

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2015 AND 2014

Wealth Advisory

Outsourcing

Audit, Tax, and Consulting

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
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**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
OFFICIAL ROSTER
JUNE 30, 2015**

BOARD OF DIRECTORS

Lance Pyle, Board Chair

Kevin Kinzie, Vice Chair

Gloria Jean Chavez, Secretary/Treasurer

Danny Gonzales, Member

Lonnie Freyburger, Member

Wayne Hancock, Member

Delilah Walsh, Member

Brenda Sanchez, Member

Kristi Galloway, Member

Philip Rios, Member

Robert Anaya, Member

Dan Bryant, Ex-Officio Member

Paula Garcia, Ex-Officio Member

ADMINISTRATIVE OFFICERS

Steve Kopelman, Executive Director

Taylor Horst, Risk Management Director

Santiago Chavez, Finance Director



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the New Mexico County Insurance Authority Workers' Compensation Pool (the Pool) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements which collectively comprise the Pool'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 presented as supplementary information, as defined by the Government Accounting Standards Board, for the years ended June 30, 2015 and 2014, 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 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 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.

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

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, 2015 and 2014, 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 supplementary information referred to above presents fairly, in all material respects, the Schedules of Revenues and Expenses – Budget and Actual for the years ended June 30, 2015 and 2014 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 and, the Notes to Ten Year Claims Development Information and the Ten Year Claims Development Information on pages 23 and 24 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 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 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,

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

the 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.

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2015 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

Albuquerque, New Mexico
October 30, 2015

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015 and 2014.

Financial Highlights

- Pool net position decreased by \$1,639,476 to \$1,410,578 from June 30, 2014. Claims expenses increased by \$2,570,896 from June 30, 2014. Total claims liabilities increased by \$3,653,557 from June 30, 2014.
- Assets increased by \$1,993,577 to \$23,976,969. The Pool's liabilities consist primarily of reserves to pay claims and claim adjustment expenses. Liabilities increased by \$3,633,053 to \$22,566,391 at June 30, 2015.
- The Pool continued to have an optional "high-deductible" funding arrangement with Bernalillo County.
- For the years ended June 30, 2015 and 2014, Bernalillo County paid the first \$400,000 of every claim with an annual aggregate of \$1,750,000.
- 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, 2015 and 2014.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Condensed Comparative Data

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Assets (Cash, Receivables, Investments, and Prepaid Expenses)	\$ 23,976,969	\$ 21,983,392	\$ 19,046,411
Total Liabilities (Claims and Claim Adjustment Expenses and Accounts Payable)	<u>22,566,391</u>	<u>18,933,338</u>	<u>17,326,056</u>
Pool Net Position:			
Unrestricted - Held for Member Benefits	<u>1,410,578</u>	<u>3,050,054</u>	<u>1,720,355</u>
Total Net Position	<u>\$ 1,410,578</u>	<u>\$ 3,050,054</u>	<u>\$ 1,720,355</u>
Revenues:			
Member Contributions	\$ 8,347,034	\$ 8,358,131	\$ 7,769,178
Investment and Other Income	<u>319,596</u>	<u>556,146</u>	<u>51,296</u>
Total Revenues	<u>8,666,630</u>	<u>8,914,277</u>	<u>7,820,474</u>
Expenses:			
Claims and Claim Adjustment Expenses	8,265,802	5,694,906	4,714,830
Excess Insurance Fees	751,418	708,296	689,027
General, Administrative & Brokerage	<u>1,288,886</u>	<u>1,181,376</u>	<u>1,180,077</u>
Total Expenses	<u>10,306,106</u>	<u>7,584,578</u>	<u>6,583,934</u>
Excess (Deficiency) of Revenues Over Expenses	(1,639,476)	1,329,699	1,236,540
Pool Net Position Held for Member Benefits - Beginning of Year	<u>3,050,054</u>	<u>1,720,355</u>	<u>483,815</u>
Pool Net Position Held for Member Benefits - End of Year	<u>\$ 1,410,578</u>	<u>\$ 3,050,054</u>	<u>\$ 1,720,355</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.

Net operating revenue decreased by \$11,097 for the year ended June 30, 2015. Member contributions increased by \$134,892 (1.6%); however, certain incentives provided to member counties resulted in the decrease for net operating revenue. Total expenses increased by \$2,721,528 (36%). Investment income decreased due to market changes. There was a \$2,175,518 net increase in the market value of the investment portfolio, resulting from purchases, sales, and unrealized gains and losses. Claims and claim adjustment expenses increased by 45% from the prior year.

Net operating revenue increased by \$1,093,803 (14%) for the year ended June 30, 2014. Total expenses increased by \$1,000,644 (15%). Overall, county contributions increased by \$588,953, an 8% increase. Investment income increased due to market changes. There was a \$190,927 net increase in the market value of the investment portfolio. Claims and claim adjustment expenses increased by 21% from the prior year.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Unpaid Claims Liabilities

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Unpaid Claims and Claim Adjustment Expenses - Beginning of Year	\$ 18,908,084	\$ 17,315,765	\$ 17,021,865
Incurred Claims and Claim Adjustment Expenses:			
Provision for Insured Events of the Current Year	7,900,802	5,765,279	5,094,208
Increase (Decrease) in Provision for Insured Events of Prior Years	<u>365,000</u>	<u>(70,373)</u>	<u>(379,378)</u>
Total Incurred Claims and Claim Adjustment Expenses	8,265,802	5,694,906	4,714,830
Payments:			
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year, Net of Recoveries	1,434,532	1,097,509	1,054,038
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>3,177,713</u>	<u>3,005,078</u>	<u>3,366,892</u>
Total Payments	<u>4,612,245</u>	<u>4,102,587</u>	<u>4,420,930</u>
Total Unpaid Claims and Claim Adjustment Expenses - End of Year	<u>\$ 22,561,641</u>	<u>\$ 18,908,084</u>	<u>\$ 17,315,765</u>

Investment Results

Total cash and investments increased approximately \$1.9 million from \$21,605,261 at June 30, 2014 to \$23,523,489 at June 30, 2015. The overall yield on the Pool's investment portfolio decreased, from about 2.95% at June 30, 2014 to 1.4% at June 30, 2015.

Total cash and investments increased approximately \$2.7 million from \$18,862,756 at June 30, 2013 to \$21,605,261 at June 30, 2014. The overall yield on the Pool's investment portfolio went up, from about .24% at June 30, 2013 to 2.95% at June 30, 2014.

Property, Plant and Equipment

The Pool had no purchases or disposals of property, plant and equipment during 2015 and 2014.

Long-term Debt

The Pool had no long-term debt during the years ended June 30, 2015 and 2014.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Budget Adjustments

In 2015, investment income was less than budgeted due to market conditions. Total claims and claims adjustment expenses were more than budgeted for the year by approximately \$1.5 million. Total administrative and other expenses were slightly less than budgeted.

In 2014, 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 million. Total administrative and other expenses were slightly less than budgeted. Excess insurance premium expenses were more than budgeted by approximately \$8,000.

Current Trends and Conditions

The Pool's financial position ran into headwinds during the fiscal 2015 period. Increases in frequency and severity of pool claims have led to an adverse actuarial adjustment that have affected our net position, drawing down the fund balance by approximately \$1.6 million and resulting in the need for increased contributions from members for the fiscal 2016 period. Within the last year the Pool has seen a majority of members participating in the trademarked RAP (Risk Awareness Program), and in fiscal 2015 the Pool contributed to the licensing of a self-paced web-based training tool which can be used by members to address many areas of workplace safety training for their employees. It is anticipated that this web-based tool will come online for all members to use during fiscal 2016.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
STATEMENTS OF NET POSITION – ENTERPRISE FUND
JUNE 30, 2015 AND 2014**

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 585,777	\$ 1,020,728
N.M. State Treasurer's Local Government Investment Pool	1,753	4,132
Investments	22,264,263	20,088,745
Accounts Receivable - Deductibles	433,971	336,459
Accounts Receivable - Reinsurance and Other	6,511	29,045
Prepays	12,998	12,627
Total Current Assets	23,305,273	21,491,736
NONCURRENT ASSETS		
Investment in County Reinsurance Limited	671,696	491,656
Total Assets	\$ 23,976,969	\$ 21,983,392
LIABILITIES AND POOL NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 4,750	\$ 25,254
Claims and Claim Adjustment Expenses	6,713,221	5,810,101
Total Current Liabilities	6,717,971	5,835,355
LONG-TERM LIABILITIES		
Claims and Claim Adjustment Expenses	15,848,420	13,097,983
Total Liabilities	22,566,391	18,933,338
POOL NET POSITION HELD FOR MEMBERS' BENEFITS		
Unrestricted	1,410,578	3,050,054
Total Liabilities and Pool Net Position	\$ 23,976,969	\$ 21,983,392

See accompanying Notes to 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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
OPERATING REVENUE		
Member Contributions, Net of Rebates and Safety Awards	\$ 8,347,034	\$ 8,358,131
OPERATING EXPENSES		
Claims and Claim Adjustment Expenses, Net of Recoveries	8,265,802	5,694,906
General and Administrative	1,274,886	1,169,016
Excess Insurance Premiums	751,418	708,296
Brokerage Fees (Insurance)	14,000	12,360
Total Operating Expenses	<u>10,306,106</u>	<u>7,584,578</u>
OPERATING INCOME (LOSS)	(1,959,072)	773,553
NON-OPERATING REVENUES		
Investment Income	139,556	611,486
Interest in Change in Net Position of County Reinsurance Limited	180,040	(55,340)
Total Non-Operating Revenue	<u>319,596</u>	<u>556,146</u>
CHANGE IN NET POSITION	(1,639,476)	1,329,699
Pool Net Position - Beginning of Year	<u>3,050,054</u>	<u>1,720,355</u>
POOL NET POSITION - END OF YEAR	<u>\$ 1,410,578</u>	<u>\$ 3,050,054</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
STATEMENTS OF CASH FLOWS – ENTERPRISE FUND
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Members	\$ 9,979,219	\$ 10,174,316
Cash Received from Reinsurers	779,923	351,477
Cash Received from Others	61,313	-
Cash Paid to Vendors	(1,296,031)	(1,157,964)
Cash Paid on Claims and Claim Adjustment Expenses	(7,160,644)	(6,405,474)
Cash Paid for Insurance Brokerage Fees	(14,000)	(12,360)
Cash Paid for Excess Insurance	(751,418)	(708,296)
Net Cash Provided by Operating Activities	1,598,362	2,241,699
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income Received	588,933	365,219
Purchase of Investments	(8,696,913)	(7,579,192)
Proceeds from the Sale of Investments	6,072,288	5,332,913
Net Cash Used by Investing Activities	(2,035,692)	(1,881,060)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(437,330)	360,639
Cash and Cash Equivalents - Beginning of Year	1,024,860	664,221
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 587,530	\$ 1,024,860
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (1,959,072)	\$ 773,553
Accounts Receivable	(97,512)	(199,182)
Reinsurance Receivable	22,534	63,957
Prepays	(371)	(3,911)
Accounts Payable	(20,774)	14,963
Claims and Claim Adjustment Expenses	3,653,557	1,592,319
Net Cash Provided by Operating Activities	\$ 1,598,362	\$ 2,241,699
NONCASH INVESTING ACTIVITIES		
Unrealized Gain (Loss) on Investments	\$ (407,058)	\$ 373,194
Increase (Decrease) in County Reinsurance Limited Equity	\$ 180,040	\$ (55,340)

See accompanying Notes to Financial Statements.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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
JUNE 30, 2015**

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.

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 \$180,040 and (\$55,340) during the years ended June 30, 2015 and 2014, respectively. Additional contributions may be required from the Pool and other members as determined by CRL. During the years ended June 30, 2015 and 2014, 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 amounts 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
JUNE 30, 2015**

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, 2015 and 2014 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 year ended June 30, 2015, these amounts totaled \$145,989 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. 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, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification

Certain reclassifications have been made in the financial statements for the year ended June 30, 2014 in order to conform to the 2015 presentation.

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 consisted of the following at June 30:

2015	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
CORPORATE BONDS:						
IBM CORP NOTES	5.70%	9/14/2017	A1	\$ 104,535	\$ 5,229	\$ 109,764
TOTAL CORPORATE BONDS				104,535	5,229	109,764
MUTUAL FUNDS:						
PIMCO TOTAL RETURN	1.93%	N/A	N/A	2,310,125	(34,839)	2,275,286
FEDERATED INC TRST SH BEN	2.64%	N/A	N/A	2,198,086	(81,859)	2,116,227
PIMCO FD PAC INVT LOW DURATION	1.70%	N/A	N/A	2,104,533	(69,107)	2,035,426
DELAWARE LTD TERM DIVERS INC FD	1.81%	N/A	N/A	2,051,880	(38,378)	2,013,502
METROPOLITAN WEST FDS	2.01%	N/A	N/A	1,413,084	(2,282)	1,410,802
DODGE & COX INC FD	2.70%	N/A	N/A	1,384,335	(10,708)	1,373,627
LOOMIS SAYLES LTD	2.02%	N/A	N/A	1,108,693	(6,781)	1,101,912
FEDERATED SER INC TOTAL RET	3.43%	N/A	N/A	1,112,867	(18,263)	1,094,604
PRUDENTIAL SHORT-TERM	2.85%	N/A	N/A	963,862	(15,838)	948,024
DOUBLELINE FDS TR	4.42%	N/A	N/A	828,467	(10,094)	818,373
VANGUARD SHORT-TERM	1.94%	N/A	N/A	804,648	(5,185)	799,463
FPA NEW INCOME INC	2.71%	N/A	N/A	779,237	(6,111)	773,126
VANGUARD SHORT TERM INVMT	1.94%	N/A	N/A	635,824	(11,355)	624,469
VANGUARD BD INDEX	1.25%	N/A	N/A	620,650	(551)	620,099
JPMORGAN STRATEGIC INC OPPS	2.39%	N/A	N/A	620,346	(5,939)	614,407
BLACKROCK STRATEGIC INC	2.29%	N/A	N/A	569,236	(4,658)	564,578
DELAWARE LTD TERM DIV INC FD	1.66%	N/A	N/A	532,777	(27,459)	505,318
SCOUT UNCONSTRAINED BD INSTL	1.19%	N/A	N/A	339,066	(12,144)	326,922
GOLDMAN SACHS STRNG INC FUND	3.33%	N/A	N/A	339,264	(17,673)	321,591
EATON VANCE FLOATING RATE	3.95%	N/A	N/A	165,079	(2,956)	162,123
FIDELITY FL RATE HIGH INC CL I	3.66%	N/A	N/A	165,260	(3,943)	161,317
SCOUT CORE BOND FUND CL I	1.33%	N/A	N/A	153,593	741	154,334
ISHARES BARCLAYS MBS BOND FD	1.41%	N/A	N/A	153,468	468	153,936
FED TOTAL RET SER ULTRA SHRT	0.73%	N/A	N/A	46,281	(108)	46,173
TOTAL MUTUAL FUNDS				21,400,661	(385,022)	21,015,639

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

2015	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
GOVT. ASSET BACKED SECURITIES:						
GNMA	4.00%	9/20/2040	N/A	\$ 500,165	\$ (12,557)	\$ 487,608
GNMA	5.50%	8/20/2033	N/A	166,083	31,811	197,894
GNMA	5.50%	2/20/2038	N/A	105,578	(5,337)	100,241
GNMA II	5.00%	7/20/2033	N/A	120,010	(32,609)	87,401
GNMA II	5.00%	1/20/2037	N/A	84,955	(11,386)	73,569
TOTAL GOVT. ASSET BACKED SECURITIES				976,791	(30,078)	946,713
EXCHANGE-TRADED FUNDS (ETF)						
ISHARES	0.56%	N/A	N/A	194,950	(2,803)	192,147
TOTAL EXCHANGE-TRADED FUNDS				194,950	(2,803)	192,147
TOTAL INVESTMENTS				<u>\$ 22,676,937</u>	<u>\$ (412,674)</u>	<u>\$ 22,264,263</u>

2014	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
CORPORATE BONDS:						
IBM CORP NOTES	5.70%	9/14/2017	A1	\$ 104,535	\$ 9,403	\$ 113,938
TOTAL CORPORATE BONDS				104,535	9,403	113,938

MUTUAL FUNDS:						
PIMCO TOTAL RETURN	1.90%	N/A	N/A	2,258,465	43,925	2,302,390
FEDERATED INC TRST SH BEN	2.68%	N/A	N/A	2,143,785	(65,260)	2,078,525
PIMCO FD PAC INVT LOW DURATION	1.38%	N/A	N/A	2,027,991	4,030	2,032,021
DELAWARE LTD TERM DIVERS INC FD	1.72%	N/A	N/A	2,016,646	(20,498)	1,996,148
DODGE & COX INC FD	3.06%	N/A	N/A	1,095,746	23,808	1,119,554
PIMCO FDS PAC INVT TOTAL RETURN	2.12%	N/A	N/A	1,107,085	(5,035)	1,102,050
FEDERATED SER INC TOTAL RET	3.64%	N/A	N/A	1,073,786	6,737	1,080,523
PIMCO FDS PAC INVT LOW DURATION	1.45%	N/A	N/A	773,912	(9,928)	763,984
VANGUARD SHORT-TERM	1.98%	N/A	N/A	760,822	2,829	763,651
PRUDENTIAL SHORT-TERM	3.08%	N/A	N/A	763,849	(440)	763,409
DELAWARE GROUP INC FDS	2.22%	N/A	N/A	671,011	3,413	674,424
VANGUARD SHORT TERM INVMT	1.98%	N/A	N/A	622,524	(4,977)	617,547
JPMORGAN STRATEGIC INC OPPS	1.96%	N/A	N/A	606,096	6,550	612,646
BLACKROCK STRATEGIC INC	2.40%	N/A	N/A	545,909	11,200	557,109
DELAWARE LTD TERM DIV INC FD	1.58%	N/A	N/A	524,453	(22,739)	501,714
SCOUT UNCONSTRAINED BD INSTL	0.34%	N/A	N/A	340,483	(2,710)	337,773
GOLDMAN SACHS STRNG INC FUND	2.67%	N/A	N/A	328,738	(1,268)	327,470
VANGUARD BD INDEX	1.15%	N/A	N/A	252,568	478	253,046
OPPENHEIMER SENIOR	4.71%	N/A	N/A	191,546	1,118	192,664
FIDELITY FL RATE HIGH INC CL I	3.15%	N/A	N/A	158,801	1,082	159,883
EATON VANCE FLOATING RATE	3.76%	N/A	N/A	158,815	945	159,760
SCOUT CORE BOND FUND CL I	1.31%	N/A	N/A	151,686	1,827	153,513
ISHARES BARCLAYS MBS BOND FUND	1.46%	N/A	N/A	150,871	(78)	150,793
FED TOTAL RET SER ULTRA SHRT	0.64%	N/A	N/A	46,017	246	46,263
TOTAL MUTUAL FUNDS				18,771,605	(24,745)	18,746,860

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

2014	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
GOVT. ASSET BACKED SECURITIES:						
GNMA	4.00%	9/20/2040	N/A	\$ 619,476	\$ 1,793	\$ 621,269
GNMA	5.50%	8/20/2033	N/A	207,608	37,793	245,401
GNMA	5.50%	2/20/2038	N/A	138,073	(1,120)	136,953
GNMA II	5.00%	1/20/2037	N/A	121,722	(6,718)	115,004
GNMA II	5.00%	7/20/2033	N/A	138,789	(29,469)	109,320
TOTAL GOVT. ASSET BACKED SECURITIES				<u>1,225,668</u>	<u>2,279</u>	<u>1,227,947</u>
TOTAL INVESTMENTS				<u>\$ 20,101,808</u>	<u>\$ (13,063)</u>	<u>\$ 20,088,745</u>

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

	2015	2014
Interest and Dividends Received	\$ 588,933	\$ 365,219
Loss on Sale of Investments	(42,319)	(182,267)
Unrealized Gains (Losses)	(407,058)	428,534
Total Investment Income	<u>\$ 139,556</u>	<u>\$ 611,486</u>

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

Investment Type	2015	
	Cost	Estimated Fair Value
Mutual Funds	\$ 21,400,661	\$ 21,015,639
Government Asset Backed Securities	976,791	946,713
Exchange-Traded Funds	194,950	192,147
Corporate Bonds	104,535	109,764
Total	<u>\$ 22,676,937</u>	<u>\$ 22,264,263</u>
Investment Type	2014	
	Cost	Estimated Fair Value
Mutual Funds	\$ 18,771,605	\$ 18,746,860
Government Asset Backed Securities	1,225,668	1,227,947
Corporate Bonds	104,535	113,938
Total	<u>\$ 20,101,808</u>	<u>\$ 20,088,745</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, 2015, the Pool had \$46,598 exposed to custodial credit risk. As of June 30, 2014, the Pool had \$607,502 exposed to custodial credit risk.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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, 2015 and 2014, the investment in LGIP was as follows:

<u>S&P Rating</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Weighted Average</u>
AAAm Rated	\$ 1,753	\$ 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 Mexico State Treasurer Local Government Investment Pool. LGIP is rated AAAm on the S&P 500. The Pool has no custodial credit risk.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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.

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, 2015 and 2014, the following investments, by issuer, represented 5% or more of the Pool's total investments:

<u>Issuer</u>	<u>Percentage of Total</u>	
	<u>2015</u>	<u>2014</u>
PIMCO	19%	27%
Federated Investors	14%	16%
Delaware Investments	9%	10%
GNMA	*	6%
Metropolitan West	6%	*
Dodge & Cox	6%	6%

* These investments did not represent more than 5% of the Pool's total investments in both years.

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, 2015 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.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 CLAIMS AND CLAIM ADJUSTMENT EXPENSES (CONTINUED)

The Pool recorded the present value of incurred but unpaid claims assuming a 4% average rate of return on investments as of June 30, 2015 and 2014. Estimated outstanding losses were discounted from \$27,624,917 and \$24,460,436 as of June 30, 2015 and 2014, respectively.

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

	2015	2014
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	\$ 18,908,084	\$ 17,315,765
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Year	7,900,802	5,765,279
Decrease (Increase) in Provision for Insured Events of Prior Years	365,000	(70,373)
Total Incurred Claims and Claim Adjustment Expenses	8,265,802	5,694,906
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year, Net of Recoveries	1,434,532	1,097,509
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	3,177,713	3,005,078
Total Payments	4,612,245	4,102,587
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	\$ 22,561,641	\$ 18,908,084

At June 30, 2015 and 2014, 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, 2015 and 2014 consisted of the following:

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 GENERAL AND ADMINISTRATIVE (CONTINUED)

	2015	2014
Risk Management	\$ 1,155,606	\$ 1,059,035
Software Licensing and Support	56,749	39,982
Accounting and Audit	52,781	61,561
Actuarial	9,750	8,438
Total	\$ 1,274,886	\$ 1,169,016

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, 2015 and 2014, the amount of excess insurance receivable was \$6,511 and \$29,045, 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, 2015 and 2014, the Pool paid \$751,418 and \$708,296, respectively, to CRL for excess insurance premiums. As of June 30, 2015 and 2014, the amount of claim liabilities not included on the balance sheet due to the excess insurance coverage was approximately \$5.8 million and \$5.6 million, respectively. Reinsurance offset claims expense by \$779,923 and \$351,477 for the years ended June 30, 2015 and 2014, 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.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 JOINT POWERS AGREEMENT (CONTINUED)

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	

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, 2015 and 2014, Bernalillo County paid the first \$400,000 of every claim with an annual aggregate of \$1,750,000. For the years ended June 30, 2015 and 2014, Santa Fe County's policy had no deductible. 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 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.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
NOTES TO TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
JUNE 30, 2015**

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)
JUNE 30, 2015
(Dollars in Thousands)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Net Earned Required Contribution and Investment Revenues	\$ 5,245	\$ 7,719	\$ 8,048	\$ 7,658	\$ 8,255	\$ 8,192	\$ 8,464	\$ 7,812	\$ 8,914	\$ 8,667
2. Unallocated Expenses	746	898	953	1,017	1,697	2,010	1,078	1,180	1,181	1,289
3. Estimated Incurred Claims and Expense, End of Policy Year	3,229	2,306	2,875	3,658	5,309	5,957	4,133	5,094	5,765	7,901
4. Paid (Cumulative) as of:										
Year One	1,695	1,135	1,176	1,554	1,505	1,907	1,782	1,660	1,098	1,435
Year Two	3,013	1,987	3,082	2,744	3,300	3,938	3,382	3,227	3,372	-
Year Three	3,368	2,223	3,687	3,636	4,098	5,013	4,279	4,044	-	-
Year Four	3,629	2,446	4,494	4,026	4,677	5,667	4,951	-	-	-
Year Five	3,766	2,672	4,914	4,350	4,958	6,074	-	-	-	-
Year Six	3,861	2,776	5,119	4,596	5,219	-	-	-	-	-
Year Seven	4,093	2,847	5,315	4,724	-	-	-	-	-	-
Year Eight	4,182	2,961	5,406	-	-	-	-	-	-	-
Year Nine	4,239	2,990	-	-	-	-	-	-	-	-
Year Ten	4,287	-	-	-	-	-	-	-	-	-
5. Re-Estimated Incurred Claims and Expense:										
Year One	3,229	2,306	2,875	3,658	5,309	4,496	4,133	4,106	5,765	7,901
Year Two	3,893	2,371	4,530	4,323	5,285	6,431	5,899	5,205	6,462	-
Year Three	4,058	2,752	5,508	4,957	5,957	7,326	5,676	4,935	-	-
Year Four	4,364	2,985	5,909	5,220	5,939	7,253	5,397	-	-	-
Year Five	4,576	3,226	6,040	5,294	6,499	6,692	-	-	-	-
Year Six	4,537	3,236	6,004	4,728	5,296	-	-	-	-	-
Year Seven	4,692	3,206	6,583	4,984	-	-	-	-	-	-
Year Eight	4,734	3,223	6,730	-	-	-	-	-	-	-
Year Nine	4,761	3,143	-	-	-	-	-	-	-	-
Year Ten	4,816	-	-	-	-	-	-	-	-	-
6. Increase (Decrease) in Estimated Incurred Claims and Expense from End of Policy Year	1,587	837	3,855	1,326	(13)	735	1,264	(159)	697	-

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
SCHEDULES OF REVENUES AND EXPENSES –
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - (Budgetary Basis)	Variance With Final Budget Positive (Negative)
REVENUES				
Member Contributions	\$ 8,493,022	\$ 8,493,022	\$ 8,347,034	\$ (145,988)
Investment Income	350,000	350,000	319,596	(30,404)
Total Revenues	8,843,022	8,843,022	8,666,630	(176,392)
EXPENSES				
Claims and Claim Adjustment Expenses	6,812,604	6,812,604	8,265,802	(1,453,198)
Excess Insurance Premiums	751,418	751,418	751,418	-
General and Administrative	1,265,000	1,265,000	1,274,886	(9,886)
Brokerage Fees	14,000	14,000	14,000	-
Total Expenses	8,843,022	8,843,022	10,306,106	(1,463,084)
EXCESS OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>	(1,639,476)	<u>\$ (1,639,476)</u>
EXCESS OF REVENUES OVER EXPENSES PER ACCOMPANYING GAAP FINANCIAL STATEMENTS			<u>\$ (1,639,476)</u>	

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
SCHEDULES OF REVENUES AND EXPENSES –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2014**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts - (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
REVENUES				
Member Contributions	\$ 8,018,668	\$ 8,018,668	\$ 8,358,131	\$ 339,463
Investment Income	700,000	700,000	556,146	(143,854)
	<u>8,718,668</u>	<u>8,718,668</u>	<u>8,914,277</u>	<u>195,609</u>
EXPENSES				
Claims and Claim Adjustment Expenses	6,759,968	6,759,968	5,694,906	1,065,062
Excess Insurance Premiums	700,000	700,000	708,296	(8,296)
General and Administrative	1,246,700	1,246,700	1,169,016	77,684
Brokerage Fees	12,000	12,000	12,360	(360)
	<u>8,718,668</u>	<u>8,718,668</u>	<u>7,584,578</u>	<u>1,134,090</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>1,329,699</u>	<u>\$ 1,329,699</u>
EXCESS OF REVENUES OVER EXPENSES PER ACCOMPANYING GAAP FINANCIAL STATEMENTS			<u>\$ 1,329,699</u>	

**NEW MEXICO COUNTY INSURANCE AUTHORITY
 WORKERS' COMPENSATION POOL
 SCHEDULE OF CASH AND CASH EQUIVALENTS
 RECONCILIATION FROM BANK TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

FIRST NATIONAL BANK

Checking	\$ 383,772
Reconciling Items:	
Outstanding Checks	(156,133)
Total Checking	227,639
Total First National Bank	227,639

WELLS FARGO SECURITIES

Money Market	343,196
Reconciling Items:	
Outstanding Checks	-
Total Wells Fargo Securities	343,196

LPL FINANCIAL INVESTMENTS

Money Market	14,291
Total LPL Financial Investments	14,291

FIDELITY FINANCIAL INVESTMENTS

Money Market	651
Total Fidelity Financial Investments	651

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

\$ 585,777

CASH BALANCE PER BANK

\$ 741,910

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
SCHEDULE OF CASH COLLATERAL
YEAR ENDED JUNE 30, 2015**

FIRST NATIONAL BANK

Checking	\$	383,772
Other Checking Accounts Held by the New Mexico Association of Counties (Not Held by the Pool)		<u>909,741</u>
Total Deposit in Bank		1,293,513
FDIC Coverage		<u>(250,000)</u>
Total Uninsured Funds		1,043,513
50% Pledged Collateral Requirement		521,757
Pledged Collateral:		
GNMA11 - Held with First National Bank of Santa Fe Cusip #36225FB57, Maturity Date: 03/20/2041		1,833,359
FNMA - Held with First National Bank of Santa Fe Cusip #31418AKN7, Maturity Date: 10/01/2032		636,766
FNMA - Held with First National Bank of Santa Fe Cusip #3136AKEN9, Maturity Date: 02/25/2044		<u>869,753</u>
Total Pledged Collateral		<u>3,339,878</u>

OVER-COLLATERALIZED

\$ 2,818,121

WELLS FARGO SECURITIES

Wells Fargo Advisors Money Market	\$	343,195
FDIC Coverage		<u>(250,000)</u>
Total Uninsured Funds		93,195
50% Pledged Collateral Requirement		<u>46,598</u>

UNDER-COLLATERALIZED

\$ (46,598)

**NEW MEXICO COUNTY INSURANCE AUTHORITY
 WORKERS' COMPENSATION POOL
 SCHEDULE OF VENDOR INFORMATION FOR PURCHASES
 EXCEEDING \$60,000 (EXCLUDING GRT)
 YEAR ENDED JUNE 30, 2015**

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the Procurement Documentation, of <u>ALL</u> Vendor(s) that Responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the Vendor In-State and Chose Veteran's Preference? (Y or N) For Federal Funds, Answer N/A.</i>	<i>Brief Description of the Scope of Work</i>
None	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A



CliftonLarsonAllen

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, 2015, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements and the Pool's Schedules of Revenue and Expenses – Budget and Actual, presented as supplementary information, and have issued our report thereon dated October 30, 2015.

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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 one instance of noncompliance or other matters 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 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

Albuquerque, New Mexico
October 30, 2015

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015**

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)

Condition: Out of 22 claims payments tested, one payment was made outside of the Pool's 30-day turnaround period required for payment on invoices, based on the date stamp on the invoice and the date of the payment. This payment was for \$150.30 and was paid 364 days after the date of receipt of the associated invoice.

Management's Progress for Repeat Findings: Management has identified a report from our third-party vendor to help review the timeliness of payments. The Workers' Compensation Manager will review the report to help identify and manage any payments that appear to be nearing the statutory limits. This process has been implemented immediately and management expects the finding to be resolved for the fiscal year ending June 30, 2016.

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: In this instance, the process and internal controls for claims disbursements failed to produce payment on the invoice within the 30-day time frame.

Effect: The Pool is out of compliance with NMAC 11.4.7.8 D(2).

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 weekly basis to ensure that compliance with the applicable requirements is met.

Management's Response: Management will continue to work with our third party claims review provider to determine what further controls can be placed either within our system, or perhaps within theirs, to ensure timely return of bills processed in their system. Management has identified a report from the third party claims reviewer that will help in the review of the timeliness of payments. Additional analyst resources have been assigned to make this a priority. Management will work with a sense of urgency to ensure compliance, and under the supervision of the Workers' Compensation Manager, this finding is expected to be resolved for the fiscal year ending June 30, 2016.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2015**

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: For one payment tested out of a total of 22, there was no evidence documenting the date of receipt of the invoice by the Pool. This evidence typically consists of a date stamp on the invoice. Another payment was made outside of the Pool's 30-day turnaround period required for payment on invoices, based on the date stamp on the invoice and the date of the payment.

Finding 2014-002 – Internal Controls over Claims Disbursements (Compliance and Other Matters) - Resolved

Condition: Out of 22 claims payments tested, one payment was made for \$9.56 more than what was approved in the claims system.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
EXIT CONFERENCE
June 30, 2015**

An exit conference was held on October 29, 2015. 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**

Carolin Rios, Senior Accountant II
Santiago Chavez, Finance Director
Lance Pyle, Curry County Manager and Chairman of the Pool Board (via telephone)
Joy Ansley, Torrance County Manager and Member of the Pool Board

CLIFTONLARSONALLEN LLP

Georgie Ortiz, CPA, CGFM, Managing 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 Auditors' Report.