



NEW MEXICO COUNTY INSURANCE AUTHORITY: WORKERS' COMPENSATION POOL

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2018 AND 2017

MORTON
ACCOUNTING, LLC

certified public accountants | consultants

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
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**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
OFFICIAL ROSTER
June 30, 2018**

BOARD OF DIRECTORS

Lance Pyle	Board Chair
Danny Gonzales	Vice Chair
Rick Rudometkin	Secretary/Treasurer
Danny Monette	Member
Delilah Walsh	Member
Lisa Sedillo-White	Member
Isabella Solis	Member
Kristi Galloway	Member
Patricia Miller	Member
Mike Cherry	Member
Susan Flores	Ex-Officio Member

ADMINISTRATION

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



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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of New Mexico County Insurance Authority Workers' Compensation Pool (the Pool) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements which collectively comprise the Pool's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities Pool as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2018 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.

Montan Accounting Services, LLC

Santa Fe, New Mexico
November 29, 2018

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018 and 2017.

Financial Highlights

1. Pool net position increased by \$7,659,860 to \$12,118,238 from June 30, 2017. Claims expenses decreased by \$5,975,450 from June 30, 2017. Total claims liabilities decreased by \$5,495,115 from June 30, 2017.
2. Assets increased by \$2,161,494 to \$31,303,092. The Pool's liabilities consist primarily of reserves to pay claims and claim adjustment expenses. Liabilities decreased by \$5,498,366 to \$19,184,854 at June 30, 2018.
3. The Pool has optional "high-deductible" funding arrangements with Bernalillo, Dona Ana, Sandoval and San Juan Counties. For the years ended June 30, 2018 and 2017, Bernalillo County paid the first \$500,000 and \$400,000, respectively, of every claim with an annual aggregate of \$2,000,000 and \$1,750,000, respectively. For the year ended June 30, 2018 and 2017, Dona Ana and Sandoval Counties paid the first \$25,000 of every claim, with an annual aggregate of \$750,000. San Juan paid the first \$10,000 of every claim, with no aggregate for the fiscal years ending June 30, 2018 and 2017.
4. The Pool handled all claims for the member counties and they were covered by the Pool's excess insurance for any claim which exceeded \$750,000.

Overview of the Financial Statements

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

The operations of the Pool are accounted for in a single proprietary fund of the enterprise type. The basic financial statements include statements of net position which report the Pool's assets, liabilities and members' net position (equity), statements of revenues, expenses and changes in net position, and statements of cash flows, which summarize cash receipts and payments. Additionally, there are notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The statements of net position and statements of revenues, expenses and changes in net position are presented as of and for the years ended June 30, 2018 and 2017.

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Condensed Comparative Data

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Assets (Cash, Receivables, Investments, and Prepaid Expenses)	\$ 31,303,092	\$ 29,141,598	\$ 26,688,365
Total Liabilities (Claims and Claim Adjustment Expenses and Accounts Payable)	<u>19,184,854</u>	<u>24,683,220</u>	<u>23,950,494</u>
Pool Net Position:			
Unrestricted - Held for Member Benefits	<u>12,118,238</u>	<u>4,458,378</u>	<u>2,737,871</u>
 Total Net Position	 <u>\$ 12,118,238</u>	 <u>\$ 4,458,378</u>	 <u>\$ 2,737,871</u>
 Revenues:			
Member Contributions	\$ 9,078,389	\$ 8,710,372	\$ 8,609,081
Investment and Other Income	80,813	390,395	628,601
Total Revenues	<u>9,159,202</u>	<u>9,100,767</u>	<u>9,237,682</u>
 Expenses			
Claims and Claim Adjustment Expenses (Recoveries)	(785,297)	5,190,153	5,831,172
Excess Insurance Fees	822,735	839,114	810,223
General, Administrative & Brokerage	<u>1,461,904</u>	<u>1,350,993</u>	<u>1,268,994</u>
Total Expenses	<u>1,499,342</u>	<u>7,380,260</u>	<u>7,910,389</u>
 Excess (Deficiency) of Revenues Over Expenses	 7,659,860	 1,720,507	 1,327,293
 Pool Net Position Held for Member Benefits - Beginning of Year	 <u>4,458,378</u>	 <u>2,737,871</u>	 <u>1,410,578</u>
 Pool Net Position Held for Member Benefits - End of Year	 <u>\$ 12,118,238</u>	 <u>\$ 4,458,378</u>	 <u>\$ 2,737,871</u>

Financial Analysis of the Pool

Assets of the Pool consist primarily of cash, accounts receivable and fixed income investments. Liabilities consist primarily of the amounts held in reserve to pay future claims. As of June 30, 2018, total assets increased by \$2,161,494, primarily due to investment balances increasing as a result of additional cash available because of reduced claims expense and continuing the laddering of short term bonds and notes. Accounts receivable for high-deductible counties decreased by \$719,691.

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Financial Analysis of the Pool (Continued)

Expenses shown as a credit (785,297), are as a result of a change in the actuarial estimate of the claims reserves and actual recoveries that penetrated the excess layer.

Claims and claims adjustment liabilities decreased by \$5,498,366 (22%), while the Pool's net position held for members' benefits (fund balance) increased by \$7,659,860 to \$12,118,238. This is an improvement over the \$1,720,507 increase to \$4,458,378 experienced in the prior year. Over the past two years the Pool has grown the net position held for member's benefits from \$2,737,871 to \$12,118,238, a 443% increase. Net operating revenue increased by \$368,017 for 2018, due to a 4% increase in member contributions. Operating expenses decreased by \$5,880,918 (80%) primarily due to a 115% decrease in claims and claim adjustment expenses. Correspondingly, operating income increased to \$7,579,047 a \$6,248,935 increase from the prior year.

Unpaid Claims Liabilities

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

	2018	2017	2016
Unpaid Claims and Claim Adjustment Expenses - Beginning of Year	\$ 24,679,955	\$ 23,874,848	\$ 22,561,641
Incurred Claims and Claim Adjustment Expenses:			
Provision for Insured Events of the Current Year	1,780,125	7,717,789	7,753,713
Increase (Decrease) in Provision for Insured Events of Prior Years	(2,565,422)	(2,527,636)	(1,922,541)
Total Incurred Claims and Claim Adjustment Expenses	(785,297)	5,190,153	5,831,172
Payments:			
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year, Net of Recoveries	876,405	990,653	1,185,695
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	3,833,413	3,394,393	3,332,270
Total Payments	4,709,818	4,385,046	4,517,965
Total unpaid Claims and Claim Adjustment Expenses - End of Year	\$ 19,184,840	\$ 24,679,955	\$ 23,874,848

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Investment Results

As of June 30, 2018, cash balances decreased by \$1,827,977 and investments increased by \$4,614,985 due to keeping the short term laddered government instruments invested, as opposed to last year when they were scheduled to redeem at year end. There was also more cash available for investments because of reduced claims expense. Because of the market conditions, investments were done by laddering short term government bonds and notes and brokered CDs. The Pool has two independent investment advisors that are consulted regularly on the changing market and the best strategies to invest pool funds for maximum return and liquidity. There was also an increase of \$19,840 in the Pool's equity with County Reinsurance Limited, the excess insurance carrier. This results in a total increase for cash and investments of more than \$2.8 million from \$27,753,894 at June 30, 2017 to \$30,560,742 at June 30, 2018. The overall investment yield on the Pool's investment portfolio approximated 2.27% during 2018, slightly reduced from the 2.47% in 2017.

Property, Plant and Equipment

The Pool had no purchases or disposals of property, plant and equipment during 2018 and 2017.

Long-Term Debt

The Pool had no long-term debt during the years ended June 30, 2018 and 2017.

Budget and changes in Net Position

In 2018, total claims and claims adjustment expenses as well as general and administrative expenses were severely reduced. The Claims and Claim Adjustment Expenses net of recoveries, are shown as a credit. This credit (\$785,297) is attributed to a change in the actuarial estimate of the claims reserves and actual recoveries that penetrated the excess layer. The result is an actual reduction of claims expenses. The General and Administrative, Excess Insurance and brokerage fees had a modest increase. The net result is a reduction of total Operating expenses of over \$5.8 million. The Board budgeted \$9,510,948 in expenses and ended the year with a little less than \$1.5 million in expenses. Non-operating or investment income was lower due to market forces. As a result, the pool had an increase in the Pool's net position held for county members' benefit of over \$7.4 million, from \$4.4 million to \$12.1 million.

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Current Trends and Conditions

The Pool's financial position improved by \$7,659,860 to \$12,118,238 from \$4,458,378 for a 172% increase. The Workers' Compensation Pool continues to improve in several areas. Claims handling continues to become more streamlined, claims audits show better results, and the pools' financial position continues to improve. We look forward to the implementation in November 2018 of a new cloud-based Risk Management Information System (RMIS), Origami Risk, for the management of claims.

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
STATEMENT OF NET POSITION - ENTERPRISE FUND
JUNE 30, 2018, AND 2017**

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,596,093	\$ 3,424,070
Investments	28,164,925	23,549,940
Accounts Receivable - Deductibles	716,800	1,372,621
Prepays	<u>25,550</u>	<u>15,083</u>
 TOTAL CURRENT ASSETS	 <u>30,503,368</u>	 <u>28,361,714</u>
NONCURRENT ASSETS		
Investment in County Reinsurance Limited	<u>799,724</u>	<u>779,884</u>
 TOTAL ASSETS	 <u><u>\$ 31,303,092</u></u>	 <u><u>\$ 29,141,598</u></u>
LIABILITIES AND POOL NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 14	\$ 3,265
Claims and Claim Adjustment Expenses	<u>5,148,887</u>	<u>6,507,140</u>
 TOTAL CURRENT LIABILITIES	 <u>5,148,901</u>	 <u>6,510,405</u>
LONG-TERM LIABILITIES		
Claims and Claim Adjustment Expenses	<u>14,035,953</u>	<u>18,172,815</u>
 TOTAL LIABILITIES	 <u>19,184,854</u>	 <u>24,683,220</u>
POOL NET POSITION HELD FOR MEMBERS' BENEFITS		
Unrestricted	<u>12,118,238</u>	<u>4,458,378</u>
 TOTAL LIABILITIES AND POOL NET POSITION	 <u><u>\$ 31,303,092</u></u>	 <u><u>\$ 29,141,598</u></u>

See auditor's report and accompanying notes to financial statements

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN POSITION – ENTERPRISE FUND
YEARS ENDED JUNE 30, 2018, AND 2017**

	2018	2017
OPERATING REVENUE		
Member Contributions, Net of Rebates and Safety Awards	\$ 9,078,389	\$ 8,710,372
OPERATING EXPENSES		
Claims and Claim Adjustment Expenses (Recoveries)	(785,297)	5,190,153
General and Administrative	1,441,904	1,334,993
Excess Insurance Premiums	822,735	839,114
Brokerage Fees (Insurance)	20,000	16,000
	1,499,342	7,380,260
TOTAL OPERATING EXPENSES		
	7,579,047	1,330,112
OPERATING INCOME		
	7,579,047	1,330,112
NON-OPERATING REVENUES		
Investment Income	60,973	315,836
Interest in Change in Net Position of County Reinsurance Limited	19,840	74,559
	80,813	390,395
TOTAL NON-OPERATING REVENUE		
	80,813	390,395
CHANGE IN NET POSITION		
	7,659,860	1,720,507
Pool Net Position - Beginning of Year	4,458,378	2,737,871
	4,458,378	2,737,871
POOL NET POSITION - END OF YEAR		
	\$ 12,118,238	\$ 4,458,378

See auditor's report and accompanying notes to financial statements

NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Members	\$ 9,734,210	\$ 10,466,047
Cash Paid to Vendors	(1,455,622)	(1,407,242)
Cash Paid on Claims and Claim Adjustment Expenses	(4,709,818)	(6,912,682)
Cash Paid for Insurance Brokerage Fees	(20,000)	(16,000)
Cash Paid for Excess Insurance	(822,735)	(839,114)
	2,726,035	1,291,009
NET CASH PROVIDED FROM OPERATING ACTIVITIES	2,726,035	1,291,009
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income Received	450,965	556,086
Purchase of Investments	(5,161,666)	(754,153)
Proceeds from the Sale of Investments	156,689	1,490,318
	(4,554,012)	1,292,251
CASH (USED FOR) PROVIDED FROM INVESTING ACTIVITIES	(4,554,012)	1,292,251
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,827,977)	2,583,260
Cash and Cash Equivalents - Beginning of Year	3,424,070	840,810
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,596,093	\$ 3,424,070
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 7,579,047	\$ 1,330,112
Accounts Receivable	655,821	(771,697)
Prepays	(10,467)	(132)
Accounts Payable	(3,251)	(72,381)
Claims and Claim Adjustment Expenses	(5,495,115)	805,107
	\$ 2,726,035	\$ 1,291,009
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,726,035	\$ 1,291,009
NONCASH INVESTING ACTIVITIES		
Unrealized Losses on Investments	\$ (389,992)	\$ (240,250)
Increase in County Reinsurance Limited Equity	\$ 19,840	\$ 74,559

See auditor's report and accompanying notes to financial statements

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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 \$19,841 and \$74,559 during the years ended June 30, 2018 and 2017, respectively. Additional contributions may be required from the Pool and other members as determined by CRL. During the years ended June 30, 2018 and 2017, there were no additional contributions requested from the Pool by CRL. Upon withdrawal from CRL, the Pool may request repayment of the original contribution plus the Pool's proportionate earnings in CRL accumulated during membership.

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

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

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 and 2017 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, 2018 and 2017, these amounts totaled \$35,000 and \$35,000, respectively, and are presented as an offset to member contributions in the statement of revenues, expenses and changes in net position.

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

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

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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:

2018	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
MUTUAL FUNDS:						
FEDERATED GOVT INC TRST IS	2.47%	N/A	N/A	\$ 2,202,005	(166,799)	\$ 2,035,206
PIMCO FD PAC INVT LOW DURATION	1.56%	N/A	N/A	2,093,563	(111,046)	1,982,517
DELAWARE LTD TERM DIV INC FD	2.54%	N/A	N/A	2,032,942	(71,493)	1,961,449
FIDELITY TREASURY ONLY	0.81%	N/A	N/A	2,016,125	-	2,016,125
DOUBLELINE FDS TR	3.64%	N/A	N/A	1,918,223	(87,535)	1,830,688
METROPOLITAN WEST FDS	2.30%	N/A	N/A	1,878,487	(74,776)	1,803,711
DODGE & COX INC FD	2.80%	N/A	N/A	1,656,858	(37,645)	1,619,213
AMG MANAGERS DOUBLE CORE PLUS	3.26%	N/A	N/A	1,500,000	(11,472)	1,488,528
LOOMIS SAYLES LTD	2.08%	N/A	N/A	1,170,559	(48,616)	1,121,943
FEDERATED TOTAL RET	3.27%	N/A	N/A	1,115,892	(53,540)	1,062,352
PGIM SHORT TERM CORP	2.73%	N/A	N/A	1,042,563	(53,625)	988,938
VANGUARD FIXED INCOME SHORT TERM	2.29%	N/A	N/A	858,846	(21,134)	837,712
FPA NEW INCOME INC	2.89%	N/A	N/A	834,672	(18,264)	816,408
VANGUARD S/T FUND ADMIRAL	1.79%	N/A	N/A	650,652	(16,479)	634,173
JPMORGAN STRATEGIC INC OPPTS	2.76%	N/A	N/A	622,090	(10,690)	611,400
BLACKROCK STRATEGIC INC	3.59%	N/A	N/A	566,946	(18,252)	548,694
DELAWARE LTD TERM DIVERS INC FD	2.40%	N/A	N/A	560,579	(36,005)	524,574
DELAWARE FLOATING RATE INSTL	4.32%	N/A	N/A	500,000	(2,987)	497,013
GOLDMAN SACHS STRNG INC FUND	1.69%	N/A	N/A	340,086	(39,155)	300,931
CARILLON REAMS UNCONSTRAINED I	1.81%	N/A	N/A	339,066	(3,192)	335,874
FIDELITY ADVISOR FL RATE HIGH INC	3.93%	N/A	N/A	165,855	(5,278)	160,577
CARILLON REAMS CORE CL I	2.04%	N/A	N/A	154,079	(1,971)	152,108
VANGUARD SHORT-TERM	2.29%	N/A	N/A	75,159	(2,367)	72,792
TOTAL MUTUAL FUNDS				24,295,247	(892,321)	23,402,926
EXCHANGE-TRADED FUNDS (ETF)						
ISHARES TR MBS	2.65%	N/A	N/A	166,021	(6,186)	159,835
ISHARES	2.07%	N/A	N/A	194,658	(2,954)	191,704
TOTAL EXCHANGE-TRADED FUNDS (ETF)				360,679	(9,140)	351,539
LONG-TERM CERTIFICATE OF DEPOSITS	1.86%	N/A	N/A	1,909,964	(1,556)	1,908,408

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

2018	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
GOVT. ASSET BACKED SECURITIES:						
GNMA II	3.86%	9/20/2040	N/A	\$ 261,913	(33,057)	\$ 228,856
GNMA II	5.03%	8/20/2033	N/A	87,951	21,550	109,501
GNMA II	5.11%	2/20/2038	N/A	55,941	(12,288)	43,653
GNMA II	5.03%	7/20/2033	N/A	85,109	(37,232)	47,877
GNMA II	4.67%	1/20/2037	N/A	41,846	(15,826)	26,020
TOTAL GOVT. ASSET BACKED SECURITIES				532,760	(76,853)	455,907
GOVERNMENT BONDS						
MOODY AAA, S&P AA+	0.96%	N/A	AAA	102,649	286	102,935
FEDERAL NAT'L MTG ASSN	1.62%	11/27/2018	AAA	499,826	(821)	499,005
FEDERAL NAT'L MTG ASSN	N/A	10/9/2019	N/A	97,434	(620)	96,814
FEDERAL HOME LOAN	1.12%	9/14/2018	AAA	54,856	38	54,894
FEDERAL HOME LOAN	1.45%	10/29/2019	AAA	99,000	(474)	98,526
FEDERAL HOME LOAN	1.30%	10/30/2018	AAA	44,910	(24)	44,886
TOTAL GOVERNMENT BONDS				898,675	(1,615)	897,060
US TREASURY NOTE						
US TREASURY NOTE	1.37%	6/30/2018	AAA	400,000	-	400,000
US TREASURY NOTE	1.00%	8/15/2018	AAA	498,437	1,027	499,464
US TREASURY NOTE	1.37%	9/30/2018	N/A	249,883	(262)	249,621
TOTAL US TREASURY NOTE				1,148,320	765	1,149,085
TOTAL INVESTMENTS				<u>\$ 29,145,645</u>	<u>(980,720)</u>	<u>\$ 28,164,925</u>
MONEY MARKET						
WELLS FARGO MONEY MARKET	0.01%	N/A	N/A	\$ 673,119	-	\$ 673,119
FIDELITY MONEY MARKET	0.01%	N/A	N/A	751,839	-	751,839
TOTAL MONEY MARKET				1,424,958	-	1,424,958
STATE TREASURER LGIP						
STATE TREASURER LGIP	0.03%	N/A	N/A	1,786	-	1,786
TOTAL CASH EQUIVALENTS				<u>\$ 1,426,744</u>	<u>-</u>	<u>\$ 1,426,744</u>

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

2017	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
CORPORATE BONDS:						
IBM CORP NOTES	5.65%	9/14/2017	A1	\$ 104,535	(3,674)	\$ 100,861
TOTAL CORPORATE BONDS				104,535	(3,674)	100,861
MUTUAL FUNDS:						
PIMCO TOTAL RETURN	2.71%	N/A	N/A	2,304,329	(99,600)	2,204,729
FEDERATED INC TRST SH BEN	2.20%	N/A	N/A	2,202,005	(108,696)	2,093,309
DELAWARE LTD TERM DIVERS INC FD	2.40%	N/A	N/A	2,045,619	(34,484)	2,011,135
PIMCO FD PAC INVNT LOW DURATION	1.94%	N/A	N/A	2,101,531	(94,564)	2,006,967
DOUBLELINE FDS TR	3.72%	N/A	N/A	1,852,988	(42,431)	1,810,557
METROPOLITAN WEST FDS	1.96%	N/A	N/A	1,836,851	(28,191)	1,808,660
DODGE & COX INC FD	2.96%	N/A	N/A	1,605,573	7,744	1,613,317
LOOMIS SAYLES LTD	1.80%	N/A	N/A	1,147,503	(28,059)	1,119,444
FEDERATED SER INC TOTAL RET	3.27%	N/A	N/A	1,115,892	(16,248)	1,099,644
PRUDENTIAL SHORT-TERM	2.61%	N/A	N/A	1,015,432	(24,507)	990,925
VANGUARD SHORT-TERM	1.86%	N/A	N/A	839,862	(3,663)	836,199
FPA NEW INCOME INC	2.50%	N/A	N/A	811,533	(15,160)	796,373
VANGUARD BD INDEX	1.52%	N/A	N/A	639,426	(3,587)	635,839
JPMORGAN STRATEGIC INC OPPTS	4.13%	N/A	N/A	622,090	(6,462)	615,628
BLACKROCK STRATEGIC INC	3.16%	N/A	N/A	568,744	(11,617)	557,127
DELAWARE LTD TERM DIV INC FD	2.13%	N/A	N/A	551,235	(26,610)	524,625
SCOUT UNCONSTRAINED BD INSTL	1.06%	N/A	N/A	339,066	2,584	341,650
GOLDMAN SACHS STRNG INC FUND	1.82%	N/A	N/A	341,132	(29,568)	311,564
FIDELITY FL RATE HIGH INC CL I	3.82%	N/A	N/A	165,855	(4,609)	161,246
SCOUT CORE BOND FUND CL I	0.00%	N/A	N/A	154,079	64	154,143
VANGUARD SHORT TERM INVMT	2.03%	N/A	N/A	75,159	(836)	74,323
TOTAL MUTUAL FUNDS				22,335,904	(568,500)	21,767,404
EXCHANGE-TRADED FUNDS (ETF)						
ISHARES BARCLAYS MBS BOND FD	1.31%	N/A	N/A	162,187	(2,275)	159,912
ISHARES	1.33%	N/A	N/A	194,658	(1,627)	193,031
TOTAL EXCHANGE-TRADED FUNDS (ETF)				356,845	(3,902)	352,943
LONG-TERM CERTIFICATE OF DEPOSITS	0.92%	N/A	N/A	750,000	(145)	749,855

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

2017	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
GOVT. ASSET BACKED SECURITIES:						
GNMA	3.74%	9/20/2040	N/A	\$ 314,087	(22,319)	\$ 291,768
GNMA	4.84%	8/20/2033	N/A	108,541	28,726	137,267
GNMA	4.97%	2/20/2038	N/A	65,502	(10,054)	55,448
GNMA II	4.91%	7/20/2033	N/A	94,519	(34,893)	59,626
GNMA II	4.55%	1/20/2037	N/A	49,235	(14,467)	34,768
TOTAL GOVT. ASSET BACKED SECURITIES				<u>631,884</u>	<u>(53,007)</u>	<u>578,877</u>
TOTAL INVESTMENTS				<u>\$ 24,179,168</u>	<u>(629,228)</u>	<u>\$ 23,549,940</u>
MONEY MARKET						
WELLS FARGO MONEY MARKET	3.74%	N/A	N/A	\$ 2,752,715	-	\$ 2,752,715
FIDELITY MONEY MARKET	4.84%	N/A	N/A	342,940	-	342,940
TOTAL MONEY MARKET				<u>3,095,655</u>	<u>-</u>	<u>3,095,655</u>
STATE TREASURER LGIP	0.03%	N/A	N/A	1,765	-	1,765
TOTAL CASH EQUIVALENTS				<u>\$ 3,097,420</u>	<u>-</u>	<u>\$ 3,097,420</u>

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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

	2018	2017
Interest and Dividends Received	\$ 572,973	\$ 556,086
Loss on Sale of Investments	(122,008)	-
Unrealized Gains (Losses)	(389,992)	(240,250)
Total Investment Income	\$ 60,973	\$ 315,836

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

Investment Type	2018	
	Cost	Estimated Fair Value
Mutual Funds	\$ 24,295,247	\$ 23,402,926
U.S. Government Agency Bonds	898,675	897,060
U.S. Treasury Note	1,148,320	1,149,085
Government Asset Backed Securities	532,760	455,907
Long-term certificates of deposit	1,909,964	1,908,408
Exchange-Traded Funds	360,679	351,539
Total	\$ 29,145,645	\$ 28,164,925

Investment Type	2017	
	Cost	Estimated Fair Value
Mutual Funds	\$ 22,335,905	\$ 21,767,404
U.S. Government Agency Bonds	-	-
U.S. Treasury Note	-	-
Government Asset Backed Securities	631,883	578,877
Long-term certificates of deposit	750,000	749,855
Exchange-Traded Funds	356,845	352,943
Corporate Bonds	104,535	100,861
Total	\$ 24,179,168	\$ 23,549,940

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risks. Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits may not be returned to it. As of June 30, 2018 and 2017, the Pool had no exposure to custodial credit risk.

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

New Mexico State Treasurer Local Government Investment Pool (LGIP)

As of June 30, 2018 and 2017, the investment in LGIP was as follows:

S&P Ratings	June 30, 2018	June 30, 2017	Weighted Average
AAAm Rated	\$ 1,786	\$ 1,765	60 Day WAM

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

LGIP has no foreign currency risk.

Credit Risk

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

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

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

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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

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

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

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

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

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

Credit Risk

The Pool places no limit on the amount the Pool may invest in any one issuer. However, management believes the investment policy adequately protects the Pool from credit risk given investments are restricted to those categories identified above. At June 30, 2018 and 2017, 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
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Issuer	Percentage of Total	
	2018	2017
Federated Investors	14%	15%
Delaware Investments	13%	12%
Fidelity	9%	0%
PIMCO	9%	20%
DoubleLine	8%	8%
Metropolitan West	8%	8%
Dodge & Cox	7%	7%
Vanguard	7%	7%
AMG	6%	0%
Loomis Sayles LTD	5%	5%

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, 2018

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual Funds	\$ 23,402,926
U.S. Government Agency Bonds	897,060
U.S. Treasury Note	1,149,085
Government Asset Backed Securities	455,907
Long-term certificates of deposit	1,908,408
Exchange-Traded Funds	351,539
Total	\$ 28,164,925

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

NAV Investment - June 30, 2018

Investment in County Reinsurance Limited	\$ 799,724
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Investments Not Requiring Fair Value - June 30, 2018

Money Market	1,424,958
State Treasurer LGIP	1,786
Total Investments and Cash Equivalents	\$ 30,391,393

Investments by Fair Value Level - June 30, 2017

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

NAV Investment - June 30, 2017

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

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

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 have been based on an actuarial evaluation of the Pool's historical claims experience, industry data and other factors. While management believes that these estimates are adequate, actual incurred but unpaid claims may vary significantly from the amount provided.

The Pool recorded the present value of incurred but unpaid claims assuming a 3% average rate of return on investments as of June 30, 2018 and 2017. Estimated outstanding losses were discounted from \$24,755,387 and \$30,514,269 as of June 30, 2018 and 2017, respectively.

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

	2018	2017
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	\$ 24,679,955	\$ 23,874,848
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Year	1,780,125	7,717,789
Decrease in Provision for Insured Events of Prior Years	(2,565,422)	(2,527,636)
Total (Recovery) Incurred Claims and Claim Adjustment Expenses	(785,297)	5,190,153
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year, Net of Recoveries	876,405	990,653
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	3,833,413	3,394,393
Total Payments	4,709,818	4,385,046
 Total Unpaid Claims and Claim Adjustment Expenses at End of Year	 \$ 19,184,840	 \$ 24,679,955

At June 30, 2018 and 2017, the Pool recorded the liability for losses and loss adjustment expenses based on an estimate of its independent consulting actuary.

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 and 2017 consisted of the following:

	2018	2017
Risk Management	\$ 1,218,158	\$ 1,217,393
Software Licensing and Support	165,840	40,664
Accounting and Audit	47,668	68,936
Actuarial	9,000	8,000
Legal Fees	1,238	-
Total	\$ 1,441,904	\$ 1,334,993

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, 2018 and 2017, the amount of excess insurance receivable was \$0 and \$8,336, 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, 2018 and 2017, the Pool paid \$822,735 and \$839,114, respectively, to CRL for excess insurance premiums. Reinsurance offset claims expense by \$108,218 and \$322,104 for the years ended June 30, 2018 and 2017, respectively.

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 6 - JOINT POWERS AGREEMENT

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

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

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

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, 2018 and 2017, Bernalillo County paid the first \$500,000 and \$400,000, respectively, of every claim with an annual aggregate of \$2,000,000 and \$1,750,000, respectively. For the year ended June 30, 2018, Dona Ana and Sandoval Counties paid the first \$25,000 claim with an annual aggregate of \$750,000. The Pool handled all claims for these member counties and they were covered by the Pool's excess insurance for any claim which exceeded \$750,000. San Juan County paid the first \$10,000 of every claim, with no aggregate.

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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.

NOTE 9 - TAX ABATEMENTS

As of June 30, 2018, the Pool does not have a GASB 77 disclosure to make as the Pool does not provide tax abatements.

NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
June 30, 2018

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

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

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

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

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

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

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

NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
June 30, 2018
(Dollars in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1. Net Earned Required Contribution and Investment Revenues	\$ 7,658	\$ 8,255	\$ 8,192	\$ 8,464	\$ 7,812	\$ 8,914	\$ 8,667	\$ 9,328	\$ 9,101	\$ 9,159
2. Unallocated Expenses	1,017	1,697	2,010	1,078	1,180	1,181	1,289	1,269	1,351	1,462
3. Estimated Incurred Claims and Expense, End of Policy Year	3,658	5,309	6,479	5,711	5,473	5,765	7,901	7,754	6,889	4,057
4. Paid (Cumulative) as of:										
Year One	1,554	1,505	1,286	1,330	970	1,099	1,439	1,186	1,315	896
Year Two	2,744	2,145	2,788	2,534	1,906	2,227	2,526	2,539	2,410	
Year Three	2,748	2,768	3,596	3,043	2,442	2,630	3,046	3,164		
Year Four	3,032	3,302	4,040	3,400	2,760	2,923	3,323			
Year Five	3,301	3,552	4,365	3,711	3,088	3,356				
Year Six	3,498	3,762	4,561	3,758	3,486					
Year Seven	3,591	3,973	4,755	3,823						
Year Eight	3,703	4,082	4,883							
Year Nine	5,610	4,180								
Year Ten	3,906									
5. Re-Estimated Incurred Claims and Expense										
Year One	3,658	5,309	6,479	5,711	5,473	5,765	7,901	7,754	6,889	4,057
Year Two	4,323	5,349	6,675	6,337	4,969	6,462	6,491	7,594	6,160	
Year Three	4,529	5,333	6,831	5,531	4,934	6,628	5,920	5,638		
Year Four	4,675	5,076	7,029	5,396	4,737	6,199	5,033			
Year Five	4,467	6,050	6,693	5,204	5,222	5,536				
Year Six	4,728	5,296	6,385	4,961	5,068					
Year Seven	4,984	5,188	6,293	4,527						
Year Eight	5,175	5,451	6,107							
Year Nine	6,521	4,817								
Year Ten	4,722									
6. Increase (Decrease) in Estimated Incurred Claims and Expense from End of Policy Year	1,064	(492)	(372)	(1,184)	(405)	(229)	(2,868)	(2,116)	(729)	-

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
SCHEDULES OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - (Budgetary Basis)	Variance With Final Budget Positive (Negative)
REVENUES				
Member Contributions	\$ 9,291,441	\$ 9,291,441	\$ 9,078,389	\$ (213,052)
Investment Income	300,000	300,000	80,813	(219,187)
Total Revenues	9,591,441	9,591,441	9,159,202	(432,239)
EXPENSES				
Claims and Claim Adjustment Expenses (Recoveries)	7,037,891	7,037,891	(785,297)	7,823,188
Excess Insurance Premiums	832,057	832,057	822,735	9,322
General and Administrative	1,621,000	1,621,000	1,441,904	179,096
Brokerage Fees	20,000	20,000	20,000	-
Total Expenses	9,510,948	9,510,948	1,499,342	8,011,606
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 80,493</u>	<u>\$ 80,493</u>	<u>7,659,860</u>	<u>\$ 7,579,367</u>
EXCESS OF REVENUES OVER EXPENSES PER ACCOMPANYING GAAP FINANCIAL STATEMENTS			<u>\$ 7,659,860</u>	

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

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - (Budgetary Basis)	Variance With Final Budget Positive (Negative)
REVENUES				
Member Contributions	\$ 9,076,286	\$ 9,076,286	\$ 8,710,372	\$ (365,914)
Investment Income	300,000	300,000	390,395	90,395
Total Revenues	<u>9,376,286</u>	<u>9,376,286</u>	<u>9,100,767</u>	<u>(275,519)</u>
EXPENSES				
Claims and Claim				
Adjustment Expenses	6,832,904	6,832,904	5,190,153	1,642,751
Excess Insurance Premiums	815,742	815,742	839,114	(23,372)
General and Administrative	1,409,000	1,409,000	1,334,993	74,007
Brokerage Fees	16,000	16,000	16,000	-
Total Expenses	<u>9,073,646</u>	<u>9,073,646</u>	<u>7,380,260</u>	<u>1,693,386</u>
EXCESS OF REVENUES OVER EXPENSES	<u><u>\$ 302,640</u></u>	<u><u>\$ 302,640</u></u>	<u><u>1,720,507</u></u>	<u><u>\$ 1,417,867</u></u>
EXCESS OF REVENUES OVER EXPENSES PER ACCOMPANYING GAAP FINANCIAL STATEMENTS			<u><u>\$ 1,720,507</u></u>	

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
SCHEDULE OF CASH AND CASH EQUIVALENTS RECONCILIATION FROM BANK TO FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

FIRST NATIONAL BANK

Checking	\$ 355,736
Reconciling Items:	
Outstanding Checks	(186,387)
Total Checking	169,349
Total First National Bank	169,349

WELLS FARGO SECURITIES

Money Market	685,579
Reconciling Items:	
Outstanding Checks	(12,460)
Deposits in Transit	-
Total Wells Fargo Securities	673,119

FIDELITY FINANCIAL INVESTMENTS

Money Market	751,839
Total Fidelity Financial Investments	751,839

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

1,786

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

\$ 1,596,093

CASH BALANCE PER BANK

\$ 1,793,154

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
SCHEDULE OF CASH COLLATERAL
FOR THE YEAR ENDED JUNE 30, 2018**

FIRST NATIONAL BANK

Checking	\$ 355,736
Other Checking Accounts Held by the New Mexico Association of Counties (Not Held by the Pool)	<u>1,957,089</u>
Total Deposit in Bank	2,312,825
FDIC Coverage	<u>(250,000)</u>
Total Uninsured Funds	2,062,825
50% Pledged Collateral Requirement	1,031,413
Pledged Collateral:	
FHR - Series 4328 Class BH - Held with First National Bank of Santa Fe; Cusip #3137B9RC1, Maturity Date: 12/15/2026	848,349
FHR - Series 4420 Class CA - Held with First National Bank of Santa Fe; Cusip #3137BFF71, Maturity Date: 1/15/2041	2,950,856
FHR - 4700 Class PB - Held with First National Bank of Santa Fe; Cusip #3137F1TC2, Maturity Date: 1/15/2045	2,358,266
GNMA II - Pool#: MA142 - Held with First National Bank of Santa Fe; Cusip #36179NSN9, Maturity Date: 11/20/2028	637,105
GNR - Series 2013-168 Class CE - Held with First National Bank of Santa Fe Cusip #38378YQV4, Maturity Date: 11/16/2028	<u>394,776</u>
Total Pledged Collateral	<u>7,189,352</u>
OVER-COLLATERALIZED	<u><u>\$ 6,157,940</u></u>



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**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. Wayne Johnson
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, 2018, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements and have issued our report thereon dated November 29, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pool's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and these findings are described in the accompanying schedule of findings and responses as 2014-001 and 2018-001.

The Pool's Response to Finding

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

Purpose of This Report

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

Moran Accounting Services, LLC

Santa Fe, New Mexico

November 29, 2018

NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018

SECTION I – FINANCIAL STATEMENT FINDINGS

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

Condition: Out of 40 claims payments tested, Nine 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).

- Payment in the amount of \$484.44, and was paid 31 days after receipt of the associated invoice.
- Payment in the amount of \$2,477.67, and was paid 37 days after receipt of the associated invoice.
- Payment in the amount of \$335.25, and was paid 32 days after receipt of the associated invoice.
- Payment in the amount of \$132.89, and was paid 38 days after receipt of the associated invoice.
- Payment in the amount of \$107.69, and was paid 41 days after receipt of the associated invoice.
- Payment in the amount of \$152.10, and was paid 34 days after receipt of the associated invoice.
- Payment in the amount of \$237.49, and was paid 35 days after receipt of the associated invoice.
- Payment in the amount of \$105.35, and was paid 44 days after receipt of the associated invoice.
- For one disbursement tested on the amount of \$56.92, there was not record of the associated invoice as this was a reconsideration case. Date of services were for June 2017 and payment was made about 13 months after. As not invoice was received/stamped for the records, the compliance with code above could not be determined.

Progress on Corrective Action Plan Implementation: This continues to be a struggle to comply with the NM Administrative Code. With the volume of claims and payments made, and the process of the third party claims review of the bills, there continues to be challenges to meet this requirement. We strongly believe that running our bills through the third party review yields material cost savings. This cost savings will continue to be a benefit to our members. However we maintain committed to meet the required 30 day turnaround as required by the NMAC Section 11.4.7.8 D(2).

Although we have made strides to shorten the payment period, we have still fallen short. As a result, management has moved forward with a mailroom service through our current bill review management provider, Equian. This goes into effect 11/13/18. All bills will go directly to Equian, they will be electronically date stamped and be placed immediately in their portal. The adjusters will have access to the bills the date they are received by Equian and they will be processed according to our contract. Turnaround time is expected to be no more than 7 days, unless it is a large hospital bill that requires additional processing, those expect to take 10-14 days to process. Management believes this change will dramatically reduce the number of late payments. Management has also addressed the issue with Equian as some of the late payments were because of delays in processing on Equian's end.

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I – FINANCIAL STATEMENT FINDINGS, CONTINUED

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

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

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

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

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

Management’s Response: Management has moved forward with a mailroom service through our current bill review management provider, Equian. This goes into effect 11/13/18. All bills will go directly to Equian, they will be electronically date stamped and be placed immediately in their portal. The adjusters will have access to the bills the date they are received by Equian and they will be processed according to our contract. Turnaround time is expected to be no more than 7 days, unless it is a large hospital bill that requires additional processing, those expect to take 10-14 days to process. Management believes this change will dramatically reduce the number of late payments. Management has also addressed the issue with Equian as some of the late payments were because of delays in processing on Equian’s end.

New Mexico Counties has also moved to a new risk management system, which should also assist in the reduction of late payments. This system has an interface with Equian, which will make processing the payment a much smoother process on our end.

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I – FINANCIAL STATEMENT FINDINGS, CONTINUED

Finding 2018-001 – Internal Control over Claims Disbursements (Finding that does not rise to the level of significant deficiency)

Condition: Out of 40 claims payments tested, we discovered one claim was paid twice. Disbursement for \$14.96 was made on 9/27/17; and the original disbursement for \$14.97 was made on 1/17/2017.

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

Cause: The process and internal controls for claims disbursements failed to avoid the double payment of the incurred expenses.

Effect: The Pool expenses are overstated by \$14.97.

Recommendation: We recommend the Pool research old invoices for prior payment, prior to disbursement to mitigate the risk of double payment.

Management Response: The payment outlined in this finding was a documented payment recommendation brought to us by the Workers’ Compensation Administration Medical Cost Containment Bureau. A provider sent a payment dispute directly to the WCA, they submitted an explanation to pay, and the adjuster issued payment based on the WCA’s recommendation. Unfortunately, the payment of \$14.97 does appear to be a duplicate payment. However, management does not believe that this particular disbursement constitutes a lack of internal control, as we were directed by the WCA to issue payment.

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

SECTION I – FINANCIAL STATEMENT FINDINGS

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

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

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
EXIT CONFERENCE
JUNE 30, 2018**

An exit conference was held on November 28, 2018. The conference was held at the offices of New Mexico Association of Counties in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL

Lance Pyle, Curry County Manager and Chairman of the Pool Board
Santiago Chavez, Finance Director
Carolin Rios, Controller

MORTON ACCOUNTING SERVICES, LLC

Janet Pacheco-Morton, Principal

PREPARATION OF FINANCIAL STATEMENTS

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