

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
Santa Fe, New Mexico**

**FINANCIAL STATEMENTS
June 30, 2013 and 2012**

TABLE OF CONTENTS

	PAGE
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Statements of Net Position – Enterprise Fund.....	9
Statements of Revenues, Expenses and Changes in Fund Net Position – Enterprise Fund.....	10
Statements of Cash Flows – Enterprise Fund.....	11
Notes to Financial Statements.....	12
REQUIRED SUPPLEMENTARY INFORMATION	25
Notes to Ten Year Claims Development Information (Unaudited).....	26
Ten Year Claims Development Information (Unaudited).....	27
OTHER SUPPLEMENTARY INFORMATION	29
Schedules of Revenues and Expenses – Budget and Actual (Budgetary Basis)	30
Schedule of Cash and Cash Equivalents Reconciliation from Bank to Financial Statements	32
Schedule of Cash Collateral	33
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34
Schedule of Findings and Responses	36
Summary Schedule of Prior Year Audit Findings.....	37
Exit Conference.....	38

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
OFFICIAL ROSTER
June 30, 2013**

Board of Directors

Janet Porter-Carrejo	Board Chair
Lance Pyle	Vice Chair
Gloria Jean Chavez	Secretary/Treasurer
Robert Anaya	Member
Joseph Crelier	Member
Wayne Hancock	Member
Tommie Herrell	Member
Brenda Sanchez	Member
Dan Bryant	Ex-Officio Member
Dee Robinson	Ex-Officio Member

Administrative Officers

Steven Kopelman	Executive Director
Santiago Chavez	Finance Director

To the Board of Directors of
New Mexico County Insurance Authority
Workers' Compensation Pool
Santa Fe, New Mexico and
Mr. Hector H. Balderas
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the New Mexico County Insurance Authority Workers' Compensation Pool (the Pool) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents. We have also audited the Pool's Schedules of Revenues and Expenses – Budget and Actual (Budgetary Basis) presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying financial statements as of and for the year ended June 30, 2013, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Pool as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the Schedules of Revenues and Expenses – Budget and Actual (Budgetary Basis) for the years ended June 2013 and 2012 in conformity with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, as described in Note 1.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Notes to Ten Year Claims Development Information and the Ten Year Claims Development Information on pages 5 through 8 and pages 26 through 28 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 accompanying schedules listed as "other supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2013 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.

CliftonLarsonAllen LLP

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Albuquerque, New Mexico
November 14, 2013

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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 year ended June 30, 2013.

Financial Highlights

- Pool net position increased by \$1,236,540 to \$1,720,355 from June 30, 2012. Claims expenses decreased by \$1,678,321 from June 30, 2012. Total claims liabilities increased by \$293,900 from June 30, 2012.
- Assets increased by \$1,417,919 to \$19,046,411. The Pool's liabilities consist primarily of reserves to pay claims and claim adjustment expenses. Liabilities increased by \$181,379 to \$17,326,056 at June 30, 2013.
- The Pool continued to have optional "high-deductible" funding arrangements with Bernalillo and Santa Fe Counties. For the years ended June 30, 2013 and 2012, Bernalillo County paid the first \$400,000 of every claim with an annual aggregate of \$1,750,000. Santa Fe County pays the first \$25,000 of every claim, with an annual aggregate of \$300,000. The Pool handled all claims for these 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 June 30, 2013 and 2012.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Condensed Comparative Data

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total assets (cash, receivables, investments, accrued interest and prepaid expenses)	\$ 19,046,411	\$ 17,628,492	\$ 16,323,602
Total liabilities (claims and claim adjustment expenses, accounts payable and deferred revenue)	<u>17,326,056</u>	<u>17,144,677</u>	<u>16,158,213</u>
Members' net position (deficit):			
Unrestricted	1,720,355	483,815	165,193
Net investment in capital assets	<u>-</u>	<u>-</u>	<u>196</u>
Total Members' net position (deficit)	<u>\$ 1,720,355</u>	<u>\$ 483,815</u>	<u>\$ 165,389</u>
Revenues:			
Member contributions	\$ 7,769,178	\$ 7,735,091	\$ 7,678,065
Investment and other income	<u>51,296</u>	<u>740,627</u>	<u>526,040</u>
Total revenues	<u>7,820,474</u>	<u>8,475,718</u>	<u>8,204,105</u>
Expenses:			
Claims and claim adjustment expenses	4,714,830	6,393,151	5,549,014
Excess insurance fees	689,027	697,506	855,550
General and administrative	<u>1,180,077</u>	<u>1,066,635</u>	<u>1,167,374</u>
Total expenses	<u>6,583,934</u>	<u>8,157,292</u>	<u>7,571,938</u>
Excess of revenues over expenses	1,236,540	318,426	632,167
Net position (deficit) held for member benefits, beginning of year	<u>483,815</u>	<u>165,389</u>	<u>(466,778)</u>
Net position (deficit) held for member benefits, end of year	<u>\$ 1,720,355</u>	<u>\$ 483,815</u>	<u>\$ 165,389</u>

Financial Analysis of the Pool

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

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Revenue decreased by \$655,244 (33%) for the year ended June 30, 2013. Total expenses decreased by \$1,573,358 (19%). Overall, county contributions increased by \$34,087, a .44% increase. Investment income decreased due to market changes. There was a \$622,416 decrease in the market value of the investment portfolio. Claims and claim adjustment expenses decreased by 26% from the prior year. General and administrative costs increased by approximately 10%.

For the year ended June 30, 2012, revenues and expenses both increased from the prior year by \$271,613 (3%) and \$585,354 (8%), respectively. In this same year, the market value of the investment portfolio increased by \$54,914 due to market conditions. Claims and claims adjustment expenses increased in fiscal year 2012 from fiscal year 2011 by approximately 15%.

Unpaid Claims Liabilities

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 17,021,865	\$ 15,787,067	\$ 15,000,009
Incurred claims and claim adjustment expenses:			
Provision for insured events of the current year	5,094,208	4,969,318	5,030,004
Increase (decrease) in provision for insured events of prior years	<u>(379,378)</u>	<u>1,423,833</u>	<u>519,010</u>
Total incurred claims and claim adjustment expenses	<u>4,714,830</u>	<u>6,393,151</u>	<u>5,549,014</u>
Payments:			
Claims and claim adjustment expenses attributable to insured events of the current year, net of recoveries	1,054,038	1,335,669	1,286,894
Claims and claim adjustment expenses attributable to insured events of prior years	<u>3,366,892</u>	<u>3,822,684</u>	<u>3,475,062</u>
Total payments	<u>4,420,930</u>	<u>5,158,353</u>	<u>4,761,956</u>
Total unpaid claims and claim adjustment expenses, end of year	<u>\$ 17,315,765</u>	<u>\$ 17,021,865</u>	<u>\$ 15,787,067</u>

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Investment Results

Total cash and investments increased \$1.57 million from \$17,296,503 at June 30, 2012 to \$18,862,756 at June 30, 2013. The overall yield on the Pool's investment portfolio went down, from about 4.5% at June 30, 2012 to .24% at June 30, 2013. County Reinsurance Ltd., in which the Pool is required to maintain an equity position, had a good financial year, which positively impacted the Pool's investment results.

Property, Plant and Equipment

The Pool had no purchases or disposals of property, plant and equipment during 2013 and 2012.

Long-term Debt

The Pool had no long-term debt during 2013 and 2012.

Budget Adjustments

Investment income was less than budgeted due to market conditions. Total claims and claims adjustment expenses were less than budgeted for the year by approximately \$1.6 million. Total administrative and other expenses were slightly less than budgeted. Excess insurance premium expenses were less than budgeted by approximately \$36,000.

Current Trends and Conditions

The Pool continues to improve its financial position after being in a deficit position for six years prior to 2011. The increase in medical costs has slowed down. The Pool is continuing its loss prevention efforts with the RAP (Risk Awareness Program) offering counties that participate fully in the program in 2013-14 a 2.5% rebate on their contribution at the end of the fiscal year. The Pool is also continuing its Loss Reduction Incentive Program, allowing members to compete for a cash prize for reducing losses. Interest rates on cash remain very low and are expected to stay low for a while, which continues to impact the investment income of the Pool.

NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
Statements of Net Position - Enterprise Fund
June 30, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 660,089	\$ 295,011
N.M. State Treasurer's Local Government Investment Pool	4,132	18,722
Investments	17,651,539	16,557,418
Investment in County Reinsurance Limited	546,996	425,352
Accounts receivable	174,939	302,523
Accrued interest	-	17,058
Prepays	8,716	12,408
Total current assets	19,046,411	17,628,492
NON-CURRENT ASSETS		
Net investment in capital assets	-	-
Total non-current assets	-	-
TOTAL ASSETS	\$ 19,046,411	\$ 17,628,492
LIABILITIES AND POOL NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 10,291	\$ 122,812
Claims and claim adjustment expenses	5,538,017	5,627,796
Total current liabilities	5,548,308	5,750,608
LONG-TERM LIABILITIES		
Claims and claim adjustment expenses	11,777,748	11,394,069
Total long-term liabilities	11,777,748	11,394,069
NET POSITION		
Unrestricted net position held for member benefits	1,720,355	483,815
Total net position	1,720,355	483,815
TOTAL LIABILITIES AND NET POSITION	\$ 19,046,411	\$ 17,628,492

The accompanying notes are an integral part of the financial statements.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
Statements of Revenues, Expenses and Changes
in Fund Net Position - Enterprise Fund
Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
OPERATING REVENUE		
Member contributions	\$ 7,769,178	\$ 7,735,091
Other revenue	<u>8,318</u>	<u>-</u>
Total operating revenue	<u>7,777,496</u>	<u>7,735,091</u>
OPERATING EXPENSES		
Claims and claim adjustment expenses, net of recoveries	4,714,830	6,393,151
General and administrative	1,180,077	1,078,635
Excess insurance premiums	<u>689,027</u>	<u>685,506</u>
Total operating expenses	<u>6,583,934</u>	<u>8,157,292</u>
Operating income (loss)	1,193,562	(422,201)
NON-OPERATING REVENUES (EXPENSES)		
Investment income	<u>42,978</u>	<u>740,627</u>
Total non-operating revenue, net	<u>42,978</u>	<u>740,627</u>
Change in net position	1,236,540	318,426
NET POSITION, BEGINNING OF YEAR	<u>483,815</u>	<u>165,389</u>
NET POSITION, END OF YEAR	<u>\$ 1,720,355</u>	<u>\$ 483,815</u>

The accompanying notes are an integral part of the financial statements.

NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
Statements of Cash Flows - Enterprise Fund
Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members	\$ 9,611,172	\$ 7,713,843
Cash paid to suppliers	(1,288,906)	(1,209,242)
Cash paid on claims and claim adjustment expenses	(6,127,022)	(5,158,353)
Cash paid on excess insurance	(689,027)	(685,506)
Net cash provided by operating activities	1,506,217	660,742
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	682,452	761,746
Purchase of investments	(5,723,456)	(3,004,984)
Proceeds from the sale of investments	3,885,275	1,195,086
Net cash used by investing activities	(1,155,729)	(1,048,152)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	350,488	(387,410)
BALANCE, BEGINNING OF YEAR	313,733	701,143
BALANCE, END OF YEAR	\$ 664,221	\$ 313,733
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,193,562	\$ (422,201)
Depreciation expense	-	196
Accounts receivable	127,584	100,409
Prepays	3,692	(4,126)
Accounts payable	(112,521)	(126,677)
Deferred revenues	-	(121,657)
Claims and claim adjustment expenses	293,900	1,234,798
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,506,217	\$ 660,742
NON-CASH INVESTING ACTIVITIES		
Unrealized gain (loss) on investments	\$ (622,416)	\$ 54,914

The accompanying notes are an integral part of the financial statements.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

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 various 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 assets, 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 and money market mutual funds which invest in short-term U.S. governmental obligations. 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
June 30, 2013 and 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Pool records its investments at cost and recognizes the corresponding change in the fair value of investment in the year in which the change has occurred. Fair value is based on quoted market value at year-end.

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.

Accounts Receivable

Accounts receivable consist primarily of amounts owed to the Pool by the various member county governments. 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.

Capital Assets

Capital assets of the Pool are capitalized at cost. The Pool elects to capitalize purchases in excess of \$500. Capital assets of the Pool are depreciated on the straight-line method over the assets' estimated useful life. Generally, estimated useful lives are as follows: Office Equipment - 5 years.

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.

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 a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). GAAP differences in budgeted amounts arise from non-budgeted depreciation expense on capital assets. 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.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2013 or June 30, 2012 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. There are no discounts or allowances related to revenue.

Member Contributions

Member contributions for benefits coverage are recognized on a pro rata basis over the applicable contract period. Contributions for risk coverage are recognized as revenue in 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. The actuarial projections of ultimate losses on reported claims and the estimate of claims incurred but not reported are based on a composite of the Pool's experience and benefits, as well as workers' compensation industry data, which supplements the Pool's limited historical experience and includes the effects of inflation and other factors. 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.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

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.

<u>2013</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Moody Rating</u>	<u>Cost</u>	<u>Accrued Interest/ Market Gain (Loss)</u>	<u>Estimated Fair Value</u>
IBM CORP NOTES	5.70%	9/14/2017	A1	104,535	10,902	115,437
TOTAL CORPORATE BONDS				104,535	10,902	115,437
DODGE & COS INC FD	3.15%	N/A	N/A	268,370	(884)	267,486
ISHARES BARCLAYS MBS BOND	1.46%	N/A	N/A	149,569	(4,141)	145,428
EATON VANCE FLOATING RATE	4.32%	N/A	N/A	152,931	449	153,380
BLACKROCK STRATEGIC INC	3.31%	N/A	N/A	533,063	(8,994)	524,069
SCOUT UNCONSTRAINED BD	2.08%	N/A	N/A	149,025	230	149,255
SCOUT CORE BOND FUND CL1	1.31%	N/A	N/A	149,025	631	149,656
JP MORGAN STRATEGIC INC	3.28%	N/A	N/A	594,222	4,017	598,239
VANGUARD GNMA FD CL 1	2.60%	N/A	N/A	267,264	(16,740)	250,524
VANGUARD SHORT TERM INV	2.06%	N/A	N/A	609,191	(11,204)	597,987
FEDERATED ADJ RATE SEC	0.50%	N/A	N/A	278,204	(94)	278,110
FEDERATED INCOME TRST	2.93%	N/A	N/A	2,140,885	(89,500)	2,051,385
FEDERATED SER INC						
TOTAL RET	3.54%	N/A	N/A	1,029,439	(9,668)	1,019,771
FED TOT RET SER						
ULTRA SHRT	1.08%	N/A	N/A	55,618	128	55,746
FIDELITY FL RATE HIGH INC CL1	2.54%	N/A	N/A	153,239	(322)	152,917
DELAWARE LIM TERM DIV INC	1.82%	N/A	N/A	524,619	(31,969)	492,650
DELAWARE LTD TERM DIVERS	2.01%	N/A	N/A	2,038,066	(63,090)	1,974,976
DELAWARE GROUP INC. FDS	2.61%	N/A	N/A	252,866	(2,339)	250,527
MAINSTAY FDS TRST FL RT	4.22%	N/A	N/A	500,000	-	500,000
PIMCO FD PAC INVT LOW						
DURATION	2.33%	N/A	N/A	1,999,297	(21,204)	1,978,093
PIMCO FDS PAC INVT LOW						
DURATION	2.36%	N/A	N/A	513,645	(18,681)	494,964
PIMCO FDS PAC INVT TOTAL						
RETURN	3.02%	N/A	N/A	516,459	(26,860)	489,599

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments consisted of the following at June 30:

<u>2013</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Moody Rating</u>	<u>Cost</u>	<u>Accrued Interest/ Market Gain (Loss)</u>	<u>Estimated Fair Value</u>
PIMCO FDS PAC INV						
MGMT MORTG	2.50%	N/A	N/A	1,269,462	(46,785)	1,222,677
PIMCO UNCONSTRAINED BD INS	1.16%	N/A	N/A	541,974	(18,336)	523,638
PIMCO FDS TOTAL RETURN FD3	2.64%	N/A	N/A	<u>1,059,464</u>	<u>(21,300)</u>	<u>1,038,164</u>
 TOTAL MUTUAL FUNDS				 <u>15,745,897</u>	 <u>(386,656)</u>	 <u>15,359,241</u>
 GNMA II	5.00%	7/20/2033	N/A	166,342	(29,173)	137,169
GNMA	5.50%	8/20/2033	N/A	268,869	38,105	306,974
GNMA II	5.00%	1/20/2037	N/A	162,477	(5,298)	157,179
GNMA	5.50%	2/20/2038	N/A	194,103	760	194,863
GNMA	4.00%	9/20/2040	N/A	722,730	(6,166)	716,564
GNMA	4.50%	8/20/2041	N/A	<u>716,611</u>	<u>(52,499)</u>	<u>664,112</u>
 TOTAL GOVT. ASSET BACKED SEC.				 <u>2,231,132</u>	 <u>(54,271)</u>	 <u>2,176,861</u>
 TOTAL INVESTMENTS				 <u>\$ 18,081,564</u>	 <u>\$ (430,025)</u>	 <u>\$ 17,651,539</u>

<u>2012</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Moody Rating</u>	<u>Cost</u>	<u>Accrued Interest/ Market Gain (Loss)</u>	<u>Estimated Fair Value</u>
AM EX CENT BK CD	3.12%	5/6/2013	N/A	\$ 250,000	\$ -	\$ 250,000
AM EX BK FSB CD	3.12%	5/6/2013	N/A	250,000	-	250,000
BMW BK NA CD	3.26%	5/28/2013	N/A	100,906	-	100,906
COLLEGE SVGS BNK	2.13%	12/11/2012	N/A	250,000	-	250,000
GE MONEY BK	2.33%	12/18/2012	N/A	<u>250,000</u>	<u>-</u>	<u>250,000</u>
 TOTAL CDs				 <u>1,100,906</u>	 <u>-</u>	 <u>1,100,906</u>

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

2012	Rate	Maturity Date	Moody Rating	Cost	Accrued Interest/ Market Gain (Loss)	Estimated Fair Value
JOHNSON & J.	5.15%	8/15/2012	AAA	109,880	(9,257)	100,623
JP MORGAN	5.375%	10/1/2012	AA3	105,130	(3,935)	101,195
WAL MART	7.25%	6/1/2013	AA2	115,505	(9,187)	106,318
IBM CORP NOTES	5.70%	9/14/2017	A1	<u>104,535</u>	<u>15,984</u>	<u>120,519</u>
TOTAL CORPORATE BONDS				<u>435,050</u>	<u>(6,395)</u>	<u>428,655</u>
DODGE & COS INC FD	3.94%	N/A	N/A	260,117	1,762	261,879
VANGUARD GNMA FD CL 1	3.21%	N/A	N/A	259,047	(3,201)	255,846
FEDERATED ADJ RATE SEC	1.30%	N/A	N/A	1,017,422	7,204	1,024,626
FEDERATED INCOME TRST	4.33%	N/A	N/A	2,083,530	(5,617)	2,077,913
FEDERATED SER INC						
TOTAL RET	4.56%	N/A	N/A	979,496	35,051	1,014,547
FED TOT RET SER						
ULTRA SHRT	1.88%	N/A	N/A	59,905	280	60,185
DELAWARE LIM TERM DIV INC	2.08%	N/A	N/A	514,885	(10,236)	504,649
DELAWARE LTD TERM DIVERS	2.49%	N/A	N/A	2,005,938	26,480	2,032,416
MAINSTAY FDS TRST FL RT	4.01%	N/A	N/A	500,000	(7,345)	492,655
PIMCO FD PAC INVT LOW						
DURATION	2.15%	N/A	N/A	1,928,984	23,582	1,952,566
PIMCO FDS PAC INV						
MGMT MORTG	2.66%	N/A	N/A	1,217,242	4,101	1,221,343
PIMCO FDS TOTAL RETURN	2.84%	N/A	N/A	<u>1,000,106</u>	<u>29,174</u>	<u>1,029,280</u>
TOTAL MUTUAL FUNDS				<u>11,826,672</u>	<u>101,235</u>	<u>11,927,905</u>
GNMA II	4.93%	7/20/2033	N/A	209,965	(21,789)	188,176
GNMA II	4.95%	8/20/2033	N/A	362,539	53,729	416,268
GNMA II	4.54%	1/20/2037	N/A	273,228	8,018	281,246
GNMA II	4.92%	2/20/2038	N/A	309,366	16,516	325,882
GNMA	3.66%	9/20/2040	N/A	910,085	39,122	949,207
GNMA	4.11%	8/20/2041	N/A	<u>954,363</u>	<u>(15,190)</u>	<u>939,173</u>
TOTAL GOVT. ASSET BACKED SEC.				<u>3,019,546</u>	<u>80,406</u>	<u>3,099,952</u>
TOTAL INVESTMENTS				<u>\$16,382,174</u>	<u>\$ 175,246</u>	<u>\$16,557,418</u>

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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

	<u>2013</u>	<u>2012</u>
Interest and dividends received	\$ 709,673	\$ 685,688
Gain (loss) on sale of investments	(44,279)	25
Unrealized gains (losses)	<u>(622,416)</u>	<u>54,914</u>
Total investment income	<u>\$ 42,978</u>	<u>\$ 740,627</u>

As of June 30, 2013, the Pool's investments were as follows:

<u>Investment Type</u>	<u>Cost</u>	<u>Estimated Fair Value</u>
Mutual Funds	\$ 15,745,897	\$ 15,359,241
Government Asset Backed Securities	2,231,132	2,176,861
Corporate Bonds	<u>104,535</u>	<u>115,437</u>
Total	<u>\$ 18,081,564</u>	<u>\$ 17,651,539</u>

As of June 30, 2012, the Pool's investments were as follows:

<u>Investment Type</u>	<u>Cost</u>	<u>Estimated Fair Value</u>
Mutual Funds	\$ 11,826,672	\$ 11,927,905
Government Asset Backed Securities	3,019,546	3,099,952
Certificates of Deposit	1,100,906	1,100,906
Corporate Bonds	<u>435,050</u>	<u>428,655</u>
Total	<u>\$ 16,382,174</u>	<u>\$ 16,557,418</u>

Custodial Credit Risk

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, 2013 and 2012, none of the Pool's deposits were exposed to custodial credit risk; the total of demand deposits was covered by FDIC or by collateral held by the Pool's agent in the Pool's name.

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 COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

New Mexico State Treasurer Local Government Investment Pool (LGIP)

	<u>S&P Rating</u>	<u>Amount Invested</u>	<u>Weighted Average</u>
New MexiGROW LGIP	AAAm rated	\$4,132	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.

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 MexicoGROW Local Government Investment Pool. LGIP is rated AAm 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.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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.

Concentration of 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. The Pool's investments have the implied full faith and credit of the United States government or agencies guaranteed by the United States government. At June 30, 2013 and 2012, the following investments, by issuer, represented 5% or more of the Pool's total investments:

<u>Issuer</u>	<u>Percentage of Total</u>	
	<u>2013</u>	<u>2012</u>
PIMCO	33%	25%
Federated Investors	19%	25%
Delaware Investments	15%	15%
GNMA	12%	19%

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Depreciable assets:				
Equipment	\$ 7,056	\$ -	\$ -	\$ 7,056
Total depreciable assets	7,056	-	-	7,056
Less: accumulated depreciation:				
Equipment	7,056	-	-	7,056
Total accumulated depreciation	7,056	-	-	7,056
Net total	\$ -	\$ -	\$ -	\$ -

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	<u>Balance, June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Depreciable assets:				
Equipment	\$ 7,056	\$ -	\$ -	\$ 7,056
Total depreciable assets	7,056	-	-	7,056
Less: accumulated depreciation:				
Equipment	<u>6,860</u>	<u>196</u>	<u>-</u>	<u>7,056</u>
Total accumulated depreciation	<u>6,860</u>	<u>196</u>	<u>-</u>	<u>7,056</u>
Net total	<u>\$ 196</u>	<u>\$ (196)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense for the Pool was \$0 and \$196 for June 30, 2013 and 2012, respectively. All depreciation expense was considered general and administrative costs. There were no software costs to capitalize as of year end.

NOTE 4 - 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. Estimates of the liability for amounts incurred but not reported as of June 30, 2013 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 four percent average rate of return on investments as of June 30, 2013.

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

	<u>2013</u>	<u>2012</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 17,021,865	\$ 15,787,067
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	5,094,208	4,969,318
Increase (decrease) in provision for insured events of prior years	<u>(379,378)</u>	<u>1,423,833</u>
Total incurred claims and claim adjustment expenses	<u>4,714,830</u>	<u>6,393,151</u>

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 4 - CLAIMS AND CLAIM ADJUSTMENT EXPENSES (CONTINUED)

	<u>2013</u>	<u>2012</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year, net of recoveries	1,054,038	1,335,669
Claims and claim adjustment expenses attributable to insured events of prior years	<u>3,366,892</u>	<u>3,822,684</u>
Total payments	<u>4,420,930</u>	<u>5,158,353</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 17,315,765</u>	<u>\$ 17,021,865</u>

At June 30, 2013 and 2012, the Pool recorded the liability for losses and loss adjustment expenses based on an estimate of its independent consulting actuary.

NOTE 5 - 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, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Risk management	\$ 1,077,093	\$ 994,999
Software licensing	66,392	37,081
Accounting	16,592	26,359
Insurance brokerage fees	12,000	12,000
Actuarial	8,000	8,000
Depreciation	<u>-</u>	<u>196</u>
Total	<u>\$ 1,180,077</u>	<u>\$ 1,078,635</u>

NOTE 6 - 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).

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 6 - EXCESS INSURANCE PREMIUMS (CONTINUED)

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. For the years ended June 30, 2013 and 2012, the amount of excess insurance receivable was \$37,662 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 surplus of capital. For the years ended June 30, 2013 and 2012, the Pool paid \$689,027 and \$685,506, respectively, to CRL for excess insurance premiums. As of June 30, 2013 and 2012, the amount of claim liabilities not included on the balance sheet due to the excess insurance coverage was approximately \$5.2 million and approximately \$4.5 million, respectively. The Pool is liable for all claims if the reinsurer is unable to pay. Reinsurance offset claims expense by \$138,085 and \$285,725 for the years ended June 30, 2013 and 2012, respectively.

NOTE 7 - 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	Eddy County	McKinley County	Santa Fe County
Catron County	Grant County	Mora County	Sierra County
Chaves County	Guadalupe County	Otero County	Socorro County
Cibola County	Harding County	Quay County	Taos County
Colfax County	Hidalgo County	Roosevelt County	Torrance County
Curry County	Lea County	San Juan County	Union County
De Baca County	Lincoln County	San Miguel County	Valencia County
Dona Ana County	Luna County	Sandoval County	

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 8 – FUNDING ARRANGEMENTS

The Pool has optional “high-deductible” funding arrangements with Pool members Bernalillo County and Santa Fe County. For the years ended June 30, 2013 and 2012, Bernalillo County paid the first \$400,000 of every claim with an annual aggregate of \$1,750,000. For the years ended June 30, 2013 and 2012, Santa Fe County paid the first \$25,000 of every claim with an annual aggregate of \$300,000. 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.

NOTE 9 - 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.

NOTE 10 – NEW PRONOUNCEMENTS

In June 2011, GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63), effective for the Pool’s fiscal year beginning July 1, 2012. GASB 63 modifies the presentation of deferred inflows and deferred outflows in the financial statements; it also limits the use of the term “deferred.” Implementation of GASB 63 had no effect on the Pool’s net position or changes in net position for the fiscal year ended June 30, 2013.

The Statement of Net Position – Enterprise Fund utilizes a net position presentation categorized as follows:

Unrestricted net position - This category reflects net position of the Pool not restricted for any project or other purpose.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
June 30, 2013**

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.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
Ten Years Ended June 30, 2013**

(in thousands)	2004	2005	2006
1. Net earned required contribution and investment revenues	\$ 3,272	\$ 4,390	\$ 5,245
2. Unallocated expenses	612	608	746
3. Estimated incurred claims and expense, end of policy year	2,790	3,356	3,229
4. Paid (cumulative) as of:			
Year one	1,285	1,510	1,695
Year two	2,257	3,098	3,013
Year three	2,543	3,987	3,368
Year four	2,764	4,512	3,629
Year five	2,836	4,704	3,766
Year six	2,932	4,862	3,861
Year seven	3,001	5,113	4,093
Year eight	3,065	5,238	4,182
Year nine	3,195	5,362	-
Year ten	3,228	-	-
5. Re-estimated incurred claims and expense:			
Year one	2,790	3,356	3,229
Year two	2,763	4,909	3,893
Year three	3,054	5,303	4,058
Year four	3,116	5,607	4,364
Year five	3,149	5,644	4,576
Year six	3,222	5,801	4,537
Year seven	3,339	5,902	4,692
Year eight	3,333	5,946	4,734
Year nine	3,422	5,991	-
Year ten	3,417	-	-
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	627	2,635	1,505

	2007	2008	2009	2010	2011	2012	2013
\$	7,719	\$ 8,048	\$ 7,658	\$ 8,255	\$ 8,192	\$ 8,464	\$ 7,812
	898	953	1,017	1,697	2,010	1,078	1,180
	2,306	2,875	3,658	5,309	5,957	4,133	4,106
	1,135	1,176	1,554	1,505	1,907	1,782	1,660
	1,987	3,082	2,744	3,300	3,938	3,382	-
	2,223	3,687	3,636	4,098	5,013	-	-
	2,446	4,494	4,026	4,677	-	-	-
	2,672	4,914	4,350	-	-	-	-
	2,776	5,119	-	-	-	-	-
	2,847	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	2,306	2,875	3,658	5,309	4,496	4,133	4,106
	2,371	4,530	4,323	5,285	6,431	5,899	-
	2,752	5,508	4,957	5,957	7,326	-	-
	2,985	5,909	5,220	5,939	-	-	-
	3,226	6,040	5,294	-	-	-	-
	3,236	6,004	-	-	-	-	-
	3,206	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	900	3,129	1,636	630	1,369	1,766	-

OTHER SUPPLEMENTARY INFORMATION

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
SCHEDULES OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget Favorable (Unfavorable)</u>
REVENUES				
Member contributions	\$ 7,829,938	\$ 7,829,938	\$ 7,769,178	\$ (60,760)
Investment income	450,000	450,000	42,978	(407,022)
Miscellaneous income	-	-	8,318	8,318
Total revenues	<u>8,279,938</u>	<u>8,279,938</u>	<u>7,820,474</u>	<u>(459,464)</u>
EXPENSES				
Claims and claim adjustment expenses	6,343,738	6,343,738	4,714,830	1,628,908
Excess insurance premiums	725,000	725,000	689,027	35,973
General and administrative	<u>1,211,200</u>	<u>1,211,200</u>	<u>1,180,077</u>	<u>31,123</u>
Total expenses	<u>8,279,938</u>	<u>8,279,938</u>	<u>6,583,934</u>	<u>1,696,004</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>1,236,540</u>	<u>\$ 1,236,540</u>
EXCESS OF REVENUES OVER EXPENSES PER ACCOMPANYING GAAP FINANCIAL STATEMENTS			<u>\$ 1,236,540</u>	

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
SCHEDULES OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Member contributions	\$ 7,735,091	\$ 7,735,091	\$ 7,735,091	\$ -
Investment income	<u>400,000</u>	<u>400,000</u>	<u>740,627</u>	<u>340,627</u>
Total revenues	<u>8,135,091</u>	<u>8,135,091</u>	<u>8,475,718</u>	<u>340,627</u>
EXPENSES				
Claims and claim adjustment expenses	6,370,591	6,195,091	6,393,151	(198,060) *
Excess insurance premiums	670,000	845,500	685,506	159,994
General and administrative	<u>1,094,500</u>	<u>1,094,500</u>	<u>1,078,635</u>	<u>15,865</u>
Total expenses	<u>8,135,091</u>	<u>8,135,091</u>	<u>8,157,292</u>	<u>(22,201) *</u>
EXCESS OF REVENUES OVER EXPENSES				
	<u>\$ -</u>	<u>\$ -</u>	318,426	<u>\$ 318,426</u>
Depreciation expense			<u>(196)</u>	
EXCESS OF REVENUES OVER EXPENSES PER ACCOMPANYING GAAP FINANCIAL STATEMENTS				
			<u>\$ 318,230</u>	

* See Note 1 - Budget on page 12 for budget authority level.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
SCHEDULE OF CASH AND CASH EQUIVALENTS
RECONCILIATION FROM BANK TO FINANCIAL STATEMENTS
June 30, 2013**

FIRST NATIONAL BANK

Checking		\$ 373,693
Reconciling items:		
Deposits in transit		-
Outstanding checks		<u>(125,085)</u>
Total checking		<u>248,608</u>
Money Market		103,422
Reconciling items:		
Deposits in transit		-
Outstanding checks		<u>-</u>
Total Money Market		<u>103,422</u>
Total First National Bank		<u>352,030</u>

WELLS FARGO SECURITIES

Money Market		296,959
Reconciling items:		
Deposits in transit		-
Outstanding checks		<u>-</u>
Total Wells Fargo Securities		<u>296,959</u>

LPL FINANCIAL INVESTMENTS

Checking		4,251
Reconciling items:		
Deposits in transit		-
Outstanding checks		<u>-</u>
Total LPL Financial Investments		<u>4,251</u>

FIDELITY

Checking		6,849
Reconciling items:		
Outstanding checks		<u>-</u>
Total LPL Financial Investments		<u>6,849</u>

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

\$ 660,089

CASH BALANCE PER BANK

\$ 785,174

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
SCHEDULE OF CASH COLLATERAL
Year Ended June 30, 2013**

FIRST NATIONAL BANK

Checking	\$ 373,693
Other checking accounts held by the New Mexico Association of Counties (Not held by the Pool)	2,695,444
Total deposit in bank	3,069,137
FDIC coverage	(250,000)
Total uninsured funds	2,819,137
50% pledged collateral requirement	1,409,569
Pledged collateral:	
FNMA - held with First National Bank of Santa Fe Cusip #31331XWW8, Maturity Date: 4/25/2014	3,121,940
OVER-COLLATERALIZED	\$ 1,712,372
Other accounts held by the Pool	
First National Bank Money Market	\$ 103,422
Wells Fargo Advisors Money Market	296,959
LPL Financial Money Market	4,251
Fidelity Money Market	6,849
Total of other accounts	\$ 411,481 *

* Money Market accounts are held separately from the financial institutions' general assets and therefore are not subject to custodial credit risk

**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***

To the Board of Directors of
New Mexico County Insurance Authority
Workers' Compensation Pool
Santa Fe, New Mexico and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of New Mexico County Insurance Authority Workers' Compensation Pool (the Pool), as of and for the year ended June 30, 2013, 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 14, 2013.

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 opinions 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 and significant deficiencies may exist that were not 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and these findings are described in the accompanying schedule of findings and responses as 2013-001 and 2010-001.

The Pool's Response to Findings

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

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 result 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.

CliftonLarsonAllen LLP

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Albuquerque, New Mexico
November 14, 2013

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

SECTION I – FINANCIAL STATEMENT FINDINGS

Finding 2013-001 IPA Recommendation Letter Not Submitted Timely (Other Matter)

Condition: The Pool did not submit a completed and signed Independent Public Accountant (IPA) recommendation form, along with the contract, in a timely manner.

Criteria: Pertaining to 2.2.2.8 NMAC, Section G (6), the Pool was to have submitted a fully completed and signed IPA recommendation form for audits and the completed audit contract to the State Auditor by May 15, 2013, for fiscal year 2013's audit.

Cause: The necessary documentation was not completed prior to the due date.

Effect: The Pool is out of compliance with 2.2.2.8 NMAC.

Recommendation: We recommend that, for future audits, the Pool's management work closely with the IPA contracted to perform the annual audit to ensure that the required form and completed contract be submitted prior to the May 15 deadline.

Management's Response: The Finance Department agrees with the IPA recommendation.

Finding 2010-001 Cash Receipts Not Deposited in a Timely Manner (Control Deficiency)

Condition: Out of 22 cash receipts tested during internal control testwork, 15 were not deposited by close of the following business day and 4 lacked evidence of date received.

Criteria: Procedures outlined by the Statutory Chapter in New Mexico, Chapter 6, Article 10, Section 3, pertaining to Public Monies states cash received is to be deposited with the authorized financial institution by close of the following business day.

Cause: Lack of timely deposits

Effect: Non-compliance with the New Mexico Statutes.

Recommendation: We recommend management establish a policy to ensure that all cash received is deposited with the respective financial institution within 24 hours of receipt of the cash, check or money order.

Management's Response: Management does its best to deposit checks received as promptly as possible. Due to the nature of our insurance business, we have to be sensitive to the issue of subrogation. As a result, all of our insurance-related incoming accounts receivable have to go through an approval process.

The nature of the procedures in New Mexico Statute 6-10 section 3 does not take into consideration the liability of the subrogation process. However, Management will work with a sense of urgency to streamline our approval process to ensure that we are as compliant as possible with New Mexico state statutes. The NMAC will work towards utilizing a desktop deposit solution that could provide an avenue to deposit non subrogation-related deposits.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013**

Finding 2012-001 Deviation from Investment Policy (Significant Deficiency) – Resolved

During our audit of investment balances, it was found that 1 out of the 4 corporate bonds included in the Pool's investment balances have maturity dates of more than five years from the date of purchase.

Finding 2010-001 Cash Receipts Not Deposited in Timely Manner (Control Deficiency) – Repeated

Out of 38 cash receipts tested during internal control testwork, 19 were not deposited by close of the following business day and 7 lacked evidence of date received.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
EXIT CONFERENCE
June 30, 2013**

An exit conference was held on November 13, 2013. The conference was held at the offices of the New Mexico County Insurance Authority Workers' Compensation Pool 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**

Steve Kopelman, Executive Director
Santiago Chavez, Finance Director
Joseph Crelier, Bernalillo County Risk Management Director

CLIFTONLARSONALLEN LLP

Janet Pacheco-Morton, CPA, CGFM, Partner
Ryan Jones, CPA, Senior Associate
Andres Gamez, Associate

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 Auditors' Report.