

**NEW MEXICO COUNTY INSURANCE AUTHORITY:
MULTI-LINE POOL**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2015

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
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**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
OFFICIAL ROSTER
DECEMBER 31, 2015**

Board of Directors

Ron Lethgo	Chair
Danny Mayfield	Vice Chair
Orlando Lucero	Secretary/Treasurer
Lonnie Fregburger	Member
Wendell Bostwick	Member
Javier Diaz	Member
Wayne Hancock	Member
Shirley Ragin	Member
Ron Ortega	Member
Nita Taylor	Member
Doug Decker	Ex-officio Member
Patrick Snedeker	Ex-officio Member

Administrative Officers

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

Multi-Line Program Member Counties as of December 31, 2015

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

Law Enforcement Program Member Counties as of December 31, 2015

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



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INDEPENDENT AUDITORS' REPORT

Board of Directors
New Mexico County Insurance Authority: Multi-Line Pool
Santa Fe, New Mexico and
Mr. Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of New Mexico County Insurance Authority: Multi-Line Pool (the Pool) as of and for the year ended December 31, 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 also have audited the Schedules of Revenues and Expenses – Budget and Actual presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying financial statements as of and for the year ended December 31, 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 opinions 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: Multi-Line 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 opinions.

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 and each major fund of the Pool as of December 31, 2015, and the respective changes in financial position and cash flows thereof and the Schedules of Revenues and Expenses – Budget and Actual 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 7 and the ten year claims development information on pages 25 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pool's basic financial statements. The accompanying schedule of cash and cash equivalents reconciliation from books to financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying cash and cash equivalents reconciliation from books to financial statements, listed as other supplementary information in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 accompanying cash and cash equivalents reconciliation from books to financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
New Mexico County Insurance Authority: Multi-Line Pool and
Mr. Timothy Keller
New Mexico State Auditor

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 May 31, 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 result of that testing, and not to provide an opinion on 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
May 31, 2016

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

As management of the New Mexico County Insurance Authority: Multi-Line Pool (the Pool), we offer readers of the Pool's financial statements this narrative overview and analysis of the financial activities of the Pool for the fiscal year ended December 31, 2015.

Overview of the Financial Statements

The Pool is a self-insurance pool for New Mexico counties created pursuant to joint powers agreements. The Pool is composed of two separate county self-insurance pools: the Multi-Line Program and the Law Enforcement Program (the Programs). Both programs had 29 member counties as of December 31, 2015. Members pay annual contributions to the Programs. The other source of income is investments. The Programs then pay all administrative, claims and excess insurance costs. The Programs' basic financial statements are composed of three components: 1) government-wide financial statements, 2) separate pool financial statements, and 3) notes to the financial statements.

Condensed Comparative Data

	2015	2014
Total Assets (Cash, Investments, Receivables and Prepaids)	\$ 37,537,762	\$ 39,146,195
Total Liabilities (Accounts Payable and Claims and Claim Adjustment Expenses)	37,165,438	32,365,017
POOL NET POSITION	\$ 372,324	\$ 6,781,178
REVENUES		
Member Contributions	\$ 20,165,469	\$ 18,834,644
Investment and Other Income	107,763	1,159,293
Total Revenues	20,273,232	19,993,937
EXPENSES		
Claims and Claim Adjustment Expenses	20,650,632	18,729,846
Excess Insurance and Brokerage Fees	3,178,777	3,063,417
General and Administrative	2,852,677	2,606,773
Total Expenses	26,682,086	24,400,036
DEFICIENCY OF REVENUES UNDER EXPENSES	(6,408,854)	(4,406,099)
Net Position - Beginning of Year	6,781,178	11,187,277
NET POSITION - END OF YEAR	\$ 372,324	\$ 6,781,178

Financial Highlights

- Multi-Line Program assets increased by \$1,380,143 and net position decreased \$524,506.
- Law Enforcement Program assets decreased by \$2,988,576 and net position decreased \$5,884,348.

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

Underwriting Results

Contributions to the Multi-Line Program increased from \$8,580,099 in 2014 to \$9,504,463 in 2015. Law Enforcement Program contributions increased from \$10,254,545 in 2014 to \$10,661,006 in 2015. Individual counties' contributions to the Multi-Line and Law Enforcement Programs are based on each county's loss experience and exposure.

The Pools' pricing and budgeting approach includes investment income and interest income. Adding in investment and interest income, the Pools had a decrease in net position of \$6,408,854, a \$524,506 decrease for Multi-Line and a \$5,884,348 decrease for Law Enforcement.

Excess Insurance Premiums

Reinsurance expenses for the Multi-Line Program increased \$37,384 in 2015 due to lower excess property rates. Reinsurance expenses for the Law Enforcement Program increased by \$72,976, from \$2,083,193 to \$2,156,169 due to losses incurred, inflation, and the increased allocation of shared excess insurance premiums to the Law Enforcement Program due to increased risk. Additionally, Santa Fe County joined the Law Enforcement Pool in 2014, also contributing to the increase in excess insurance premium expenses.

Investments

At the end of 2015, the Pools' current assets totaled \$34,365,986. Of this amount, \$3,661,446 was in cash, earning less than 1% interest. Most of the remaining amount was invested primarily in a fixed income portfolio of government and corporate bonds earning about 4.25%.

Property, Plant and Equipment

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

Long-term Debt

The Pool had no long-term debt during 2015.

Change in Net Position

For the year ended December 31, 2015, the Multi-Line Program's net position decreased by \$524,506. The Law Enforcement Program's net position decreased by \$5,884,348. The change in net position for the Multi-Line Program included an operating loss of \$692,220 and investment income of \$12,200. The change in net position for the Law Enforcement Program included an operating loss of \$5,802,797 and investment loss of \$81,551.

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

Net Position

The Pool had a combined net position of \$372,324 at the close of its most recent fiscal year. The Multi-Line Program net position decreased from \$2,944,139 to \$2,419,633 and the Law Enforcement Program net position decreased from \$3,837,039 to negative \$2,047,309.

Budget

Overages in the claims and claims adjustment expenses are primarily due to actuarial-recommended adjustments of the present value of expected losses, not actual incurred losses.

Pool Trends and Conditions

The Multi-Line and the Law Enforcement Pool's continue to see an increased frequency and severity of claims from member counties. Actuarial projections have negatively impacted the Fund Balance in each of the Pools. 2016 saw an increase in deductible levels offered to members across both Pools and a change in the minimum required deductible for each member, thereby shifting more of the first dollar risk to the member and off of the Pools. The Law Enforcement Pool is feeling pressure from public opinion regarding law enforcement activities as well as experiencing substantial claims arising from detention center activities. Management continues to take steps to mitigate these increases; including having the Loss Prevention staff meet more frequently with county staff and increasing training tools available to county employees. Additionally this year the Risk Management department is facilitating a special project to focus on sexual misconduct policies and procedures for all Law Enforcement Pool members that are running a detention center.

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
STATEMENT OF NET POSITION – ENTERPRISE FUNDS
DECEMBER 31, 2015**

	Multi-Line Program	Law Enforcement Program	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 500,655	\$ 3,160,791	\$ 3,661,446
Investment in the Local Government Investment Pool	401	576	977
Investments	13,534,991	16,210,405	29,745,396
Accounts Receivable - Subrogation, Deductibles	320,139	212,218	532,357
Accounts Receivable - Other	10,000	-	10,000
Due from New Mexico Association of Counties, Current Portion	96,463	-	96,463
Prepays	319,347	-	319,347
Total Current Assets	14,781,996	19,583,990	34,365,986
NON-CURRENT ASSETS			
Restricted Cash	\$ 222,469	\$ 222,469	\$ 444,938
Due from New Mexico Association of Counties, Net of Current Portion	2,481,636	-	2,481,636
Investment in County Reinsurance Limited	245,202	-	245,202
Total Non-Current Assets	2,949,307	222,469	3,171,776
Total Assets	\$ 17,731,303	\$ 19,806,459	\$ 37,537,762
LIABILITIES AND POOL NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$ 41,535	\$ 42,907	\$ 84,442
Claims and Claim Adjustment Expenses	6,031,968	8,918,004	14,949,972
Total Current Liabilities	6,073,503	8,960,911	15,034,414
LONG-TERM LIABILITIES			
Claims and Claim Adjustment Expenses	9,238,167	12,892,857	22,131,024
Total Long-Term Liabilities	9,238,167	12,892,857	22,131,024
POOL NET POSITION HELD FOR MEMBERS' BENEFITS			
Unrestricted	2,419,633	(2,047,309)	372,324
Total Pool Net Position Held for Members' Benefits	2,419,633	(2,047,309)	372,324
Total Liabilities and Pool Net Position	\$ 17,731,303	\$ 19,806,459	\$ 37,537,762

See accompanying Notes to Financial Statements.

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION – ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2015**

	Multi-Line Program	Law Enforcement Program	Total
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES			
Member Contributions	\$ 9,504,463	\$ 10,661,006	\$ 20,165,469
Other Operating Income	21,600	-	21,600
Total Operating Revenues	<u>9,526,063</u>	<u>10,661,006</u>	<u>20,187,069</u>
OPERATING EXPENSES			
Claims and Claim Adjustment Expenses	7,849,246	12,801,386	20,650,632
Excess Insurance Premiums	912,608	2,156,169	3,068,777
Brokerage Fees (Insurance)	75,000	35,000	110,000
General and Administrative	1,381,429	1,471,248	2,852,677
Total Operating Expenses	<u>10,218,283</u>	<u>16,463,803</u>	<u>26,682,086</u>
OPERATING LOSS	(692,220)	(5,802,797)	(6,495,017)
NON-OPERATING REVENUES			
Investment Income/(Losses)	12,200	(81,551)	(69,351)
Interest Income	130,087	-	130,087
Interest in Change in Net Position of County Reinsurance Limited	25,427	-	25,427
Total Non-Operating Revenue	<u>167,714</u>	<u>(81,551)</u>	<u>86,163</u>
CHANGE IN NET POSITION	(524,506)	(5,884,348)	(6,408,854)
Pool Net Position Held for Members' Benefits - Beginning of Year	<u>2,944,139</u>	<u>3,837,039</u>	<u>6,781,178</u>
POOL NET POSITION HELD FOR MEMBERS' BENEFITS - END OF YEAR	<u>\$ 2,419,633</u>	<u>\$ (2,047,309)</u>	<u>\$ 372,324</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2015**

	Multi-Line Program	Law Enforcement Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Members	\$ 9,253,747	\$ 10,593,983	\$ 19,847,730
Cash Paid to Vendors	(1,360,992)	(1,434,891)	(2,795,883)
Cash Paid on Claims and Claims Adjustments Expenses	(5,892,548)	(9,941,971)	(15,834,519)
Cash Paid for Insurance Brokerage Fees	(75,000)	(35,000)	(110,000)
Cash Paid for Excess Insurance	(912,608)	(2,156,169)	(3,068,777)
Cash Paid for Reinsurance	(72,486)	-	(72,486)
Cash Paid to Others	5,526	-	5,526
Net Cash Provided (Used) by Operating Activities	945,639	(2,974,048)	(2,028,409)
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits to Restricted Cash	(222,469)	(222,469)	(444,938)
Investment Income Received	298,831	385,179	684,010
Interest Income on Notes Receivable Received	130,087	-	130,087
Repayments Received on Notes Receivable	74,590	-	74,590
Investment in County Reinsurance Limited	(6,377)	-	(6,377)
Proceeds from Sale or Maturity of Investments	1,520,165	8,267,354	9,787,519
Purchases of Investments	(3,148,715)	(3,501,510)	(6,650,225)
Net Cash Provided (Used) by Investing Activities	(1,353,888)	4,928,554	3,574,666
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(408,249)	1,954,506	1,546,257
Cash and Cash Equivalents - Beginning of Year	908,904	1,206,285	2,115,189
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 500,655	\$ 3,160,791	\$ 3,661,446
RECONCILIATION OF OPERATING LOSS TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Loss	\$ (692,220)	\$ (5,802,797)	\$ (6,495,017)
Changes in Assets and Liabilities			
Accounts Receivable	(250,716)	(67,023)	(317,739)
Prepays	(16,074)	-	(16,074)
Accounts Payable	20,437	36,357	56,794
Claims and Claim Adjustment Expenses	1,884,212	2,859,415	4,743,627
Net Cash Provided (Used) by Operating Activities	\$ 945,639	\$ (2,974,048)	\$ (2,028,409)
NONCASH AMOUNTS			
Unrealized Loss on Investments	\$ (286,631)	\$ (466,730)	\$ (753,361)

See accompanying Notes to Financial Statements.

NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The New Mexico County Insurance Authority: Multi-Line Pool (the Pool) was formed January 1, 1989, pursuant to the New Mexico Joint Powers Agreement Act (11-1-1 NMSA 1978), as amended. The Pool operates two self-insurance pools: a Multi-Line Program and a Law Enforcement Program (collectively referred to as the Programs). As a self-insurance fund under Section 3-62-2 NMSA 1978, the Pool is not considered to be in the insurance business and, as such, is not subject to New Mexico laws regulating insurance operations.

The Law Enforcement Program was formed August 1, 1995, by the Pool as a self-insurance program for law enforcement employees, detention officers and sheriff reserve officers. Members of the Law Enforcement Program include various counties within the State of New Mexico.

Membership in the Programs 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 may be expelled for failure to make timely contributions to the Pool, or failure to institute loss reduction and prevention procedures. Upon withdrawal or expulsion, a member is not entitled to reimbursement of contributions made to the Pool, and continues to be obligated to make payment for obligations that arose prior to withdrawal.

Members agree to contribute amounts determined by the Pool's Board of Directors to be necessary to protect the solvency of the Pool after considering investment income. The Pool is responsible for paying all claims and for administering the funds.

No entities were noted that should be considered component units of the Pool. No entities were specifically excluded, as none were noted as meeting any of the criteria for inclusion set forth by Governmental Accounting Standards Board (GASB) Statements 39 and 61. The Pool has no component units.

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 Pool uses fund accounting. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. All operations of the Pool are accounted for as proprietary funds. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to outside parties. The only proprietary fund types the Pool has are enterprise funds. Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services, and the activity is financed with debt that is: a) solely secured by a pledge of the net revenues; b) has third party requirements that the cost of providing services, including

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

capital costs, be recovered with fees and charges, or c) has a pricing policy designed for the fees and charges to recover similar costs. The Multi-Line Program and Law Enforcement Program are considered major enterprise funds.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include demand and money market accounts. Cash in bank accounts is insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). The Pool has all cash and cash equivalents secured by pledges of qualifying securities held by the depository. Cash held by LPL Financial and the Sandia Investment Group of Wells Fargo Advisors is insured by the Securities Protection Investors Corporation up to \$500,000 per institution. This coverage does not protect against losses from any change in the market values of securities.

Investments

The Pool reports certain investments at fair value in the statement of net position and recognizes the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is based on the quoted market value at year-end. Investment transactions are recorded on the trade date. Dividends are recognized as income when declared. In accordance with the Pools' investment policy, allowable investments include securities of the United States government and certain state and local governments; securities guaranteed by the United States Government; certain commercial paper and corporate bonds; asset backed obligations; repurchase agreements; certificates of deposit; mutual funds; and the New Mexico Office of the State Treasurer State Investment Pool (State Investment Pool).

Participation in the State Local Government Investment Pool is not required and the State Investment Pool is not registered with the SEC. Also, the State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 610-10 P and Sections 6-10-10.1 A and E, NMSA 1978. The State Investment Pool does not have unit shares, and all interest earned is distributed by the State Treasurer to contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested.

Investment in County Reinsurance Limited

County Reinsurance Limited (CRL) is a member-owned reinsurance company, consisting of 24 members at December 31, 2015. The Pool accounts for its investment in CRL on the equity method of accounting. The initial capital contribution of \$172,079 to obtain membership in CRL was accounted for at cost, and 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 \$25,427 during the year ended December 31, 2015. Additional contributions may be required from the Pool and other members as determined by CRL. During the year

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in County Reinsurance Limited (Continued)

ended December 31, 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.

Accounting Method

The Pool's books are maintained on the accrual basis of accounting using the economic resources measurement focus. Billings for contributions are recognized as revenue in the period of the insurance coverage.

Operating Revenues

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal ongoing operations of the Pool is risk financing and, accordingly, premiums paid by participants and members for risk and benefits coverage are classified as operating revenues. Other income, including investment income, is outside of the Pool's principal ongoing operations and, therefore, is classified as non-operating income. The principal operating expenses of the Pool include the cost of claims and adjustment, as well as excess insurance premiums and general and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Participant Premiums

Participant premiums for insurance coverage are recognized as revenue on a pro rata basis over the contract period (coincides with fiscal year).

Excess Insurance Premiums

Excess insurance premiums for risk coverage are recognized as an expense on a pro rata basis over the contract period (coincides with the fiscal year). Premium adjustments for retrospectively adjusted excess insurance policies are estimated and recorded as revenue or expense over the period of policy coverage.

Claims and Claim Adjustment Expenses

Insurance losses and related loss adjustment expenses are charged to operations as incurred. The reserves for losses and loss 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 property and casualty insurance industry data, which supplements the Pool's limited historical experience and includes the effects of inflation and other factors. Losses are reported net of estimated amounts recoverable from excess insurance, salvage and subrogations, and the deductible portion of claims. Adjustments to the probable ultimate liability for losses and loss adjustment expenses are made

NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Claims and Claim Adjustment Expenses (Continued)

continually, based on subsequent developments and experience, and are included in operating income.

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.

Credit Risk

The Pool transacts the majority of its business with its members. Credit losses relating to member receivables have been within management's expectations and there is no allowance for doubtful accounts. Generally, collateral is not required on receivables.

Budget

In accordance with 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 and members. The budget is adopted on a special purpose framework. GAAP differences in budgeted amounts arise from non-budgeted depreciation expense on capital assets, when applicable. There were no differences between GAAP and this budgetary basis for the current fiscal year. 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.

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 December 31, 2015 and, accordingly, the net position is reported as unrestricted.

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 value 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 derivatives.

NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments consisted of the following at December 31, 2015:

	Rate	Maturity Date	Average Effective Maturity (Years)	Moody Rating	Cost	Unrealized Holding Gain (Loss)	Estimated Fair Value
Multi-Line Program:							
Metropolitan West Total Return Bond I	N/A	N/A	7.55	N/A	\$ 1,487,823	\$ (31,117)	\$ 1,456,706
Dodge & Cox Income	N/A	N/A	8.09	N/A	1,501,077	(50,873)	1,450,204
Doubleline Total Return Bond I	N/A	N/A	4.70	N/A	1,447,134	(32,198)	1,414,936
Delaware Limited-Term Diversified Inc I	N/A	N/A	3.94	N/A	1,051,263	(35,427)	1,015,836
PIMCO Mortgage Backed Securities Class P	N/A	N/A	3.96	N/A	1,011,229	(17,645)	993,584
Federated Government Income Inst.	N/A	N/A	-	N/A	969,908	(34,728)	935,180
Federated Total Return Bond Inst.	N/A	N/A	7.65	N/A	834,211	(42,333)	791,878
Loomis Sayles Limited Term US Govt. Y	N/A	N/A	3.62	N/A	697,847	(11,923)	685,924
Delaware Limited-Term Diversified Inc A	N/A	N/A	3.94	N/A	537,085	(32,236)	504,849
Loomis Sayles Limited Term US Govt. Y	N/A	N/A	3.62	N/A	430,964	(17,177)	413,787
PIMCO Low Duration P	N/A	N/A	1.77	N/A	392,310	(20,684)	371,626
Franklin Adjustable US Govt Secs A	N/A	N/A	5.72	N/A	300,345	(15,230)	285,115
Vanguard Short-Term Investment-Grade Adm	N/A	N/A	3.45	N/A	271,791	(4,333)	267,458
Vanguard Short-Term Infl-Prot Secs ETF	N/A	N/A	2.75	N/A	263,327	(8,716)	254,611
Prudential Short Term Corporate Bd Z	N/A	N/A	-	N/A	243,730	(10,800)	232,930
MainStay Floating Rate I	N/A	N/A	-	N/A	246,502	(15,261)	231,241
JP Morgan Chase	6.00%	1/15/2018	N/A	A3	207,747	7,927	215,674
GNMA II Pass Thru	5.50%	2/20/2038	N/A	N/A	186,351	(14,416)	171,935
Vanguard Short-Term Bond Index Adm	N/A	N/A	3.05	N/A	158,559	(2,511)	156,048
Thompson Bond	N/A	N/A	-	N/A	161,000	(18,057)	142,943
Federal Home Ln Mtg	5.25%	4/28/2016	N/A	AAA	140,959	(55)	140,904
GNMA II Pass Thru	5.00%	3/20/2038	N/A	N/A	156,401	(18,032)	138,369
GNMA II Pass Thru	5.00%	2/20/2039	N/A	N/A	149,397	(14,749)	134,648
Natl Rural Util Coop	10.38%	11/1/2018	N/A	A1	129,007	(6,842)	122,165
Federal Home Ln Mtg	2.50%	5/27/2016	N/A	AAA	109,843	(14)	109,829
Goldman Sachs	5.95%	1/18/2018	N/A	A3	103,344	4,257	107,601
Goldman Sachs	6.25%	9/1/2017	N/A	A3	105,130	2,187	107,317
IBM Corporation Senior Notes	5.70%	9/14/2017	N/A	AA3	104,535	2,720	107,255
GNMA	5.50%	3/15/2032	N/A	N/A	159,062	(68,619)	90,443
Federal Farm Credit	5.20%	9/15/2016	N/A	AAA	82,476	5	82,481
GNMA	6.00%	3/20/2037	N/A	N/A	96,040	(13,835)	82,205
GNMA	6.00%	5/20/2036	N/A	N/A	93,548	(11,351)	82,197
Federal Farm Credit	5.00%	11/15/2016	N/A	AAA	66,343	(26)	66,317
Federal Home Loan	5.38%	6/10/2016	N/A	AAA	51,025	15	51,040
GNMA	6.00%	8/20/2033	N/A	N/A	52,045	(15,684)	36,361
Federal Home Ln Mtg	2.00%	8/25/2016	N/A	AAA	31,257	5	31,262
Federal Farm Credit	5.27%	9/1/2016	N/A	AAA	26,781	(9)	26,772
GNMA	5.50%	10/15/2033	N/A	N/A	26,409	(6,078)	20,331
GNMA	6.00%	6/20/2031	N/A	N/A	10,683	(5,654)	5,029
					<u>\$14,094,488</u>	<u>\$ (559,497)</u>	<u>\$ 13,534,991</u>

NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

	Rate	Maturity Date	Average Effective Maturity (Years)	Moody Rating	Cost	Unrealized Holding Gain (Loss)	Estimated Fair Value
Law Enforcement Program:							
Federated Total Return Bond Inst.	N/A	N/A	7.65	N/A	\$ 2,418,633	\$ (128,842)	\$ 2,289,791
Delaware Limited-Term Diversified Inc I	N/A	N/A	3.94	N/A	1,692,641	(58,869)	1,633,772
Doubleline Total Return Bond I	N/A	N/A	4.70	N/A	1,404,695	(30,123)	1,374,572
Loomis Sayles Bond Inst.	N/A	N/A	6.22	N/A	1,550,684	(207,949)	1,342,735
Federated Government Income Inst.	N/A	N/A	-	N/A	1,299,153	(42,013)	1,257,140
Metropolitan West Total Return Bond I	N/A	N/A	7.55	N/A	1,180,444	(21,821)	1,158,623
Delaware Diversified Floating Rate Inc.	N/A	N/A	4.16	N/A	1,000,000	-	1,000,000
FPA New Income	N/A	N/A	2.05	N/A	719,059	(18,753)	700,306
Delaware Diversified Income Inst.	N/A	N/A	7.41	N/A	757,203	(61,903)	695,300
Dodge & Cox Income	N/A	N/A	8.09	N/A	670,496	(23,258)	647,238
Loomis Sayles Limited Term US Govt. Y	N/A	N/A	3.62	N/A	573,582	(11,364)	562,218
Vanguard Short-Term Investment-Grade Adm	N/A	N/A	3.45	N/A	530,221	(9,085)	521,136
Prudential Short-Term Corporate Bd Z	N/A	N/A	-	N/A	524,282	(19,473)	504,809
Fidelity Advisor Floating Rate Hi Inc I	N/A	N/A	-	N/A	540,791	(48,854)	491,937
Thompson Bond	N/A	N/A	-	N/A	536,745	(59,272)	477,473
Vanguard Short-Term Infl-Prot Secs ETF	N/A	N/A	2.75	N/A	299,376	(9,421)	289,955
Vanguard S/T Bond	N/A	N/A	3.05	N/A	264,265	(4,185)	260,080
GNMA II Pass Thru	5.00%	8/20/2035	N/A	N/A	268,073	(29,450)	238,623
GNMA II Pass Thru	5.00%	7/20/2035	N/A	N/A	226,134	(16,674)	209,460
Caterpillar Financial	7.15%	2/15/2019	N/A	A2	163,393	8,712	172,105
JP Morgan Chase	6.00%	1/15/2018	N/A	A3	103,094	4,743	107,837
Verizon Communication	5.50%	2/15/2018	N/A	BAA1	103,411	3,919	107,330
IBM Corporation	5.70%	9/14/2017	N/A	AA3	52,270	1,357	53,627
GNMA	6.00%	3/20/2037	N/A	N/A	48,024	(6,921)	41,103
GNMA	6.00%	5/20/2036	N/A	N/A	46,777	(5,679)	41,098
GNMA II Pass Thru	5.50%	6/20/2033	N/A	N/A	55,915	(23,778)	32,137
					<u>\$17,029,361</u>	<u>\$ (818,956)</u>	<u>\$ 16,210,405</u>

Investment income is summarized as follows for the year ended December 31, 2015:

Multi-Line Program:

Interest Income	\$ 352,067
Loss on Sale of Investments	(53,236)
Unrealized Losses	(286,631)
Total Investment Income	<u>\$ 12,200</u>

Law Enforcement Program:

Interest Income	\$ 599,821
Loss on Sale of Investments	(214,642)
Unrealized Losses	(466,730)
Total Investment Losses	<u>\$ (81,551)</u>

NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2015, the Pool's cash and cash equivalents and investments were as follows:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>
<u>Multi-Line Program</u>		
Cash and Cash Equivalents:		
Checking and Money Market	\$ 500,655	\$ 500,655
Total	<u>\$ 500,655</u>	<u>\$ 500,655</u>
Investment in the State General Fund Investment Pool	\$ 401	\$ 401
Total	<u>\$ 401</u>	<u>\$ 401</u>
Investments:		
Stocks and ETFs	\$ 263,327	\$ 254,611
Corporate Notes	649,763	660,012
Government Asset-Backed Securities	1,438,620	1,270,123
Mutual Funds	11,742,778	11,350,245
Total	<u>\$ 14,094,488</u>	<u>\$ 13,534,991</u>
<u>Law Enforcement Program</u>		
Cash and Cash Equivalents:		
Checking and Money Market	\$ 3,160,791	\$ 3,160,791
Total	<u>\$ 3,160,791</u>	<u>\$ 3,160,791</u>
Investment in the State General Fund Investment Pool	\$ 576	\$ 576
Total	<u>\$ 576</u>	<u>\$ 576</u>
Investments:		
Stocks and ETFs	\$ 299,376	\$ 289,955
Corporate Notes	422,168	440,899
Government Asset-Backed Securities	644,923	562,420
Mutual Funds	15,662,894	14,917,131
Total	<u>\$ 17,029,361</u>	<u>\$ 16,210,405</u>
<u>Both Programs</u>		
Cash and Cash Equivalents:		
Checking and Money Market	\$ 3,661,446	\$ 3,661,446
Total	<u>\$ 3,661,446</u>	<u>\$ 3,661,446</u>
Investment in the State General Fund Investment Pool	\$ 977	\$ 977
Total	<u>\$ 977</u>	<u>\$ 977</u>

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investment Type	Cost	Fair Value
<u>Both Programs (Continued)</u>		
Investments:		
Stocks and ETFs	\$ 562,703	\$ 544,566
Corporate Notes	1,071,931	1,100,911
Government Asset-backed Securities	2,083,543	1,832,543
Mutual Funds	27,405,672	26,267,376
Total	<u>\$ 31,123,849</u>	<u>\$ 29,745,396</u>

Collateral Requirements

First National Bank of Santa Fe:

Total Amount on Deposit in Bank:

Multi-Line Checking	\$ 443,166
Law Enforcement Checking	570,831
Other Funds Administered by the New Mexico Association of Counties (Not Held by the Pool)	<u>706,288</u>
Total Deposit in Bank	1,720,285
FDIC Coverage	<u>(250,000)</u>
Total Uninsured Funds	<u>\$ 1,470,285</u>

50% Pledged Collateral Requirement \$ 735,143

Pledged Collateral:

Description	Maturity	Par	Market	
CUSIP #011464HX5	8/1/2022	700,000	\$ 702,145	702,145
CUSIP #889855VA7	2/15/2028	500,000	542,745	542,745
CUSIP #011464HR8	8/1/2016	225,000	225,785	225,785
CUSIP #011464HT4	8/1/2018	225,000	225,286	225,286
Total Pledged Collateral				<u>1,695,961</u>
Over-Collateralized				<u>\$ 960,818</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 December 31, 2015, none of the Pool's deposits were exposed to custodial credit risk; the total of demand deposits was covered by FDIC or by collateral held by the Pool's agent in the Pool's name.

Interest Rate Risk

The Pool does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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. Such investments shall have aggregate durations or maturities of no more than five years.

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, the Federal Home Loan Mortgage Association, the Federal National Mortgage Association, the Federal Farm Credit Bank or the Student Loan Marketing Association, or are backed by the full faith and credit of the United States government. Such investments shall have aggregate durations or maturities of no more than five years.

Commercial Paper. Unsecured obligations with maturity up to 270 days issued by corporations organized and operating within the United States. The commercial paper shall be assigned the highest rating by 3 of the 4 national rating services (A1, P1, D1 or F1).

Corporate Bonds. The Pool is no longer purchasing corporate bonds. Such investments currently held by the Pool will be sold if management believes that the sale will be beneficial. Otherwise, investments in corporate bonds will be held until maturity.

Asset-backed Obligations. 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.

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.

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; provided that the investment company or manager has total assets under management of at least one billion dollars and provided that the board of finance of the county or municipality may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments or individual, common or collective trust funds of banks or trust companies that invest in

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk (Continued)

fixed-income securities or debt instruments that are listed in a nationally recognized, broad-market, fixed-income-securities market index; provided that the investment company or manager has total assets under management of at least one billion dollars and provided that the board of finance of the county or municipality may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments. Such investments shall have aggregate durations or maturities of no more than five years.

New Mexico State Treasurer's Local Government State Investment Pool (State Investment Pool as defined in Note 1). This fund is rated AAA by Standard and Poor's.

Concentration of Credit Risk

The Pool places no limit on the amount the Pool may invest in any one issuer. Excluding investments that are implicitly backed by the full faith and credit of the United States, investments in the following issuers represent more than 5 percent of the Pool's investments, and are therefore considered to have a concentration of credit risk.

Multi-Line Program:

Metropolitan West Total Return Bond I	10.76%
Dodge and Cox Income	10.71%
Doubleline Total Return Bond I	10.45%
Delaware Limited-Term Diversified Inc I	7.51%
PIMCO Mortgage Backed Securities Class P	7.34%
Federated Government Income Inst.	6.91%
Federated Total Return Bond Inst.	5.85%
Loomis Sayles Limited Term US Govt. Y	5.07%

Law Enforcement Program:

Federated Total Return Bond Inst.	14.13%
Delaware Limited-Term Diversified Inc I	10.08%
Doubleline Total Return Bond I	8.48%
Loomis Sayles Bond Inst.	8.28%
Federated Government Income Inst.	7.76%
Metropolitan West Total Return Bond I	7.15%
Delaware Diversified Floating Rate Inc.	6.17%

NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 NOTE RECEIVABLE

During 2012, the Multi-Line Program loaned the New Mexico Association of Counties, a related party, \$1,850,257 in return for a promissory note carrying an annual interest rate of 5%. Principal and interest payments in the amount of \$9,914 are due monthly from September 24, 2012 through August 24, 2019, for a total of 84 payments. This note matures on August 24, 2019, at which point the remainder of the balance will become due. This loan funded the purchase of a new building for the New Mexico Association of Counties, which performs administrative functions for the Multi-Line Program and the Law Enforcement Program (Note 7). Payments received on this note totaled \$118,967 in 2015.

During 2013, the Multi-Line Program loaned the New Mexico Association of Counties, a related party, \$903,213 in return for a promissory note carrying annual interest at 5%. Six interest-only payments of \$3,763 were required beginning May 24, 2013. Principal and interest payments in the amount of \$7,143 are due monthly from November 24, 2013 through April 24, 2020, for a total of 78 payments. The note matures on April 24, 2020, at which point the remainder of the balance will become due. This loan funded the purchase of furniture and fixtures, including renovations on a new building for the New Mexico Association of Counties, which performs administrative functions for the Multi-Line Program and the Law Enforcement Program. Payments received on this note totaled \$85,711 in 2015.

NOTE 4 CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The liability for claims and claims adjustment expenses, which is reported on an ultimate development basis, includes an amount determined from claims reports and individual cases, and an amount for claims incurred but not reported. Estimates of the liability for amounts incurred but not reported as of December 31, 2015 and 2014 have been based on an actuarial evaluation of the Pool's historical claims experience, industry data and other factors. While management believes that these estimates are adequate, actual incurred but unpaid claims may vary significantly from the amount provided.

NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 CLAIMS AND CLAIM ADJUSTMENT EXPENSES (CONTINUED)

Changes in reserves for claims and claim adjustment expenses were as follows for the years ended December 31:

Multi-Line Program:	2015	2014
Liability for Claims and Claim Adjustment Expenses -		
Beginning of Year	\$ 13,385,923	\$ 12,645,567
Incurred Claims and Claim Adjustment Expenses Related to:		
Current Year	6,079,264	9,745,602
Prior Years	1,769,982	163,144
Total Incurred	7,849,246	9,908,746
Payments (Net of Amounts Received Pursuant to		
Excess Insurance Contracts) Related to:		
Current Year	(601,088)	(3,423,384)
Prior Years	(5,363,946)	(5,745,006)
Total Payments	(5,965,034)	(9,168,390)
Liability for Claims and Claim Adjustment Expenses -		
End of Year	15,270,135	13,385,923
 Law Enforcement Program:		
Liability for Claims and Claim Adjustment Expenses -		
Beginning of Year	18,951,446	16,478,047
Incurred Claims and Claim Adjustment Expenses Related to:		
Current Year	10,763,452	9,732,899
Prior Years	2,037,934	(911,799)
Total Incurred	12,801,386	8,821,100
Payments (Net of Amounts Received Pursuant to		
Excess Insurance Contracts) Related to:		
Current Year	(933,289)	(574,242)
Prior Years	(9,008,682)	(5,773,459)
Total Payments	(9,941,971)	(6,347,701)
Liability for Claims and Claim Adjustment Expenses -		
End of Year	21,810,861	18,951,446
Total Liability Claims and Claim Adjustment Expenses -		
End of Year	\$ 37,080,996	\$ 32,337,369

As of December 31, 2015, the liability for unpaid claims and claim adjustment expenses of \$16,044,853 for the Multi-Line Program and \$22,893,781 for the Law Enforcement Program are presented at their net present value of \$15,270,135 and \$21,810,861, respectively. These claims are discounted at a rate of 3.0%. For the year ended December 31, 2015, the Multi-Line Program experienced negative development on prior policy year claims, resulting in an increase to claim expense of \$1,769,982 from the prior year. For the year ended December 31, 2015, the Law Enforcement Program experienced positive development on prior policy year claims, resulting in a reduction to claim expense of \$1,942,352 from the prior year.

NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5 REINSURANCE AND EXCESS INSURANCE

The Multi-Line Program and the Law Enforcement Program have purchased commercial excess insurance for specific claims. The Multi-Line Program's excess coverage layer begins at \$150,000 for property claims, \$150,000 for claims involving certain crimes, and \$1,000,000 for liability claims, while the Law Enforcement Program's excess coverage layer begins at \$750,000 for individual claims.

Excess coverage on property claims is provided by Axis Insurance Company, which provides limits of liability up to \$25 million for any one occurrence, and RSUI, which provides additional property coverage of up to \$125 million per occurrence (\$125 million excess of \$25 million). Both policies contain sublimits for certain losses (e.g., earthquake and flood claims).

Reinsurance coverage on liability claims is provided by Munich Re and Gen Re. Munich Re covers losses between the retention amount described above and \$1,000,000 for the Multi-Line Pool, while covering losses between the retention and \$1,250,000 for the Law Enforcement Pool.

These limits are on a per-member basis, and reinsurance coverage in the aggregate is limited to \$10,000,000 each for the Multi-Line and Law Enforcement Pools.

Gen Re's excess coverage layer begins at \$2,000,000, covering losses between this amount and \$3,000,000 per occurrence for both Pools. It is possible that one occurrence may result in multiple claims. General Re provides such coverage up to an aggregate of \$6,000,000 per pool, per claim year.

For the year ended December 31, 2015, the Pool paid \$3,068,777 for excess insurance premiums.

NOTE 6 BROKERAGE SERVICE FEE

Commission/brokerage service fees were \$110,000 for the year ended December 31, 2015.

NOTE 7 GENERAL AND ADMINISTRATIVE

The New Mexico Association of Counties provides risk management, general and administrative services, office space, equipment and supplies to the Pool. These services include general administration and consulting, financial management and risk management. The Pool expensed \$2,375,000 in 2015 under this arrangement. 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.

NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 7 GENERAL AND ADMINISTRATIVE (CONTINUED)

The Pool's general and administrative expenses for the year ended December 31, 2015 consisted of the following:

	Multi-Line Program	Law Enforcement Program	Total
Administrative Fees	\$ 1,125,000	\$ 1,250,000	\$ 2,375,000
Legal	58,811	59,357	118,168
Consulting and Training	26,367	68,621	94,988
Software Support and Licensing	43,394	43,401	86,795
Appraisal Fees	72,225	-	72,225
Insurance	24,946	22,056	47,002
Accounting and Auditing	10,465	10,465	20,930
Actuarial	10,125	8,950	19,075
Miscellaneous	10,096	8,398	18,494
Total	<u>\$ 1,381,429</u>	<u>\$ 1,471,248</u>	<u>\$ 2,852,677</u>

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: MULTI-LINE POOL
NOTES TO TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
DECEMBER 31, 2015**

The following illustrates how the Pool's earned revenues and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Pool as of the end of each of the last nine 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 at 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: MULTI-LINE POOL
TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
TEN YEARS ENDED DECEMBER 31, 2015**

(in thousands)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Net Earned Required Contribution and Investment Revenues	\$ 14,138	\$ 16,063	\$ 16,323	\$ 17,796	\$ 17,301	\$ 17,483	\$ 17,759	\$ 16,416	\$ 19,807	\$ 20,096
2. Unallocated Claim Expenses	1,392	1,768	2,027	2,203	2,296	2,358	2,522	2,408	2,712	2,963
3. Estimated Incurred Claims and Expense, End of Policy Year	4,255	3,397	5,443	6,357	11,685	13,601	12,687	12,888	19,479	16,813
4. Paid (Cumulative) as of:										
Year One	883	756	918	1,663	985	1,839	1,566	1,781	3,998	1,534
Year Two	3,443	2,905	1,856	3,751	3,659	5,771	4,476	5,204	7,378	-
Year Three	5,854	5,300	4,160	7,522	6,570	8,910	8,183	5,485	-	-
Year Four	8,001	7,439	6,289	9,689	7,826	10,922	7,787	-	-	-
Year Five	8,685	8,963	7,255	10,348	8,366	10,498	-	-	-	-
Year Six	10,604	9,766	7,403	10,785	7,781	-	-	-	-	-
Year Seven	10,727	10,081	7,574	9,610	-	-	-	-	-	-
Year Eight	10,726	10,178	6,464	-	-	-	-	-	-	-
Year Nine	10,720	9,081	-	-	-	-	-	-	-	-
Year Ten	9,375	-	-	-	-	-	-	-	-	-
5. Re-Estimated Incurred Claims and Expense										
Year One	4,255	3,397	5,443	6,357	11,685	13,601	12,687	12,888	19,479	16,813
Year Two	6,287	6,335	6,050	8,767	10,622	14,908	12,179	12,071	15,573	-
Year Three	9,137	8,707	6,754	11,586	11,849	14,341	13,323	9,428	-	-
Year Four	9,649	9,090	8,280	12,332	10,452	13,333	12,616	-	-	-
Year Five	9,641	10,344	8,299	12,248	9,954	13,116	-	-	-	-
Year Six	10,830	10,345	7,880	11,222	8,094	-	-	-	-	-
Year Seven	10,812	10,245	7,673	9,712	-	-	-	-	-	-
Year Eight	10,820	10,280	6,519	-	-	-	-	-	-	-
Year Nine	10,787	9,182	-	-	-	-	-	-	-	-
Year Ten	9,435	-	-	-	-	-	-	-	-	-
6. Increase (Decrease) in Estimated Incurred Claims and Expense from End of Policy Year	5,120	5,684	1,021	3,253	(3,904)	(3,103)	(4,900)	(7,403)	(12,101)	-

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
SCHEDULE OF REVENUES AND EXPENSES –
BUDGET AND ACTUAL – MULTI-LINE PROGRAM
YEAR ENDED DECEMBER 31, 2015**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Member Contributions	\$ 9,404,465	\$ 9,404,465	\$ 9,504,463	\$ 99,998
Investment Income	500,000	500,000	167,714	(332,286)
Other Operating Income	-	-	21,600	(21,600)
Total Revenues	<u>9,904,465</u>	<u>9,904,465</u>	<u>9,693,777</u>	<u>(253,888)</u>
EXPENSES				
Claims and Claim Adjustment Expenses	7,320,653	7,320,653	7,849,246	(528,593) *
Excess Insurance Premiums	902,312	902,312	912,608	(10,296) *
General and Administrative	1,406,500	1,406,500	1,381,429	25,071 *
Brokerage Fees	75,000	75,000	75,000	-
Total Expenses	<u>9,704,465</u>	<u>9,704,465</u>	<u>10,218,283</u>	<u>(513,818)</u>
EXCESS OF EXPENSES OVER				
REVENUES - BUDGETARY BASIS	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ (524,506)</u>	<u>\$ (767,706) *</u>

* See Note 1 - Budget on page 14 for Budget authority level.

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
SCHEDULE OF REVENUES AND EXPENSES –
BUDGET AND ACTUAL – LAW ENFORCEMENT PROGRAM
YEAR ENDED DECEMBER 31, 2015**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Member Contributions	\$10,718,889	\$10,718,889	\$10,661,006	\$ (57,883)
Investment Income/(Loss)	550,000	550,000	(81,551)	(631,551)
Total Revenues	<u>11,268,889</u>	<u>11,268,889</u>	<u>10,579,455</u>	<u>(689,434)</u>
EXPENSES				
Claims and Claim Adjustment Expenses	7,399,487	7,399,487	12,801,386	(5,401,899)
Excess Insurance Premiums	2,157,902	2,157,902	2,156,169	1,733
General and Administrative	1,476,500	1,476,500	1,471,248	5,252
Brokerage Fees	35,000	35,000	35,000	-
Total Expenses	<u>11,068,889</u>	<u>11,068,889</u>	<u>16,463,803</u>	<u>(5,394,914)</u>
EXCESS OF EXPENSES OVER				
REVENUES - BUDGETARY BASIS	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ (5,884,348)</u>	<u>\$ (6,084,348)</u>

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
CASH AND CASH EQUIVALENTS RECONCILIATION
FROM BOOKS TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

	Multi-Line Program	Law Enforcement Program	Total
	<u> </u>	<u> </u>	<u> </u>
Interest-Bearing Checking Accounts:			
First National Bank of Santa Fe	\$ 443,166	\$ 570,831	\$ 1,013,997
Money Market Wells Fargo Advisors	276,856	276,483	553,339
Money Market Fidelity Investments	223,526	2,806,859	3,030,385
	<u>943,548</u>	<u>3,654,173</u>	<u>4,597,721</u>
Reconciling Items:			
Outstanding Checks	(220,424)	(270,913)	(491,337)
Restricted cash	(222,469)	(222,469)	(444,938)
Financial Statement Balance	<u>500,655</u>	<u>3,160,791</u>	<u>3,661,446</u>
Cash Held with the State Treasurer Local Government			
Investment Fund	<u>401</u>	<u>576</u>	<u>977</u>
Financial Statement Balance	<u>401</u>	<u>576</u>	<u>977</u>
TOTAL CASH AND CASH EQUIVALENTS AND INVESTMENT IN THE STATE LOCAL GOVERNMENT INVESTMENT POOL	<u><u>\$ 501,056</u></u>	<u><u>\$ 3,161,367</u></u>	<u><u>\$ 3,662,423</u></u>

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
 SCHEDULE OF VENDOR INFORMATION FOR PURCHASES
 EXCEEDING \$60,000 (EXCLUDING GRT)
 DECEMBER 31, 2015**

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



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

Board of Directors
New Mexico County Insurance Authority: Multi-Line Pool
Santa Fe, New Mexico and
Mr. Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of New Mexico County Insurance Authority: Multi-Line Pool (the Pool), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and the related Schedules of Revenues and Expenses – Budget and Actual presented as supplemental information, and have issued our report thereon dated May 31, 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.

Our consideration of internal control was for the limited purpose described in the first paragraph in 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

Board of Directors
New Mexico County Insurance Authority: Multi-Line Pool and
Mr. Timothy Keller
New Mexico State Auditor

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

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

CliftonLarsonAllen LLP

Albuquerque, New Mexico
May 31, 2016

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings for the year ended December 31, 2015.

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings for the year ended December 31, 2014.

**NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL
EXIT CONFERENCE
YEAR ENDED DECEMBER 31, 2015**

An exit conference was held on May 31, 2016. In attendance were:

NEW MEXICO COUNTY INSURANCE AUTHORITY: MULTI-LINE POOL

Ron Lethgo, Board Chair (via telephone)
Shirley Ragin, Board Member
Taylor Horst, Risk Management Director
Santiago Chavez, Finance Director

CLIFTONLARSONALLEN LLP

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

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditors' Report.