

# **NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**

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**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
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**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
OFFICIAL ROSTER  
June 30, 2017**

**BOARD OF DIRECTORS**

Lance Pyle	Board Chair
Lisa Sedillo-White	Member
Gloria Jean Chavez	Secretary/Treasurer
Danny Gonzales	Vice Chair
Joy Ansley	Member
Wayne Hancock	Member
Delilah Walsh	Member
Brenda Sanchez	Member
Kristi Galloway	Member
Philip Rios	Member
Miguel Chavez	Member
Sharon Stover	Ex-Officio Member

**ADMINISTRATION**

Steve Kopelman	Executive Director
Taylor Horst	Risk Management Director
Santiago Chavez	Finance Director



## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
New Mexico County Insurance Authority Workers' Compensation Pool  
Santa Fe, New Mexico  
Mr. Timothy Keller  
New Mexico State Auditor

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities of New Mexico County Insurance Authority Workers' Compensation Pool (the Pool) as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Pool's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Pool as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

The prior year summarized comparative information has been derived from the Pool's 2016 financial statements which were audited by other auditors. In their report dated November 1, 2016, they expressed an unmodified opinion on those financial statements.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and, the Notes to Ten Year Claims Development Information and the Ten Year Claims Development Information on pages 30 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pool's basic financial statements. The Schedule of Revenue and Expenses - Budget and Actual, Schedule of Cash and Cash Equivalents Reconciliation from Bank to Financial Statements and the

Schedule of Cash Collateral are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenue and Expenses - Budget and Actual, Schedule of Cash and Cash Equivalents Reconciliation from Bank to Financial Statements and the Schedule of Cash Collateral are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenue and Expenses - Budget and Actual, Schedule of Cash and Cash Equivalents Reconciliation from Bank to Financial Statements and the Schedule of Cash Collateral are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2017 on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Morton Accounting Services, LLC". The signature is written in a cursive, flowing style.

Santa Fe, New Mexico  
November 30, 2017

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

As management of the New Mexico County Insurance Authority Workers' Compensation Pool (the Pool), we offer readers of the Pool's financial statements this narrative overview and analysis of the financial activities of the Pool for the fiscal years ended June 30, 2017 and 2016.

**Financial Highlights**

1. Pool net position increased by \$1,720,507 to \$4,458,378 from June 30, 2016. Claims expenses decreased by \$641,019 from June 30, 2016. Total claims liabilities increased by \$805,107 from June 30, 2016.
2. Assets increased by \$2,453,233 to \$29,141,598. The Pool's liabilities consist primarily of reserves to pay claims and claim adjustment expenses. Liabilities increased by \$732,726 to \$24,683,220 at June 30, 2017.
3. The Pool has optional "high-deductible" funding arrangements with Bernalillo, Dona Ana, Sandoval and San Juan Counties. For the years ended June 30, 2017 and 2016, Bernalillo County paid the first \$400,000 of every claim with an annual aggregate of \$1,750,000. For the year ended June 30, 2017, Dona Ana and Sandoval Counties paid the first \$25,000 every claim, with an annual aggregate of \$750,000. San Juan paid the first \$10,000 of every claim, with no aggregate.
4. The Pool handled all claims for the member counties and they were covered by the Pool's excess insurance for any claim which exceeded \$750,000.

**Overview of the Financial Statements**

The Pool is a self-insured insurance pool for New Mexico counties created by a joint powers agreement. The Pool has 31 member counties. Member counties pay annual contributions to the Pool based on their payroll exposure and loss experience. The Board of Directors of the Pool adopts an annual budget for paying claims and operating expenses.

The operations of the Pool are accounted for in a single proprietary fund of the enterprise type. The basic financial statements include statements of net position which report the Pool's assets, liabilities and members' net position (equity), statements of revenues, expenses and changes in net position, and statements of cash flows, which summarize cash receipts and payments. Additionally, there are notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The statements of net position and statements of revenues, expenses and changes in net position are presented as of and for the years ended June 30, 2017 and 2016.

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Condensed Comparative Data**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Assets (Cash, Receivables, Investments, and Prepaid Expenses)	\$ 29,141,598	\$ 26,688,365	\$ 23,976,969
Total Liabilities (Claims and Claim Adjustment Expenses and Accounts Payable)	<u>24,683,220</u>	<u>23,950,494</u>	<u>22,566,391</u>
Pool Net Position:			
Unrestricted - Held for Member Benefits	<u>4,458,378</u>	<u>2,737,871</u>	<u>1,410,578</u>
Total Net Position	<u>\$ 4,458,378</u>	<u>\$ 2,737,871</u>	<u>\$ 1,410,578</u>
Revenues:			
Member Contributions	\$ 8,710,372	\$ 8,609,081	\$ 8,347,034
Investment and Other Income	<u>390,395</u>	<u>628,601</u>	<u>319,596</u>
Total Revenues	<u>9,100,767</u>	<u>9,237,682</u>	<u>8,666,630</u>
Expenses			
Claims and Claim Adjustment Expenses	5,190,153	5,831,172	8,265,802
Excess Insurance Fees	839,114	810,223	751,418
General, Administrative & Brokerage	<u>1,350,993</u>	<u>1,268,994</u>	<u>1,288,886</u>
Total Expenses	<u>7,380,260</u>	<u>7,910,389</u>	<u>10,306,106</u>
Excess (Deficiency) of Revenues Over Expenses	1,720,507	1,327,293	(1,639,476)
Pool Net Position Held for Member Benefits - Beginning of Year	<u>2,737,871</u>	<u>1,410,578</u>	<u>3,050,054</u>
Pool Net Position Held for Member Benefits - End of Year	<u>\$ 4,458,378</u>	<u>\$ 2,737,871</u>	<u>\$ 1,410,578</u>

**Financial Analysis of the Pool**

Assets of the Pool consist primarily of cash, accounts receivable and fixed income investments. Liabilities consist primarily of the amounts held in reserve to pay future claims.



**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Financial Analysis of the Pool (Continued)**

As of June 30, 2017, total assets increased by \$2,453,233, primarily due to cash balances increasing as a result of reduced claims expense and no investments in the Pool's longer term investment funds. Accounts receivable for high-deductible counties increased by \$760,137. Claims and claims adjustment liabilities decreased by \$732,726 (3%), while the Pool's net position held for members' benefits (fund balance) increased by \$1,720,507 to \$4,458,378. This is an improvement over the \$1,327,293 increase to \$2,737,871 experienced in the prior year. Over the past two years the Pool has grown the net position held for member's benefits from \$1,410,578 to \$4,458,378, a 216% increase. Net operating revenue increased by \$101,291 for 2017, due to a 1% increase in member contributions. Operating expenses decreased by \$530,129 (6.7%) primarily due to an 11% decrease in claims and claim adjustment expenses. Correspondingly, operating income increased to \$1,330,112 a \$631,420 increase from the prior year.

**Unpaid Claims Liabilities**

The following table presents the changes in the Pool's claims for the past three years:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Unpaid Claims and Claim Adjustment Expenses - Beginning of Year	\$ 23,874,848	\$ 22,561,641	\$ 18,908,084
Incurred Claims and Claim Adjustment Expenses:			
Provision for Insured Events of the Current Year	7,717,789	7,753,713	7,900,802
Increase (Decrease) in Provision for Insured Events of Prior Years	<u>(2,527,636)</u>	<u>(1,922,541)</u>	<u>365,000</u>
Total Incurred Claims and Claim Adjustment Expenses	5,190,153	5,831,172	8,265,802
Payments:			
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year, Net of Recoveries	990,653	1,185,695	1,434,532
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>3,394,393</u>	<u>3,332,270</u>	<u>3,177,713</u>
Total Payments	<u>4,385,046</u>	<u>4,517,965</u>	<u>4,612,245</u>
Total unpaid Claims and Claim Adjustment Expenses - End of Year	<u>\$ 24,679,955</u>	<u>\$ 23,874,848</u>	<u>\$ 22,561,641</u>

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Investment Results**

As of June 30, 2017, cash balances increased by \$2,583,260 and investments decreased by \$976,415 due to reduced claims expense, no investments in the Pool's longer term investment funds and a larger unrealized loss due to market conditions. Because of the market conditions, investments were done by laddering short term government bonds and notes and recently brokered CDs. A majority of these investments were scheduled to redeem on June 30, 2017. The Pool has two independent investment advisors that are consulted regularly on the changing market and the best strategies to invest pool funds for maximum return and liquidity. There was an increase of \$74,559 in the Pool's equity with County Reinsurance Limited, the excess insurance carrier. This is a total increase of more than \$1.6 million from \$26,072,490 at June 30, 2016 to \$27,753,894 at June 30, 2017. The overall investment yield on the Pool's investment portfolio approximated 2.47% during 2017, consistent with the 2.5% in 2016.

Total cash and investments increased \$2.5 million from \$23,523,489 at June 30, 2015 to \$26,072,490 at June 30, 2016. The overall yield on the Pool's investment portfolio increased from 1.4% at June 30, 2015, to 2.5% in 2016.

**Property, Plant and Equipment**

The Pool had no purchases or disposals of property, plant and equipment during 2017 and 2016.

**Long-Term Debt**

The Pool had no long-term debt during the years ended June 30, 2017 and 2016.

**Budget Adjustments**

In 2017, total claims and claims adjustment expenses as well as general and administrative expenses were \$1.7 million less than budgeted. Investment income was higher than budgeted mainly due to the increase in our equity with County Reinsurance Limited. As a result we had an increase in the Pool's net position held for county members' benefit of \$1.4 million in excess of the \$302,000 that was budgeted.

In 2016, total claims and claims adjustment expenses and general and administrative expenses were approximately \$1 million less than budgeted. Investment income was higher due to market conditions. This resulted in an increase in the Pool's net position held for county members' benefit of \$1.1 million in excess of the \$200,000 that was budgeted.

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Current Trends and Conditions**

The Workers' Compensation Pool is now fully staffed with a new claims manager hired during the 2016-2017 fiscal year. Management has a new sense of urgency and professionalism to improve performance results. Management has worked to reduce expenses and improve accuracy. The Pool's financial position improved during the last year because claims costs decreased from 2016 by \$641,000, towards a more linear trend from earlier years. The Pool net position has increased by \$1.7 million for a 62% increase.

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
STATEMENT OF NET POSITION - ENTERPRISE FUND  
JUNE 30, 2017, AND 2016**

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,424,070	\$ 840,810
Investments	23,549,940	24,526,355
Accounts Receivable - Deductibles	1,372,621	600,924
Prepays	<u>15,083</u>	<u>14,951</u>
 TOTAL CURRENT ASSETS	 <u>28,361,714</u>	 <u>25,983,040</u>
<b>NONCURRENT ASSETS</b>		
Investment in County Reinsurance Limited	<u>779,884</u>	<u>705,325</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 29,141,598</u></u>	 <u><u>\$ 26,688,365</u></u>
<b>LIABILITIES AND POOL NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,265	\$ 75,646
Claims and Claim Adjustment Expenses	<u>6,507,140</u>	<u>7,120,782</u>
 TOTAL CURRENT LIABILITIES	 <u>6,510,405</u>	 <u>7,196,428</u>
<b>LONG-TERM LIABILITIES</b>		
Claims and Claim Adjustment Expenses	<u>18,172,815</u>	<u>16,754,066</u>
 <b>TOTAL LIABILITIES</b>	 <u>24,683,220</u>	 <u>23,950,494</u>
<b>POOL NET POSITION HELD FOR MEMBERS' BENEFITS</b>		
Unrestricted	<u>4,458,378</u>	<u>2,737,871</u>
 <b>TOTAL LIABILITIES AND POOL NET POSITION</b>	 <u><u>\$ 29,141,598</u></u>	 <u><u>\$ 26,688,365</u></u>

See auditor's report and accompanying notes to financial statements

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION – ENTERPRISE FUND  
YEARS ENDED JUNE 30, 2017, AND 2016**

	2017	2016
<b>OPERATING REVENUE</b>		
Member Contributions, Net of Rebates and Safety Awards	\$ 8,710,372	\$ 8,609,081
<b>OPERATING EXPENSES</b>		
Claims and Claim Adjustment Expenses, Net of Recoveries	5,190,153	5,831,172
General and Administrative	1,334,993	1,252,994
Excess Insurance Premiums	839,114	810,223
Brokerage Fees (Insurance)	16,000	16,000
<b>TOTAL OPERATING EXPENSES</b>	<b>7,380,260</b>	<b>7,910,389</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,330,112</b>	<b>698,692</b>
<b>NON-OPERATING REVENUES</b>		
Investment Income	315,836	594,972
Interest in Change in Net Position of County Reinsurance Limited	74,559	33,629
<b>TOTAL NON-OPERATING REVENUE</b>	<b>390,395</b>	<b>628,601</b>
<b>CHANGE IN NET POSITION</b>	<b>1,720,507</b>	<b>1,327,293</b>
Pool Net Position - Beginning of Year	2,737,871	1,410,578
<b>POOL NET POSITION - END OF YEAR</b>	<b>\$ 4,458,378</b>	<b>\$ 2,737,871</b>

See auditor's report and accompanying notes to financial statements

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Members	\$ 10,466,047	\$ 9,980,989
Cash Received from Reinsurers	-	193,780
Cash Received from Others	-	218,722
Cash Paid to Vendors	(1,407,242)	(1,184,051)
Cash Paid on Claims and Claim Adjustment Expenses	(6,912,682)	(6,462,817)
Cash Paid for Insurance Brokerage Fees	(16,000)	(16,000)
Cash Paid for Excess Insurance	(839,114)	(810,223)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	1,291,009	1,920,400
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income Received	556,086	634,498
Purchase of Investments	(754,153)	(4,189,875)
Proceeds from the Sale of Investments	1,490,318	1,888,257
<b>CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	1,292,251	(1,667,120)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,583,260	253,280
Cash and Cash Equivalents - Beginning of Year	840,810	587,530
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,424,070	\$ 840,810
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 1,330,112	\$ 698,692
Accounts Receivable	(771,697)	(166,953)
Reinsurance Receivable	-	6,511
Prepays	(132)	(1,953)
Accounts Payable	(72,381)	70,896
Claims and Claim Adjustment Expenses	805,107	1,313,207
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	\$ 1,291,009	\$ 1,920,400
<b>NONCASH INVESTING ACTIVITIES</b>		
Unrealized Losses on Investments	\$ (240,250)	\$ (18,968)
Increase (Decrease) in County Reinsurance Limited Equity	\$ 74,559	\$ 33,629

See auditor's report and accompanying notes to financial statements

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The New Mexico County Insurance Authority Workers' Compensation Pool (the Pool) was formed July 1, 1987, pursuant to the New Mexico Joint Powers Agreement Act (NMSA 1978), as amended, as a workers' compensation self-insurance pool. Members of the Pool include 31 counties within the State of New Mexico.

Membership in the Pool is voluntary and members may withdraw at the end of any fiscal year upon sixty days written notice to the Pool's Board of Directors. Members are automatically expelled for failure to make timely contributions to the Pool, and may be expelled for failure to carry out any other obligations of the members. Upon withdrawal or expulsion, a member is not entitled to reimbursement of contributions made to the Pool, and remains responsible for obligations related to its individual loss experience and a proportionate share of expenses and losses of the entire Pool.

Members agree to contribute amounts determined by the Pool's Board of Directors to be necessary to protect the solvency of the Pool. The Pool does not receive any appropriations from the State of New Mexico. Any funds remaining at the end of the fiscal year do not revert to the State of New Mexico. The Pool has no component units as defined in Government Accounting Standards Board (GASB) Codification section 2100, paragraph 119.

**Use of Estimates in Preparing Financial Statements.** 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Basis of Accounting.** The accounts of the Pool are organized and operated on the basis of fund accounting. The accompanying statements have been prepared in accordance with generally accepted accounting principles applicable to governmental risk pools, set forth by the GASB. The Pool has one fund which is presented as an enterprise fund, which uses an economic resources measurement focus and accrual basis of accounting. This fund accounts for all assets, liabilities, net position, revenues, and expenses relating to the Pool's activities where revenues over expenditures are measured.

**Cash and Cash Equivalents.** For purposes of the statement of cash flows, cash and cash equivalents include bank demand accounts, money market mutual funds which invest in short-term U.S. governmental obligations, and the investment in the New Mexico State Treasurer Local Government Investment Pool. All bank deposits are required to be collateralized by U.S. Treasury obligations held by the depositories in accordance with state law.

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments.** The Pool has adopted an investment policy that is consistent with 6-10-10 NMSA 1978 for the deposit of public funds by local governments in New Mexico. In accordance with the policy, allowable investments include securities of the United States government and certain state and local governments; securities guaranteed by the United States Government; repurchase agreements; certificates of deposit; corporate bonds; mutual funds and the New Mexico State Treasurer's Short-Term Investment Fund.

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Mutual funds, fixed income securities, exchange-traded funds and corporate bonds are valued based on published market prices and quotations from national security exchanges and securities pricing services.

**Investment in County Reinsurance, Limited.** County Reinsurance Limited (CRL) is a member-owned reinsurance company, consisting of 24 members. The Pool accounts for its investment in CRL on the equity method of accounting. Annually, the carrying amount of the investment is adjusted to reflect the Pool's proportionate share in CRL's earnings or losses. These annual adjustments are reflected in the statement of revenues, expenses, and changes in net position as interest in change in net position of County Reinsurance Limited, and totaled \$74,559 and \$33,629 during the years ended June 30, 2017 and 2016, respectively. Additional contributions may be required from the Pool and other members as determined by CRL. During the years ended June 30, 2017 and 2016, there were no additional contributions requested from the Pool by CRL. Upon withdrawal from CRL, the Pool may request repayment of the original contribution plus the Pool's proportionate earnings in CRL accumulated during membership.

**Accounts Receivable.** Accounts receivable consist primarily of deductibles owed to the Pool by the various member county governments and amounts due to the Pool pursuant to excess insurance contracts. These receivables are not secured by collateral, nor is any collateral considered necessary by the Pool. All balances are deemed to be fully collectible; therefore, no allowance has been made for any potentially uncollectible balances.

**Exemption from Income Taxes.** The Pool has not requested a ruling from the Internal Revenue Service regarding its tax status. Management of the Pool considers the organization exempt from income taxes under Section 115 of the Internal Revenue Code. Accordingly, no liability for income taxes is included in the accompanying financial statements.



**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Budget.** In accordance with its by-laws, the Pool prepares the budget that is controlled at the Pool level. The level of budgetary control is at the total fund level. Amendments affecting the overall Pool must be approved by the Board. The budget is adopted on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Pool budgets claims and claim adjustment expenses based on actuarial estimates. Overages on this specific line item are only considered deficiencies if the cash and investment balances within the Pool cannot support the overage.

**Restricted/Unrestricted Net Position.** Net position is restricted to the extent external constraints place restrictions on the use of the net position, such as restrictions by contributors or laws and regulations. Usage of the Pool's net position was not externally restricted at June 30, 2017 and 2016 and, accordingly, the net position is reported as unrestricted.

**Operating Revenues.** Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Pool are premiums paid by members for risk and benefits coverage. Operating expenses for enterprise funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Beginning in the year ended June 30, 2015, the Pool began offsetting certain member counties' contributions with rebates and safety awards as part of ongoing risk reduction initiatives. During the years ended June 30, 2017 and 2016, these amounts totaled \$35,000 and \$35,000, respectively, and are presented as an offset to member contributions in the statement of revenues, expenses and changes in net fund position.

**Member Contributions.** Member contributions for benefits coverage are recognized as revenue on a pro rata basis over the applicable contract period (coincides with the fiscal year).

**Claims and Claim Adjustment Expenses.** Insurance claims and related claims adjustment expenses are charged to operations as incurred. The reserves for claims and claims adjustment expenses are determined based upon case-basis evaluations and actuarial projections, and include a provision for claims incurred but not reported.

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Claims and Claim Adjustment Expenses (Continued).** Losses are reported net of estimated amounts recoverable from excess insurance, salvage and subrogations, and the deductible portion of claims. Adjustments to the probable ultimate liability for claims and claims adjustment expenses are made continually, based on subsequent developments and experience, and are included in operations. Losses are reported net of estimated amounts recoverable from excess insurance, salvage and subrogations, and the deductible portion of claims. Adjustments to the probable ultimate liability for claims and claims adjustment expenses are made continually, based on subsequent developments and experience, and are included in operations.

**Reclassifications.** Certain amounts in the prior-year financial statements have been reclassified in order to be comparable with the current year presentation.

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 - CASH AND INVESTMENTS**

The Pool deposits its funds with various financial institutions. New Mexico statutes provide that deposits of public monies in financial institutions must be secured by pledged collateral in an aggregate valued equal to one-half of the amount of the public monies deposited after deducting the amount of Federal Deposit Insurance Corporation insurance coverage for each financial institution. The Pool does not engage in any securities lending arrangements or in the use of derivatives.

Investments and cash equivalents consisted of the following at June 30:

2017	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
CORPORATE BONDS:						
IBM CORP NOTES	5.65%	9/14/2017	A1	\$ 104,535	(3,674)	\$ 100,861
TOTAL CORPORATE BONDS				104,535	(3,674)	100,861
MUTUAL FUNDS:						
PIMCO TOTAL RETURN	2.71%	N/A	N/A	2,304,329	(99,600)	2,204,729
FEDERATED INC TRST SH BEN	2.20%	N/A	N/A	2,202,005	(108,696)	2,093,309
DELAWARE LTD TERM DIVERS INC FD	2.40%	N/A	N/A	2,045,619	(34,484)	2,011,135
PIMCO FD PAC INVT LOW DURATION	1.94%	N/A	N/A	2,101,531	(94,564)	2,006,967
DOUBLELINE FDS TR	3.72%	N/A	N/A	1,852,988	(42,431)	1,810,557
METROPOLITAN WEST FDS	1.96%	N/A	N/A	1,836,851	(28,191)	1,808,660
DODGE & COX INC FD	2.96%	N/A	N/A	1,605,573	7,744	1,613,317
LOOMIS SAYLES LTD	1.80%	N/A	N/A	1,147,503	(28,059)	1,119,444
FEDERATED SER INC TOTAL RET	3.27%	N/A	N/A	1,115,892	(16,248)	1,099,644
PRUDENTIAL SHORT-TERM	2.61%	N/A	N/A	1,015,432	(24,507)	990,925
VANGUARD SHORT-TERM	1.86%	N/A	N/A	839,862	(3,663)	836,199
FPA NEW INCOME INC	2.50%	N/A	N/A	811,533	(15,160)	796,373
VANGUARD BD INDEX	1.52%	N/A	N/A	639,426	(3,587)	635,839
JPMORGAN STRATEGIC INC OPPS	4.13%	N/A	N/A	622,090	(6,462)	615,628
BLACKROCK STRATEGIC INC	3.16%	N/A	N/A	568,744	(11,617)	557,127
DELAWARE LTD TERM DIV INC FD	2.13%	N/A	N/A	551,235	(26,610)	524,625
SCOUT UNCONSTRAINED BD INSTL	1.06%	N/A	N/A	339,066	2,584	341,650
GOLDMAN SACHS STRNG INC FUND	1.82%	N/A	N/A	341,132	(29,568)	311,564
FIDELITY FL RATE HIGH INC CL I	3.82%	N/A	N/A	165,855	(4,609)	161,246
SCOUT CORE BOND FUND CL I	0.00%	N/A	N/A	154,079	64	154,143
VANGUARD SHORT TERM INVMT	2.03%	N/A	N/A	75,159	(836)	74,323
TOTAL MUTUAL FUNDS				22,335,904	(568,500)	21,767,404
GOVT. ASSET BACKED SECURITIES:						
GNMA	3.74%	9/20/2040	N/A	314,087	(22,319)	291,768
GNMA	4.84%	8/20/2033	N/A	108,541	28,726	137,267
GNMA	4.97%	2/20/2038	N/A	65,502	(10,054)	55,448
GNMA II	4.91%	7/20/2033	N/A	94,519	(34,893)	59,626
GNMA II	4.55%	1/20/2037	N/A	49,235	(14,467)	34,768
TOTAL GOVT. ASSET BACKED SECURITIES				631,884	(53,007)	578,877

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

2017	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
EXCHANGE-TRADED FUNDS (ETF)						
ISHARES BARCLAYS MBS BOND FD	1.31%	N/A	N/A	\$ 162,187	\$ (2,275)	\$ 159,912
ISHARES	1.33%	N/A	N/A	194,658	(1,627)	193,031
TOTAL CORPORATE BONDS				<u>356,845</u>	<u>(3,902)</u>	<u>352,943</u>
LONG-TERM CERTIFICATE OF DEPOSITS						
LONG-TERM CERTIFICATE OF DEPOSITS	0.92%	N/A	N/A	750,000	-145	749,855
TOTAL INVESTMENTS				<u>\$ 24,179,168</u>	<u>-\$ 629,228</u>	<u>\$ 23,549,940</u>
MONEY MARKET						
WELLS FARGO MONEY MARKET	3.74%	N/A	N/A	2,752,715	-	2,752,715
FIDELITY MONEY MARKET	4.84%	N/A	N/A	342,940	-	342,940
TOTAL MONEY MARKET				<u>3,095,655</u>	<u>-</u>	<u>3,095,655</u>
STATE TREASURER LGIP	0.03%	N/A	N/A	1,765	-	1,765
TOTAL CASH EQUIVALENTS				<u>\$ 3,097,420</u>	<u>\$ -</u>	<u>\$ 3,097,420</u>

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

2016	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
CORPORATE BONDS:						
IBM CORP NOTES	5.38%	9/14/2017	A1	\$ 104,353	\$ 1,400	\$ 105,753
TOTAL CORPORATE BONDS				104,353	1,400	105,753
MUTUAL FUNDS:						
PIMCO TOTAL RETURN	3.02%	N/A	N/A	2,314,999	(93,028)	2,221,971
FEDERATED INC TRST SH BEN	2.16%	N/A	N/A	2,202,005	(52,957)	2,149,048
PIMCO FD PAC INVT LOW DURATION	2.15%	N/A	N/A	2,108,675	(95,595)	2,013,080
DELAWARE LTD TERM DIVERS INC FD	1.83%	N/A	N/A	2,048,543	(20,844)	2,027,699
METROPOLITAN WEST FDS	1.83%	N/A	N/A	1,776,747	27,635	1,804,382
DODGE & COX INC FD	3.16%	N/A	N/A	1,558,581	4,127	1,562,708
LOOMIS SAYLES LTD	1.68%	N/A	N/A	1,127,406	(7,664)	1,119,742
FEDERATED SER INC TOTAL RET	3.37%	N/A	N/A	1,115,892	(1,129)	1,114,763
PRUDENTIAL SHORT-TERM	2.70%	N/A	N/A	989,875	(13,076)	976,799
DOUBLELINE FDS TR	3.84%	N/A	N/A	1,786,432	(1,117)	1,785,315
VANGUARD SHORT-TERM	2.12%	N/A	N/A	822,103	3,273	825,376
FPA NEW INCOME INC	1.65%	N/A	N/A	791,971	(13,696)	778,275
VANGUARD SHORT TERM INVMT	2.12%	N/A	N/A	75,159	(210)	74,949
VANGUARD BD INDEX	1.36%	N/A	N/A	629,597	6,032	635,629
JPMORGAN STRATEGIC INC OPPTS	3.96%	N/A	N/A	622,090	(22,844)	599,246
BLACKROCK STRATEGIC INC	2.38%	N/A	N/A	571,341	(24,896)	546,445
DELAWARE LTD TERM DIV INC FD	1.68%	N/A	N/A	540,651	(23,050)	517,601
SCOUT UNCONSTRAINED BD INSTL	1.52%	N/A	N/A	339,066	(1,170)	337,896
GOLDMAN SACHS STRNG INC FUND	3.17%	N/A	N/A	341,132	(39,233)	301,899
FIDELITY FL RATE HIGH INC CL I	4.11%	N/A	N/A	165,855	(9,465)	156,390
SCOUT CORE BOND FUND CL I	1.50%	N/A	N/A	154,079	7,247	161,326
TOTAL MUTUAL FUNDS				22,082,199	(371,660)	21,710,539
GOVT. ASSET BACKED SECURITIES:						
GNMA	3.73%	9/20/2040	N/A	398,648	(14,700)	383,948
GNMA	4.98%	8/20/2033	N/A	134,088	27,591	161,679
GNMA	4.98%	2/20/2038	N/A	80,072	(8,607)	71,465
GNMA II	4.98%	7/20/2033	N/A	106,071	(34,650)	71,421
GNMA II	5.00%	1/20/2037	N/A	62,973	(12,957)	50,016
TOTAL GOVT. ASSET BACKED SECURITIES				781,852	(43,323)	738,529

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

2016	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
EXCHANGE-TRADED FUNDS (ETF)						
ISHARES BARCLAYS MBS BOND FD	1.41%	N/A	N/A	\$ 157,925	\$ 2,433	\$ 160,358
ISHARES	0.56%	N/A	N/A	194,950	274	195,224
TOTAL CORPORATE BONDS				<u>352,875</u>	<u>2,707</u>	<u>355,582</u>
GOVERNMENT BONDS						
FEDERAL FARM CREDIT	5.13%	8/25/2016	N/A	301,995	45	302,040
FEDERAL NAT'L MTG ASSN	0.63%	8/26/2016	N/A	50,006	14	50,020
FICO STRIPS	N/A	9/7/2016	N/A	26,965	10	26,975
FEDERAL FARM CREDIT	5.13%	9/13/2016	N/A	48,440	(4)	48,436
FEDERAL HOME LOAN	0.50%	9/28/2016	N/A	399,887	233	400,120
FEDERAL FARM CREDIT	5.88%	10/3/2016	N/A	61,812	18	61,830
FEDERAL FARM CREDIT	5.00%	11/7/2016	N/A	86,261	74	86,335
FEDERAL HOME LOAN	1.26%	12/21/2016	N/A	300,669	411	301,080
TOTAL GOVERNMENT BONDS				<u>1,276,035</u>	<u>801</u>	<u>1,276,836</u>
US TREASURY NOTE	0.13%	4/15/2017	N/A	338,583	533	339,116
TOTAL INVESTMENTS				<u>\$ 24,935,897</u>	<u>\$ (409,542)</u>	<u>\$ 24,526,355</u>
MONEY MARKET						
WELLS FARGO MONEY MARKET	0.01%	N/A	N/A	\$ 562,578	\$ -	\$ 562,578
FIDELITY MONEY MARKET	0.01%	N/A	N/A	91,661	-	91,661
TOTAL MONEY MARKET				<u>654,239</u>	<u>0</u>	<u>654,239</u>
STATE TREASURER LGIP	0.03%	N/A	N/A	1,757	-	1,757
TOTAL CASH EQUIVALENTS				<u>\$ 655,996</u>	<u>\$ 0</u>	<u>\$ 655,996</u>

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

Investment income is summarized as follows for the years ended June 30:

	2017	2016
Interest and Dividends Received	\$ 556,086	\$ 634,498
Loss on Sale of Investments	-	(20,558)
Unrealized Gains (Losses)	(240,250)	(18,968)
Total Investment Income	\$ 315,836	\$ 594,972

As of June 30, the Pool's investments were as follows:

Investment Type	2017	
	Cost	Estimated Fair Value
Mutual Funds	\$ 22,335,905	\$ 21,767,404
Long-term certificates of deposit	750,000	749,855
Exchange-Traded Funds	356,845	352,943
Corporate Bonds	104,535	100,861
Total	\$ 24,179,168	\$ 23,549,940

Investment Type	2016	
	Cost	Estimated Fair Value
Mutual Funds	\$ 22,082,199	\$ 21,710,539
U.S. Government Agency Bonds	1,276,035	1,276,836
U.S. Treasury Note	338,583	339,116
Government Asset Backed Securities	781,852	738,529
Exchange-Traded Funds	352,875	355,582
Corporate Bonds	104,353	105,753
Total	\$ 24,935,897	\$ 24,526,355

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risks.** Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits may not be returned to it. As of June 30, 2017 and 2016, the Pool had no exposure to custodial credit risk.

**Interest Rate Risk.** The Pool's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**New Mexico State Treasurer Local Government Investment Pool (LGIP)**

As of June 30, 2017 and 2016, the investment in LGIP was as follows:

S&P Ratings	June 30, 2017	June 30, 2016	Weighted Average
AAAm Rated	\$ 1,765	\$ 1,757	60 Day WAM

The Pool's investment in LGIP represents a proportionate interest in LGIP's portfolio. The Pool's portion is not identified with specific investments and is not subject to custodial risk; however, separately issued financial statements of the Office of the State Treasurer disclose the collateral pledged to secure the State Treasurer's cash and investments. The most recent report may be obtained by contacting the Office of the State Treasurer, P.O. Box 608, Santa Fe, New Mexico 87505.

LGIP has no foreign currency risk.

**Credit Risk**

The Pool's investment policy states that investments are limited to the following:

**Government Bonds.** Bonds or negotiable securities of the United States, the state or any municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding.

**Government Securities.** Securities issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or have the implied full faith and credit of the United States government or agencies guaranteed by the United States government and are highly liquid and widely traded.



**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Repurchase Agreements.** Contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor.

**Certificates of Deposit.** Limited to \$250,000 per financial institution or bank, unless collateralization requirements within the investment policy are met.

**New Mexico State Treasurer Local Government Investment Pool.** LGIP is rated AAAM on the S&P 500. The Pool has no custodial credit risk.

**Corporate Bonds.** Debt instruments which are backed by defined cash flows or receivables with a final maturity not exceeding five years and AAA by Standard & Poor's and Moody's.

**Mutual Funds.** Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in fixed-income securities or debt instruments that are listed in a nationally recognized, broad-market, fixed-income-securities market index.

**Exchange-Traded Funds.** Collections of stocks or bonds that can be bought or sold throughout the day. Investments purchased through this medium are required to fall under the categories discussed above.

**Credit Risk**

The Pool places no limit on the amount the Pool may invest in any one issuer. However, management believes the investment policy adequately protects the Pool from credit risk given investments are restricted to those categories identified above. At June 30, 2017 and 2016, the following investments, by issuer, represented 5% or more of the Pool's total investments:

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

Issuer	Percentage of Total	
	2017	2016
PIMCO	20%	17%
Federated Investors	15%	9%
Delaware Investments	12%	8%
Metropolitan West	8%	7%
DoubleLine	8%	7%
Dodge & Cox	7%	6%
Vanguard	7%	*
Loomis Sayles LTD	5%	*

\* This investment did not represent more than 5% of the Pool's total investments.

**Fair Value Measurements**

The Pool categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles (GAAP). Under GASB statement No. 72 fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Investments classified in Level 1 of the fair value hierarchy are valued using prices in active markets for those investments.

The Pool owns an interest in County Reinsurance Limited, a risk pool which provides reinsurance coverage to member counties. The unit of account for this investment is the Pool's ownership interest in CRL, rather than a percentage of individual assets held by CRL. The assets could be sold at an amount different than the Net Asset Value (NAV) per share (or its equivalent) due to the liquidation policies of CRL and its member counties.

**Investments by Fair Value Level - June 30, 2017**

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual Funds	\$ 21,767,404
Government Asset Backed Securities	578,877
Long-term certificates of deposit	749,855
Exchange-Traded Funds	352,943
Corporate Bonds	100,861
Total	\$ 23,549,940

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**NAV Investment - June 30, 2017**

Investment in County Reinsurance Limited	\$ 779,884
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**Investments Not Requiring Fair Value - June 30, 2017**

Money Market	3,095,655
State Treasurer LGIP	1,765
Total Investments and Cash Equivalents	\$ 27,427,244

**Investments by Fair Value Level - June 30, 2016**

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual Funds	\$ 21,710,539
U.S. Government Agency Bonds	1,276,836
U.S. Treasury Note	339,116
Government Asset Backed Securities	738,529
Exchange-Traded Funds	355,582
Corporate Bonds	105,753
Total	\$ 24,526,355

**NAV Investment - June 30, 2016**

Investment in County Reinsurance Limited	705,325
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**Investments Not Requiring Fair Value - June 30, 2016**

Money Market	654,239
State Treasurer LGIP	1,757
Total Investments and Cash Equivalents	\$ 25,887,676

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 3 - CLAIMS AND CLAIM ADJUSTMENT EXPENSES**

The liability for claims and claims adjustment expenses, which is reported on an ultimate development basis, includes an amount determined from claims reports and individual cases, and an amount for claims incurred but not reported. This projected ultimate cost includes the effects of inflation and other societal and economic factors. Estimates of the liability for amounts incurred but not reported as of June 30, 2017 have been based on an actuarial evaluation of the Pool's historical claims experience, industry data and other factors. While management believes that these estimates are adequate, actual incurred but unpaid claims may vary significantly from the amount provided.

The Pool recorded the present value of incurred but unpaid claims assuming a 3% average rate of return on investments as of June 30, 2017 and 2016. Estimated outstanding losses were discounted from \$30,514,269 and \$29,410,574 as of June 30, 2017 and 2016, respectively.

Changes in reserves for claims and claim adjustment expenses are as follows:

	2017	2016
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	\$ 23,874,848	\$ 22,561,641
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Year	7,717,789	7,753,713
Increase (Decrease) in Provision for Insured Events of Prior Years	(2,527,636)	(1,922,541)
Total Incurred Claims and Claim Adjustment Expenses	5,190,153	5,831,172
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year, Net of Recoveries	990,653	1,185,695
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	3,394,393	3,332,270
Total Payments	4,385,046	4,517,965
 Total Unpaid Claims and Claim Adjustment Expenses at End of Year	 \$ 24,679,955	 \$ 23,874,848

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 3 - CLAIMS AND CLAIM ADJUSTMENT EXPENSES (CONTINUED)**

At June 30, 2017 and 2016, the Pool recorded the liability for losses and loss adjustment expenses based on an estimate of its independent consulting actuary.

**NOTE 4 - GENERAL AND ADMINISTRATIVE**

The New Mexico Association of Counties provides general and administrative services, as well as office space, equipment and supplies, to the Pool. These services include general administration and consulting, financial management and risk management. The fees to be paid to the New Mexico Association of Counties for such services are approved by the Pool's Board of Directors when the Pool's annual operating budget is reviewed and approved. The Pool also engages other related third parties to provide legal, actuarial and other services. The Pool's general and administrative expenses for the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
Risk Management	\$ 1,217,393	\$ 1,146,721
Software Licensing and Support	40,664	41,762
Accounting and Audit	68,936	56,511
Actuarial	8,000	8,000
Total	\$ 1,334,993	\$ 1,252,994

**NOTE 5 - EXCESS INSURANCE PREMIUMS**

The Pool has purchased commercial excess insurance for specific claims in excess of \$750,000. Beginning July 1, 1998, this insurance was provided by County Reinsurance Limited (CRL).

Any amount received by the Pool from pursuit of recovery from CRL that is liable for a portion of or the entire claim paid by the Pool is considered an excess insurance recovery. As of June 30, 2017 and 2016, the amount of excess insurance receivable was \$8,336 and \$0, respectively.

CRL is a captive organization formed to provide excess and reinsurance to county association pools. Similar to counties that participate as members of the Workers' Compensation Pool, the Pool's contribution to CRL includes amounts for capital, losses and other pool expenses. CRL has the ability to return equity to its members in the event that loss fund contributions are not depleted or if there is a

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 - EXCESS INSURANCE PREMIUMS (CONTINUED)**

surplus of capital. For the years ended June 30, 2017 and 2016, the Pool paid \$839,114 and \$810,223, respectively, to CRL for excess insurance premiums. As of June 30, 2017 and 2016, the amount of claim liabilities not included on the balance sheet due to the excess insurance coverage was approximately \$7.3 million and \$6.8 million, respectively. Reinsurance offset claims expense by \$2,154,295 and \$1,745,552 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 6 - JOINT POWERS AGREEMENT**

The Joint Powers Agreement Act, 11-1-1, et seq., NMSA 1978, and the insurance pooling law in 3-62-1 and 3-62-2, NMSA 1978, as amended, authorized the formation of the New Mexico County Workers' Compensation Pool (the fiscally accountable agency) to be jointly exercised herein by New Mexico counties as members of the fund. The agreement is effective from July 1, 1987 and shall be continued until dissolved by vote of the members pursuant to Article XII of the bylaws. The purpose is to permit the members efficient use of their powers and resources by cooperating on a basis of mutual advantage through the creation and operation of a workers' compensation fund, and to secure those workers' compensation insurance and self-insurance benefits, services and protections for members and their employees, and risk management services related thereto.

The members are responsible to fund the Pool through annual contributions and, when necessary, deficiency contributions. When deficiency contributions are calculated, all funds available, including interest income, are considered. The Pool processes all claims and administers the fund, and is responsible for the audit of the fund. The board is the administering agency under the bylaws. Members are as follows:

Bernalillo County	Harding County	San Juan County
Catron County	Hidalgo County	San Miguel County
Chaves County	Lea County	Sandoval County
Cibola County	Lincoln County	Santa Fe County
Colfax County	Luna County	Sierra County
Curry County	McKinley County	Socorro County
De Baca County	Mora County	Taos County
Dona Ana County	Otero County	Torrance County
Eddy County	Quay County	Union County
Grant County	Roosevelt County	Valencia County
Guadalupe County		

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 7 - FUNDING ARRANGEMENTS**

The Pool has optional high-deductible and no-deductible funding arrangements with certain Pool members. For the years ended June 30, 2017 and 2016, Bernalillo County paid the first \$400,000 of every claim with an annual aggregate of \$1,750,000. For the year ended June 30, 2017, Dona Ana and Sandoval Counties paid the first \$25,000 claim with an annual aggregate of \$750,000. The Pool handled all claims for these member counties and they were covered by the Pool's excess insurance for any claim which exceeded \$750,000. San Juan County paid the first \$10,000 of every claim, with no aggregate.

**NOTE 8 - LITIGATION**

The Pool is subject to various legal proceedings, claims and liabilities which arise in the ordinary course of the Pool's operations. In the opinion of the Pool's management and legal counsel, the ultimate resolution of these matters will not have a material adverse impact on the financial position or results of operation of the Pool.

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)**  
**June 30, 2017**

The following illustrates how the Pool's earned revenues and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Pool as of the end of each of the last ten years. The rows of the table are defined as follows:

(1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues, net of contribution revenue ceded to reinsurers.

(2) This line shows each fiscal year's other operation costs of the Pool, including overhead and claims expenses not allocable to individual claims.

(3) This line shows the Pool's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

(4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

(5) This section of ten rows shows how each policy year's incurred claims increased or decreased as of the end of the successive years. (These annual re-estimations result from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)

(6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.



**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)**  
**June 30, 2017**  
**(Dollars in Thousands)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1. Net Earned Required Contribution and Investment Revenues	\$ 8,048	\$ 7,658	\$ 8,255	\$ 8,192	\$ 8,464	\$ 7,812	\$ 8,914	\$ 8,667	\$ 9,328	\$ 9,101
2. Unallocated Expenses	953	1,017	1,697	2,010	1,078	1,180	1,181	1,289	1,269	1,351
3. Estimated Incurred Claims and Expense, End of Policy Year	2,875	3,658	5,309	6,479	5,711	5,473	5,765	7,901	7,754	7,118
4. Paid (Cumulative) as of:										
Year One	1,176	1,554	1,505	1,286	1,330	970	1,099	1,439	1,186	<b>1,194</b>
Year Two	3,082	2,744	2,145	2,788	2,534	1,906	2,227	2,526	<b>2,539</b>	
Year Three	3,687	2,748	2,768	3,596	3,043	2,442	2,630	<b>3,046</b>		
Year Four	4,494	3,032	3,302	4,040	3,400	2,760	<b>2,923</b>			
Year Five	4,914	3,301	3,552	4,365	3,711	<b>3,088</b>				
Year Six	5,119	3,498	3,762	4,561	<b>3,758</b>					
Year Seven	5,315	3,591	3,973	<b>4,755</b>						
Year Eight	5,406	3,703	<b>4,082</b>							
Year Nine	5,532	<b>3,807</b>								
Year Ten	<b>5,610</b>									
5. Re-Estimated Incurred Claims and Expense										
Year One	2,875	3,658	5,309	6,479	5,711	5,473	5,765	7,901	7,754	<b>7,372</b>
Year Two	4,530	4,323	5,349	6,675	6,337	4,969	6,462	6,491	<b>7,594</b>	
Year Three	5,508	4,529	5,333	6,831	5,531	4,934	6,628	<b>5,920</b>		
Year Four	5,909	4,675	5,076	7,029	5,396	4,737	<b>6,199</b>			
Year Five	6,040	4,467	6,050	6,693	5,204	<b>5,222</b>				
Year Six	6,004	4,728	5,296	6,385	<b>4,961</b>					
Year Seven	6,583	4,984	5,188	<b>6,293</b>						
Year Eight	6,730	5,175	<b>5,451</b>							
Year Nine	6,439	<b>4,537</b>								
Year Ten	<b>6,521</b>									
6. Increase (Decrease) in Estimated Incurred Claims and Expense from End of Policy Year	3,646	879	142	(186)	(750)	(251)	434	(1,981)	(160)	254

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
SCHEDULES OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Member Contributions	\$ 9,076,286	\$ 9,076,286	\$ 8,710,372	\$ (365,914)
Investment Income	300,000	300,000	390,395	90,395
Total Revenues	9,376,286	9,376,286	9,100,767	(275,519)
<b>EXPENSES</b>				
Claims and Claim Adjustment Expenses	6,832,904	6,832,904	5,190,153	1,642,751
Excess Insurance Premiums	815,742	815,742	839,114	(23,372)
General and Administrative	1,409,000	1,409,000	1,334,993	74,007
Brokerage Fees	16,000	16,000	16,000	-
Total Expenses	9,073,646	9,073,646	7,380,260	1,693,386
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 302,640</u>	<u>\$ 302,640</u>	<u>1,720,507</u>	<u>\$ 1,227,846</u>
<b>EXCESS OF REVENUES OVER EXPENSES PER ACCOMPANYING GAAP FINANCIAL STATEMENTS</b>			<u>\$ 1,720,507</u>	

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
SCHEDULES OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Member Contributions	\$ 8,865,000	\$ 8,865,000	\$ 8,609,081	\$ (255,919)
Investment Income	400,000	400,000	628,601	228,601
Total Revenues	<u>9,265,000</u>	<u>9,265,000</u>	<u>9,237,682</u>	<u>(27,318)</u>
<b>EXPENSES</b>				
Claims and Claim Adjustment	6,954,843	6,954,843	5,831,172	1,123,671
Excess Insurance Premiums	788,157	788,157	810,223	(22,066)
General and Administrative	1,306,000	1,306,000	1,252,994	53,006
Brokerage Fees	16,000	16,000	16,000	-
Total Expenses	<u>9,065,000</u>	<u>9,065,000</u>	<u>7,910,389</u>	<u>1,154,611</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>1,327,293</u>	<u>\$ 1,127,293</u>
<b>EXCESS OF REVENUES OVER EXPENSES PER ACCOMPANYING GAAP FINANCIAL STATEMENTS</b>			<u>\$ 1,327,293</u>	

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
SCHEDULE OF CASH AND CASH EQUIVALENTS RECONCILIATION FROM BANK TO FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**FIRST NATIONAL BANK**

Checking	\$ 500,562
Reconciling Items:	
Outstanding Checks	(173,912)
Total Checking	326,650
Total First National Bank	326,650

**WELLS FARGO SECURITIES**

Money Market	2,755,715
Reconciling Items:	
Outstanding Checks	(3,000)
Deposits in Transit	-
Total Wells Fargo Securities	2,752,715

**FIDELITY FINANCIAL INVESTMENTS**

Money Market	342,940
Total Fidelity Financial Investments	342,940

**INVESTMENT IN THE NEW MEXICO STATE TREASURER  
LOCAL GOVERNMENT INVESTMENT POOL**

1,765

**TOTAL CASH AND CASH EQUIVALENTS  
PER FINANCIAL STATEMENTS**

\$ 3,424,070

**CASH BALANCE PER BANK**

\$ 3,599,217

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
SCHEDULE OF CASH COLLATERAL  
FOR THE YEAR ENDED JUNE 30, 2017**

**FIRST NATIONAL BANK**

Checking	\$ 500,062
Other Checking Accounts Held by the New Mexico Association of Counties (Not Held by the Pool)	<u>4,808,702</u>
Total Deposit in Bank	5,308,764
FDIC Coverage	<u>(250,000)</u>
Total Uninsured Funds	5,058,764
50% Pledged Collateral Requirement	2,529,382
Pledged Collateral:	
FHLMC - Series 4328 Class BH - Held with First National Bank of Santa Fe; Cusip #3137B9RC1, Maturity Date: 12/15/2026	1,171,418
FWLS - Series 2015-SC02 Class 2A - Held with First National Bank of Santa Cusip #3137G1AL1, Maturity Date: 9/25/2045	3,123,313
SBA - Pool#: 522134 - Held with First National Bank of Santa Fe; Cusip #83165ASX3, Maturity Date: 7/25/2027	<u>1,416,448</u>
Total Pledged Collateral	<u>5,711,179</u>
 <b>OVER-COLLATERALIZED</b>	 <u><u>\$ 3,181,797</u></u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
New Mexico County Insurance Authority Workers' Compensation Pool  
Santa Fe, New Mexico and  
Mr. Timothy Keller  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of New Mexico County Insurance Authority Workers' Compensation Pool (the Pool), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements and have issued our report thereon dated November 30, 2017.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Pool's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and this finding is described in the accompanying schedule of findings and responses as 2014-001.

### **The Pool's Response to Finding**

The Pool's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Pool's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **Purpose of This Report**

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

A handwritten signature in blue ink that reads "Morton Accounting Services, LLC". The signature is written in a cursive, flowing style.

Santa Fe, New Mexico  
November 30, 2017

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

**SECTION I – FINANCIAL STATEMENT FINDINGS**

**Finding 2014-001 – Non-Compliance with Title 11, Chapter 4 of the New Mexico Administrative Code (Compliance and Other Matters) – Repeated and Modified**

**Condition:** Out of 40 claims payments tested, one payment was made outside of the required thirty day turnaround, as required by the New Mexico Administrative Code (NMAC) Section 11.4.7.8 D(2).

- Payment in the amount of \$7,162.15, and was paid 32 days after receipt of the associated invoice.
- For one disbursement tested, the associated invoice was not stamped with "received date" therefore compliance with code above could not be determined.

***Progress:** 'Management has changed internal procedures for the way the workers' compensation department processes internal bills (bill not processed by third-party claims review provider) in order to improve the turnaround time for payments. The workers ' compensation administrative assistant now pays bills that are to be paid internally as soon as the adjuster approves the bill for payment. Previously the adjuster was responsible to process the payment. This change has helped to increase the timeliness of payments*

*The unique numbering system implemented for the file upload to our third-party claims review provider has been successful and every applicable document received for workers' compensation receives a date stamp.*

*Management continues to work with our third party medical bill review provider to ensure a timely return of bills processed. We continue to utilize the bi-weekly report and it has proved to be helpful to monitor the turnaround of bills processed. Management's diligence to improve on procedures has shown success with the progress made from the prior year's finding. Management will continue to monitor and adjust procedures where necessary to ensure successful compliance.*

**Criteria:** Per the New Mexico Administrative Code, Section 11.4.7.8 D(2), "for all reasonable and necessary services provided to a patient/worker with a valid workers' compensation claim, payer is responsible for timely good faith payment within thirty days of receipt of a bill for services unless payment is pending in accordance with the criteria for contesting bills and an appropriate explanation of benefits has been issued by the payer."

**Cause:** The process and internal controls for claims disbursements failed to produce payment on one invoice within the 30-day time frame; capture the date received on one of the disbursements.

**Effect:** The Pool is out of compliance with NMAC 11.4.7.8 D(2). Compliance could not be determined for one disbursement tested.



**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017**

**SECTION I – FINANCIAL STATEMENT FINDINGS, CONTINUED**

**Finding 2014-001 – Non-Compliance with Title 11, Chapter 4 of the New Mexico  
Administrative Code (Compliance and Other Matters) – Repeated and Modified, Continued**

**Recommendation:** We recommend that management utilize existing reporting capabilities within the claims information system to track invoices that are approaching the 30-day deadline for payment. This should be done on a bi-weekly basis to ensure that compliance with the applicable requirements is met. All incoming invoices should be stamped with received date.

**Management's Response:** Of the 40 claim payments tested, one payment was made 32 days after the date the invoice was received. This particular invoice was an internal bill (bill not processed by third-party claims review provider) and part of a claim handled by an adjuster who was terminated at the end of February 2017. Management found unpaid invoices the adjuster did not process and worked to get the payments processed as soon as possible. Procedures have changed for the processing of internal bills and the current adjusters are aware and are working to achieve payment within the 30 day requirement. One of the items included in the test did not have a "received date" stamp. Procedures have been revised to require that every applicable document receives a date stamp by the receptionist tasked with opening the mail. These procedures have been implemented immediately.

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
JUNE 30, 2017**

**SECTION I – FINANCIAL STATEMENT FINDINGS**

**Finding 2014-001 – Non-Compliance with Title 11, Chapter 4 of the New Mexico  
Administrative Code (Compliance and Other Matters) – Repeated and Modified**

**Condition:** Out of 22 claims payments tested, three payments were made outside of the required thirty day turnaround, as required by the New Mexico Administrative Code (NMAC) Section 11.4.7.8 D(2).

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
EXIT CONFERENCE  
JUNE 30, 2017**

An exit conference was held on November 21, 2017. The conference was held at the offices of New Mexico Association of Counties in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**

Danny Monette, Board Member

Taylor Horst, Risk Manager

Santiago Chavez, Finance Director

Carolin Rios, Controller

Lance Pyle, Curry County Manager and Chairman of the Pool Board (via telephone)

**MORTON ACCOUNTING SERVICES, LLC**

Janet Pacheco-Morton, Principal

**PREPARATION OF FINANCIAL STATEMENTS**

The financial statements presented in this report have been prepared by the independent auditor for management's review and approval. They are the responsibility of management, as addressed in the Independent Auditor's Report.