

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

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2016 AND 2015**

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2016 AND 2015**

<b>OFFICIAL ROSTER</b>	<b>1</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>2</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>5</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF NET POSITION – ENTERPRISE FUND</b>	<b>9</b>
<b>STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – ENTERPRISE FUND</b>	<b>10</b>
<b>STATEMENTS OF CASH FLOWS – ENTERPRISE FUND</b>	<b>11</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>12</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>NOTES TO TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)</b>	<b>28</b>
<b>TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)</b>	<b>29</b>
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULES OF REVENUES AND EXPENSES – BUDGET AND ACTUAL</b>	<b>30</b>
<b>SCHEDULE OF CASH AND CASH EQUIVALENTS RECONCILIATION FROM BANK TO FINANCIAL STATEMENTS</b>	<b>32</b>
<b>SCHEDULE OF CASH COLLATERAL</b>	<b>33</b>
<b>SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)</b>	<b>34</b>
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>35</b>
<b>SCHEDULE OF FINDINGS AND RESPONSES</b>	<b>37</b>
<b>SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS</b>	<b>39</b>
<b>EXIT CONFERENCE</b>	<b>40</b>

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
OFFICIAL ROSTER  
JUNE 30, 2016**

**BOARD OF DIRECTORS**

Lance Pyle, Board Chair

Lisa Sedillo-White, Member

Gloria Jean Chavez, Secretary/Treasurer

Danny Gonzales, Vice Chair

Joy Ansley, Member

Wayne Hancock, Member

Delilah Walsh, Member

Brenda Sanchez, Member

Kristi Galloway, Member

Philip Rios, Member

Miguel Chavez, Member

Sharon Stover, Ex-Officio Member

**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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015 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 24 and 25 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.

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 the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of 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 November 1, 2016 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  
November 1, 2016

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

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, 2016 and 2015.

**Financial Highlights**

- Pool net position increased by \$1,327,293 to \$2,737,871 from June 30, 2015. Claims expenses decreased by \$2,434,630 from June 30, 2015. Total claims liabilities increased by \$1,313,207 from June 30, 2015.
- Assets increased by \$2,711,396 to \$26,688,365. The Pool's liabilities consist primarily of reserves to pay claims and claim adjustment expenses. Liabilities increased by \$1,384,103 to \$23,950,494 at June 30, 2016.
- The Pool has optional "high-deductible" funding arrangements with Bernalillo and Dona Ana Counties. For the years ended June 30, 2016 and 2015, Bernalillo County paid the first \$400,000 of every claim with an annual aggregate of \$1,750,000. For the year ended June 30, 2016, Dona Ana County paid the first \$25,000 of every claim, with an annual aggregate of \$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, 2016 and 2015.

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Condensed Comparative Data**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Assets (Cash, Receivables, Investments, and Prepaid Expenses)	\$ 26,688,365	\$ 23,976,969	\$ 21,983,392
Total Liabilities (Claims and Claim Adjustment Expenses and Accounts Payable)	<u>23,950,494</u>	<u>22,566,391</u>	<u>18,933,338</u>
Pool Net Position:			
Unrestricted - Held for Member Benefits	<u>2,737,871</u>	<u>1,410,578</u>	<u>3,050,054</u>
Total Net Position	<u><u>\$ 2,737,871</u></u>	<u><u>\$ 1,410,578</u></u>	<u><u>\$ 3,050,054</u></u>
Revenues:			
Member Contributions	\$ 8,609,081	\$ 8,347,034	\$ 8,358,131
Investment and Other Income	<u>628,601</u>	<u>319,596</u>	<u>556,146</u>
Total Revenues	<u>9,237,682</u>	<u>8,666,630</u>	<u>8,914,277</u>
Expenses:			
Claims and Claim Adjustment Expenses	5,831,172	8,265,802	5,694,926
Excess Insurance Fees	810,223	751,418	708,296
General, Administrative & Brokerage	<u>1,268,994</u>	<u>1,288,886</u>	<u>1,181,376</u>
Total Expenses	<u>7,910,389</u>	<u>10,306,106</u>	<u>7,584,598</u>
Excess (Deficiency) of Revenues Over Expenses	1,327,293	(1,639,476)	1,329,679
Pool Net Position Held for Member Benefits - Beginning of Year	<u>1,410,578</u>	<u>3,050,054</u>	<u>1,720,355</u>
Pool Net Position Held for Member Benefits - End of Year	<u><u>\$ 2,737,871</u></u>	<u><u>\$ 1,410,578</u></u>	<u><u>\$ 3,050,034</u></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.

As of June 30, 2016, total assets increased by \$2,711,396, primarily due to cash and investment balances increasing as a result of fewer claims expenses. Claims and claims adjustment liabilities increased by \$1,313,207 (5.8%), while the Pool's net position increased by \$1,327,293 from the prior year. This is an improvement over the (\$1,639,476) loss experienced in the prior year. Net operating revenue increased by \$262,047 for 2016. Member contributions increased \$262,147 (3.1%). Operating expenses decreased by \$2,395,717 (23%) primarily due to a 29% decrease in claims and claims adjustment expenses. Correspondingly, operating income increased to \$698,692, a \$2,657,764 increase from the prior year.



**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

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

For the year ended June 30, 2015, total assets increased by \$1,993,577 and claims and claims adjustment liabilities increased by \$3,653,557 (19%). The Pool's net position decreased (\$1,639,476). Net operating revenue decreased by \$11,097 from the prior year due to incentives provided to member counties. Total operating expenses increased by \$2,721,528 (36%), which includes a 45% increase in claims and claims adjustment expenses from 2015.

**Unpaid Claims Liabilities**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Unpaid Claims and Claim Adjustment Expenses - Beginning of Year	\$ 22,561,641	\$ 18,908,084	\$ 17,315,765
Incurred Claims and Claim Adjustment Expenses:			
Provision for Insured Events of the Current Year	7,753,713	7,900,802	5,765,279
Increase (Decrease) in Provision for Insured Events of Prior Years	<u>(1,922,541)</u>	<u>365,000</u>	<u>(70,373)</u>
Total Incurred Claims and Claim Adjustment Expenses	5,831,172	8,265,802	5,694,906
Payments:			
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year, Net of Recoveries	1,185,695	1,434,532	1,097,509
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>3,332,270</u>	<u>3,177,713</u>	<u>3,005,078</u>
Total Payments	<u>4,517,965</u>	<u>4,612,245</u>	<u>4,102,587</u>
Total Unpaid Claims and Claim Adjustment Expenses - End of Year	<u>\$ 23,874,848</u>	<u>\$ 22,561,641</u>	<u>\$ 18,908,084</u>

**Investment Results**

As of June 30, 2016, cash balances increased by \$253,280 and investments increased by \$2,295,721 due to better returns on investments and fewer claims and claims adjustment expenses. This is a total increase of approximately \$2.5 million from \$23,523,489 at June 30, 2015 to \$26,072,490 at June 30, 2016. During 2016, the Pool had more cash available during the year than in the prior year, which allowed for additional investments to be purchased which will help the Pool offset future claims expenses. The overall investment yield approximated 2.5% during 2016, an improvement from the 1.4% at June 30, 2015.

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Investment Results (Continued)**

Total cash and investments increased approximately \$1.9 million from \$21,605,261 at June 30, 2015 to \$23,523,489 at June 30, 2016. The overall yield on the Pool's investment portfolio decreased, from about 2.95% at June 30, 2015 to 1.4% at June 30, 2016.

**Property, Plant and Equipment**

The Pool had no purchases or disposals of property, plant and equipment during 2016 and 2015.

**Long-term Debt**

The Pool had no long-term debt during the years ended June 30, 2016 and 2015.

**Budget Adjustments**

In 2016, investment income was higher than budgeted due to market conditions. Total claims and claims adjustment expenses were less than budgeted for the year by approximately \$1.1 million.

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, due to several high-dollar claims being incurred during the year. Total administrative and other expenses were slightly less than budgeted.

**Current Trends and Conditions**

The Pool's financial position improved during the last year for two primary reasons. The first reason is that claims costs decreased from 2015 by roughly \$2.4 million, towards a more linear trend from earlier years. 2015 now appears to be an aberration in the claims cost trend across Pool years. The second reason for improvement in the Pool's financial position is that our investment income almost doubled from the year earlier, comprising a material 6.4% of the Pool's revenue.

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
STATEMENTS OF NET POSITION – ENTERPRISE FUND  
JUNE 30, 2016 AND 2015**

<b>ASSETS</b>	2016	2015
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 840,810	\$ 587,530
Investments	24,526,355	22,264,263
Accounts Receivable - Deductibles	600,924	433,971
Accounts Receivable - Reinsurance and Other	-	6,511
Prepays	14,951	12,998
Total Current Assets	25,983,040	23,305,273
<b>NONCURRENT ASSETS</b>		
Investment in County Reinsurance Limited	705,325	671,696
Total Assets	\$ 26,688,365	\$ 23,976,969
<b>LIABILITIES AND POOL NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 75,646	\$ 4,750
Claims and Claim Adjustment Expenses	7,120,782	6,713,221
Total Current Liabilities	7,196,428	6,717,971
<b>LONG-TERM LIABILITIES</b>		
Claims and Claim Adjustment Expenses	16,754,066	15,848,420
Total Liabilities	23,950,494	22,566,391
<b>POOL NET POSITION HELD FOR MEMBERS' BENEFITS</b>		
Unrestricted	2,737,871	1,410,578
Total Liabilities and Pool Net Position	\$ 26,688,365	\$ 23,976,969

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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUE</b>		
Member Contributions, Net of Rebates and Safety Awards	\$ 8,609,081	\$ 8,347,034
<b>OPERATING EXPENSES</b>		
Claims and Claim Adjustment Expenses, Net of Recoveries	5,831,172	8,265,802
General and Administrative	1,252,994	1,274,886
Excess Insurance Premiums	810,223	751,418
Brokerage Fees (Insurance)	16,000	14,000
Total Operating Expenses	<u>7,910,389</u>	<u>10,306,106</u>
<b>OPERATING INCOME (LOSS)</b>	698,692	(1,959,072)
<b>NON-OPERATING REVENUES</b>		
Investment Income	594,972	139,556
Interest in Change in Net Position of County Reinsurance Limited	33,629	180,040
Total Non-Operating Revenue	<u>628,601</u>	<u>319,596</u>
<b>CHANGE IN NET POSITION</b>	1,327,293	(1,639,476)
Pool Net Position - Beginning of Year	<u>1,410,578</u>	<u>3,050,054</u>
<b>POOL NET POSITION - END OF YEAR</b>	<u>\$ 2,737,871</u>	<u>\$ 1,410,578</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, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Members	\$ 9,980,989	\$ 9,979,219
Cash Received from Reinsurers	193,780	779,923
Cash Received from Others	218,722	61,313
Cash Paid to Vendors	(1,184,051)	(1,296,031)
Cash Paid on Claims and Claim Adjustment Expenses	(6,462,817)	(7,160,644)
Cash Paid for Insurance Brokerage Fees	(16,000)	(14,000)
Cash Paid for Excess Insurance	(810,223)	(751,418)
Net Cash Provided by Operating Activities	1,920,400	1,598,362
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income Received	634,498	588,933
Purchase of Investments	(4,189,875)	(8,696,913)
Proceeds from the Sale of Investments	1,888,257	6,072,288
Net Cash Used by Investing Activities	(1,667,120)	(2,035,692)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	253,280	(437,330)
Cash and Cash Equivalents - Beginning of Year	587,530	1,024,860
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 840,810	\$ 587,530
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 698,692	\$ (1,959,072)
Accounts Receivable	(166,953)	(97,512)
Reinsurance Receivable	6,511	22,534
Prepays	(1,953)	(371)
Accounts Payable	70,896	(20,774)
Claims and Claim Adjustment Expenses	1,313,207	3,653,557
Net Cash Provided by Operating Activities	\$ 1,920,400	\$ 1,598,362
<b>NONCASH INVESTING ACTIVITIES</b>		
Unrealized Losses on Investments	\$ (18,968)	\$ (407,058)
Increase (Decrease) in County Reinsurance Limited Equity	\$ 33,629	\$ (180,040)

See accompanying Notes to Financial Statements.

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Basis of Accounting**

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

**Cash and Cash Equivalents**

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

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Investments**

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

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

**Investment in County Reinsurance, Limited**

County Reinsurance Limited (CRL) is a member-owned reinsurance company, consisting of 24 members. The Pool accounts for its investment in CRL on the equity method of accounting. Annually, the carrying amount of the investment is adjusted to reflect the Pool's proportionate share in CRL's earnings or losses. These annual adjustments are reflected in the statement of revenues, expenses, and changes in net position as interest in change in net position of County Reinsurance Limited, and totaled \$33,629 and \$180,040 during the years ended June 30, 2016 and 2015, respectively. Additional contributions may be required from the Pool and other members as determined by CRL. During the years ended June 30, 2016 and 2015, there were no additional contributions requested from the Pool by CRL. Upon withdrawal from CRL, the Pool may request repayment of the original contribution plus the Pool's proportionate earnings in CRL accumulated during membership.

**Accounts Receivable**

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

**Exemption from Income Taxes**

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

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Budget**

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

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

**Restricted/Unrestricted Net Position**

Net position is restricted to the extent external constraints place restrictions on the use of the net position, such as restrictions by contributors or laws and regulations. Usage of the Pool's net position was not externally restricted at June 30, 2016 and 2015 and, accordingly, the net position is reported as unrestricted.

**Operating Revenues**

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Pool are premiums paid by members for risk and benefits coverage. Operating expenses for enterprise funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Beginning in the year ended June 30, 2015, the Pool began offsetting certain member counties' contributions with rebates and safety awards as part of ongoing risk reduction initiatives. During the years ended June 30, 2016 and 2015, these amounts totaled \$35,000 and \$145,989, respectively, and are presented as an offset to member contributions in the statement of revenues, expenses and changes in net fund position.

**Member Contributions**

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

**Claims and Claim Adjustment Expenses**

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



**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Claims and Claim Adjustment Expenses (Continued)**

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

**Reclassifications**

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

**Adoption of New Accounting Standard**

The Pool adopted the provisions of GASB Statement No. 72 *Fair Value Measurement and Application* (Statement No. 72) effective July 1, 2015. Statement No. 72 generally requires investments to be measured at fair value. It also establishes a hierarchy of inputs to valuation techniques used to measure fair value and changes required footnote disclosures. For the Pool, the adoption of Statement No. 72 had no prior period impact on reported investment balances as the standard altered disclosures only. Investment disclosures for the year ended June 30, 2015 have been changed to conform to fiscal year 2016 presentation.

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2 CASH AND INVESTMENTS**

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

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

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

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

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

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

2015	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
<b>CORPORATE BONDS:</b>						
IBM CORP NOTES	5.70%	9/14/2017	A1	\$ 104,535	\$ 5,229	\$ 109,764
TOTAL CORPORATE BONDS				104,535	5,229	109,764
<b>MUTUAL FUNDS:</b>						
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
FED TOTAL RET SER ULTRA SHRT	0.73%	N/A	N/A	46,281	(108)	46,173
TOTAL MUTUAL FUNDS				21,247,193	(385,490)	20,861,703
<b>GOVT. ASSET BACKED SECURITIES:</b>						
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

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

EXCHANGE-TRADED FUNDS (ETF)						
ISHARES BARCLAYS MBS BOND FD	1.41%	N/A	N/A	\$ 153,468	\$ 468	\$ 153,936
ISHARES	0.56%	N/A	N/A	194,950	(2,803)	192,147
TOTAL EXCHANGE-TRADED FUNDS				<u>348,418</u>	<u>(2,335)</u>	<u>346,083</u>
TOTAL INVESTMENTS				<u>\$ 22,676,937</u>	<u>\$ (412,674)</u>	<u>\$ 22,264,263</u>
MONEY MARKET						
WELLS FARGO MONEY MARKET	0.01%	N/A	N/A	\$ 343,196	\$ -	\$ 343,196
LPL MONEY MARKET	0.01%	N/A	N/A	14,291	-	14,291
FIDELITY MONEY MARKET	0.01%	N/A	N/A	651	-	651
TOTAL MONEY MARKET				<u>358,138</u>	<u>-</u>	<u>358,138</u>
STATE TREASURER LGIP	0.03%	N/A	N/A	1,753	-	1,753
TOTAL CASH EQUIVALENTS				<u>\$ 359,891</u>	<u>\$ -</u>	<u>\$ 359,891</u>

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

	2016	2015
Interest and Dividends Received	<u>\$ 634,498</u>	<u>\$ 588,933</u>
Loss on Sale of Investments	(20,558)	(42,319)
Unrealized Gains (Losses)	(18,968)	(407,058)
Total Investment Income	<u>\$ 594,972</u>	<u>\$ 139,556</u>

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

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

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

<u>Investment Type</u>	2015	
	<u>Cost</u>	<u>Estimated Fair Value</u>
Mutual Funds	\$ 21,247,193	\$ 20,861,703
Government Asset Backed Securities	976,791	946,713
Exchange-Traded Funds	348,418	346,083
Corporate Bonds	104,535	109,764
Total	<u>\$ 22,676,937</u>	<u>\$ 22,264,263</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, 2016 and 2015, the Pool had \$0 and \$46,598 exposed to custodial credit risk, respectively.

**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, 2016 and 2015, the investment in LGIP was as follows:

<u>S&amp;P Rating</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Weighted Average</u>
AAAm Rated	\$ 1,757	\$ 1,753	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.

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Credit Risk (Continued)**

*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.

*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. At June 30, 2016 and 2015, the following investments, by issuer, represented 5% or more of the Pool's total investments:

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Concentration of Credit Risk (Continued)**

<u>Issuer</u>	Percentage of Total	
	<u>2016</u>	<u>2015</u>
PIMCO	17%	19%
Federated Investors	9%	14%
Delaware Investments	8%	9%
Metropolitan West	7%	6%
DoubleLine	7%	*
Dodge & Cox	6%	6%

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

**Fair Value Measurements**

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

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

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

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

**NAV Investment - June 30, 2016**

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

Money Market	654,239
State Treasurer LGIP	1,757
	<u>655,996</u>
Total Investments and Cash Equivalents	<u>\$ 25,887,676</u>



**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Fair Value Measurements (Continued)**

**Investments by Fair Value Level - June 30, 2015**

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual Funds	\$ 20,861,703
Government Asset Backed Securities	946,713
Exchange-Traded Funds	346,083
Corporate Bonds	109,764
Total	22,264,263

**NAV Investment - June 30, 2015**

Investment in County Reinsurance Limited	671,696
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**Investments Not Requiring Fair Value - June 30, 2015**

Money Market	358,138
State Treasurer LGIP	1,753
	359,891
Total Investments and Cash Equivalents	\$ 23,295,850

**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, 2016 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 4% average rate of return on investments as of June 30, 2016 and 2015. Estimated outstanding losses were discounted from \$29,410,574 and \$27,624,917 as of June 30, 2016 and 2015, respectively.

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

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

	<u>2016</u>	<u>2015</u>
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	\$ 22,561,641	\$ 18,908,084
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Year	7,753,713	7,900,802
Increase (Decrease) in Provision for Insured Events of Prior Years	<u>(1,922,541)</u>	<u>365,000</u>
Total Incurred Claims and Claim Adjustment Expenses	5,831,172	8,265,802
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year, Net of Recoveries	1,185,695	1,434,532
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>3,332,270</u>	<u>3,177,713</u>
Total Payments	<u>4,517,965</u>	<u>4,612,245</u>
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	<u>\$ 23,874,848</u>	<u>\$ 22,561,641</u>

At June 30, 2016 and 2015, 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, 2016 and 2015 consisted of the following:

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
Risk Management	\$ 1,146,721	\$ 1,155,606
Software Licensing and Support	41,762	56,749
Accounting and Audit	56,511	52,781
Actuarial	8,000	9,750
Total	<u>\$ 1,252,994</u>	<u>\$ 1,274,886</u>

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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, 2016 and 2015, the amount of excess insurance receivable was \$0 and \$6,511, 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, 2016 and 2015, the Pool paid \$810,223 and \$751,418, respectively, to CRL for excess insurance premiums. As of June 30, 2016 and 2015, the amount of claim liabilities not included on the balance sheet due to the excess insurance coverage was approximately \$6.8 million and \$5.8 million, respectively. Reinsurance offset claims expense by \$1,745,552 and \$1,766,169 for the years ended June 30, 2016 and 2015, 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, 2016**

**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, 2016 and 2015, Bernalillo County paid the first \$400,000 of every claim with an annual aggregate of \$1,750,000. For the year ended June 30, 2016, Dona Ana County paid the first \$25,000 of every claim with an annual aggregate of \$750,000. The Pool handled all claims for these member counties and they were covered by the Pool's excess insurance for any claim which exceeded \$750,000.

**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, 2016**

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, 2016  
(Dollars in Thousands)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Net Earned Required Contribution and Investment Revenues	\$ 7,719	\$ 8,048	\$ 7,658	\$ 8,255	\$ 8,192	\$ 8,464	\$ 7,812	\$ 8,914	\$ 8,667	\$ 9,238
2. Unallocated Expenses	898	953	1,017	1,697	2,010	1,078	1,180	1,181	1,289	1,269
3. Estimated Incurred Claims and Expense, End of Policy Year	2,306	2,875	3,658	5,309	6,479	5,711	5,473	5,765	7,901	7,754
4. Paid (Cumulative) as of:										
Year One	1,135	1,176	1,554	1,505	1,286	1,330	970	1,099	1,439	<b>1,186</b>
Year Two	1,987	3,082	2,744	2,145	2,788	2,534	1,906	2,227	<b>2,526</b>	-
Year Three	2,223	3,687	2,748	2,768	3,596	3,043	2,442	<b>2,630</b>	-	-
Year Four	2,446	4,494	3,032	3,302	4,040	3,400	<b>2,760</b>	-	-	-
Year Five	2,672	4,914	3,301	3,552	4,365	<b>3,711</b>	-	-	-	-
Year Six	2,776	5,119	3,498	3,762	<b>4,561</b>	-	-	-	-	-
Year Seven	2,847	5,315	3,591	<b>3,973</b>	-	-	-	-	-	-
Year Eight	2,961	5,406	<b>3,703</b>	-	-	-	-	-	-	-
Year Nine	2,990	<b>5,532</b>	-	-	-	-	-	-	-	-
Year Ten	<b>3,017</b>	-	-	-	-	-	-	-	-	-
5. Re-Estimated Incurred Claims and Expense:										
Year One	2,306	2,875	3,658	5,309	6,479	5,711	5,473	5,765	7,901	<b>7,754</b>
Year Two	2,371	4,530	4,323	5,349	6,675	6,337	4,969	6,462	<b>6,491</b>	-
Year Three	2,752	5,508	4,529	5,333	6,831	5,531	4,934	<b>6,628</b>	-	-
Year Four	2,985	5,909	4,675	5,076	7,029	5,396	<b>4,737</b>	-	-	-
Year Five	3,226	6,040	4,467	6,050	6,693	<b>5,204</b>	-	-	-	-
Year Six	3,236	6,004	4,728	5,296	<b>6,385</b>	-	-	-	-	-
Year Seven	3,206	6,583	4,984	<b>5,188</b>	-	-	-	-	-	-
Year Eight	3,223	6,730	<b>5,175</b>	-	-	-	-	-	-	-
Year Nine	3,143	<b>6,439</b>	-	-	-	-	-	-	-	-
Year Ten	<b>3,244</b>	-	-	-	-	-	-	-	-	-
6. Increase (Decrease) in Estimated Incurred Claims and Expense from End of Policy Year	938	3,564	1,517	(121)	(94)	(507)	(736)	863	(1,410)	-

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
SCHEDULES OF REVENUES AND EXPENSES –  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016**

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



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

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts - (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Member Contributions	\$ 8,493,022	\$ 8,493,022	\$ 8,347,034	\$ (145,988)
Investment Income	<u>350,000</u>	<u>350,000</u>	<u>319,596</u>	<u>(30,404)</u>
Total Revenues	8,843,022	8,843,022	8,666,630	(176,392)
<b>EXPENSES</b>				
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	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>-</u>
Total Expenses	<u>8,843,022</u>	<u>8,843,022</u>	<u>10,306,106</u>	<u>(1,463,084)</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,639,476)</u>	<u>\$ (1,639,476)</u>
<b>DEFICIENCY OF EXPENSES OVER REVENUES PER ACCOMPANYING GAAP FINANCIAL STATEMENTS</b>			<u>\$ (1,639,476)</u>	

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
 WORKERS' COMPENSATION POOL  
 SCHEDULE OF CASH AND CASH EQUIVALENTS  
 RECONCILIATION FROM BANK TO FINANCIAL STATEMENTS  
 JUNE 30, 2016**

**FIRST NATIONAL BANK**

Checking	\$ 373,093
Reconciling Items:	
Outstanding Checks	(188,280)
Total Checking	184,813
Total First National Bank	184,813

**WELLS FARGO SECURITIES**

Money Market	487,338
Reconciling Items:	
Outstanding Checks	(405)
Deposits in Transit	75,645
Total Wells Fargo Securities	562,578

**FIDELITY FINANCIAL INVESTMENTS**

Money Market	91,662
Total Fidelity Financial Investments	91,662

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

	1,757
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**TOTAL CASH AND CASH EQUIVALENTS  
 PER FINANCIAL STATEMENTS**

	\$ 840,810
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**CASH BALANCE PER BANK**

	\$ 952,093
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**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
SCHEDULE OF CASH COLLATERAL  
YEAR ENDED JUNE 30, 2016**

**FIRST NATIONAL BANK**

Checking	\$ 373,093
Other Checking Accounts Held by the New Mexico Association of Counties (Not Held by the Pool)	1,685,040
Total Deposit in Bank	<u>2,058,133</u>
FDIC Coverage	<u>(250,000)</u>
Total Uninsured Funds	1,808,133
50% Pledged Collateral Requirement	904,067
Pledged Collateral:	
FNMA Series 2015-68 Class JB - Held with First National Bank of Denver; Cusip #3136AP2V3, Maturity Date: 08/25/2030	1,554,598
Alamogordo NM Municipal School District #1 - Held with First National Bank of Denver; Cusip #011464HX5, Maturity Date: 08/01/2022	701,991
Tomball Texas Independent School District - Held with First National Bank of Denver; Cusip #889855VA7, Maturity Date: 02/15/2028	534,905
FHLMC - Pool #C91462 - Held with First National Bank of Denver; Cusip #3128P7TT0, Maturity Date: 06/01/2032	370,030
FNMA Series 2013-94 Class CA - Held with First National Bank of Denver; Cusip 3136AGJV5, Maturity Date: 08/25/2038	359,789
Alamogordo NM Municipal School District #1 - Held with First National Bank of Denver; Cusip #011464HT4, Maturity Date: 08/01/2018	225,231
Alamogordo NM Municipal School District #1 - Held with First National Bank of Denver; Cusip #011464HR8, Maturity Date: 08/01/2016	225,112
Total Pledged Collateral	<u>3,971,656</u>

**OVER-COLLATERALIZED**

\$ 3,067,589

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
 WORKERS' COMPENSATION POOL  
 SCHEDULE OF VENDOR INFORMATION FOR PURCHASES  
 EXCEEDING \$60,000 (EXCLUDING GRT)  
 YEAR ENDED JUNE 30, 2016**

<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



**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, 2016, 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 November 1, 2016.

**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 an 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  
November 1, 2016

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2016**

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

- One payment in the amount of \$48.46 was made 70 days after receipt of the invoice.
- Another payment was made in the amount of \$638.04, and was paid 113 days after receipt of the associated invoice.
- Another payment in the amount of \$137.95 was made 48 days after the associated invoice was received.

*Management's Progress for Repeat Findings: Management is receiving a report from our third-party claims review provider to help review the timeliness of payments. The Workers' Compensation Manager reviews the report to identify and manage any payments that appear to be nearing statutory limits. This report was implemented in January 2016. The three payments that were made outside the 30-day turnaround happened prior to the implementation of this report. We also identified a numbering discrepancy in the files that are uploaded to our third-party claims review provider. They did not have unique file names and when uploading to the vendor, there was the possibility that some files were being renamed and copied over. We have implemented a unique numbering system for the files in the upload. With the apparent success of the above actions, management expects the finding to be resolved for the FY16-17 Audited Financial statements.*

**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 these instances, 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 bi-weekly basis to ensure that compliance with the applicable requirements is met.

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2016**

**SECTION I – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

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

**Management's Response:** Management understands the imperativeness needed to resolve this non-compliance issue. Management will continue to work with our third party claims review provider to ensure the timely return of bills processed in their system. As of January 2016 the Workers' Compensation Manager is receiving and reviewing a report bi-weekly that assists in the review on the timeliness of payments. Based upon the apparent success of the reporting our third party billing review provider has provided, and the fact that the file renaming errors have been corrected, it is expected that payments will be processed within the statutory timeline. Management is working 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 FY16-17 Audited Financial statements.



**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2016**

**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.

**NEW MEXICO COUNTY INSURANCE AUTHORITY  
WORKERS' COMPENSATION POOL  
EXIT CONFERENCE  
June 30, 2016**

An exit conference was held on October 27, 2016. The conference was held at the offices of New Mexico Association of Counties in Albuquerque, 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**

Delilah Walsh, Board Member  
Taylor Horst, Risk Manager  
Santiago Chavez, Finance Director  
Kamie Denton, Workers' Compensation Claims Manager  
Carolin Rios, Senior Accountant  
Lance Pyle, Curry County Manager and Chairman of the Pool Board (via telephone)

**CLIFTONLARSONALLEN LLP**

Raul Anaya, CPA, CGFM, CFE, Principal  
Ryan Jones, CPA, Director

**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.