follows:

<u>Fund year</u>	<u>Specific Reinsurance Attachment</u>
1978-1979 to 1983-1984	\$ 250,000
1985 to 1990	350,000
1991 to 1997	400,000
1998 to 2000	350,000 (400,000 for Maritime)
2001 to 2002	400,000
2003	500,000
2004 to 2008	1,000,000

Aggregate reinsurance contracts covering total claims paid were purchased for each fund year from 1978-79 to 2003, with the exception of 1991-1993. As of January 1, 2004 aggregate reinsurance was no longer purchased. The attachment points for each of the fund years covered are listed in the following chart.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

The aggregate reinsurance limits are listed below along with the total amounts recoverable from both the specific and aggregate reinsurance policies based on the actuarially determined ultimate losses as follows:

Fund Year	Actuarially determined ultimate losses	Ultimate specific reinsurance recoverable	Ultimate losses, net of specific recovery	Aggregate reinsurance attachment	Ultimate aggregate reinsurance recoverable	Ultimate TOTAL reinsurance recoverable
1978-1979	\$ 719,077	-	719,077	1,000,000	-	-
1979-1980	2,532,544	128,876	2,403,668	1,647,658	756,010	884,886
1980-1981	3,327,467	380,643	2,946,824	1,896,317	1,050,507	1,431,150
1981-1982	2,957,391	62,621	2,894,770	2,756,246	138,524	201,145
1982-1983	3,977,589	433,045	3,544,544	2,987,189	557,355	990,400
1983-1984	5,077,576	273,943	4,803,633	3,379,864	1,423,769	1,697,712
1985	7,580,392	697,892	6,882,500	3,913,707	2,968,793	3,666,685
1986	7,287,816	-	7,287,816	4,923,803	2,364,013	2,364,013
1987	9,295,488	727,804	8,567,684	9,280,199	-	727,804
1988	7,998,673	149,907	7,848,766	11,524,021	-	149,907
1989	9,664,921	-	9,664,921	12,871,277	-	-
1990	8,670,742	45,416	8,625,326	14,547,254	-	45,416
1991	7,965,101	-	7,965,101	-	-	-
1992	8,955,060	145,143	8,809,917	-	-	145,143
1993	9,433,564	665,192	8,768,372	-	-	665,192
1994	6,065,172	-	6,065,172	13,858,008	-	-
1995	4,501,302	109,751	4,391,551	13,406,985	-	109,751
1996	5,168,022	-	5,168,022	11,636,779	-	-
1997	4,876,540	91,013	4,785,527	12,000,000	-	91,013
1998	4,424,422	-	4,424,422	7,894,675	-	-
1999	6,550,237	42,769	6,507,468	8,595,625	-	42,769
2000	6,883,577	172,392	6,711,185	9,733,330	-	172,392
2001	7,655,964	264,649	7,391,315	10,711,749	-	264,649
2002	10,520,797	317,308	10,203,489	11,329,907	-	317,308
2003	10,593,017	303,261	10,289,756	12,156,437	-	303,261
2004	10,716,958	-	10,716,958	-	-	-
2005	9,939,183	-	9,939,183	-	-	-
2006	9,663,348	-	9,663,348	-	-	-
2007	10,785,259	69,528	10,715,731	-	-	69,528
2008	12,684,288	-	12,684,288	-	-	-
Totals	\$ 216,471,486	5,081,153	211,390,333	182,051,030	9,258,971	14,340,124

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
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 2006 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>
1978-79 to 1979-80	International Insurance Co. (ISLIC)	Specific	(not rated)	(not rated)
1980-81 to 1981-82	United States Fire Insurance Co.	Specific	A (Excellent)	XIV
1982-83 to 1983-84	General Accident Ins. Co. of Amer.	Specific	A- (Excellent)	VIII
1978-79 to 1983-84	Employers Reinsurance Corp.	Specific and Aggregate	A+ (Superior)	XV
1981-82 to 1983-84	Northwestern National Insurance Co.	Excess Aggregate	(not rated)	(not rated)
1985 to 1990	General Reinsurance Corp.	Specific and Aggregate	A++ (Superior)	XV
1985 to 1986	Royal Insurance Company	Excess Specific	A- (Excellent)	XV
1991	General Reinsurance Corp.	Specific	A++ (Superior)	XV
1992 to 1993	Odyssey America Reinsurance Corp (formerly TIG Reinsurance Company)	Specific	A (Excellent)	XV
1994 to 1995	Travelers (formerly Aetna Casualty & Surety)	Specific and Aggregate	A+ (Superior)	XV
1996 to 2004	Safety National Casualty Corp.	Specific and Aggregate	A (Excellent)	IX
2005 to 2008	Safety National Casualty Corp.	Specific	A (Excellent)	IX

UNPAID CLAIMS LIABILITIES

The Fund establishes liabilities for the estimated costs of both reported and unreported losses, which includes estimates of both future payments of losses and related claim service reserves. The following represents changes in these aggregate liabilities as of December 31:

	<u>2008</u>	<u>2007</u>
<u>Net claims loss and claims service reserves at beginning of year</u>	<u>\$ 28,275,258</u>	<u>25,905,957</u>
Incurred claims and claims service reserve expenses:		
Provision for insured events of the current year	12,905,410	11,784,107
Increases in provision for insured events of prior years	1,144,912	821,717
<u>Total insured claims and claims service reserve expenses</u>	<u>14,050,322</u>	<u>12,605,824</u>
Payments:		
Claims attributable to insured events of the current year	2,998,798	3,555,443
Claims attributable to insured events of prior years	6,724,225	6,680,080
<u>Total payments</u>	<u>9,723,023</u>	<u>10,235,523</u>
<u>Net claims loss and claims service reserves at end of year</u>	<u>\$ 32,602,557</u>	<u>28,275,258</u>

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

EXPENSES

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

INTERFUND TRANSFERS

In order to provide full funding, the Workers' Compensation Fund Trustees have approved various transfers between fund years. Transfers affected during 2008 are shown within Schedule 3. The net of all transfers made between Workers' Compensation Funds since inception is reflected in Schedule 4.

NET ASSETS

Under a policy of the Trustees of the Fund, net assets are segregated into four components.

Amounts invested in capital assets, net of debt and depreciation; represent the Fund's equity in claims and underwriting software held jointly with the MMA Property and Casualty Fund. As of December 31, 2008 and 2007, invested in capital assets, net of related debt and depreciation, totaled \$65,726 and \$182,118, respectively.

The amount restricted for statutory funding is calculated by an independent actuary to a 75% confidence level based on the loss development variations experienced by the Maine Municipal Associations Workers' Compensation Fund over its history. The calculation indicates that this reserve plus the claims loss reserve and claims service/assessments reserve will be adequate to that confidence level to cover variations in the claims loss reserve development. This adjustment also conforms with the funding requirements of the State of Maine Bureau of Insurance. As of December 31, 2008 and 2007, the reserve for statutory funding totaled \$1,971,565 and \$1,919,383, respectively.

The Board designated amount is maintained to recognize the possibility that actual loss development may vary from the expected development underlying the loss projections. An independent actuary has calculated this reserve to provide an additional reserve up to the 95% confidence level. As of December 31, 2008 and 2007, the Board designated reserve totaled \$2,964,392 and \$2,777,731, respectively.

The contingency reserve represents accumulated funding in excess of the amounts invested in capital assets, the statutory requirements and the board designated reserves. The Workers' Compensation Fund Trustees have established this reserve to be held for the future financial stability of the Fund. As of December 31, 2008 and 2007, the contingency reserve totaled \$38,780,173 and \$35,948,653, respectively.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

CONTINGENT LIABILITY

The Fund purchases certain annuity contracts from third parties to settle claims liabilities. These liabilities have been removed from the statements of net assets. The annuities have been purchased from highly rated insurance companies and management believes that the likelihood that the Fund will be required to make future payments on the claims is remote. The aggregate original purchase amount of such annuities at December 31, 2008 and 2007 totaled \$8,530,052 and \$8,524,041, respectively.

TERMINATED MEMBERS' RESERVE

Section III.E.3 of Rule 250 requires that members who have left a group self insurance plan are liable for their proportionate share of the incremental difference between funding at the 90th confidence level and the 95th confidence level. The Rule further states that the group must increase its security by such sums.

At December 31, 2008, the Fund maintained security for all fund years at or above the 95th confidence level. Therefore, all departed members have met their obligation to fund exposures to the 95th confidence level and no additional security is required.

Required Supplemental Information

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Ten Year Claims Development Information
December 31, 2008

Schedule 1

The analysis gives a summary of the income and expenses by fund year, along with comparative data on paid claims and incurred claims since inception of the fund year.

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Required contribution and investment income:										
Earned	\$ 9,178,928	7,605,755	7,854,239	9,170,077	10,720,601	12,841,468	14,498,477	15,732,013	16,413,332	15,949,570
Ceded	508,299	474,434	615,289	472,360	597,909	648,343	510,909	537,943	584,974	606,908
Net earned	8,670,629	7,131,321	7,238,950	8,697,717	10,122,692	12,193,125	13,987,568	15,194,070	15,828,358	15,342,662
Unallocated expenses	2,555,019	2,592,401	2,628,475	2,935,041	3,292,716	3,857,904	4,474,840	4,362,761	4,760,826	5,380,902
Estimated incurred claims and expense, end of policy year:										
Incurred	6,180,377	6,180,377	5,507,742	6,179,602	7,390,466	8,053,929	8,688,209	9,991,417	9,488,115	10,045,119
Net incurred	6,180,377	6,180,377	5,507,742	6,179,602	7,390,466	8,053,929	8,688,209	9,991,417	9,488,115	10,045,119
Paid claims (cumulative) as of:										
End of policy year	1,499,370	1,685,234	1,873,700	2,218,838	2,445,502	2,466,468	2,932,275	2,810,538	2,853,292	5,645,838
One year later	2,616,541	2,947,430	3,731,396	4,033,996	4,566,870	4,680,401	5,143,377	5,288,241	5,662,305	-
Two years later	3,243,287	4,006,973	4,697,542	4,692,702	6,115,453	5,944,908	6,309,517	7,006,011	-	-
Three years later	3,620,624	4,677,433	5,215,231	5,318,881	6,840,431	6,884,799	7,943,187	-	-	-
Four years later	4,013,950	4,970,990	5,612,268	5,659,455	7,467,625	8,223,589	-	-	-	-
Five years later	4,097,062	5,312,359	5,766,146	6,161,809	8,654,551	-	-	-	-	-
Six years later	4,193,849	5,661,112	6,244,452	6,794,549	-	-	-	-	-	-
Seven years later	4,321,952	6,047,774	6,497,485	-	-	-	-	-	-	-
Eight years later	4,474,638	6,335,688	-	-	-	-	-	-	-	-
Nine years later	4,559,055	-	-	-	-	-	-	-	-	-
Ten years later	-	-	-	-	-	-	-	-	-	-
Reestimated ceded claims and expense	-	(42,769)	(32,887)	(139,097)	-	(303,261)	-	-	-	-
Reestimated incurred claims and expense as of:										
End of policy year	6,180,377	5,507,742	6,179,602	7,390,466	8,053,929	8,688,209	10,888,106	10,392,397	10,500,429	10,785,259
One year later	4,915,253	5,616,297	6,862,389	7,809,051	8,148,115	8,900,125	10,121,585	10,255,739	9,663,348	-
Two years later	5,075,135	5,900,271	6,950,313	7,030,606	9,452,075	9,312,529	9,659,901	9,939,183	-	-
Three years later	4,741,715	6,219,413	6,450,286	6,995,596	9,021,400	9,924,111	10,716,958	-	-	-
Four years later	5,284,020	6,361,530	6,752,783	7,215,623	9,368,300	10,593,017	-	-	-	-
Five years later	5,095,260	6,812,567	6,475,223	7,413,579	10,520,797	-	-	-	-	-
Six years later	4,690,726	6,860,771	6,594,911	7,655,964	-	-	-	-	-	-
Seven years later	4,615,853	6,774,228	6,883,577	-	-	-	-	-	-	-
Eight years later	4,582,458	6,550,237	-	-	-	-	-	-	-	-
Nine years later	4,424,422	-	-	-	-	-	-	-	-	-
Ten years later	-	-	-	-	-	-	-	-	-	-
(Increase) decrease in estimated incurred claims and expense from end of policy year	\$ (1,755,955)	1,042,495	703,975	265,498	2,466,868	1,904,808	(171,148)	(453,214)	(837,081)	-

Additional Information

MAINE MUNICIPAL ASSOCIATION
 WORKERS' COMPENSATION FUND
 Statement of Net Assets by Fund Year
 December 31, 2008

Schedule 2

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987	1988
	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	\$	-	-	-	-	-	25,607	12,133	13,652	17,610
Investments:										
Certificate of deposit		-	-	-	-	-	10,960	5,193	5,843	7,537
Corporate bonds		-	-	-	-	-	1,114	528	594	766
U.S. Government and agency securities		-	-	-	-	-	163,808	77,613	87,329	112,650
Total investments		-	-	-	-	-	175,882	83,334	93,766	120,953
Accounts receivable		-	-	-	-	-	-	-	-	-
Accrued interest receivable		-	-	-	-	-	1,778	843	948	1,223
Prepaid expenses		-	-	-	-	-	-	-	-	-
Capital assets:										
Computer equipment and software		-	-	-	-	-	-	-	-	-
Less accumulated depreciation		-	-	-	-	-	-	-	-	-
Net capital assets		-	-	-	-	-	-	-	-	-
Total assets	\$	-	-	-	-	-	203,267	96,310	108,366	139,786
LIABILITIES										
Liabilities:										
Accounts payable		-	-	-	-	-	33,889	-	-	-
Deferred revenue		-	-	-	-	-	-	-	-	-
Claims loss reserves:										
Claims reserve		-	-	-	-	-	458,253	121,357	555,009	60,482
Reinsurance recoverable		-	-	-	-	-	(499,496)	(170,937)	(615,923)	-
Loss reserve discounting		-	-	-	-	-	-	-	-	(554)
Net claims loss reserves		-	-	-	-	-	(41,243)	(49,580)	(60,914)	59,928
Claims service/assessments reserve		-	-	-	-	-	50,826	18,758	58,821	8,213
Net claims loss reserves		-	-	-	-	-	9,583	(30,822)	(2,093)	68,141
Total liabilities		-	-	-	-	-	43,472	(30,822)	(2,093)	68,141
NET ASSETS										
Invested in capital assets, net of related debt		-	-	-	-	-	-	-	-	-
Reserve for statutory funding		-	-	-	-	-	-	-	-	4,566
Unrestricted:										
Board designated		-	-	-	-	-	-	-	-	6,559
Contingency reserve		-	-	-	-	-	159,795	127,132	110,459	60,520
Total net assets	\$	-	-	-	-	-	159,795	127,132	110,459	71,645

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year
December 31, 2008

Schedule 2

	1989	1990	1991	1992	1993	1994	1995	1996	1997	
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	
ASSETS										
Cash and cash equivalents	\$ 25,180	9,525	42,924	61,579	52,632	68,931	69,446	223,267	459,242	
Investments:										
Certificate of deposit	10,778	4,077	18,372	26,357	22,528	29,504	29,725	95,563	196,567	
Corporate bonds	1,096	414	1,868	2,680	2,291	3,000	3,022	9,717	19,986	
U.S. Government and agency securities	161,076	60,932	274,583	393,919	336,689	440,951	444,248	1,428,241	2,937,777	
Total investments	172,950	65,423	294,823	422,956	361,508	473,455	476,995	1,533,521	3,154,330	
Accounts receivable	-	-	-	-	-	-	-	-	-	
Accrued interest receivable	1,748	661	2,980	4,275	3,654	4,786	4,822	15,502	31,886	
Prepaid expenses	-	-	-	-	-	-	-	-	-	
Capital assets:										
Computer equipment and software	-	-	-	-	-	-	-	-	-	
Less accumulated depreciation	-	-	-	-	-	-	-	-	-	
Net capital assets	-	-	-	-	-	-	-	-	-	
Total assets	\$ 199,878	75,609	340,727	488,810	417,794	547,172	551,263	1,772,290	3,645,458	
LIABILITIES										
Liabilities:										
Accounts payable	-	-	-	-	-	-	-	-	-	
Deferred revenue	-	-	-	-	-	-	-	-	-	
Claims loss reserves:										
Claims reserve	107,803	14,531	34,965	68,419	146,436	51,040	294,528	235,264	331,169	
Reinsurance recoverable	-	-	-	-	(275,823)	-	(109,751)	-	-	
Loss reserve discounting	(988)	(133)	(320)	(627)	(1,342)	(468)	(1,738)	(2,155)	(6,026)	
Net claims loss reserves	106,815	14,398	34,645	67,792	(130,729)	50,572	183,039	233,109	325,143	
Claims service/assessments reserve	16,118	6,620	5,485	10,442	31,809	15,333	36,149	28,163	45,136	
Net claims loss reserves	122,933	21,018	40,130	78,234	(98,920)	65,905	219,188	261,272	370,279	
Total liabilities	122,933	21,018	40,130	78,234	(98,920)	65,905	219,188	261,272	370,279	
NET ASSETS										
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-	-	
Reserve for statutory funding	8,612	1,167	2,769	5,374	11,465	3,971	5,238	17,746	24,761	
Unrestricted:										
Board designated	11,218	1,506	3,663	7,211	15,471	5,417	7,546	25,529	35,599	
Contingency reserve	57,115	51,918	294,165	397,991	489,778	471,879	319,291	1,467,743	3,214,819	
Total net assets	\$ 76,945	54,591	300,597	410,576	516,714	481,267	332,075	1,511,018	3,275,179	

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year
December 31, 2008**

Schedule 2

	1998 Fund Year	1999 Fund Year	2000 Fund Year	2001 Fund Year	2002 Fund Year	2003 Fund Year	2004 Fund Year	2005 Fund Year	2006 Fund Year
ASSETS									
Cash and cash equivalents	\$ 689,747	404,274	300,757	426,001	294,057	547,217	707,120	1,072,572	1,218,868
Investments:									
Certificate of deposit	295,229	173,040	128,732	182,339	125,864	234,223	302,665	459,087	521,706
Corporate bonds	30,018	17,594	13,089	18,540	12,797	23,815	30,774	46,679	53,045
U.S. Government and agency securities	4,412,321	2,586,148	1,923,948	2,725,135	1,881,085	3,500,559	4,523,459	6,861,259	7,797,114
Total investments	4,737,568	2,776,782	2,065,769	2,926,014	2,019,746	3,758,597	4,856,898	7,367,025	8,371,865
Accounts receivable	-	-	-	-	-	-	-	-	-
Accrued interest receivable	47,890	28,069	20,882	29,578	20,417	37,994	49,097	74,470	84,627
Prepaid expenses	-	-	-	-	-	-	-	-	-
Capital assets:									
Computer equipment and software	-	-	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-	-	-
Net capital assets	-	-	-	-	-	-	-	-	-
Total assets	\$ 5,475,205	3,209,125	2,387,408	3,381,593	2,334,220	4,343,808	5,613,115	8,514,067	9,675,360
LIABILITIES									
Liabilities:									
Accounts payable	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Claims loss reserves:									
Claims reserve	3,491	436,871	756,447	938,930	2,180,418	2,527,804	2,924,081	3,022,806	4,039,190
Reinsurance recoverable	-	-	(172,392)	(126,410)	(317,308)	(303,261)	-	-	-
Loss reserve discounting	(125)	(23,266)	(38,880)	(61,802)	(156,945)	(209,734)	(301,987)	(346,548)	(507,562)
Net claims loss reserves	3,366	413,605	545,175	750,718	1,706,165	2,014,809	2,622,094	2,676,258	3,531,628
Claims service/assessments reserve	6,036	57,056	89,751	123,225	257,652	319,337	384,594	383,069	518,579
Net claims loss reserves	9,402	470,661	634,926	873,943	1,963,817	2,334,146	3,006,688	3,059,327	4,050,207
Total liabilities	9,402	470,661	634,926	873,943	1,963,817	2,334,146	3,006,688	3,059,327	4,050,207
NET ASSETS									
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-	-
Reserve for statutory funding	255	31,339	30,810	44,566	97,167	95,333	195,918	199,441	260,606
Unrestricted:									
Board designated	370	45,444	45,098	64,841	143,911	140,899	290,853	297,384	395,012
Contingency reserve	5,465,178	2,661,681	1,676,574	2,398,243	129,325	1,773,430	2,119,656	4,957,915	4,969,535
Total net assets	\$ 5,465,803	2,738,464	1,752,482	2,507,650	370,403	2,009,662	2,606,427	5,454,740	5,625,153

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year
December 31, 2008**

Schedule 2

	2007 Fund Year	2008 Fund Year	2009 Fund Year	WC 55 Fund	WC Training Fund	Totals	
						2008	2007
ASSETS							
Cash and cash equivalents	\$ 1,241,336	1,618,320	-	13,226	7,441	9,622,664	9,482,574
Investments:							
Certificate of deposit	531,322	692,681	-	5,660	3,185	4,118,737	-
Corporate bonds	54,023	70,430	-	576	324	418,780	-
U.S. Government and agency securities	7,940,841	10,352,420	-	84,603	47,608	61,556,316	58,688,071
Total investments	8,526,186	11,115,531	-	90,839	51,117	66,093,833	58,688,071
Accounts receivable	-	5,064	-	-	-	5,064	52,112
Accrued interest receivable	86,189	112,362	-	918	518	668,117	665,663
Prepaid expenses	-	50,351	-	-	-	50,351	32,605
Capital assets:							
Computer equipment and software	-	523,266	-	-	-	523,266	547,239
Less accumulated depreciation	-	(457,540)	-	-	-	(457,540)	(365,121)
Net capital assets	-	65,726	-	-	-	65,726	182,118
Total assets	\$ 9,853,711	12,967,354	-	104,983	59,076	76,505,755	69,103,143
LIABILITIES							
Liabilities:							
Accounts payable	-	162	-	-	-	34,051	-
Deferred revenue	-	87,291	-	-	-	87,291	-
Claims loss reserves:							
Claims reserve	5,167,875	9,697,523	-	-	-	34,174,692	29,609,402
Reinsurance recoverable	(69,527)	-	-	-	-	(2,660,828)	(2,254,263)
Loss reserve discounting	(670,612)	(1,177,237)	-	-	-	(3,509,049)	(3,487,566)
Net claims loss reserves	4,427,736	8,520,286	-	-	-	28,004,815	23,867,573
Claims service/assessments reserve	740,244	1,386,326	-	-	-	4,597,742	4,407,685
Net claims loss reserves	5,167,980	9,906,612	-	-	-	32,602,557	28,275,258
Total liabilities	5,167,980	9,994,065	-	-	-	32,723,899	28,275,258
NET ASSETS							
Invested in capital assets, net of related debt	-	65,726	-	-	-	65,726	182,118
Reserve for statutory funding	305,128	625,333	-	-	-	1,971,565	1,919,383
Unrestricted:							
Board designated	464,475	956,386	-	-	-	2,964,392	2,777,731
Contingency reserve	3,916,128	1,325,844	-	104,983	59,076	38,780,173	35,948,653
Total net assets	\$ 4,685,731	2,973,289	-	104,983	59,076	43,781,856	40,827,885

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND

Schedule 3

Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the Period Ended December 31, 2008

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987	1988
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:										
Contributions	\$ -	-	-	-	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-	-	-	-	-
Less loss control credit	-	-	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-	-	-
Net contributions	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	7,285	3,860	4,524	4,907
Unrealized gain (loss) on investments	-	-	-	-	-	-	5,295	2,012	2,277	3,564
Total revenue	-	-	-	-	-	-	12,580	5,872	6,801	8,471
Expenses:										
Claims paid	-	-	-	-	-	-	99,695	46,807	47,773	103
Claims reserve - current year adjustment	-	-	-	-	-	-	(14,336)	(27,946)	(40,011)	3,588
Subrogation recovery	-	-	-	-	-	-	(88,023)	-	-	-
Deductible recovery	-	-	-	-	-	-	-	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-	-
Ultimate claims loss	-	-	-	-	-	-	(2,664)	18,861	7,762	3,691
Reinsurance recovered	-	-	-	-	-	-	15,756	(7,629)	-	-
Reinsurance recoverable adjustment	-	-	-	-	-	-	(13,092)	(11,232)	(181)	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-	-
Net ultimate claims loss	-	-	-	-	-	-	-	-	7,581	3,691
Loss reserve discounting	-	-	-	-	-	-	-	-	83	69
Net claims expense	-	-	-	-	-	-	-	-	7,664	3,760
Reinsurance premium	-	-	-	-	-	-	-	-	-	-
Professional service	-	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-	-	-	-
Regulatory assessments and fees	-	-	-	-	-	-	-	-	-	-
Claims service/assessments reserve	-	-	-	-	-	-	(6,599)	(2,415)	(8,667)	(87)
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-	(6,599)	(2,415)	(1,003)	3,673
Change in net assets before transfers	-	-	-	-	-	-	19,179	8,287	7,804	4,798
Interfund transfers:										
To 2008 fund	(27,133)	(27,133)	(27,554)	(27,152)	(26,942)	(27,134)	-	-	-	-
Net change in net assets	(27,133)	(27,133)	(27,554)	(27,152)	(26,942)	(27,134)	19,179	8,287	7,804	4,798
Net assets, beginning	27,133	27,133	27,554	27,152	26,942	27,134	140,616	118,845	102,655	66,847
Net assets, ending	\$ -	-	-	-	-	-	159,795	127,132	110,459	71,645

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND

Schedule 3

Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the Period Ended December 31, 2008

	1989	1990	1991	1992	1993	1994	1995	1996	1997
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:									
Contributions	\$ -	-	-	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-	-	-	-
Less loss control credit	-	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-	-
Net contributions	-	-	-	-	-	-	-	-	-
Investment income	7,157	2,678	11,981	17,486	12,535	20,366	20,339	72,186	139,553
Unrealized gain (loss) on investments	4,913	1,917	8,651	12,184	12,209	13,284	13,650	33,182	80,211
Total revenue	12,070	4,595	20,632	29,670	24,744	33,650	33,989	105,368	219,764
Expenses:									
Claims paid	17,470	1,098	3,224	25,776	58,452	61,330	49,429	19,748	89,073
Claims reserve - current year adjustment	(48,638)	13,743	(4,145)	(6,089)	(256,365)	(115,850)	147,939	(10,154)	63,289
Subrogation recovery	-	-	-	(1,331)	-	-	-	(1,520)	-
Deductible recovery	-	-	-	-	-	-	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-
Ultimate claims loss	(31,168)	14,841	(921)	18,356	(197,913)	(54,520)	197,368	8,074	152,362
Reinsurance recovered	-	-	-	-	(187,886)	-	-	-	-
Reinsurance recoverable adjustment	-	-	-	-	379,583	-	(109,751)	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-
Net ultimate claims loss	(31,168)	14,841	(921)	18,356	(6,216)	(54,520)	87,617	8,074	152,362
Loss reserve discounting	724	(124)	108	188	842	1,358	(134)	3,173	5,432
Net claims expense	(30,444)	14,717	(813)	18,544	(5,374)	(53,162)	87,483	11,247	157,794
Reinsurance premium	-	-	-	-	-	-	-	-	-
Professional service	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-	-	-
Regulatory assessments and fees	-	-	-	-	-	-	-	-	-
Claims service/assessments reserve	(7,180)	3,709	(3,942)	598	(77,531)	(6,959)	7,564	(3,475)	4,050
Safety and scholarship grants	-	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-
Total expenses	(37,624)	18,426	(4,755)	19,142	(82,905)	(60,121)	95,047	7,772	161,844
Change in net assets before transfers	49,694	(13,831)	25,387	10,528	107,649	93,771	(61,058)	97,596	57,920
Interfund transfers:									
To 2008 fund	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Net change in net assets	49,694	(13,831)	25,387	10,528	107,649	93,771	(61,058)	(902,404)	(942,080)
Net assets, beginning	27,251	68,422	275,210	400,048	409,065	387,496	393,133	2,413,422	4,217,259
Net assets, ending	\$ 76,945	54,591	300,597	410,576	516,714	481,267	332,075	1,511,018	3,275,179

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND

Schedule 3

Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the Period Ended December 31, 2008

	1998	1999	2000	2001	2002	2003	2004	2005	2006
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:									
Contributions	\$ -	-	-	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-	-	-	-
Less loss control credit	-	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-	-
Net contributions	-	-	-	-	-	-	-	-	-
Investment income	198,538	113,312	86,304	121,707	86,639	164,818	211,340	310,039	355,800
Unrealized gain (loss) on investments	132,063	81,434	60,142	84,057	56,393	103,641	134,457	208,968	236,334
Total revenue	330,601	194,746	146,446	205,764	143,032	268,459	345,797	519,007	592,134
Expenses:									
Claims paid	34,465	41,146	125,802	201,425	316,485	685,622	892,820	768,090	1,047,996
Claims reserve - current year adjustment	(316,443)	(142,921)	(191,497)	(130,866)	(5,922)	(245,636)	(44,539)	(719,151)	(228,422)
Subrogation recovery	-	-	(18,213)	(177)	(7,522)	(1,133)	(16,627)	(14,266)	(4,569)
Deductible recovery	-	-	-	-	-	-	-	-	(525)
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-
Ultimate claims loss	(281,978)	(101,775)	(83,908)	70,382	303,041	438,853	831,654	34,673	814,480
Reinsurance recovered	-	-	-	-	-	-	-	-	-
Reinsurance recoverable adjustment	-	-	(139,504)	(125,552)	(317,308)	-	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-
Net ultimate claims loss	(281,978)	(101,775)	(223,412)	(55,170)	(14,267)	438,853	831,654	34,673	814,480
Loss reserve discounting	20,105	22,457	46,467	51,755	96,660	98,370	93,474	183,987	128,611
Net claims expense	(261,873)	(79,318)	(176,945)	(3,415)	82,393	537,223	925,128	218,660	943,091
Reinsurance premium	-	-	-	-	-	-	-	-	-
Professional service	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-	-	-
Regulatory assessments and fees	-	-	-	-	-	-	-	(6,882)	-
Claims service/assessments reserve	(34,816)	(33,009)	(32,060)	(58,503)	(76,809)	(32,227)	(3,554)	(113,634)	(129,280)
Safety and scholarship grants	-	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-
Total expenses	(296,689)	(112,327)	(209,005)	(61,918)	5,584	504,996	921,574	98,144	813,811
Change in net assets before transfers	627,290	307,073	355,451	267,682	137,448	(236,537)	(575,777)	420,863	(221,677)
Interfund transfers:									
To 2008 fund	(606,484)	-	-	-	-	-	-	-	-
Net change in net assets	20,806	307,073	355,451	267,682	137,448	(236,537)	(575,777)	420,863	(221,677)
Net assets, beginning	5,444,997	2,431,391	1,397,031	2,239,968	232,955	2,246,199	3,182,204	5,033,877	5,846,830
Net assets, ending	\$ 5,465,803	2,738,464	1,752,482	2,507,650	370,403	2,009,662	2,606,427	5,454,740	5,625,153

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND

Schedule 3

Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the Period Ended December 31, 2008

	2007	2008	2009	WC SS	WC Training	Totals	
	Fund Year	Fund Year	Fund Year	Fund	Fund	2008	2007
Revenue:							
Contributions	\$ 458,473	19,004,079	-	-	-	19,462,552	17,730,206
Less discounts	-	(1,866,762)	-	-	-	(1,866,762)	(1,681,943)
Less loss control credit	-	(466,599)	-	-	-	(466,599)	(394,652)
Less medical deductible credit	-	(8,513)	-	-	-	(8,513)	(8,358)
Net contributions	458,473	16,662,205	-	-	-	17,120,678	15,645,253
Investment income	378,283	374,429	-	-	-	2,726,066	2,922,224
Unrealized gain (loss) on investments	232,930	467,388	-	-	-	1,991,156	1,733,210
Total revenue	1,069,686	17,504,022	-	-	-	21,837,900	20,300,687
Expenses:							
Claims paid	2,090,395	2,998,798	-	-	-	9,723,022	10,235,523
Claims reserve - current year adjustment	(2,811,861)	9,697,523	-	-	-	4,565,290	1,814,120
Subrogation recovery	(10,526)	(6,094)	-	-	-	(170,001)	(229,281)
Deductible recovery	(5,051)	(5,939)	-	-	-	(11,515)	(10,556)
Supplemental benefits fund recovered	-	-	-	-	-	-	(21,000)
Ultimate claims loss	(737,043)	12,684,288	-	-	-	14,106,796	11,788,806
Reinsurance recovered	-	-	-	-	-	(179,759)	(221,583)
Reinsurance recoverable adjustment	(69,528)	-	-	-	-	(406,565)	393,994
Supplemental benefits fund recovered	-	-	-	-	-	-	-
Net ultimate claims loss	(806,571)	12,684,288	-	-	-	13,520,472	11,961,217
Loss reserve discounting	402,149	(1,177,237)	-	-	-	(21,483)	(283,653)
Net claims expense	(404,422)	11,507,051	-	-	-	13,498,989	11,677,564
Reinsurance premium	16,165	569,910	-	-	-	586,075	606,908
Professional service	-	107,644	-	-	-	107,644	129,664
Administrative fees	-	2,899,222	-	-	-	2,899,222	3,176,335
Regulatory assessments and fees	-	616,797	-	-	-	609,915	647,945
Claims service/assessments reserve	(581,445)	1,386,327	-	-	-	190,056	496,692
Safety and scholarship grants	-	-	-	198,974	-	198,974	203,513
Legal and consultant fees	11,500	-	-	-	-	11,500	13,137
Training expense	-	-	-	-	85,000	85,000	32,500
Depreciation expense	-	92,419	-	-	-	92,419	102,604
Maintenance contracts	-	104,632	-	-	-	104,632	76,232
Dividends paid	499,503	-	-	-	-	499,503	497,979
Total expenses	(458,699)	17,284,002	-	198,974	85,000	18,883,929	17,661,073
Change in net assets before transfers	1,528,385	220,020	-	(198,974)	(85,000)	2,953,971	2,639,614
Interfund transfers:							
To 2008 fund	-	2,769,532	-	-	-	-	-
Net change in net assets	1,528,385	2,989,552	-	(198,974)	(85,000)	2,953,971	2,639,614
Net assets, beginning	3,157,346	(16,263)	-	303,957	144,076	40,827,885	38,188,271
Net assets, ending	\$ 4,685,731	2,973,289	-	104,983	59,076	43,781,856	40,827,885

MAINE MUNICIPAL ASSOCIATION

WORKERS' COMPENSATION FUND

Cumulative Statement of Revenues and Expenses

For the Period November 1, 1978 through December 31, 2008

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:									
Contributions	\$ 898,836	2,198,194	2,906,927	4,240,842	4,595,671	5,632,583	6,021,088	6,838,615	8,513,891
Less discounts	-	-	(290,693)	(424,084)	(459,567)	(796,892)	(852,654)	(980,663)	(1,236,385)
Less loss control credit	-	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-	-
Net contributions	898,836	2,198,194	2,616,234	3,816,758	4,136,104	4,835,691	5,168,434	5,857,952	7,277,506
Investment income	330,564	813,082	646,146	1,473,718	1,478,580	1,260,588	1,060,470	1,273,935	2,888,011
Miscellaneous revenue	-	35	234	123	(125)	891	2,180	2,372	11,737
Total revenue	1,229,400	3,011,311	3,262,614	5,290,599	5,614,559	6,097,170	6,231,084	7,134,259	10,177,254
Expenses:									
Claims paid	719,286	2,532,544	3,357,987	2,988,697	3,993,534	5,131,404	7,399,421	7,340,772	8,829,841
Claims reserve	-	-	-	-	-	-	458,253	121,357	555,009
Subrogation recovery	(210)	-	(30,520)	(31,306)	(15,945)	(53,828)	(277,282)	(174,312)	(89,363)
Deductible recovery	-	-	-	-	-	-	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-
Ultimate claims loss	719,076	2,532,544	3,327,467	2,957,391	3,977,589	5,077,576	7,580,392	7,287,817	9,295,487
Reinsurance recovered	-	(884,885)	(1,431,150)	(201,144)	(990,399)	(1,697,712)	(3,167,189)	(2,193,076)	(111,880)
Reinsurance recoverable adjustment	-	-	-	-	-	-	(499,496)	(170,937)	(615,923)
Net ultimate claims loss	719,076	1,647,659	1,896,317	2,756,247	2,987,190	3,379,864	3,913,707	4,923,804	8,567,684
Loss reserve discounting	-	-	-	-	-	-	-	-	-
Net claims expense	719,076	1,647,659	1,896,317	2,756,247	2,987,190	3,379,864	3,913,707	4,923,804	8,567,684
Reinsurance premium	137,237	312,790	419,524	478,576	363,680	411,812	520,415	699,461	1,178,993
Claims service fee paid	82,296	176,497	236,470	327,459	386,512	473,213	351,488	404,309	441,635
Professional service fees	-	-	-	-	-	-	-	-	-
Administrative fees	13,627	49,349	55,671	254,892	398,727	499,345	660,000	441,000	500,000
Regulatory assessments and fees	-	-	-	6,123	232	662	402	3,161	24,918
Claims service/assessments reserve	-	-	-	-	-	-	50,826	18,758	58,821
Safety and scholarship grants	-	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-
Dividends paid	106,990	73,229	-	-	-	-	-	-	-
Interest refund	188,639	591,990	537,188	793,891	508,732	243,525	-	-	-
Interest expense	-	-	-	-	-	-	-	-	992,030
Total expenses	1,247,865	2,851,514	3,145,170	4,617,188	4,645,073	5,008,421	5,496,838	6,490,493	11,764,081
Change in net assets before transfers	(18,465)	159,797	117,444	673,411	969,486	1,088,749	734,246	643,766	(1,586,827)
Interfund transfers	18,465	(159,797)	(117,444)	(673,411)	(969,486)	(1,088,749)	(574,451)	(516,634)	1,697,286
From MMA General Fund	-	-	-	-	-	-	-	-	-
Net assets, ending	\$ -	-	-	-	-	-	159,795	127,132	110,459

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND

Schedule 4

Cumulative Statement of Revenues and Expenses
For the Period November 1, 1978 through December 31, 2008

	1988	1989	1990	1991	1992	1993	1994	1995	1996	
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	
Revenue:										
Contributions	\$ 11,896,947	13,324,125	14,920,260	16,176,020	13,370,101	14,698,127	16,420,659	13,726,365	9,210,964	
Less discounts	(1,216,358)	(1,027,854)	(1,237,948)	(1,428,079)	(1,276,658)	(1,441,541)	(1,426,427)	(1,425,500)	(798,972)	
Less loss control credit	-	-	-	-	-	-	-	-	(362,288)	
Less medical deductible credit	-	-	-	-	-	-	-	-	-	
Net contributions	10,680,589	12,296,271	13,682,312	14,747,941	12,093,443	13,256,586	14,994,232	12,300,865	8,049,704	
Investment income	3,996,560	3,843,793	3,717,837	4,177,426	3,505,408	3,320,007	3,052,106	3,277,692	3,975,317	
Miscellaneous revenue	3,703	2,861	2,980	2,050	3,938	8,905	(716)	814	-	
Total revenue	14,680,852	16,142,925	17,403,129	18,927,417	15,602,789	16,585,498	18,045,622	15,579,371	12,025,021	
Expenses:										
Claims paid	8,024,136	9,800,501	8,708,915	7,995,733	8,927,394	9,337,197	6,116,119	4,335,228	5,178,658	
Claims reserve	60,482	107,803	14,531	34,965	68,419	146,436	51,040	294,528	235,264	
Subrogation recovery	(85,944)	(243,383)	(52,704)	(65,596)	(40,753)	(29,069)	(101,987)	(128,454)	(228,192)	
Deductible recovery	-	-	-	-	-	-	-	-	(17,708)	
Supplemental benefits fund recovered	-	-	-	-	-	(21,000)	-	-	-	
Ultimate claims loss	7,998,674	9,664,921	8,670,742	7,965,102	8,955,060	9,433,564	6,065,172	4,501,302	5,168,022	
Reinsurance recovered	(149,907)	-	(45,416)	-	(145,143)	(389,370)	-	-	-	
Reinsurance recoverable adjustment	-	-	-	-	-	(275,822)	-	(109,751)	-	
Net ultimate claims loss	7,848,767	9,664,921	8,625,326	7,965,102	8,809,917	8,768,372	6,065,172	4,391,551	5,168,022	
Loss reserve discounting	(554)	(988)	(133)	(320)	(627)	(1,342)	(468)	(1,738)	(2,155)	
Net claims expense	7,848,213	9,663,933	8,625,193	7,964,782	8,809,290	8,767,030	6,064,704	4,389,813	5,165,867	
Reinsurance premium	1,384,557	1,768,008	1,884,136	1,000,000	1,258,394	1,396,197	1,377,769	1,326,533	949,462	
Claims service fee paid	327,982	393,927	492,491	574,544	612,319	641,430	739,044	728,277	93,000	
Professional service fees	160,000	159,500	203,002	233,817	254,729	276,029	271,628	4,916	22,331	
Administrative fees	575,000	687,000	762,100	803,500	857,569	925,325	989,573	1,610,290	1,861,680	
Regulatory assessments and fees	4,319	85,838	121,554	13,707	163,687	234,986	257,337	291,756	253,870	
Claims service/assessments reserve	8,212	16,117	6,620	5,485	10,443	31,808	15,333	36,149	28,164	
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	
Legal and consultant fees	-	-	-	-	-	-	-	-	-	
Training expense	-	-	-	-	-	-	-	-	-	
Depreciation expense	-	-	-	-	-	-	-	19,269	44,505	
Maintenance contracts	-	-	-	-	-	-	-	-	1,431	
Dividends paid	-	-	-	76,147	500,000	150,000	1,250,000	2,242,014	1,163,116	
Interest refund	-	-	-	-	-	-	-	-	-	
Interest expense	105,260	81,904	-	-	-	-	-	-	-	
Total expenses	10,413,543	12,856,227	12,095,096	10,671,982	12,466,431	12,422,805	10,965,388	10,649,017	9,583,426	
Change in net assets before transfers	4,267,309	3,286,698	5,308,033	8,255,435	3,136,358	4,162,693	7,080,234	4,930,354	2,441,595	
Interfund transfers	(4,195,664)	(3,209,753)	(5,253,442)	(7,954,838)	(2,725,782)	(3,645,979)	(6,598,967)	(4,598,279)	(930,577)	
From MMA General Fund	-	-	-	-	-	-	-	-	-	
Net assets, ending	\$ 71,645	76,945	54,591	300,597	410,576	516,714	481,267	332,075	1,511,018	

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND

Schedule 4

Cumulative Statement of Revenues and Expenses

For the Period November 1, 1978 through December 31, 2008

	1997	1998	1999	2000	2001	2002	2003	2004	2005
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:									
Contributions	\$ 7,426,059	6,724,762	6,563,966	7,228,092	8,781,293	10,766,844	13,489,261	15,285,637	16,444,605
Less discounts	(629,764)	(531,730)	(521,782)	(596,605)	(703,678)	(895,300)	(1,183,988)	(1,394,079)	(1,539,835)
Less loss control credit	(169,007)	(184,472)	(206,437)	(220,584)	(333,223)	(328,432)	(401,161)	(362,445)	(383,085)
Less medical deductible credit	-	(6,887)	(6,230)	(6,725)	(9,382)	(8,848)	(9,061)	(11,225)	(10,610)
Net contributions	6,627,288	6,001,673	5,829,517	6,404,178	7,735,010	9,534,264	11,895,051	13,517,888	14,511,075
Investment income	3,621,148	3,507,857	1,970,984	1,596,507	1,640,831	1,329,369	1,214,876	1,321,386	1,739,945
Miscellaneous revenue	-	-	-	-	-	-	-	-	-
Total revenue	10,248,436	9,509,530	7,800,501	8,000,685	9,375,841	10,863,633	13,109,927	14,839,274	16,251,020
Expenses:									
Claims paid	4,722,939	4,559,055	6,335,688	6,497,485	6,794,549	8,654,551	8,223,589	7,943,187	7,006,011
Claims reserve	331,169	3,491	436,871	756,447	938,930	2,180,418	2,527,804	2,924,081	3,022,806
Subrogation recovery	(165,446)	(124,623)	(168,563)	(360,395)	(66,456)	(304,892)	(149,349)	(142,910)	(77,007)
Deductible recovery	(12,123)	(13,501)	(10,608)	(9,960)	(11,059)	(9,280)	(9,027)	(7,400)	(12,627)
Supplemental benefits fund recovered	-	-	(43,151)	-	-	-	-	-	-
Ultimate claims loss	4,876,539	4,424,422	6,550,237	6,883,577	7,655,964	10,520,797	10,593,017	10,716,958	9,939,183
Reinsurance recovered	(91,013)	-	(42,769)	-	(138,239)	-	-	-	-
Reinsurance recoverable adjustment	-	-	-	(172,391)	(126,411)	(317,308)	(303,261)	-	-
Net ultimate claims loss	4,785,526	4,424,422	6,507,468	6,711,186	7,391,314	10,203,489	10,289,756	10,716,958	9,939,183
Loss reserve discounting	(6,026)	(125)	(23,266)	(38,880)	(61,802)	(156,945)	(209,734)	(301,987)	(346,548)
Net claims expense	4,779,500	4,424,297	6,484,202	6,672,306	7,329,512	10,046,544	10,080,022	10,414,971	9,592,635
Reinsurance premium	842,497	508,299	474,434	615,289	472,360	597,909	648,343	510,909	537,943
Claims service fee paid	14,050	15,500	18,000	-	-	-	-	-	-
Professional service fees	23,256	26,224	28,577	58,855	50,675	47,723	104,363	29,741	100,262
Administrative fees	1,952,664	1,911,188	1,878,993	1,867,023	1,930,412	2,286,467	2,473,038	2,944,909	2,745,034
Regulatory assessments and fees	177,267	205,266	199,199	197,309	387,316	234,330	496,440	430,879	453,260
Claims service/assessments reserve	45,137	6,036	57,057	89,751	123,225	257,651	319,338	384,594	383,068
Safety and scholarship grants	-	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-	-
Depreciation expense	51,996	45,988	41,315	39,991	39,616	47,129	56,306	154,841	99,173
Maintenance contracts	3,850	3,245	6,394	7,414	18,403	21,043	8,960	30,949	83,792
Dividends paid	355,455	341,572	362,866	368,132	385,394	398,373	399,459	498,927	498,172
Interest refund	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-
Total expenses	8,245,672	7,487,615	9,551,037	9,916,070	10,736,913	13,937,169	14,586,269	15,400,720	14,493,339
Change in net assets before transfers	2,002,764	2,021,915	(1,750,536)	(1,915,385)	(1,361,072)	(3,073,536)	(1,476,342)	(561,446)	1,757,681
Interfund transfers	1,272,415	3,029,444	4,489,000	3,667,867	3,868,722	3,443,939	3,486,004	3,167,873	3,697,059
From MMA General Fund	-	414,444	-	-	-	-	-	-	-
Net assets, ending	\$ 3,275,179	5,465,803	2,738,464	1,752,482	2,507,650	370,403	2,009,662	2,606,427	5,454,740

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Cumulative Statement of Revenues and Expenses
For the Period November 1, 1978 through December 31, 2008

	2006	2007	2008	2009	WC SS	WC Training	Totals
	Fund Year	Fund Year	Fund Year	Fund Year	Fund	Fund	
Revenue:							
Contributions	\$ 17,284,106	17,859,104	19,004,079	-	-	-	312,448,023
Less discounts	(1,636,544)	(1,681,943)	(1,866,762)	-	-	-	(29,502,285)
Less loss control credit	(384,305)	(394,652)	(466,599)	-	-	-	(4,196,690)
Less medical deductible credit	(8,434)	(8,358)	(8,513)	-	-	-	(94,273)
Net contributions	15,254,823	15,774,151	16,662,205	-	-	-	278,654,775
Investment income	1,750,643	1,245,105	841,817	-	-	-	65,871,708
Miscellaneous revenue	-	-	-	-	-	-	41,982
Total revenue	17,005,466	17,019,256	17,504,022	-	-	-	344,568,465
Expenses:							
Claims paid	5,662,305	5,645,838	2,998,798	-	-	-	185,761,362
Claims reserve	4,039,190	5,167,875	9,697,523	-	-	-	34,174,692
Subrogation recovery	(25,582)	(18,721)	(6,094)	-	-	-	(3,258,886)
Deductible recovery	(12,565)	(9,733)	(5,939)	-	-	-	(141,530)
Supplemental benefits fund recovered	-	-	-	-	-	-	(64,151)
Ultimate claims loss	9,663,348	10,785,259	12,684,288	-	-	-	216,471,487
Reinsurance recovered	-	-	-	-	-	-	(11,679,292)
Reinsurance recoverable adjustment	-	(69,528)	-	-	-	-	(2,660,828)
Net ultimate claims loss	9,663,348	10,715,731	12,684,288	-	-	-	202,131,367
Loss reserve discounting	(507,562)	(670,612)	(1,177,237)	-	-	-	(3,509,049)
Net claims expense	9,155,786	10,045,119	11,507,051	-	-	-	198,622,318
Reinsurance premium	584,974	623,073	569,910	-	-	-	23,853,484
Claims service fee paid	-	-	-	-	-	-	7,530,443
Professional service fees	82,651	113,401	123,907	-	-	-	2,375,587
Administrative fees	2,979,425	3,176,335	2,899,222	-	-	-	40,989,358
Regulatory assessments and fees	506,002	647,945	616,797	-	-	-	6,014,562
Claims service/assessments reserve	518,578	740,245	1,386,327	-	-	-	4,597,743
Safety and scholarship grants	-	-	-	-	1,428,822	-	1,428,822
Legal and consultant fees	-	24,637	-	-	-	10,511	35,148
Training expense	-	-	-	-	-	165,413	165,413
Depreciation expense	102,867	102,604	92,419	-	-	-	938,019
Maintenance contracts	73,324	76,232	104,632	-	-	-	439,669
Dividends paid	497,979	499,503	-	-	-	-	10,167,328
Interest refund	-	-	-	-	-	-	2,863,965
Interest expense	-	-	-	-	-	-	1,179,194
Total expenses	14,501,586	16,049,094	17,300,265	-	1,428,822	175,924	301,201,053
Change in net assets before transfers	2,503,880	970,162	203,757	-	(1,428,822)	(175,924)	43,367,412
Interfund transfers	3,121,273	3,715,569	2,769,532	-	1,533,805	235,000	-
From MMA General Fund	-	-	-	-	-	-	414,444
Net assets, ending	\$ 5,625,153	4,685,731	2,973,289	-	104,983	59,076	43,781,856

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**

Financial Statements

For the Years Ended December 31, 2009 and 2008

MAINE MUNICIPAL ASSOCIATION
 WORKERS' COMPENSATION FUND
 Financial Statements
 For the Years Ended December 31, 2009 and 2008

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

The Board of Trustees
Maine Municipal Association
Workers' Compensation Fund

We have audited the accompanying statements of net assets of Maine Municipal Association Workers' Compensation Fund (the Fund) as of December 31, 2009 and 2008, and the related statements of revenue and expenses, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our 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 Workers' Compensation Fund as of December 31, 2009 and 2008 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 discussion and analysis and the required supplemental information are not required parts of the financial statements but are 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 supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The additional information presented in schedules 2 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 cursive script that reads "Runyon Kersteen Ouellette".

May 27, 2010
South Portland, Maine

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis
Year Ended 2009

This section of the Maine Municipal Association Workers' Compensation Fund (the Fund) annual financial report sets forth a narrative overview of its financial activities for the year ended December 31, 2009. Please read it in conjunction with the Fund's financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's fiscal year is January 1 through December 31. The annual financial report consists of four parts:

- Management Discussion and Analysis
- Basic Financial Statements
- Notes to Financial Statements
- Supplementary Information (Schedules)

Management 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 Revenue and Expenses; Statements of Changes in Net Assets; and Statements of Cash Flows.

These statements present the Fund's status at December 31, 2009 and financial developments during fiscal year 2009 for all fund years combined.

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

Supplemental Schedules include analyses of Fund assets and revenues and expenses by fund year, and a history of claims development for the past ten years.

FINANCIAL HIGHLIGHTS

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

- Net assets at December 31, 2009 were \$50,172,525, an increase of 14.6% versus the prior year.
- Cash and investments totaled \$79,504,027, an increase of 4.0%.
- Revenues in 2009 totaled \$19,197,017, a decrease of 12.1%.
- Expenses in 2009 totaled \$12,806,348, a decrease of 32.2%.

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

FINANCIAL ANALYSIS

The following table summarizes the Statements of Net Assets:

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets	80,232,891	76,440,029
Capital Assets	17,060	65,726
Total Assets	<u>80,249,951</u>	<u>76,505,755</u>
LIABILITIES		
Net Reserves - Claims, Service & Assessments	30,077,426	32,602,557
Other Liabilities	-	121,342
Total Liabilities	<u>30,077,426</u>	<u>32,723,899</u>
NET ASSETS		
Statutory Reserves	2,043,067	1,971,565
Board Designated Reserves	2,835,494	2,964,392
Net Investment in Capital Assets	17,060	65,726
Contingency Reserve	45,276,904	38,780,173
Total Net Assets	<u>50,172,525</u>	<u>43,781,856</u>

The following table summarizes the Statements of Revenue and Expenses during calendar years 2009 and 2008 for all fund years combined.

	<u>2009</u>	<u>2008</u>
REVENUES		
Member Contributions	17,463,480	17,120,678
Investment and Other Revenues	1,733,537	4,717,222
Total Revenues	<u>19,197,017</u>	<u>21,837,900</u>
EXPENSES		
Net Claims Expense	7,533,225	13,498,989
Reinsurance Premium	578,579	586,075
Safety Scholarship and Grants	215,287	198,974
Other Expenses	4,479,257	4,599,891
Total Expenses	<u>12,806,348</u>	<u>18,883,929</u>
CHANGE IN NET ASSETS	<u>6,390,669</u>	<u>2,953,971</u>

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

ANALYSIS OF FINANCIAL DEVELOPMENTS IN FISCAL YEAR 2009

The following table compares ultimate results for the 2009 fund year as projected at December 31, 2009 with the original budget. Investment income and net claims expense projections are based on an analysis by an independent actuary.

	BUDGET	PROJECTED ULTIMATE RESULTS
REVENUES		
Member Contributions	17,279,439	17,114,116
Investment and Other Revenues	1,829,323	1,328,320
Total Revenues	19,108,762	18,442,436
EXPENSES		
Net Claims Expense @95% Confidence Level	15,526,365	10,650,826
Reinsurance Premium	584,065	564,986
Provision for Member Dividends	600,000	600,000
Other Expenses	5,500,692	5,180,362
Total Expenses	22,211,122	16,996,174
TRANSFER TO (FROM) CONTINGENCY RESERVE	(3,102,360)	1,446,262

The major projected variances in the 2009 fund year was a decrease in revenue of 1.0% and a decrease in net claims expense (23.5%). Net claims expense at the 95% confidence level includes claims payments, reserves on open claims, actuarial estimates of claims development in the future (IBNR), a statutorily required reserve to fund claims to the 75% confidence level, and an additional reserve recommended by the actuary to fund claims to the 95% confidence level in accordance with Fund policy.

In the preceding table, Investment Income includes the actuary's projection of future earnings, which are shown as an offset to claims expense (loss fund discount) in the financial statements. The provision for member dividends is included in the projection, although it will not be reflected in the financial statements until the dividend has been formally declared by the Board of Trustees. This presentation is used herein to conform to the Workers' Compensation Fund budget.

FUND FINANCIAL POSITION AT DECEMBER 31, 2009

At December 31, 2009, the Fund's net assets totaled \$50,172,525, an increase of \$6,390,669 (14.6%) versus the prior year.

MAINE MUNICIPAL ASSOCIATION WORKERS' COMPENSATION FUND
Management Discussion and Analysis, Continued

CAPITAL ASSETS AND LONG TERM DEBT

At December 31, 2009 the Fund had capital assets of \$528,194, offset by accumulated depreciation of \$511,134, for a net capital asset balance of \$17,060. These assets are the Fund's investment in a claims and underwriting system jointly owned with the MMA Property & Casualty Pool, less accumulated depreciation. The Fund had no long-term debt.

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

Management is aware of no conditions, decisions or contingencies that are expected to significantly impact on the Fund'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 Fund's finances and to show the Fund'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
WORKERS' COMPENSATION FUND**
Statements of Net Assets
(All Fund Years)
December 31, 2009 and 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,496,277	9,622,664
Certificates of deposit	5,223,885	4,118,737
Corporate bonds	485,875	418,780
U.S. Government and agency securities	68,297,990	61,556,316
Accounts receivable	8,580	5,064
Accrued interest receivable	649,873	668,117
Prepaid expenses	70,411	50,351
Total current assets	80,232,891	76,440,029
Capital assets:		
Computer equipment and software	528,194	523,266
Less accumulated depreciation	(511,134)	(457,540)
Net capital assets	17,060	65,726
Total assets	\$ 80,249,951	76,505,755
LIABILITIES		
Liabilities:		
Accounts payable	-	34,051
Deferred revenue	-	87,291
Claims loss reserves:		
Claims reserve	32,710,818	34,174,692
Reinsurance recoverable	(3,288,616)	(2,660,828)
Loss reserve discounting	(3,858,273)	(3,509,049)
Net claims loss reserves	25,563,929	28,004,815
Claim service/assessments reserve	4,513,497	4,597,742
Total liabilities	\$ 30,077,426	32,723,899
NET ASSETS		
Invested in capital assets, net of related debt	17,060	65,726
Reserve for statutory funding	2,043,067	1,971,565
Unrestricted:		
Board designated	2,835,494	2,964,392
Contingency reserve	45,276,904	38,780,173
Total net assets	\$ 50,172,525	43,781,856

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statements of Revenue and Expenses
(All Fund Years)**

For the Years Ended December 31, 2009 and 2008

	2009	2008
Revenue:		
Contributions	\$ 19,891,473	19,462,552
Less discounts	(1,944,280)	(1,866,762)
Less loss control credit	(476,219)	(466,599)
Less medical deductible credit	(7,494)	(8,513)
Net contributions	17,463,480	17,120,678
Investment income	1,733,537	4,717,222
Total revenue	19,197,017	21,837,900
Expenses:		
Claims paid	10,742,193	9,723,022
Claims reserve - current year adjustment	(1,463,874)	4,565,290
Subrogation recovery	(236,106)	(170,001)
Deductible recovery	(12,546)	(11,515)
Ultimate claims loss	9,029,667	14,106,796
Reinsurance recovered	(519,431)	(179,759)
Reinsurance recoverable adjustment	(627,787)	(406,565)
Net ultimate claims loss	7,882,449	13,520,472
Loss reserve discounting - current year adjustment	(349,224)	(21,483)
Net claims expense	7,533,225	13,498,989
Reinsurance premium	578,579	586,075
Professional services	129,782	107,644
Administrative fees	3,233,620	2,899,222
Regulatory assessments and fees	541,205	609,915
Claims service/assessments reserve	(84,245)	190,056
Safety and scholarship grants	215,287	198,974
Legal and consultant fees	11,500	11,500
Training expense	-	85,000
Depreciation expense	53,594	92,419
Maintenance contracts	94,525	104,632
Dividends paid	499,276	499,503
Total expenses	12,806,348	18,883,929
Change in net assets	\$ 6,390,669	2,953,971

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statements of Changes in Net Assets
(All Fund Years)**

For the Years Ended December 31, 2009 and 2008

	Invested in capital assets	Reserve for statutory funding	Board designated reserve	Contingency reserve	Total net assets
Net assets at December 31, 2007	\$ 182,118	1,919,383	2,777,731	35,948,653	40,827,885
Change in net assets	(116,392)	52,182	186,661	2,831,520	2,953,971
Net assets at December 31, 2008	65,726	1,971,565	2,964,392	38,780,173	43,781,856
Change in net assets	(48,666)	71,502	(128,898)	6,496,731	6,390,669
Net assets at December 31, 2009	\$ 17,060	2,043,067	2,835,494	45,276,904	50,172,525

See accompanying notes to financial statements.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008**

	2009	2008
Cash flows from operating activities:		
Receipts from net contributions	\$ 17,372,673	17,255,018
Receipts from investment income	1,751,781	4,714,768
Payments for net claims	(9,974,111)	(9,361,747)
Payments for reinsurance premium	(578,579)	(586,075)
Payments for professional services	(129,782)	(107,644)
Payments for legal and consultant fees	(11,500)	(11,500)
Payments for administrative fees	(3,267,671)	(2,865,171)
Payments for regulatory assessments and fees	(541,205)	(609,915)
Payments for safety and scholarship grants	(215,287)	(198,974)
Payments for training expense	-	(85,000)
Payments for maintenance contracts	(114,585)	(122,378)
Payments for dividends paid	(499,276)	(499,503)
Net cash and cash equivalents provided by operating activities	3,792,458	7,521,879
Cash flows from capital and related financing activities:		
Net proceeds (purchases) of computer equipment	(4,928)	23,973
Net cash and cash equivalents provided by (used in) capital and related financing activities	(4,928)	23,973
Cash flows from investing activities:		
Net proceeds (purchase) of investments	(7,913,917)	(7,405,762)
Net cash and cash equivalents used in investing activities	(7,913,917)	(7,405,762)
Increase (decrease) in cash	(4,126,387)	140,090
Cash and cash equivalents, beginning of year	9,622,664	9,482,574
Cash and cash equivalents, end of year	\$ 5,496,277	9,622,664
Reconciliation of change in net assets to net cash and cash equivalents provided by operating activities:		
Change in net assets	\$ 6,390,669	2,953,971
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	53,594	92,419
(Increase) decrease in assets:		
Accounts receivable	(3,516)	47,048
Accrued interest receivable	18,244	(2,454)
Prepaid expenses	(20,060)	(17,746)
Increase (decrease) in liabilities:		
Accounts payable	(34,051)	34,051
Deferred revenue	(87,291)	87,291
Net claims loss reserves	(2,440,886)	4,137,242
Claim service/assessments reserve	(84,245)	190,057
Net cash and cash equivalents provided by operating activities	\$ 3,792,458	7,521,879
Non-cash activities:		
Net appreciation (depreciation) in fair value of investments	\$ (871,810)	1,991,156

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maine Municipal Association Workers' Compensation Fund (the "Fund") was established on November 1, 1978 to provide an alternative to commercial workers' compensation insurance for members of the Maine Municipal Association. During 2009 and 2008, respectively, there were 597 and 597 governmental entities that participated in the Fund. Participants share risk in proportion to their contributions. The Fund is administered by Maine Municipal Association for which a management fee is assessed and included in expenses. These financial statements include only the accounts of the Maine Municipal Association Workers' Compensation Fund. The Fund is regulated by the State of Maine Bureau of Insurance under Rule Chapter 250.

Tax Exempt Status - The Fund was established and is administered by the Maine Municipal Association, a tax-exempt instrumentality of the municipalities, and therefore 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 fund 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. In addition to the fund year operations, the Board established two additional funds, as detailed below:

- **Safety and Scholarship Fund ("WC SS Fund")** – The purpose of this fund is to provide resources for scholarships and grants to Fund members to increase workplace safety and to support a crisis intervention program. In 1999, the Board of Trustees established a Safety Scholarship Fund by transferring \$500,000 from the Contingency Reserve. An additional \$433,805 was transferred in 2004, \$600,000 in 2006 and \$900,000 in 2009.
- **Safety Training Fund ("WC Training Fund")** – The purpose of this fund is to provide members specialized safety training beyond the on-going loss control program. In 2005, the Board of Trustees established a training fund by transferring \$100,000 from the Contingency Reserve. An additional \$135,000 was transferred in 2008.

Basis of Accounting - The Fund maintained its books of accounts and prepared its financial statements on the accrual basis.

The Fund follows the applicable provisions of Government Accounting Standards Board's (GASB) and U.S. generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Additionally, the Fund 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 Fund 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.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents - The Fund considers all highly liquid deposits with an initial maturity of three months or less to be cash and cash equivalents. Amounts in the mutual fund investment sweep and the money market mutual fund are indirectly invested in U.S. government obligations.

Investments - All investments are carried at fair value, based on quoted market prices, in a single pooled investment account for all of the Workers' Compensation fund years. The Fund's investments consist of U.S. government and agency securities and corporate bonds, none of which are held for trading purposes. The Fund estimates that the fair value of all financial instruments at December 31, 2009 and 2008 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of changes in net assets. The estimated fair value amounts have been determined by quoted market prices. 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 have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at December 31, 2009 and 2008.

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 which do not extend the useful lives of the related assets.

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 revenue and expenses at the time the adjustments are determined.

Claims Service/Assessments Reserve - The claims service/assessments reserve is actuarially determined and consists of estimates for (1) future claims services and (2) future assessments by the State of Maine in connection with claims originating in fund years through 2009. Management believes that the reserves are adequate, but the ultimate net cost of settling this liability may vary from the estimated amount.

Reinsurance - The Fund 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 Fund as direct insurer of the risks reinsured. The Fund does not report reinsured losses as liabilities unless it is probable that those losses will not be covered by reinsurers. Premiums ceded to reinsurers during 2009 and 2008 were \$564,986 and \$583,503, respectively. The amounts deducted from claims liabilities as of December 31, 2009 and 2008 for reinsurance recoveries were \$3,288,616 and \$2,660,828, respectively.

Contributions - Member contributions are based on the standard premium workers' compensation rates similar to an insured plan. Various premium discounts and credits are given to members. The contributions for 2009 have not been fully determined; the current premiums are based on estimated payrolls. Audits are conducted during each succeeding year to adjust for actual payroll expenses incurred by the members.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates utilized in the preparation of the financial statements include claims loss reserves and the claims service/assessments reserve.

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 December 31:

	<u>2009</u>	<u>2008</u>
CMA - deposit account	\$ 19	41,235
CMA - mutual fund investment sweep	3,644,222	3,157,999
Money market mutual fund	1,852,036	6,423,430
<u>Totals</u>	<u>\$ 5,496,277</u>	<u>9,622,664</u>

CMA - deposit account balances of \$19 and \$41,235 at December 31, 2009 and 2008, respectively, consist of checks deposited which are not yet available for transfer.

Depository and mutual fund sweep accounts are pooled accounts containing assets of the General Fund, Special Funds, Workers' Compensation Fund, Unemployment Compensation Fund, and Property & Casualty Pool. Only the assets belonging to the Workers' Compensation Fund are included in these financial statements. The money market mutual fund is held in a separate Trust solely for the Workers' Compensation Fund.

Custodial Credit Risk-Fund Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits in excess of the FDIC insured limit may not be recoverable. The Fund 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 through December 31, 2009 and 2008. Any balance in this account in excess of the 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
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

DEPOSITS AND INVESTMENTS, CONTINUED

Investments

At December 31, 2009, the Fund had the following investments and maturities:

Investment types:	Fair Value	< 1 year to Maturity	1 to 5 years to Maturity	5 + years to Maturity
Certificates of deposit (1)	\$ 5,223,885	1,621,132	3,602,753	-
Corporate bonds	485,875	485,875	-	-
U.S. Government obligations	68,297,990	17,666,993	50,630,997	-
Totals	\$ 74,007,750	19,774,000	54,233,750	-

(1) Of the certificates of deposit held at December 31, 2009, \$4,696,826 were covered by FDIC, the remainder was collateralized with U.S. Governmental Securities.

At December 31, 2008, the Fund had the following investments and maturities:

Investment types:	Fair Value	< 1 year to Maturity	1 to 5 years to Maturity	5 + years to Maturity
Certificates of deposit (1)	\$ 4,118,737	3,000,000	1,118,737	-
Corporate bonds	418,780	-	418,780	-
U.S. Government obligations	61,556,316	13,181,205	48,375,111	-
Totals	\$ 66,093,833	16,181,205	49,912,628	-

(1) All of the certificates of deposit held at December 31, 2008 were covered by FDIC.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates might adversely affect the fair value of an investment. The Fund addresses this risk by maintaining a high degree of liquidity so that investments will not have to be sold prior to maturity.

Credit Risk: Credit risk is the risk that the entity in which the Fund has invested may be unable to honor investments when they mature. The Fund'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. The Fund held one corporate bond (SLMA) which had a BBB- rating at December 31, 2009. This investment will mature in March 2010 and is considered by management to be a secure investment. No other such issues were noted in 2009 or 2008.

Custodial Credit Risk: Custodial credit risk is the risk that the Fund might not be able to recover assets held on its behalf by a third party due to the insolvency of that entity. The Fund addresses this risk by selecting a custodial bank with the highest rating awarded by Bauer Financial Services and monitoring the rating of its custodian on a quarterly basis. In addition, assets are held by the custodian for the Fund's benefit.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

DEPOSITS AND INVESTMENTS, CONTINUED

Concentration Risk: Concentration risk is the risk that conditions adversely affecting an economic sector might have a significant negative impact on the Fund. The Fund addresses this risk by limiting certificate of deposit investments in any one institution to the FDIC insured limit and by limiting the portion of the Fund which may be held in corporate investments.

Liquidity Risk: Liquidity risk is the risk that Fund investments might not mature and be redeemed to provide cash to meet Fund obligations as they arise. The Fund controls this risk by maintaining a strong cash and equivalents position, by timing maturities to meet anticipated cash requirements, and by minimizing the other potential impacts of the other risk categories noted above.

NET APPRECIATION IN FAIR VALUE OF INVESTMENTS

Net appreciation in fair value during the years ended December 31, 2009 and 2008 by type of investment is as follows. Such amounts are included in investment income on the statements of revenue and expenses.

	<u>2009</u>	<u>2008</u>
Corporate bonds	\$ 67,095	(81,220)
U.S. Government and agency securities	(938,910)	2,072,377
Totals	\$ (871,815)	1,991,157

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Balance 12/31/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/09</u>
Capital assets, being depreciated:				
Computer equipment and software	\$ 523,266	4,928	-	528,194
Less: accumulated depreciation	(457,540)	(53,594)	-	(511,134)
Total capital assets, net	\$ 65,726	(48,666)	-	17,060

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE

The amounts shown for claims reserves as of December 31, 2009, are developed from an actuarially determined loss analysis and are as follows:

Fund Year	Reserve based on known claims	Actuarial reserves	Total reserves	Net paid claims	Actuarially determined ultimate claims
1978-1979	\$ -	-	-	719,077	719,077
1979-1980	-	-	-	2,532,544	2,532,544
1980-1981	-	-	-	3,327,467	3,327,467
1981-1982	-	-	-	2,957,391	2,957,391
1982-1983	-	-	-	3,978,071	3,978,071
1983-1984	-	-	-	5,077,576	5,077,576
1985	403,025	44,902	447,927	7,129,693	7,577,620
1986	175,480	49,587	225,067	7,201,909	7,426,976
1987	520,765	-	520,765	8,774,723	9,295,488
1988	43,130	12,188	55,318	7,938,286	7,993,604
1989	83,670	23,644	107,314	9,581,396	9,688,710
1990	15,884	4,489	20,373	8,657,032	8,677,405
1991	46,981	13,276	60,257	7,943,610	8,003,867
1992	51,470	33,120	84,590	8,889,904	8,974,494
1993	128,824	36,403	165,227	9,293,094	9,458,321
1994	69,533	20,224	89,757	6,073,249	6,163,006
1995	305,847	76,109	381,956	4,473,551	4,855,507
1996	146,202	57,618	203,820	4,937,564	5,141,384
1997	286,595	80,986	367,581	4,593,297	4,960,878
1998	21,252	120	21,372	4,423,737	4,445,109
1999	277,217	181,098	458,315	6,149,990	6,608,305
2000	533,507	267,808	801,315	6,412,416	7,213,731
2001	430,344	294,022	724,366	6,836,788	7,561,154
2002	1,502,307	286,160	1,788,467	9,049,814	10,838,281
2003	1,531,222	590,999	2,122,221	8,512,393	10,634,614
2004	915,360	1,148,575	2,063,935	8,437,610	10,501,545
2005	1,111,040	1,444,164	2,555,204	7,195,177	9,750,381
2006	1,517,654	1,622,708	3,140,362	6,443,008	9,583,370
2007	1,897,956	2,247,252	4,145,208	6,913,854	11,059,062
2008	2,264,704	3,218,462	5,483,166	5,500,328	10,983,494
2009	3,512,144	3,164,791	6,676,935	2,835,787	9,512,722
Totals	\$ 17,792,113	14,918,705	32,710,818	192,790,336	225,501,154

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

The net claims loss reserves as reported in Statement 2 include an offset recommended by the independent actuary for loss reserve discounting. This offset provides for discounting the claims loss reserves by 4.0% based on the payout patterns recorded over the Fund's history. This reserve anticipates the accrual of conservatively projected investment income over the life of each fund. This adjustment conforms with the funding requirements of the State of Maine Bureau of Insurance.

Each fund year has entered into specific reinsurance contracts for individual claims as noted below. The limits for the specific reinsurance for individual claims are as follows:

<u>Fund year</u>	<u>Specific Reinsurance</u>	
	<u>Attachment</u>	
	<u>Regular</u>	<u>Maritime/ USL&H</u>
1978-1979 to 1983-1984	\$ 250,000	
1985 to 1990	350,000	
1991 to 1997	400,000	
1998 to 2000	350,000	400,000
2001 to 2002	400,000	400,000
2003	500,000	500,000
2004 to 2009	1,000,000	

Aggregate reinsurance contracts covering total claims paid were purchased for each fund year from 1978-79 to 2003, with the exception of 1991-1993. As of January 1, 2004 aggregate reinsurance was no longer purchased. The attachment points for each of the fund years covered are listed in the following chart.

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

CLAIMS LOSS RESERVES AND REINSURANCE RECOVERABLE, CONTINUED

The aggregate reinsurance limits are listed below along with the total amounts recoverable from both the specific and aggregate reinsurance policies based on the actuarially determined ultimate losses as follows:

Fund Year	Actuarially determined ultimate losses	Ultimate specific reinsurance recoverable	Ultimate losses, net of specific recovery	Aggregate reinsurance attachment	Ultimate aggregate reinsurance recoverable	Ultimate TOTAL reinsurance recoverable
1978-1979	\$ 719,077	-	719,077	1,000,000	-	-
1979-1980	2,532,544	128,876	2,403,668	1,647,658	756,010	884,886
1980-1981	3,327,467	380,643	2,946,824	1,896,317	1,050,507	1,431,150
1981-1982	2,957,391	62,621	2,894,770	2,756,246	138,524	201,145
1982-1983	3,978,071	433,045	3,545,026	2,987,190	557,836	990,881
1983-1984	5,077,576	273,943	4,803,633	3,379,864	1,423,769	1,697,712
1985	7,577,620	705,434	6,872,186	3,913,707	2,958,479	3,663,913
1986	7,426,976	-	7,426,976	4,923,803	2,503,173	2,503,173
1987	9,295,488	727,804	8,567,684	9,280,199	-	727,804
1988	7,993,604	149,907	7,843,697	11,524,021	-	149,907
1989	9,688,710	-	9,688,710	12,871,277	-	-
1990	8,677,405	45,416	8,631,989	14,547,254	-	45,416
1991	8,003,867	-	8,003,867	-	-	-
1992	8,974,494	145,143	8,829,351	-	-	145,143
1993	9,458,321	665,193	8,793,128	-	-	665,193
1994	6,163,006	-	6,163,006	13,858,008	-	-
1995	4,855,507	153,149	4,702,358	13,406,985	-	153,149
1996	5,141,384	-	5,141,384	11,636,779	-	-
1997	4,960,878	91,013	4,869,865	12,000,000	-	91,013
1998	4,445,109	-	4,445,109	7,894,675	-	-
1999	6,608,305	42,769	6,565,536	8,595,625	-	42,769
2000	7,213,731	422,680	6,791,051	9,733,330	-	422,680
2001	7,561,155	272,571	7,288,584	10,711,749	-	272,571
2002	10,838,281	532,311	10,305,970	11,329,907	-	532,311
2003	10,634,614	320,205	10,314,409	12,156,437	-	320,205
2004	10,501,545	-	10,501,545	-	-	-
2005	9,750,380	-	9,750,380	-	-	-
2006	9,583,370	-	9,583,370	-	-	-
2007	11,059,062	546,321	10,512,741	-	-	546,321
2008	10,983,494	-	10,983,494	-	-	-
2009	9,512,722	-	9,512,722	-	-	-
Totals	\$ 225,501,154	6,099,044	219,402,110	182,051,031	9,388,298	15,487,342

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
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 2006 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>
1978-79 to 1979-80	International Insurance Co. (ISLIC)	Specific	(not rated)	(not rated)
1980-81 to 1981-82	United States Fire Insurance Co.	Specific	A (Excellent)	XIV
1982-83 to 1983-84	General Accident Ins. Co. of Amer.	Specific	A (Excellent)	VIII
1978-79 to 1983-84	Employers Reinsurance Corp.	Specific and Aggregate	A+ (Excellent)	XV
1981-82 to 1983-84	Northwestern National Insurance Co.	Excess Aggregate	(not rated)	(not rated)
1985 to 1990	General Reinsurance Corp.	Specific and Aggregate	A++ (Superior)	XV
1985 to 1986	Royal Insurance Company	Excess Specific	A (Excellent)	XV
1991	General Reinsurance Corp.	Specific	A++ (Superior)	XV
1992 to 1993	Odyssey America Reinsurance Corp (formerly TIG Reinsurance Company)	Specific	A (Excellent)	XV
1994 to 1995	Travelers (formerly Aetna Casualty & Surety)	Specific and Aggregate	A+ (Superior)	XV
1996 to 2004	Safety National Casualty Corp.	Specific and Aggregate	A (Excellent)	IX
2005 to 2009	Safety National Casualty Corp.	Specific	A (Excellent)	IX

UNPAID CLAIMS LIABILITIES

The Fund establishes liabilities for the estimated costs of both reported and unreported losses, which includes estimates of both future payments of losses and related claim service reserves. The following represents changes in these aggregate liabilities as of December 31:

	<u>2009</u>	<u>2008</u>
<u>Net claims loss and claims service reserves at beginning of year</u>	\$ 32,602,557	28,275,258
Incurred claims and claims service reserve expenses:		
Provision for insured events of the current year	9,765,940	12,905,410
<u>Increases in provision for insured events of prior years</u>	(1,548,878)	1,144,912
Total insured claims and claims service reserve expenses	8,217,062	14,050,322
Payments:		
Claims attributable to insured events of the current year	2,849,455	2,998,798
<u>Claims attributable to insured events of prior years</u>	7,892,738	6,724,225
Total payments	10,742,193	9,723,023
<u>Net claims loss and claims service reserves at end of year</u>	<u>\$ 30,077,426</u>	<u>32,602,557</u>

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued**

EXPENSES

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

INTERFUND TRANSFERS

In order to provide full funding, the Workers' Compensation Fund Trustees have approved various transfers between fund years. Transfers affected during 2009 are shown within Schedule 3. The net of all transfers made between Workers' Compensation Funds since inception is reflected in Schedule 4.

NET ASSETS

Under a policy of the Trustees of the Fund, net assets are segregated into four components.

Amounts invested in capital assets, net of debt and depreciation, represent the Fund's equity in claims and underwriting software held jointly with the MMA Property and Casualty Fund. As of December 31, 2009 and 2008, invested in capital assets, net of related debt and depreciation, totaled \$17,060 and \$65,726, respectively.

The amount restricted for statutory funding is calculated by an independent actuary to fund open claims to a 75% confidence level based on the loss development variations experienced by the Maine Municipal Associations Workers' Compensation Fund over its history. This adjustment conforms with the funding requirements of the State of Maine Bureau of Insurance. As of December 31, 2009 and 2008, the reserve for statutory funding totaled \$2,043,067 and \$1,971,565, respectively.

The board designated amount is maintained to recognize the possibility that actual loss development may vary from the expected development underlying the loss projections. An independent actuary has calculated this reserve to provide an additional reserve up to the 95% confidence level. As of December 31, 2009 and 2008, the board designated reserve totaled \$2,835,494 and \$2,964,392, respectively.

The contingency reserve represents accumulated funding in excess of the amounts invested in capital assets, the statutory requirements and the board designated reserves. The Workers' Compensation Fund Trustees have established this reserve to be held for the future financial stability of the Fund. As of December 31, 2009 and 2008, the contingency reserve totaled \$45,276,904 and \$38,780,173, respectively.

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Notes to Financial Statements, Continued

CONTINGENT LIABILITY

The Fund purchases certain annuity contracts from third parties to settle claims liabilities. These liabilities have been removed from the statements of net assets. The annuities have been purchased from highly rated insurance companies and management believes that the likelihood that the Fund will be required to make future payments on the claims is remote. The aggregate original purchase amount of such annuities at December 31, 2009 and 2008 totaled \$8,739,460 and \$8,530,052, respectively.

TERMINATED MEMBERS' RESERVE

Section III E.3 of Rule 250 requires that members who have left a group self insurance plan are liable for their proportionate share of the incremental difference between funding at the 90th confidence level and the 95th confidence level. The Rule further states that the group must increase its security by such sums.

At December 31, 2009, the Fund maintained security for all fund years at or above the 95th confidence level. Therefore, all departed members have met their obligation to fund exposures to the 95th confidence level and no additional security is required.

Required Supplemental Information

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUNDS
Ten Year Claims Development Information
December 31, 2009

Schedule 1

The analysis gives a summary of the Income and expenses by fund year, along with comparative data on paid claims and incurred claims since inception of the fund year.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Required contribution and investment income:										
Earned	\$ 8,038,688	9,431,247	10,902,262	13,184,766	14,941,596	16,411,587	17,171,707	17,168,111	18,073,354	17,554,344
Ceded	615,289	472,360	597,909	648,343	510,909	537,943	584,974	623,073	583,503	564,986
Net earned	7,423,399	8,958,887	10,304,353	12,536,423	14,430,687	15,873,644	16,586,733	16,545,038	17,489,851	16,989,358
Unallocated expenses	2,646,029	2,897,029	3,297,046	3,795,185	4,372,216	4,248,889	4,637,677	5,146,129	5,141,384	5,180,362
Estimated incurred claims and expense, end of policy year:										
Incurred	6,179,602	7,390,466	8,053,929	7,390,466	9,991,417	9,488,115	9,512,614	10,449,542	11,507,051	9,512,722
Net incurred	6,179,602	7,390,466	8,053,929	7,390,466	9,991,417	9,488,115	9,512,614	10,449,542	11,507,051	9,512,722
Paid claims (cumulative) as of:										
End of policy year	1,873,700	2,218,838	2,445,502	2,466,468	2,932,275	2,810,538	2,853,292	3,555,443	2,998,798	2,849,455
One year later	3,731,396	4,033,996	4,566,870	4,680,401	5,143,377	5,288,241	4,614,308	5,645,838	5,533,268	-
Two years later	4,697,542	4,692,702	6,115,453	5,944,908	6,309,517	6,237,922	5,662,304	6,970,920	-	-
Three years later	5,215,231	5,318,881	6,840,431	6,884,799	7,050,367	7,006,011	6,494,950	-	-	-
Four years later	5,612,268	5,659,455	7,467,625	7,537,967	7,943,187	7,317,905	-	-	-	-
Five years later	5,766,146	6,161,809	8,338,066	8,223,589	8,600,063	-	-	-	-	-
Six years later	6,244,452	6,593,123	8,654,551	8,670,770	-	-	-	-	-	-
Seven years later	6,371,683	6,794,549	9,364,914	-	-	-	-	-	-	-
Eight years later	6,497,485	6,932,589	-	-	-	-	-	-	-	-
Nine years later	6,795,358	-	-	-	-	-	-	-	-	-
Ten years later	-	-	-	-	-	-	-	-	-	-
Reestimated ceded claims and expense	(422,680)	(272,571)	(532,311)	(320,205)	-	-	-	(546,321)	-	-
Reestimated incurred claims and expense as of:										
End of policy year	6,179,602	7,390,466	8,053,929	8,688,209	10,888,106	10,392,397	10,500,429	11,522,303	12,684,288	9,512,722
One year later	6,862,389	7,809,051	8,148,115	8,900,125	10,121,585	10,255,739	8,848,868	10,785,259	10,983,494	-
Two years later	6,950,313	7,030,606	9,452,075	9,312,529	9,659,901	9,904,511	9,663,348	11,059,062	-	-
Three years later	6,450,286	6,995,596	9,021,400	9,924,111	9,885,304	9,939,183	9,583,370	-	-	-
Four years later	6,752,783	7,215,623	9,368,300	10,154,163	10,716,958	9,750,381	-	-	-	-
Five years later	6,475,223	7,413,579	10,217,757	10,593,016	10,501,545	-	-	-	-	-
Six years later	6,594,911	7,585,581	10,520,799	10,634,614	-	-	-	-	-	-
Seven years later	6,967,485	7,655,964	10,838,281	-	-	-	-	-	-	-
Eight years later	6,883,577	7,561,154	-	-	-	-	-	-	-	-
Nine years later	7,213,731	-	-	-	-	-	-	-	-	-
Ten years later	-	-	-	-	-	-	-	-	-	-
(Increase) decrease in estimated incurred claims and expense from end of policy year	\$ 1,034,129	170,688	2,784,352	1,946,405	(386,561)	(642,016)	(917,059)	(463,241)	(1,700,794)	-

Additional Information

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND
Statement of Net Assets by Fund Year
December 31, 2009

Schedule 2

	1978-79 Fund Year	1979-80 Fund Year	1980-81 Fund Year	1981-82 Fund Year	1982-83 Fund Year	1983-84 Fund Year	1985 Fund Year	1986 Fund Year	1987 Fund Year	1988 Fund Year
ASSETS										
Cash and cash equivalents	\$	-	-	-	-	(33)	12,228	7,744	5,189	9,767
Investments:										
Certificate of deposit		-	-	-	-	(32)	11,622	7,360	4,931	9,283
Corporate bonds		-	-	-	-	(3)	1,081	685	459	863
U.S. Government and agency securities		-	-	-	-	(413)	151,948	96,229	64,474	121,366
Total investments		-	-	-	-	(448)	164,651	104,274	69,864	131,512
Accounts receivable		-	-	-	-	-	-	-	-	-
Accrued interest receivable		-	-	-	-	(4)	1,446	915	613	1,155
Prepaid expenses		-	-	-	-	-	-	-	-	-
Capital assets:										
Computer equipment and software		-	-	-	-	-	-	-	-	-
Less accumulated depreciation		-	-	-	-	-	-	-	-	-
Net capital assets		-	-	-	-	-	-	-	-	-
Total assets	\$	-	-	-	-	(485)	178,325	112,933	75,666	142,434
LIABILITIES										
Liabilities:										
Accounts payable		-	-	-	-	-	-	-	-	-
Deferred revenue		-	-	-	-	-	-	-	-	-
Claims loss reserves:										
Claims reserve		-	-	-	-	-	447,927	225,067	520,765	55,318
Reinsurance recoverable		-	-	-	-	(482)	(483,139)	(260,517)	(615,924)	-
Loss reserve discounting		-	-	-	-	-	-	-	-	(540)
Net claims loss reserves		-	-	-	-	(482)	(35,212)	(35,450)	(95,159)	54,778
Claims service/assessments reserve		-	-	-	-	-	49,338	28,790	52,853	7,670
Net claims loss reserves		-	-	-	-	(482)	14,126	(6,660)	(42,306)	62,448
Total liabilities		-	-	-	-	(482)	14,126	(6,660)	(42,306)	62,448
NET ASSETS										
Invested in capital assets, net of related debt		-	-	-	-	-	-	-	-	-
Reserve for statutory funding		-	-	-	-	-	-	-	-	4,407
Unrestricted:										
Board designated		-	-	-	-	-	-	-	-	6,363
Contingency reserve		-	-	-	-	(3)	164,199	119,593	117,972	69,216
Total net assets	\$	-	-	-	-	(3)	164,199	119,593	117,972	79,986

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December 31, 2009

Schedule 2

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
	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	\$ 12,300	5,229	15,899	26,964	41,024	27,169	24,750	88,663	216,616	285,867
Investments:										
Certificate of deposit	11,691	4,970	15,111	25,628	38,990	25,823	23,524	84,269	205,881	271,699
Corporate bonds	1,087	462	1,405	2,384	3,627	2,402	2,188	7,838	19,149	25,271
U.S. Government and agency securities	152,840	64,981	197,564	335,062	509,768	337,610	307,552	1,101,749	2,691,724	3,552,244
Total Investments	165,618	70,413	214,080	363,074	552,385	365,835	333,264	1,193,856	2,916,754	3,849,214
Accounts receivable	-	-	-	-	-	-	-	-	-	-
Accrued interest receivable	1,454	619	1,881	3,188	4,850	3,212	2,926	10,484	25,613	33,800
Prepaid expenses	-	-	-	-	-	-	-	-	-	-
Capital assets:										
Computer equipment and software	-	-	-	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Net capital assets	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 179,372	76,261	231,860	393,226	598,259	396,216	360,940	1,293,003	3,158,983	4,168,881
LIABILITIES										
Liabilities:										
Accounts payable	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Claims loss reserves:										
Claims reserve	107,314	20,373	60,257	84,590	165,227	89,757	381,956	203,820	367,581	21,372
Reinsurance recoverable	-	-	-	-	-	-	(32,464)	-	-	-
Loss reserve discounting	(1,047)	(199)	(588)	(825)	(1,612)	(876)	(6,783)	(7,792)	(20,807)	(1,439)
Net claims loss reserves	106,267	20,174	59,669	83,765	163,615	88,881	342,709	196,028	346,774	19,933
Claims service/assessments reserve	21,157	11,400	12,016	10,088	29,411	18,551	66,451	23,521	39,794	4,060
Net claims loss reserves	127,424	31,574	71,685	93,853	193,026	107,432	409,160	219,549	386,568	23,993
Total liabilities	127,424	31,574	71,685	93,853	193,026	107,432	409,160	219,549	386,568	23,993
NET ASSETS										
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-	-	-
Reserve for statutory funding	9,434	1,807	5,312	7,392	14,466	7,830	29,120	16,829	29,609	1,694
Unrestricted:										
Board designated	11,458	2,159	6,419	9,077	17,701	9,645	37,479	21,711	38,568	2,225
Contingency reserve	31,056	40,721	148,444	282,904	373,066	271,309	(114,819)	1,034,914	2,704,238	4,140,969
Total net assets	\$ 51,948	44,687	160,175	299,373	405,233	288,784	(48,220)	1,073,454	2,772,415	4,144,888

MAINE MUNICIPAL ASSOCIATION
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Statement of Net Assets by Fund Year
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Schedule 2

	1999 Fund Year	2000 Fund Year	2001 Fund Year	2002 Fund Year	2003 Fund Year	2004 Fund Year	2005 Fund Year	2006 Fund Year	2007 Fund Year
ASSETS									
Cash and cash equivalents	\$ 186,910	126,180	203,307	114,063	272,330	347,706	575,705	618,704	601,088
Investments:									
Certificate of deposit	177,647	119,926	193,231	108,410	258,833	330,474	547,174	588,042	571,299
Corporate bonds	16,523	11,155	17,972	10,083	24,074	30,737	50,893	54,694	53,137
U.S. Government and agency securities	2,322,585	1,567,944	2,526,334	1,417,371	3,384,032	4,320,675	7,153,840	7,688,155	7,469,258
Total investments	2,516,755	1,699,025	2,737,537	1,535,864	3,666,939	4,681,886	7,751,907	8,330,891	8,093,694
Accounts receivable	-	-	-	-	-	-	152	-	-
Accrued interest receivable	22,100	14,920	24,039	13,486	32,200	41,113	68,071	73,155	71,072
Prepaid expenses	-	-	-	-	-	-	-	-	-
Capital assets:									
Computer equipment and software	-	-	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-	-	-
Net capital assets	-	-	-	-	-	-	-	-	-
Total assets	\$ 2,725,765	1,840,125	2,964,883	1,663,413	3,971,469	5,070,705	8,395,835	9,022,750	8,765,854
LIABILITIES									
Liabilities:									
Accounts payable	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Claims loss reserves:									
Claims reserve	458,315	801,315	724,366	1,788,467	2,122,221	2,063,935	2,555,204	3,140,362	4,145,208
Reinsurance recoverable	-	(422,680)	(134,332)	(532,311)	(320,205)	-	-	-	(486,562)
Loss reserve discounting	(35,473)	(34,583)	(59,805)	(152,312)	(205,340)	(259,341)	(354,037)	(464,423)	(562,219)
Net claims loss reserves	422,842	344,052	530,229	1,103,844	1,596,676	1,804,594	2,201,167	2,675,939	3,096,427
Claims service/assessments reserve	53,943	107,305	85,212	261,981	256,620	281,971	269,198	395,429	505,471
Net claims loss reserves	476,785	451,357	615,441	1,365,825	1,853,296	2,086,565	2,470,365	3,071,368	3,601,898
Total liabilities	476,785	451,357	615,441	1,365,825	1,853,296	2,086,565	2,470,365	3,071,368	3,601,898
NET ASSETS									
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-	-
Reserve for statutory funding	35,857	22,215	35,168	71,351	96,080	152,010	184,544	222,340	257,761
Unrestricted:									
Board designated	47,275	29,520	46,180	94,621	126,672	202,780	248,213	303,759	352,707
Contingency reserve	2,165,848	1,337,033	2,268,094	131,616	1,895,421	2,629,350	5,492,713	5,425,283	4,553,488
Total net assets	\$ 2,248,980	1,388,768	2,349,442	297,588	2,118,173	2,984,140	5,925,470	5,951,382	5,163,956

MAINE MUNICIPAL ASSOCIATION
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Statement of Net Assets by Fund Year
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	2008 Fund Year	2009 Fund Year	2010 Fund Year	WC SS Fund	WC Training Fund	Totals	
						2009	2008
ASSETS							
Cash and cash equivalents	\$ 713,919	898,788	-	54,151	4,050	5,496,277	9,622,664
Investments:							
Certificate of deposit	678,538	854,245	-	51,467	3,849	5,223,885	4,118,737
Corporate bonds	63,111	79,454	-	4,787	357	485,875	418,780
U.S. Government and agency securities	8,871,320	11,168,548	-	672,888	50,342	68,297,990	61,556,316
Total investments	9,612,969	12,102,247	-	729,142	54,548	74,007,750	66,093,833
Accounts receivable	-	8,428	-	-	-	8,580	5,064
Accrued interest receivable	84,413	106,271	-	6,403	478	649,873	668,117
Prepaid expenses	-	70,411	-	-	-	70,411	50,351
Capital assets:							
Computer equipment and software	-	528,194	-	-	-	528,194	523,266
Less accumulated depreciation	-	(511,134)	-	-	-	(511,134)	(457,540)
Net capital assets	-	17,060	-	-	-	17,060	65,726
Total assets	\$ 10,411,301	13,203,205	-	789,696	59,076	80,249,951	76,505,755
LIABILITIES							
Liabilities:							
Accounts payable	-	-	-	-	-	-	34,051
Deferred revenue	-	-	-	-	-	-	87,291
Claims loss reserves:							
Claims reserve	5,483,166	6,676,935	-	-	-	32,710,818	34,174,692
Reinsurance recoverable	-	-	-	-	-	(3,288,616)	(2,660,828)
Loss reserve discounting	(800,139)	(888,093)	-	-	-	(3,858,273)	(3,509,049)
Net claims loss reserves	4,683,027	5,788,842	-	-	-	25,563,929	28,004,815
Claims service/assessments reserve	793,630	1,127,637	-	-	-	4,513,497	4,597,742
Net claims loss reserves	5,476,657	6,916,479	-	-	-	30,077,426	32,602,557
Total liabilities	5,476,657	6,916,479	-	-	-	30,077,426	32,723,899
NET ASSETS							
Invested in capital assets, net of related debt	-	17,060	-	-	-	17,060	65,726
Reserve for statutory funding	386,213	451,628	-	-	-	2,043,067	1,971,565
Unrestricted:							
Board designated	534,486	686,476	-	-	-	2,835,494	2,964,392
Contingency reserve	4,013,945	5,131,562	-	789,696	59,076	45,276,904	38,780,173
Total net assets	\$ 4,934,644	6,286,726	-	789,696	59,076	50,172,525	43,781,856

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Schedule 3

Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the Period Ended December 31, 2009

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987	1988	1989
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:											
Contributions	\$ -	-	-	-	-	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-	-	-	-	-	-
Less loss control credit	-	-	-	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-	-	-	-
Net contributions	-	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	(3)	-	6,125	3,888	2,916	4,542	6,214
Unrealized gain (loss) on investments	-	-	-	-	-	-	(3,209)	(1,394)	(1,371)	(1,799)	(2,442)
Total revenue	-	-	-	-	(3)	-	2,916	2,494	1,545	2,743	3,772
Expenses:											
Claims paid	-	-	-	-	482	-	100,858	35,451	34,244	95	24,278
Claims reserve - current year adjustment	-	-	-	-	-	-	(10,326)	103,710	(34,244)	(5,164)	(489)
Subrogation recovery	-	-	-	-	-	-	(93,304)	-	-	-	-
Deductible recovery	-	-	-	-	-	-	-	-	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-	-	-
Ultimate claims loss	-	-	-	-	482	-	(2,772)	139,161	-	(5,069)	23,789
Reinsurance recovered	-	-	-	-	-	-	(13,584)	(49,580)	-	-	-
Reinsurance recoverable adjustment	-	-	-	-	(482)	-	16,356	(89,580)	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-	-	-
Net ultimate claims loss	-	-	-	-	-	-	-	1	-	(5,069)	23,789
Loss reserve discounting	-	-	-	-	-	-	-	-	-	14	(59)
Net claims expense	-	-	-	-	-	-	-	1	-	(5,055)	23,730
Reinsurance premium	-	-	-	-	-	-	-	-	-	-	-
Professional service	-	-	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-	-	-	-	-
Regulatory assessments and fees	-	-	-	-	-	-	-	-	-	-	-
Claims service/assessments reserve	-	-	-	-	-	-	(1,488)	10,032	(5,968)	(543)	5,039
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-	(1,488)	10,033	(5,968)	(5,598)	28,769
Change in net assets before transfers	-	-	-	-	(3)	-	4,404	(7,539)	7,513	8,341	(24,997)
Interfund transfers:											
To 2009 fund	-	-	-	-	-	-	-	-	-	-	-
Net change in net assets	-	-	-	-	(3)	-	4,404	(7,539)	7,513	8,341	(24,997)
Net assets, beginning	-	-	-	-	-	-	159,795	127,132	110,459	71,645	76,945
Net assets, ending	\$ -	-	-	-	(3)	-	164,199	119,593	117,972	79,986	51,948

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Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the Period Ended December 31, 2009

	1990	1991	1992	1993	1994	1995	1996	1997	1998
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:									
Contributions	\$ -	-	-	-	-	-	-	-	-
Less discounts	-	-	-	-	-	-	-	-	-
Less loss control credit	-	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-	-
Net contributions	-	-	-	-	-	-	-	-	-
Investment income	2,445	8,378	13,362	17,044	14,341	11,924	45,271	105,351	158,556
Unrealized gain (loss) on investments	(972)	(3,772)	(5,684)	(6,435)	(6,180)	(6,155)	(19,753)	(43,899)	(62,073)
Total revenue	1,473	4,606	7,678	10,609	8,161	5,769	25,518	61,452	96,483
Expenses:									
Claims paid	821	13,473	3,658	5,967	59,117	266,778	5,735	47,927	2,807
Claims reserve - current year adjustment	5,842	25,292	16,171	18,791	38,717	87,428	(31,444)	36,412	17,881
Subrogation recovery	-	-	(396)	-	-	-	(930)	-	-
Deductible recovery	-	-	-	-	-	-	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-
Ultimate claims loss	6,663	38,765	19,433	24,758	97,834	354,206	(26,639)	84,339	20,688
Reinsurance recovered	-	-	-	(275,823)	-	(120,686)	-	-	-
Reinsurance recoverable adjustment	-	-	-	275,823	-	77,287	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-
Net ultimate claims loss	6,663	38,765	19,433	24,758	97,834	310,807	(26,639)	84,339	20,688
Loss reserve discounting	(66)	(268)	(198)	(270)	(408)	(5,045)	(5,637)	(14,781)	(1,314)
Net claims expense	6,597	38,497	19,235	24,488	97,426	305,762	(32,276)	69,558	19,374
Reinsurance premium	-	-	-	-	-	-	-	-	-
Professional service	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-	-	-
Regulatory assessments and fees	-	-	-	-	-	-	-	-	-
Claims service/assessments reserve	4,780	6,531	(354)	(2,398)	3,218	30,302	(4,642)	(5,342)	(1,976)
Safety and scholarship grants	-	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-
Total expenses	11,377	45,028	18,881	22,090	100,644	336,064	(36,918)	64,216	17,398
Change in net assets before transfers	(9,904)	(40,422)	(11,203)	(11,481)	(92,483)	(330,295)	62,436	(2,764)	79,085
Interfund transfers:									
To 2009 fund	-	(100,000)	(100,000)	(100,000)	(100,000)	(50,000)	(500,000)	(500,000)	(1,400,000)
Net change in net assets	(9,904)	(140,422)	(111,203)	(111,481)	(192,483)	(380,295)	(437,564)	(502,764)	(1,320,915)
Net assets, beginning	54,591	300,597	410,576	516,714	481,267	332,075	1,511,018	3,275,179	5,465,803
Net assets, ending	\$ 44,687	160,175	299,373	405,233	288,784	(48,220)	1,073,454	2,772,415	4,144,888

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Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the Period Ended December 31, 2009

	1999 Fund Year	2000 Fund Year	2001 Fund Year	2002 Fund Year	2003 Fund Year	2004 Fund Year	2005 Fund Year	2006 Fund Year	2007 Fund Year
Revenue:									
Contributions	\$ -	-	-	-	-	-	-	-	(16,981)
Less discounts	-	-	-	-	-	-	-	-	-
Less loss control credit	-	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-	-
Net contributions	-	-	-	-	-	-	-	-	(16,981)
Investment income	91,459	56,147	97,891	66,297	132,340	172,620	270,989	294,876	293,531
Unrealized gain (loss) on investments	(38,196)	(28,143)	(42,486)	(27,670)	(57,499)	(70,297)	(110,422)	(128,636)	(127,695)
Total revenue	53,263	38,004	55,405	38,627	74,841	102,323	160,567	166,240	148,855
Expenses:									
Claims paid	36,623	297,873	138,040	710,364	447,181	656,876	311,893	832,645	1,325,082
Claims reserve - current year adjustment	21,444	44,868	(214,564)	(391,951)	(405,583)	(860,145)	(467,602)	(898,828)	(1,022,668)
Subrogation recovery	-	(12,586)	(18,285)	(931)	-	(12,144)	(33,094)	(13,795)	(28,612)
Deductible recovery	-	-	-	-	-	-	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-
Ultimate claims loss	58,067	330,155	(94,809)	317,482	41,598	(215,413)	(188,803)	(79,978)	273,802
Reinsurance recovered	-	-	-	-	-	-	-	-	(59,758)
Reinsurance recoverable adjustment	-	(250,288)	(7,922)	(215,002)	(16,945)	-	-	-	(417,034)
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-
Net ultimate claims loss	58,067	79,867	(102,731)	102,480	24,653	(215,413)	(188,803)	(79,978)	(202,990)
Loss reserve discounting	(12,207)	4,297	1,997	4,633	4,394	42,646	(7,489)	43,139	108,393
Net claims expense	45,860	84,164	(100,734)	107,113	29,047	(172,767)	(196,292)	(36,839)	(94,597)
Reinsurance premium	-	-	-	-	-	-	-	-	-
Professional service	-	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	-	-	-	-	-	-
Regulatory assessments and fees	-	-	-	-	-	-	-	-	-
Claims service/assessments reserve	(3,113)	17,554	(38,013)	4,329	(62,717)	(102,623)	(113,871)	(123,150)	(234,773)
Safety and scholarship grants	-	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-
Total expenses	42,747	101,718	(138,747)	111,442	(33,670)	(275,390)	(310,163)	(159,989)	(329,370)
Change in net assets before transfers	10,516	(63,714)	194,152	(72,815)	108,511	377,713	470,730	326,229	478,225
Interfund transfers:									
To 2009 fund	(500,000)	(300,000)	(352,360)	-	-	-	-	-	-
Net change in net assets	(489,484)	(363,714)	(158,208)	(72,815)	108,511	377,713	470,730	326,229	478,225
Net assets, beginning	2,738,464	1,752,482	2,507,650	370,403	2,009,662	2,606,427	5,454,740	5,625,153	4,685,731
Net assets, ending	\$ 2,248,980	1,388,768	2,349,442	297,588	2,118,173	2,984,140	5,925,470	5,951,382	5,163,956

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Statement of Revenues, Expenses, and Changes in Net Assets by Fund Year
For the Period Ended December 31, 2009

	2008 Fund Year	2009 Fund Year	2010 Fund Year	WC SS Fund	WC Training Fund	Totals	
						2009	2008
Revenue:							
Contributions	\$ 366,345	19,542,109	-	-	-	19,891,473	19,462,552
Less discounts	-	(1,944,280)	-	-	-	(1,944,280)	(1,866,762)
Less loss control credit	-	(476,219)	-	-	-	(476,219)	(466,599)
Less medical deductible credit	-	(7,494)	-	-	-	(7,494)	(8,513)
Net contributions	366,345	17,114,116	-	-	-	17,463,480	17,120,678
Investment income	366,960	351,883	-	-	-	2,605,347	2,726,066
Unrealized gain (loss) on investments	(163,973)	88,345	-	-	-	(871,810)	1,991,156
Total revenue	569,332	17,554,344	-	-	-	19,197,017	21,837,900
Expenses:							
Claims paid	2,534,470	2,849,455	-	-	-	10,742,193	9,723,022
Claims reserve - current year adjustment	(4,214,357)	6,676,935	-	-	-	(1,463,874)	4,565,290
Subrogation recovery	(15,727)	(6,302)	-	-	-	(236,106)	(170,001)
Deductible recovery	(5,180)	(7,366)	-	-	-	(12,546)	(11,515)
Supplemental benefits fund recovered	-	-	-	-	-	-	-
Ultimate claims loss	(1,700,794)	9,512,722	-	-	-	9,029,667	14,106,796
Reinsurance recovered	-	-	-	-	-	(519,431)	(179,759)
Reinsurance recoverable adjustment	-	-	-	-	-	(627,787)	(406,565)
Supplemental benefits fund recovered	-	-	-	-	-	-	-
Net ultimate claims loss	(1,700,794)	9,512,722	-	-	-	7,882,449	13,520,472
Loss reserve discounting	377,098	(888,093)	-	-	-	(349,224)	(21,483)
Net claims expense	(1,323,696)	8,624,629	-	-	-	7,533,225	13,498,989
Reinsurance premium	13,593	564,986	-	-	-	578,579	586,075
Professional service	-	129,782	-	-	-	129,782	107,644
Administrative fees	-	3,233,620	-	-	-	3,233,620	2,899,222
Regulatory assessments and fees	-	541,205	-	-	-	541,205	609,915
Claims service/assessments reserve	(592,696)	1,127,637	-	-	-	(84,245)	190,056
Safety and scholarship grants	-	-	-	215,287	-	215,287	198,974
Legal and consultant fees	11,500	-	-	-	-	11,500	11,500
Training expense	-	-	-	-	-	-	85,000
Depreciation expense	-	53,594	-	-	-	53,594	92,419
Maintenance contracts	-	94,525	-	-	-	94,525	104,632
Dividends paid	499,276	-	-	-	-	499,276	499,503
Total expenses	(1,392,023)	14,369,978	-	215,287	-	12,806,348	18,883,929
Change in net assets before transfers	1,961,355	3,184,366	-	(215,287)	-	6,390,669	2,953,971
Interfund transfers:							
To 2009 fund	-	3,102,360	-	900,000	-	-	-
Net change in net assets	1,961,355	6,286,726	-	684,713	-	6,390,669	2,953,971
Net assets, beginning	2,973,289	-	-	104,983	59,076	43,781,856	40,827,885
Net assets, ending	\$ 4,934,644	6,286,726	-	789,696	59,076	50,172,525	43,781,856

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND

Schedule 4

Cumulative Statement of Revenues and Expenses
For the Period November 1, 1978 through December 31, 2009

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1985	1986	1987
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year
Revenue:									
Contributions	\$ 898,836	2,198,194	2,906,927	4,240,842	4,595,671	5,632,583	6,021,088	6,838,615	8,513,890
Less discounts	-	-	(290,693)	(424,084)	(459,567)	(796,892)	(852,654)	(980,663)	(1,236,385)
Less loss control credit	-	-	-	-	-	-	-	-	-
Less medical deductible credit	-	-	-	-	-	-	-	-	-
Net contributions	898,836	2,198,194	2,616,234	3,816,758	4,136,104	4,835,691	5,168,434	5,857,952	7,277,505
Investment income	330,565	813,081	646,146	1,473,718	1,478,578	1,260,588	1,063,386	1,276,428	2,889,557
Miscellaneous revenue	-	35	234	122	(125)	891	2,180	2,372	11,737
Total revenue	1,229,401	3,011,310	3,262,614	5,290,598	5,614,557	6,097,170	6,234,000	7,136,752	10,178,799
Expenses:									
Claims paid	719,287	2,532,544	3,357,987	2,988,697	3,994,016	5,131,404	7,500,279	7,376,222	8,864,086
Claims reserve	-	-	-	-	-	-	447,927	225,067	520,765
Subrogation recovery	(210)	-	(30,520)	(31,306)	(15,945)	(53,828)	(370,586)	(174,313)	(89,363)
Deductible recovery	-	-	-	-	-	-	-	-	-
Supplemental benefits fund recovered	-	-	-	-	-	-	-	-	-
Ultimate claims loss	719,077	2,532,544	3,327,467	2,957,391	3,978,071	5,077,576	7,577,620	7,426,976	9,295,488
Reinsurance recovered	-	(884,886)	(1,431,150)	(201,145)	(990,399)	(1,697,712)	(3,180,774)	(2,242,656)	(111,881)
Reinsurance recoverable adjustment	-	-	-	1	(482)	-	(483,139)	(260,517)	(615,923)
Net ultimate claims loss	719,077	1,647,658	1,896,317	2,756,247	2,987,190	3,379,864	3,913,707	4,923,803	8,567,684
Loss reserve discounting	-	-	-	-	-	-	-	-	-
Net claims expense	719,077	1,647,658	1,896,317	2,756,247	2,987,190	3,379,864	3,913,707	4,923,803	8,567,684
Reinsurance premium	137,237	312,790	419,524	478,576	363,680	411,812	520,415	699,461	1,178,993
Claims service fee paid	82,296	176,497	236,470	327,459	386,512	473,213	351,488	404,309	441,635
Professional service fees	-	-	-	-	-	-	-	-	-
Administrative fees	13,627	49,349	55,671	254,892	398,727	499,345	660,000	441,000	500,000
Regulatory assessments and fees	-	-	-	6,122	233	662	402	3,162	24,918
Claims service/assessments reserve	-	-	-	-	-	-	49,338	28,790	52,853
Safety and scholarship grants	-	-	-	-	-	-	-	-	-
Legal and consultant fees	-	-	-	-	-	-	-	-	-
Training expense	-	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-
Maintenance contracts	-	-	-	-	-	-	-	-	-
Dividends paid	105,990	73,229	-	-	-	-	-	-	-
Interest refund	188,639	591,990	537,188	793,891	508,732	243,525	-	-	-
Interest expense	-	-	-	-	-	-	-	-	992,030
Total expenses	1,247,866	2,851,513	3,145,170	4,617,187	4,645,074	5,008,421	5,495,350	6,500,525	11,758,113
Change in net assets before transfers	(18,465)	159,797	117,444	673,411	969,483	1,088,749	738,650	636,227	(1,579,314)
Interfund transfers	18,465	(159,797)	(117,444)	(673,411)	(969,486)	(1,088,749)	(574,451)	(516,634)	1,697,286
From MMA General Fund	-	-	-	-	-	-	-	-	-
Net assets, ending	\$ -	-	-	-	(3)	-	164,199	119,593	117,972

MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND

Schedule 4

Cumulative Statement of Revenues and Expenses
For the Period November 1, 1978 through December 31, 2009

	1988	1989	1990	1991	1992	1993	1994	1995	1996	
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	
Revenue:										
Contributions	\$ 11,896,947	13,324,125	14,920,260	16,176,020	13,370,101	14,698,127	16,420,659	13,726,365	9,210,964	
Less discounts	(1,216,358)	(1,027,854)	(1,237,948)	(1,428,079)	(1,276,658)	(1,441,541)	(1,426,427)	(1,425,500)	(798,972)	
Less loss control credit	-	-	-	-	-	-	-	-	(362,288)	
Less medical deductible credit	-	-	-	-	-	-	-	-	-	
Net contributions	10,680,589	12,296,271	13,682,312	14,747,941	12,093,443	13,256,586	14,994,232	12,300,865	8,049,704	
Investment income	3,999,304	3,847,566	3,719,309	4,182,032	3,513,086	3,330,616	3,060,268	3,283,461	4,000,834	
Miscellaneous revenue	3,703	2,861	2,980	2,049	3,938	8,905	(716)	814	-	
Total revenue	14,683,596	16,146,698	17,404,601	18,932,022	15,610,467	16,596,107	18,053,784	15,585,140	12,050,538	
Expenses:										
Claims paid	8,024,230	9,824,779	8,709,736	8,009,206	8,931,054	9,343,163	6,175,236	4,602,005	5,184,394	
Claims reserve	55,318	107,314	20,373	60,257	84,590	165,227	89,757	381,956	203,820	
Subrogation recovery	(85,944)	(243,383)	(52,704)	(65,596)	(41,150)	(29,069)	(101,987)	(128,454)	(229,123)	
Deductible recovery	-	-	-	-	-	-	-	-	(17,707)	
Supplemental benefits fund recovered	-	-	-	-	-	(21,000)	-	-	-	
Ultimate claims loss	7,993,604	9,688,710	8,677,405	8,003,867	8,974,494	9,458,321	6,163,006	4,855,507	5,141,384	
Reinsurance recovered	(149,907)	-	(45,417)	-	(145,143)	(665,193)	-	(120,685)	-	
Reinsurance recoverable adjustment	-	-	-	-	-	-	-	(32,464)	-	
Net ultimate claims loss	7,843,697	9,688,710	8,631,988	8,003,867	8,829,351	8,793,128	6,163,006	4,702,358	5,141,384	
Loss reserve discounting	(540)	(1,047)	(199)	(588)	(825)	(1,612)	(876)	(6,783)	(7,792)	
Net claims expense	7,843,157	9,687,663	8,631,789	8,003,279	8,828,526	8,791,516	6,162,130	4,695,575	5,133,592	
Reinsurance premium	1,384,557	1,768,008	1,884,136	1,000,000	1,258,394	1,396,197	1,377,769	1,326,533	949,462	
Claims service fee paid	327,982	393,927	492,491	574,544	612,319	641,430	739,044	728,277	93,000	
Professional service fees	160,000	159,500	203,002	233,817	254,729	276,030	271,628	4,916	22,331	
Administrative fees	575,000	687,000	762,100	803,500	857,569	925,325	989,573	1,610,290	1,861,680	
Regulatory assessments and fees	4,320	85,838	121,554	13,706	163,687	234,986	257,338	291,756	253,869	
Claims service/assessments reserve	7,670	21,157	11,400	12,016	10,088	29,411	18,551	66,451	23,521	
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	
Legal and consultant fees	-	-	-	-	-	-	-	-	-	
Training expense	-	-	-	-	-	-	-	-	-	
Depreciation expense	-	-	-	-	-	-	-	19,269	44,505	
Maintenance contracts	-	-	-	-	-	-	-	-	1,431	
Dividends paid	-	-	-	76,147	500,000	150,000	1,250,000	2,242,014	1,163,116	
Interest refund	-	-	-	-	-	-	-	-	-	
Interest expense	105,260	81,904	-	-	-	-	-	-	-	
Total expenses	10,407,946	12,884,997	12,106,472	10,717,009	12,485,312	12,444,895	11,066,033	10,985,081	9,546,507	
Change in net assets before transfers	4,275,650	3,261,701	5,298,129	8,215,013	3,125,155	4,151,212	6,987,751	4,600,059	2,504,031	
Interfund transfers	(4,195,664)	(3,209,753)	(5,253,442)	(8,054,838)	(2,825,782)	(3,745,979)	(6,698,967)	(4,648,279)	(1,430,577)	
From MMA General Fund	-	-	-	-	-	-	-	-	-	
Net assets, ending	\$ 79,986	51,948	44,687	160,175	299,373	405,233	288,784	(48,220)	1,073,454	

MAINE MUNICIPAL ASSOCIATION
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Schedule 4

Cumulative Statement of Revenues and Expenses
For the Period November 1, 1978 through December 31, 2009

	1997	1998	1999	2000	2001	2002	2003	2004	2005	
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	
Revenue:										
Contributions	\$ 7,426,058	6,724,762	6,563,966	7,228,092	8,781,293	10,766,844	13,489,261	15,285,637	16,444,605	
Less discounts	(629,764)	(531,730)	(521,782)	(596,605)	(703,678)	(895,300)	(1,183,988)	(1,394,079)	(1,539,835)	
Less loss control credit	(169,007)	(184,472)	(206,437)	(220,584)	(333,223)	(328,432)	(401,161)	(362,445)	(383,085)	
Less medical deductible credit	-	(6,887)	(6,230)	(6,725)	(9,382)	(8,848)	(9,061)	(11,225)	(10,610)	
Net contributions	6,627,287	6,001,673	5,829,517	6,404,178	7,735,010	9,534,264	11,895,051	13,517,888	14,511,075	
Investment income	3,682,600	3,604,339	2,024,247	1,634,510	1,696,237	1,367,998	1,289,715	1,423,708	1,900,512	
Miscellaneous revenue	-	-	-	-	-	-	-	-	-	
Total revenue	10,309,887	9,606,012	7,853,764	8,038,688	9,431,247	10,902,262	13,184,766	14,941,596	16,411,587	
Expenses:										
Claims paid	4,770,866	4,561,861	6,372,312	6,795,358	6,932,589	9,364,914	8,670,770	8,600,063	7,317,905	
Claims reserve	367,581	21,372	458,315	801,315	724,366	1,788,467	2,122,221	2,063,935	2,555,204	
Subrogation recovery	(165,446)	(124,623)	(168,564)	(372,982)	(84,742)	(305,820)	(149,350)	(155,053)	(110,101)	
Deductible recovery	(12,123)	(13,501)	(10,608)	(9,960)	(11,059)	(9,280)	(9,027)	(7,400)	(12,627)	
Supplemental benefits fund recovered	-	-	(43,150)	-	-	-	-	-	-	
Ultimate claims loss	4,960,878	4,445,109	6,608,305	7,213,731	7,561,154	10,838,281	10,634,614	10,501,545	9,750,381	
Reinsurance recovered	(91,013)	-	(42,769)	-	(138,239)	-	-	-	-	
Reinsurance recoverable adjustment	-	-	-	(422,680)	(134,332)	(532,311)	(320,205)	-	-	
Net ultimate claims loss	4,869,865	4,445,109	6,565,536	6,791,051	7,288,583	10,305,970	10,314,409	10,501,545	9,750,381	
Loss reserve discounting	(20,807)	(1,439)	(35,473)	(34,583)	(59,805)	(152,312)	(205,340)	(259,341)	(354,037)	
Net claims expense	4,849,058	4,443,670	6,530,063	6,756,468	7,228,778	10,153,658	10,109,069	10,242,204	9,396,344	
Reinsurance premium	842,497	508,299	474,434	615,289	472,360	597,909	648,343	510,909	537,943	
Claims service fee paid	14,050	15,500	18,000	-	-	-	-	-	-	
Professional service fees	23,256	26,224	28,577	58,855	50,676	47,723	104,363	29,741	100,262	
Administrative fees	1,952,664	1,911,188	1,878,993	1,867,023	1,930,412	2,286,467	2,473,038	2,944,909	2,745,034	
Regulatory assessments and fees	177,268	205,266	199,199	197,310	387,317	234,328	496,439	430,878	453,258	
Claims service/assessments reserve	39,794	4,060	53,943	107,305	85,212	261,981	256,620	281,971	269,198	
Safety and scholarship grants	-	-	-	-	-	-	-	-	-	
Legal and consultant fees	-	-	-	-	-	-	-	-	-	
Training expense	-	-	-	-	-	-	-	-	-	
Depreciation expense	51,995	45,988	41,315	39,991	39,615	47,130	56,306	154,841	99,173	
Maintenance contracts	3,850	3,245	6,394	7,414	18,403	21,044	8,960	30,949	83,792	
Dividends paid	355,455	341,572	362,866	368,132	385,394	398,373	399,459	498,927	498,172	
Interest refund	-	-	-	-	-	-	-	-	-	
Interest expense	-	-	-	-	-	-	-	-	-	
Total expenses	8,309,887	7,505,012	9,593,784	10,017,787	10,598,167	14,048,613	14,552,597	15,125,329	14,183,176	
Change in net assets before transfers	2,000,000	2,101,000	(1,740,020)	(1,979,099)	(1,166,920)	(3,146,351)	(1,367,831)	(183,733)	2,228,411	
Interfund transfers	772,415	1,629,444	3,989,000	3,367,867	3,516,362	3,443,939	3,486,004	3,167,873	3,697,059	
From MMA General Fund	-	414,444	-	-	-	-	-	-	-	
Net assets, ending	\$ 2,772,415	4,144,888	2,248,980	1,388,768	2,349,442	297,588	2,118,173	2,984,140	5,925,470	

**MAINE MUNICIPAL ASSOCIATION
WORKERS' COMPENSATION FUND**
Cumulative Statement of Revenues and Expenses
For the Period November 1, 1978 through December 31, 2009

	2006	2007	2008	2009	2010	WC SS	WC Training	Totals
	Fund Year	Fund Year	Fund Year	Fund Year	Fund Year	Fund	Fund	
Revenue:								
Contributions	\$ 17,284,106	17,842,123	19,370,424	19,542,109	-	-	-	332,339,494
Less discounts	(1,636,544)	(1,681,943)	(1,866,762)	(1,944,280)	-	-	-	(31,446,565)
Less loss control credit	(384,305)	(394,652)	(466,599)	(476,219)	-	-	-	(4,672,909)
Less medical deductible credit	(8,434)	(8,358)	(8,513)	(7,494)	-	-	-	(101,767)
Net contributions	15,254,823	15,757,170	17,028,550	17,114,116	-	-	-	296,118,253
Investment income	1,916,884	1,410,941	1,044,804	440,227	-	-	-	67,605,245
Miscellaneous revenue	-	-	-	-	-	-	-	41,980
Total revenue	17,171,707	17,168,111	18,073,354	17,554,343	-	-	-	363,765,478
Expenses:								
Claims paid	6,494,950	6,970,920	5,533,268	2,849,455	-	-	-	196,503,556
Claims reserve	3,140,362	4,145,208	5,483,166	6,676,935	-	-	-	32,710,818
Subrogation recovery	(39,377)	(47,334)	(21,820)	(6,302)	-	-	-	(3,494,995)
Deductible recovery	(12,565)	(9,732)	(11,120)	(7,366)	-	-	-	(154,075)
Supplemental benefits fund recovered	-	-	-	-	-	-	-	(64,150)
Ultimate claims loss	9,583,370	11,059,062	10,983,494	9,512,722	-	-	-	225,501,154
Reinsurance recovered	-	(59,758)	-	-	-	-	-	(12,198,727)
Reinsurance recoverable adjustment	-	(486,563)	-	-	-	-	-	(3,288,615)
Net ultimate claims loss	9,583,370	10,512,741	10,983,494	9,512,722	-	-	-	210,013,812
Loss reserve discounting	(464,423)	(562,219)	(800,139)	(888,093)	-	-	-	(3,858,273)
Net claims expense	9,118,947	9,950,522	10,183,355	8,624,629	-	-	-	206,155,539
Reinsurance premium	584,974	623,073	583,503	564,986	-	-	-	24,432,063
Claims service fee paid	-	-	-	-	-	-	-	7,530,443
Professional service fees	82,651	113,400	123,908	129,782	-	-	-	2,505,371
Administrative fees	2,979,425	3,176,335	2,899,222	3,233,620	-	-	-	44,222,978
Regulatory assessments and fees	506,002	647,947	616,797	541,204	-	-	-	6,555,766
Claims service/assessments reserve	395,429	505,471	793,630	1,127,637	-	-	-	4,513,497
Safety and scholarship grants	-	-	-	-	-	1,644,109	-	1,644,109
Legal and consultant fees	-	24,637	11,500	-	-	-	10,511	46,648
Training expense	-	-	-	-	-	-	165,413	165,413
Depreciation expense	102,868	102,604	92,419	53,594	-	-	-	991,613
Maintenance contracts	73,323	76,232	104,632	94,525	-	-	-	534,194
Dividends paid	497,979	499,503	499,276	-	-	-	-	10,666,604
Interest refund	-	-	-	-	-	-	-	2,863,965
Interest expense	-	-	-	-	-	-	-	1,179,194
Total expenses	14,341,598	15,719,724	15,908,242	14,369,977	-	1,644,109	175,924	314,007,397
Change in net assets before transfers	2,830,109	1,448,387	2,165,112	3,184,366	-	(1,644,109)	(175,924)	49,758,081
Interfund transfers	3,121,273	3,715,569	2,769,532	3,102,360	-	2,433,805	235,000	-
From MMA General Fund	-	-	-	-	-	-	-	414,444
Net assets, ending	\$ 5,951,382	5,163,956	4,934,644	6,286,726	-	789,696	59,076	50,172,525