



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

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

MORTON
ACCOUNTING, LLC

certified public accountants | consultants

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
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**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
OFFICIAL ROSTER
DECEMBER 31, 2018**

BOARD OF DIRECTORS

Ron Lethgo	Chair
Katherine Miller	Vice Chair
Rick Rudometkin	Secretary/Treasurer
Jim Fambro	Member
Lance Pyle	Member
Delilah Walsh	Member
Shirley Ragin	Member
Isabella Solis	Member
Jay Block	Member
Bruce Swingle	Member
Rebecca Long	Ex-Officio Member

ADMINISTRATION

Steve Kopelman	Executive Director
Taylor Horst	Risk Management Director
Santiago Chavez (thru February 9, 2019)	Finance Director
Leandro Cordova (after March 4, 2019)	Finance Director

MEMBER COUNTIES

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



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
New Mexico County Insurance Authority Multi-Line Pool
Santa Fe, New Mexico and
Brian S. Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

Report on 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, 2018, 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 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 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 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, 2018, 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 8 and, the Notes to Ten Year Claims Development Information and the Ten Year Claims Development Information on pages 31 and 32 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 Schedules 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 Schedules of Revenue and Expenses - Budget and Actual and the Schedule of Cash and Cash Equivalents Reconciliation from Bank to Financial Statements 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 and the Schedule of Cash and Cash Equivalents Reconciliation from Bank to Financial Statements 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 May 30, 2019, 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.

MORTON ACCOUNTING SERVICES, LLC

A handwritten signature in cursive script that reads "Morton Accounting Services, LLC".

Santa Fe, New Mexico

May 30, 2019

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

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, 2018.

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, 2018. Members pay annual contributions to the Programs. The other source of income is investments. The Programs then pay all administrative, claims, reinsurance 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

	2018	2017
Total Assets (Cash, Investments, Receivables, Due from New Mexico Association of Counties, and Prepaid Expenses)	\$ 53,904,852	\$ 47,365,829
Total Liabilities (Accounts Payable, Claims and Claim Adjustment Expenses)	31,050,003	34,344,972
Total Net Position	\$ 22,854,849	\$ 13,020,857
Revenues:		
Member Contributions	\$ 26,823,758	\$ 25,139,777
Investment and Other Income	410,533	1,114,684
Total Revenues	27,234,291	26,254,461
Expenses		
Claims and Claim Adjustment Expenses	9,178,580	15,447,878
Reinsurance Premiums	4,493,039	4,891,329
General, Administrative & Brokerage	3,728,680	3,202,434
Total Expenses	17,400,299	23,541,641
Excess (Deficiency) of Revenues Over Expenses	9,833,992	2,712,820

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Condensed Comparative Data (Continue)

	2018	2017
Pool Net Position Held for Member Benefits - Beginning of Year	13,020,857	10,308,037
Pool Net Position Held for Member Benefits - End of Year	\$ 22,854,849	\$ 13,020,857

Financial Highlights

1. Multi-Line Program assets increased by \$2,489,167, and net position increased by \$2,921,065.
2. Law Enforcement Program assets increased by \$4,049,856 and net position increased by \$6,912,927.

Underwriting Results

Contributions to the Multi-Line Program increased from \$10,724,554 in 2017 to \$11,455,006 in 2018. Law Enforcement Program contributions increased from \$14,415,223 in 2017 to \$15,368,752 in 2018. Individual counties' contributions to the Multi-Line and Law Enforcement Programs are based on each county's loss experience and risk exposure.

The Pools' pricing and budgeting approach includes investment income and interest income. Adding in investment and interest income, the Pools had an increase in net position of \$9,833,992 (a \$2,921,065 increase for Multi-Line and a \$6,912,927 increase for Law Enforcement).

Reinsurance Premiums

Reinsurance expenses for the Multi-Line Program increased by \$141,860 from \$1,366,329 in 2017 to \$1,508,189 in 2018. Reinsurance expenses for the Law Enforcement Program decreased by \$540,150, from \$3,525,000 in 2017 to \$2,984,850 in 2018. The Multi-Line Program's reinsurance expenses increased due to increases in exposure across the pool. The Law Enforcement Program's reinsurance expenses decreased due to the fact that the Pool is taking on more risk internally, and our reinsurer, Munich Re, reduced coverage for claims alleging whole or partial inadequate medical or mental health treatment.

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Investments

As of 12/31/2018, cash balances increased \$93,597 for Multi-Line and \$353,981 for Law Enforcement and investments increased \$1,165,148 and \$3,468,938 respectively. Due to market conditions and cash flow needs, investments were made by laddering short term government bonds and notes and brokered certificates of deposit. This allowed the Pools to keep less in cash and cash equivalents for claim payments due to the liquidity of the funds within these instruments. Overall portfolio duration is kept short due to market conditions and the unpredictability of claim payments. The Pools have 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 an increase of \$28,047 in the Multi-Line Pool's equity with County Reinsurance Limited, the reinsurance carrier for property coverage.

Property, Plant and Equipment

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

Long-term Debt

The Pool had no long-term debt during 2018.

Change in Net Position

For the year ended December 31, 2018, the Multi-Line Program's net position increased by \$2,921,065. The Law Enforcement Program's net position increased by \$6,912,927. The change in net position for the Multi-Line Program included an operating profit of \$2,667,596 and investment and interest income of \$253,469. The change in net position for the Law Enforcement Program included an operating profit of \$6,768,507 and investment income of \$144,420.

Net Position

The Pool had a combined net position of \$22,854,849 at the close of its most recent fiscal year. The Multi-Line Program net position increased from \$9,620,959 to \$12,542,024 and the Law Enforcement Program net position increased from \$3,399,898 to \$10,312,825.

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Budget

There were no budget overages in the Multi-Line or Law Enforcement Pools for 2018.

Pool Trends and Conditions

The Multi-Line Pool claims experience is slowly beginning to trend in a positive direction. Loss prevention efforts focusing on employment practices and auto collisions are having an impact on the frequency and severity of claims. The in-house legal bureau is making an impact by consulting with counties prior to employment actions and in defending claims that were heretofore not cost effective to fight. Member deductibles and the Pool Self Insured Retention both remained at the same levels in 2018 that existed previously.

The Law Enforcement Pool claims experience also appears to be trending in the right direction. However it should be noted that this pool historically has the most volatile experience in claims costs of all three pools, and financial changes can occur quickly. We believe the current downward trend in claims costs is the result of continued significant and consistent loss prevention efforts in member detention centers. Loss prevention efforts are also being focused on law enforcement agencies to mitigate the variety of risks that exist with member sheriff offices.

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
STATEMENT OF NET POSITION - ENTERPRISE FUNDS
DECEMBER 31, 2018**

ASSETS

	<u>Multi-Line Program</u>	<u>Law Enforcement Program</u>	<u>Total</u>
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,854,767	\$ 1,917,439	\$ 3,772,206
Investments in the Local Government			
Investment Pool	412	592	1,004
Investments	16,889,956	27,119,284	44,009,240
Accounts Receivable - Subrogation, Deductibles	287,367	264,207	551,574
Accounts Receivable - Contributions	1,551,296	934,646	2,485,942
Due from New Mexico Association of Counties,			
Current Portion	91,067	-	91,067
Prepays	433,807	-	433,807
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT ASSETS	21,108,672	30,236,168	51,344,840
NONCURRENT ASSETS			
Due from New Mexico Association of Counties,			
Net of Current Portion	2,222,515	-	2,222,515
Investment in County Reinsurance Limited	337,497	-	337,497
	<hr/>	<hr/>	<hr/>
TOTAL NONCURRENT ASSETS	2,560,012	-	2,560,012
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 23,668,684</u>	<u>\$ 30,236,168</u>	<u>\$ 53,904,852</u>

See auditor's report and accompanying notes to financial statements

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
STATEMENT OF NET POSITION - ENTERPRISE FUNDS
DECEMBER 31, 2018**

LIABILITIES AND POOL NET POSITION

	<u>Multi-Line Program</u>	<u>Law Enforcement Program</u>	<u>Total</u>
CURRENT LIABILITIES			
Accounts Payable	\$ 229,670	\$ 181,668	\$ 411,338
Claims and Claim Adjustment Expenses	<u>3,235,282</u>	<u>6,502,899</u>	<u>9,738,181</u>
 TOTAL CURRENT LIABILITIES	 3,464,952	 6,684,567	 10,149,519
LONG-TERM LIABILITIES			
Claims and Claim Adjustment Expenses	<u>7,661,708</u>	<u>13,238,776</u>	<u>20,900,484</u>
 TOTAL LONG-TERM LIABILITIES	 <u>7,661,708</u>	 <u>13,238,776</u>	 <u>20,900,484</u>
 TOTAL LIABILITIES	 11,126,660	 19,923,343	 31,050,003
POOL NET POSITION HELD FOR MEMBERS' BENEFITS			
Unrestricted	<u>12,542,024</u>	<u>10,312,825</u>	<u>22,854,849</u>
 TOTAL POOL NET POSITION HELD FOR MEMBERS' BENEFITS	 <u>12,542,024</u>	 <u>10,312,825</u>	 <u>22,854,849</u>
 TOTAL LIABILITIES AND POOL NET POSITION	 <u><u>\$ 23,668,684</u></u>	 <u><u>\$ 30,236,168</u></u>	 <u><u>\$ 53,904,852</u></u>

See auditor's report and 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, 2018**

	Multi-Line Program	Law Enforcement Program	Total
OPERATING REVENUE			
Member Contributions	\$ 11,455,006	\$ 15,368,752	\$ 26,823,758
Other Operating Income	2,122	10,522	12,644
TOTAL OPERATING REVENUE	11,457,128	15,379,274	26,836,402
OPERATING EXPENSES			
Claims and Claim Adjustment Expenses	5,477,767	3,700,813	9,178,580
Reinsurance Premiums	1,508,189	2,984,850	4,493,039
Brokerage Fees (Insurance)	85,000	45,000	130,000
General and Administrative	1,718,576	1,880,104	3,598,680
TOTAL OPERATING EXPENSES	8,789,532	8,610,767	17,400,299
OPERATING INCOME (LOSS)	2,667,596	6,768,507	9,436,103
NON-OPERATING REVENUES			
Investment Income	107,379	144,420	251,799
Interest Income on Notes Receivable	118,043	-	118,043
Interest in Change in Net Position of County Reinsurance Limited	28,047	-	28,047
TOTAL NON-OPERATING REVENUE	253,469	144,420	397,889
CHANGE IN NET POSITION	2,921,065	6,912,927	9,833,992
Pool Net Position - Beginning of Year	9,620,959	3,399,898	13,020,857
POOL NET POSITION HELD FOR MEMBERS' BENEFITS - END OF YEAR	\$ 12,542,024	\$ 10,312,825	\$ 22,854,849

See auditor's report and accompanying notes to financial statements

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2018

	Multi-Line Program	Law Enforcement Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Members	\$ 10,273,324	\$ 15,141,825	\$ 25,415,149
Cash Paid to Vendors	(1,693,767)	(1,802,080)	(3,495,847)
Cash Paid on Claims and Claim Adjustment Expenses	(6,041,795)	(6,641,908)	(12,683,703)
Cash Paid for Insurance Brokerage Fees	(85,000)	(45,000)	(130,000)
Cash Paid for Reinsurance	(1,508,189)	(2,984,850)	(4,493,039)
Cash Received from Others	2,122	10,522	12,644
NET CASH PROVIDED BY OPERATING ACTIVITIES	946,695	3,678,509	4,625,204
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income Received	299,168	370,866	670,034
Interest Income on Notes Receivable Received	118,043	-	118,043
Repayments Received on Notes Receivable	86,635	-	86,635
Purchase of Investments	(2,468,100)	(7,388,739)	(9,856,839)
Proceeds from Sale or Maturity of Investments	1,111,156	3,693,345	4,804,501
NET CASH USED FOR INVESTING ACTIVITIES ACTIVITIES	(853,098)	(3,324,528)	(4,177,626)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and Cash Equivalents - Beginning of Year	93,597	353,981	447,578
CASH AND CASH EQUIVALENTS - END OF YEAR	1,761,170	1,563,458	3,324,628
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 2,667,596	\$ 6,768,507	\$ 9,436,103
Changes in Assets and Liabilities:			
Accounts Receivable	(1,181,682)	(226,927)	(1,408,609)
Prepays	(107,321)	-	(107,321)
Accounts Payable	132,130	78,024	210,154
Claims and Claim Adjustment Expenses	(564,028)	(2,941,095)	(3,505,123)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 946,695	\$ 3,678,509	\$ 4,625,204
NONCASH INVESTING ACTIVITIES			
Unrealized Gains on Investments	\$ (191,789)	\$ (226,446)	\$ (418,235)
Increase in County Reinsurance Limited	\$ 28,047	\$ -	\$ 28,047

See auditor's report and accompanying notes to financial statements

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 First American Financial Advisors with Fidelity and Hauger/Salmon/Salmon 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 corporate bonds; certificates of deposit; mutual funds; exchange traded products 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.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in County Reinsurance, Limited. County Reinsurance Limited (CRL) is a member-owned reinsurance company, consisting of 29 members at December 31, 2018. 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 \$28,047 during the year ended December 31, 2018. Additional contributions may be required from the Pool and other members as determined by CRL. During the year ended December 31, 2018, 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 reinsurance 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).

Reinsurance Premiums. Reinsurance 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 reinsurance policies are estimated and recorded as revenue or expense over the period of policy coverage.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 reinsurance+A399, salvage and subrogations, and the deductible portion of claims. Adjustments to the probable ultimate liability for losses and loss adjustment expenses are made 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, 2018 and, accordingly, the net position is reported as unrestricted.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

Investments consisted of the following at December 31, 2018:

MULTI-LINE PROGRAM:						
Investment	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
MUTUAL FUNDS:						
DODGE & COX INCOME FD	3.00%	N/A	N/A	\$ 1,650,846	\$ (57,326)	\$ 1,593,520
METROPOLITAN WEST FDS	2.64%	N/A	N/A	1,609,538	(64,836)	1,544,702
DOUBLELINE FDS TOTAL RETURN	3.70%	N/A	N/A	1,610,192	(82,872)	1,527,320
FIDELITY FUNDS	2.09%	N/A	N/A	1,459,799	-	1,459,799
DELAWARE LTD TERM DIVERS INC	2.87%	N/A	N/A	1,041,618	(60,728)	980,890
AMG MANAGERS DBL CORE BOND	3.81%	N/A	N/A	900,000	(18,069)	881,931
FEDERATED INC TRUST SH BEN INT	2.50%	N/A	N/A	893,320	(59,744)	833,576
FEDERATED TOTAL RET BOND	3.42%	N/A	N/A	834,211	(57,947)	776,264
LOOMIS SAYLES LTD TERM GOV	2.19%	N/A	N/A	430,964	(27,269)	403,695
PIMCO LOW DURATION FUND CL P	1.91%	N/A	N/A	389,515	(23,919)	365,596
VANGUARD FIXED INC SHORT TERM	2.71%	N/A	N/A	291,028	(7,668)	283,360
PRUDENTIAL SHORT TERM CORP BD FD	2.82%	N/A	N/A	263,398	(17,379)	246,019
LOOMIS SAYLES LTD TERM GOV	2.20%	N/A	N/A	234,379	(9,044)	225,335
THOMPSON IM FDS INC BOND FUND	3.07%	N/A	N/A	177,558	(9,232)	168,326
VANGUARD S/T BOND	1.97%	N/A	N/A	166,654	(4,377)	162,277
DELAWARE DIVERSIFIED FLOATING	5.28%	N/A	N/A	149,618	(3,805)	145,813
TOTAL MUTUAL FUNDS				12,102,638	(504,215)	11,598,423

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

MULTI-LINE PROGRAM (CONTINUED):						
Investment	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
GOVERNMENT BONDS:						
US TREASURY	3.13%	5/15/2019	AAA	401,168	(280)	400,888
US TREASURY	1.50%	1/31/2019	AAA	397,891	1,841	399,732
US TREASURY	1.63%	3/31/2019	AAA	397,734	1,482	399,216
US TREASURY	2.38%	7/16/2019	AAA	249,903	(333)	249,570
TOTAL GOVERNMENT BONDS				1,446,696	2,710	1,449,406
GOVT. ASSET BACKED SECURITIES:						
GNMA II	5.50%	2/20/2038	N/A	105,624	(25,669)	79,955
GNMA II	5.00%	3/20/2038	N/A	86,901	(24,599)	62,302
GNMA II	5.00%	2/20/2039	N/A	79,754	(21,258)	58,496
GNMA	5.50%	3/15/2032	N/A	125,479	(74,404)	51,075
GNMA	6.00%	5/20/2036	N/A	59,216	(16,684)	42,532
GNMA	6.00%	3/20/2037	N/A	57,436	(19,759)	37,677
GNMA	6.00%	8/20/2033	N/A	39,884	(17,765)	22,119
GNMA	5.50%	10/15/2033	N/A	17,011	(7,535)	9,476
GNMA	6.00%	6/20/2031	N/A	8,628	(5,977)	2,651
TOTAL GOVT. ASSET BACKED SECURITIES				579,933	-213,650	366,283
EXCHANGE-TRADED FUNDS (ETF)						
VANGUARD MALVERN FDS	2.45%	N/A	N/A	263,327	(10,980)	252,347
TOTAL EXCHANGE TRADED FUNDS				263,327	(10,980)	252,347
CERTIFICATES OF DEPOSIT						
CERTIFICATES OF DEPOSIT	2.39%	N/A	N/A	3,224,248	-751	3,223,497
TOTAL MULTI-LINE PROGRAM INVESTMENTS				\$ 17,616,842	\$ (726,886)	\$ 16,889,956

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

LAW ENFORCEMENT PROGRAM:						
Investment	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
CORPORATE BONDS:						
CATERPILLAR FINANCIAL SE	7.15%	2/15/2019	A3	\$ 163,393	\$ (12,700)	\$ 150,693
TOTAL CORPORATE BONDS				163,393	(12,700)	150,693
MUTUAL FUNDS:						
DELAWARE DIVERSIFIED FLOATING RATE	5.28%	N/A	N/A	2,490,375	(57,791)	2,432,584
FEDERATED SERS INC TOTAL RET BOND	3.42%	N/A	N/A	2,418,633	(173,993)	2,244,640
FIDELITY FUNDS	2.09%	N/A	N/A	2,217,982	0	2,217,982
DELAWARE LTD TERM DIVERS INC FD	2.87%	N/A	N/A	1,677,129	(99,561)	1,577,568
DOUBLELINE FDS TOTAL RETURN	3.70%	N/A	N/A	1,563,101	(79,352)	1,483,749
FEDERATED INC TR SHO BEN INT	2.50%	N/A	N/A	1,299,153	(82,526)	1,216,627
METROPOLITAN WEST FDS	2.64%	N/A	N/A	1,277,253	(48,640)	1,228,613
FPA NEW INCOME INC	3.09%	N/A	N/A	778,884	(24,772)	754,112
DODGE & COX INCOME FD	3.00%	N/A	N/A	737,339	(26,138)	711,201
THOMPSON IM FDS INC BOND FD	3.07%	N/A	N/A	592,052	(29,793)	562,259
VANGUARD SHORT TERM	2.71%	N/A	N/A	567,705	(15,584)	552,121
FIDELITY ADVISOR FLOATING RATE	4.44%	N/A	N/A	540,790	(44,539)	496,251
VANGUARD S/T BOND	1.97%	N/A	N/A	277,757	(7,295)	270,462
AMG MANAGERS DOUBLE CORE BOND	3.81%	N/A	N/A	100,000	(2,008)	97,992
LOOMIS SAYLES LIMITED	2.20%	N/A	N/A	100,709	(3,288)	97,421
TOTAL MUTUAL FUNDS				16,638,862	(695,280)	15,943,582
GOVERNMENT BONDS:						
FEDERAL NATL MTG ASSN	1.38%	1/28/2019	AAA	248,580	1,215	249,795
US TREASURY	2.75%	2/15/2019	AAA	800,508	(172)	800,336
FEDERAL NATL MTG ASSN	1.88%	2/19/2019	AAA	249,378	410	249,788
FEDERAL HOME LOAN BANK BONDS	1.88%	3/08/2019	AAA	722,610	1,563	724,173
FED H LN MTG CORP MEDIUM TR NOTE	1.88%	3/08/2019	AAA	51,167	(15)	51,152
US TREASURY	1.63%	4/25/2019	AAA	244,744	3,326	248,070
US TREASURY	1.63%	4/30/2019	AAA	398,172	700	398,872
US TREASURY	3.13%	5/15/2019	AAA	802,325	(549)	801,776
FEDERAL HOME LOAN BANK BONDS	1.63%	6/14/2019	AAA	9,932	22	9,954
US TREASURY	1.63%	6/30/2019	AAA	645,635	1,414	647,049
FEDERAL HOME LOAN BANK BONDS	2.38%	7/12/2019	AAA	249,985	(400)	249,585
US TREASURY	3.63%	8/15/2019	AAA	1,259,021	(1,121)	1,257,900
TOTAL GOVERNMENT BONDS				5,682,057	6,393	5,688,450
GOVT. ASSET BACKED SECURITIES:						
GNMA II	5.00%	8/20/2035	N/A	165,902	(41,295)	124,607
GNMA II	5.00%	7/20/2035	N/A	133,599	(27,302)	106,297
GNMA	6.00%	5/20/2036	N/A	29,612	(8,345)	21,267
GNMA	6.00%	3/20/2037	N/A	28,722	(9,883)	18,839
GNMA II	5.50%	6/20/2033	N/A	43,289	(25,641)	17,648
TOTAL GOVT. ASSET BACKED SECURITIES				401,124	(112,466)	288,658

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

LAW ENFORCEMENT (CONTINUED):						
Investment	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
EXCHANGE-TRADED FUNDS (ETF)						
VANGUARD MALVERN FDS	2.45%	N/A	N/A	\$ 299,376	\$ (11,999)	\$ 287,377
TOTAL EXCHANGE TRADED FUNDS				<u>299,376</u>	<u>(11,999)</u>	<u>287,377</u>
CERTIFICATES OF DEPOSIT						
CERTIFICATES OF DEPOSIT	1.29%	N/A	N/A	4,762,110	(1,586)	4,760,524
TOTAL LAW ENFORCEMENT PROGRAM INVESTMENTS				<u>\$ 27,946,922</u>	<u>\$ (827,638)</u>	<u>\$ 27,119,284</u>

Investment income is summarized as follows for the year ended December 31, 2018:

Multi-Line Program:

Interest Income	\$ 418,398
Loss on Sale of Investments	(119,230)
Unrealized Gain	(191,789)
Total Investment Income	<u>\$ 107,379</u>

Law Enforcement Program:

Interest Income	\$ 583,626
Loss on Sale of Investments	(212,760)
Unrealized Gain	(226,446)
Total Investment Income	<u>\$ 144,420</u>

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2018, the Pool's cash and cash equivalents and investments were as follows:

Investment Type	Cost	Estimated Fair Value
<i>Multi-Line Program</i>		
Cash and Cash Equivalents:		
Checking and Money Market	\$ 1,854,767	\$ 1,854,767
Total	<u>\$ 1,854,767</u>	<u>\$ 1,854,767</u>
Investment in the State General Fund Investment Pool	\$ 412	\$ 412
Total	<u>\$ 412</u>	<u>\$ 412</u>
Investments:		
Exchange Traded Funds	\$ 263,327	\$ 252,347
Government Bonds	1,446,696	1,449,406
Government Asset-Backed Securities	579,933	366,283
Certificate of Deposits	3,224,248	3,223,497
Mutual Funds	12,102,638	11,598,423
Total	<u>\$ 17,616,842</u>	<u>\$ 16,889,956</u>
<i>Law Enforcement Program</i>		
Cash and Cash Equivalents:		
Checking and Money Market	\$ 1,917,439	\$ 1,917,439
Total	<u>\$ 1,917,439</u>	<u>\$ 1,917,439</u>
Investment in the State General Fund Investment Pool	\$ 592	\$ 592
Total	<u>\$ 592</u>	<u>\$ 592</u>
Investments:		
Exchange Traded Funds	\$ 299,376	\$ 287,377
Corporate Bonds	163,393	150,693
Government Bonds	5,682,057	5,688,450
Government Asset-Backed Securities	401,124	288,658
Certificate of Deposits	4,762,110	4,760,524
Mutual Funds	16,638,862	15,943,582
Total	<u>\$ 27,946,922</u>	<u>\$ 27,119,284</u>

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investment Type	Cost	Fair Value
<i>Both Programs</i>		
Cash and Cash Equivalents:		
Checking and Money Market	\$ 3,772,206	\$ 3,772,206
Total	<u>\$ 3,772,206</u>	<u>\$ 3,772,206</u>
Investment in the State General Fund Investment Pool	\$ 1,004	\$ 1,004
Total	<u>\$ 1,004</u>	<u>\$ 1,004</u>
Investments:		
Exchange Traded Funds	\$ 562,703	\$ 539,724
Corporate Bonds	163,393	150,693
Government Bonds	7,128,753	7,137,856
Government Asset-Backed Securities	981,057	654,941
Certificate of Deposits	7,986,358	7,984,021
Mutual Funds	28,741,500	27,542,005
Total	<u>\$ 45,563,764</u>	<u>\$ 44,009,240</u>

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 December 31, 2018, 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.

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.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Credit Risk (Continued).

Government Securities. Securities issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States, 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.

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.

Certificates of Deposit. In New Mexico Financial Institutions, limited to the current FDIC or NCUSIF limit per financial institution or bank, unless collateralization requirements are met. Federally insured obligations, including brokered certificates of deposit, certificates of deposit account registry service and federally insured cash accounts outside of New Mexico financial institutions shall be eligible as long as the FDIC or NCUSIF insures the instrument from the date the investment is made until the date of maturity. Furthermore, returns on such deposits determined by investment returns linked to the stock markets, commodities markets or other non-interest rate markets or any index or basket thereof, shall not be eligible for investment under this Policy. No commission, mark-up or other remuneration shall be paid for the purchase of any asset in this section.

Exchange-traded Funds (ETFs). The majority of ETFs are typically structured as registered unit investments trusts (UITs) or open-end investment companies (commonly referred to as "funds") whose shares represent an interest in a portfolio of securities that track an underlying benchmark or index. These products are the most common type of ETF, and typically hold a basket of equity or fixed income securities constructed to track an index.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Credit Risk (Continued).

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

Dodge & Cox Income Fd	14%
Doubleline Fds Total Return	13%
Metropolitan West Fds	13%
Fidelity Funds	12%
Delaware Ltd Term Divers Inc	9%
AMG Managers DBL Core Bond	7%
Federated Inc Trust Sh Ben Int	7%
Federated Total Ret Bond	7%
Loomis Sayles Ltd Term Gov	5%

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk (Continued).

Law Enforcement Program:

Delaware Diversified Floating Rate	15%
Federated Sers Inc Total Ret Bond	15%
Fidelity Funds	13%
Delaware Ltd Term Divers Inc	10%
Doubleline Fds Total Return	9%
Federated Inc Trust Sh Ben Int	8%
Metropolitan West Fds	8%

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 - December 31, 2018

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual Funds	\$ 27,542,005
Certificate of Deposits	7,984,021
Government Bonds	7,137,856
Government Asset-Backed Securities	654,941
Exchange Traded Funds	539,724
Corporate Bonds	150,693
Total	<u>44,009,240</u>

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued).

NAV Investment - December 31, 2018

Investment in County Reinsurance Limited	337,497
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Investments Not Requiring Fair Value - December 31, 2018

Money Market	2,297,116
State Treasurer LGIP	1,004
	2,298,120
Total Investments and Cash Equivalents	\$ 46,644,857

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 2018.

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 2018.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018 and 2017 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.

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

<i>Multi-Line Program:</i>	2018	2017
Liability for Claims and Claim Adjustment Expenses		
Beginning of Year	\$ 11,461,018	\$ 12,598,986
Incurred Claims and Claim Adjustment Expenses Related to:		
Current Year	7,271,970	5,255,700
Prior Years	(1,794,203)	43,355
Total Incurred	5,477,767	5,299,055
Payments (Net of Amounts Received Pursuant to Reinsurance Contracts) Related to:		
Current Year	(1,385,897)	(912,346)
Prior Years	(4,655,898)	(5,524,677)
Total Payments	(6,041,795)	(6,437,023)
Liability for Claims and Claim Adjustment Expenses -		
End of Year	10,896,990	11,461,018

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 - CLAIMS AND CLAIM ADJUSTMENT EXPENSES (CONTINUED)

Law Enforcement Program:

	2018	2017
Liability for Claims and Claim Adjustment Expenses		
Beginning of Year	\$ 22,682,770	\$ 22,594,838
Incurred Claims and Claim Adjustment Expenses Related to:		
Current Year	9,390,095	9,711,179
Prior Years	(5,689,282)	437,643
Total Incurred	3,700,813	10,148,822
Payments (Net of Amounts Received Pursuant to Reinsurance Contracts) Related to:		
Current Year	(351,247)	(525,857)
Prior Years	(6,290,661)	(9,535,033)
Total Payments	(6,641,908)	(10,060,890)
Liability for Claims and Claims Adjustment Expenses -		
End of Year	19,741,675	22,682,770
 Total Liability Claims and Claim Adjustment -		
Expenses End of Year	\$ 30,638,665	\$ 34,143,788

As of December 31, 2018, the liability for unpaid claims and claim adjustment expenses of \$11,464,034 for the Multi-Line Program and \$20,709,576 for the Law Enforcement Program are presented at their net present value of \$10,896,990, and \$19,741,675, respectively. These claims are discounted at a rate of 3.0%. For the year ended December 31, 2018, the Multi-Line Program experienced negative development on prior policy year claims, resulting in a increase to claim expense of \$178,709, from the prior year. For the year ended December 31, 2018, the Law Enforcement Program experienced positive development on prior policy year claims, resulting in a decrease to claim expense of \$6,448,009, from the prior year.

NOTE 5 - REINSURANCE AND EXCESS INSURANCE

The Multi-Line Program and the Law Enforcement Program purchase commercial reinsurance.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 - REINSURANCE AND EXCESS INSURANCE (CONTINUED)

The Multi-Line Program's property coverage has a limit of \$750,000,000 per occurrence. The Multi-Line pool's self-insured retention for property coverage is \$250,000 per occurrence, then County Reinsurance Limited provides the next \$1,750,000 in coverage, then Lloyds of London Syndicates provides coverage up to \$750,000,000.

The Multi-Line Program's liability coverage has a limit of \$5,000,000 per occurrence, with an annual aggregate of \$10,000,000 per member. The Multi-Line pool's self-insured retention for liability coverage is \$1,000,000 per occurrence, then Munich Re provides the next \$4,000,000 in coverage on a per occurrence basis. There is a \$10,000,000 annual aggregate limit on liability reinsurance coverage in the Multi-Line Program.

The Law Enforcement Program's liability coverage has a limit of \$5,000,000 per occurrence with an annual aggregate of \$10,000,000 per member. The Law Enforcement pool's self-insured retention for liability coverage is \$1,000,000 per occurrence, then Munich Re provides the next \$4,000,000 in coverage on a per occurrence basis. There is a \$10,000,000 annual aggregate limit on liability reinsurance coverage in the Law Enforcement Program.

For the year ended December 31, 2018, the Multi-Line and Law Enforcement Pools paid a total of \$1,508,189 and \$2,984,850, respectively for reinsurance premiums.

For Class A County members in the Multi-Line and Law Enforcement Pools, a \$5,000,000 excess umbrella liability policy is procured by the Pools. Each Class A member has \$5,000,000 in coverage for any liability claims exceeding the Pool's per occurrence limit of \$5,000,000. This umbrella liability has a per occurrence limit of \$5,000,000 and an annual aggregate of \$5,000,000, per Class A member.

NOTE 6 - BROKERAGE SERVICE FEE

Commission/brokerage service fees were \$130,000, for the year ended December 31, 2018.

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.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7 - GENERAL AND ADMINISTRATIVE (CONTINUED)

The Pool expensed \$2,900,000 in 2018, 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.

The Pool's general and administrative expenses for the year ended December 31, 2018 consisted of the following:

	Multi-Line Program	Law Enforcement Program	Total
Administrative Fees	\$ 1,375,000	\$ 1,525,000	\$ 2,900,000
Software Support and Licensing	192,417	180,483	372,900
Appraisal Fees	75,630	-	75,630
Insurance	35,857	23,543	59,400
Miscellaneous	2,594	75,000	77,594
Accounting and Auditing	8,675	8,675	17,350
Actuarial	14,000	16,750	30,750
Consulting and Training	10,287	29,838	40,125
Legal	4,116	20,815	24,931
Total	\$ 1,718,576	\$ 1,880,104	\$ 3,598,680

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 ABATEMENT DISCLOSURES

As of December 31, 2018, the Pool had no tax abatement programs or agreements with other government entities.

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
NOTES TO TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
DECEMBER 31, 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 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, 2018
(Dollars in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1. Net Earned Required Contribution and Investment Revenues	\$ 17,796	\$ 17,301	\$ 17,486	\$ 17,759	\$ 16,416	\$ 19,807	\$ 20,096	\$ 24,226	\$ 26,107	\$ 27,076
2. Unallocated Expenses	2,203	2,296	2,358	2,522	2,408	2,712	2,963	3,062	3,202	3,729
3. Estimated Incurred Claims and Expense, End of Policy Year	6,357	11,685	13,601	12,687	12,888	19,479	16,813	15,051	14,967	16,663
4. Paid (Cumulative) as of:										
Year One	1,663	985	1,839	1,566	1,781	3,998	1,534	1,164	1,438	1,737
Year Two	3,751	3,659	5,771	4,476	5,204	7,378	5,171	6,659	4,481	
Year Three	7,522	6,570	8,910	8,183	5,485	8,966	12,535	12,678		
Year Four	9,689	7,826	10,922	7,787	6,884	13,271	14,028			
Year Five	10,348	8,366	10,498	8,971	9,068	14,711				
Year Six	10,785	7,781	11,780	11,347	9,328					
Year Seven	9,610	8,015	13,147	11,431						
Year Eight	9,610	8,973	13,283							
Year Nine	4,192	8,978								
Year Ten	10,418									
5. Re-Estimated Incurred Claims and Expense										
Year One	6,357	11,685	13,601	12,687	12,888	19,479	16,813	15,051	14,967	16,663
Year Two	8,767	10,622	14,908	12,179	12,071	15,573	15,357	19,953	12,658	
Year Three	11,586	11,849	14,341	13,323	9,428	13,162	18,311	21,189		
Year Four	12,332	10,452	13,333	12,616	9,392	16,796	17,724			
Year Five	12,248	9,954	13,116	11,236	10,323	16,305				
Year Six	11,222	8,094	12,710	11,858	9,966					
Year Seven	9,712	8,050	14,114	11,816						
Year Eight	9,610	8,993	13,687							
Year Nine	10,404	8,978								
Year Ten	10,418									
6. Increase (Decrease) in Estimated Incurred Claims and Expense from End of Policy Year	4,061	(2,707)	86	(871)	(2,922)	(3,174)	911	6,138	(2,309)	-

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
SCHEDULES OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGETARY BASIS)
DECEMBER 31, 2018

Multi-Line Program

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - (Budgetary Basis)	Variance With Final Budget Positive (Negative)
REVENUES				
Member Contributions	\$ 11,333,000	\$ 11,333,000	\$ 11,455,006	\$ 122,006
Investment Income	400,000	400,000	253,469	(146,531)
Other Operating Income	-	-	2,122	2,122
Total Revenues	<u>11,733,000</u>	<u>11,733,000</u>	<u>11,710,597</u>	<u>(22,403)</u>
EXPENSES				
Claims and Claim				
Adjustment Expenses	9,756,500	9,756,500	6,985,956	2,770,544
General and Administrative	1,911,500	1,911,500	1,718,576	192,924
Brokerage Fees	65,000	65,000	85,000	(20,000)
Total Expenses	<u>11,733,000</u>	<u>11,733,000</u>	<u>8,789,532</u>	<u>2,943,468</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,921,065</u>	<u>\$ 2,921,065</u>
EXCESS OF REVENUES OVER EXPENSES PER ACCOMPANYING GAAP FINANCIAL STATEMENTS			<u>\$ 2,921,065</u>	

NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
SCHEDULES OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGETARY BASIS)
DECEMBER 31, 2018

Law Enforcement Program

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - (Budgetary Basis)	Variance With Final Budget Positive (Negative)
REVENUES				
Member Contributions	\$ 15,127,195	\$ 15,127,195	\$ 15,368,752	\$ 241,557
Investment Income	400,000	400,000	144,420	(255,580)
Other Operating Income	-	-	10,522	10,522
Total Revenues	<u>15,527,195</u>	<u>15,527,195</u>	<u>15,523,694</u>	<u>(3,501)</u>
EXPENSES				
Claims and Claim				
Adjustment Expenses	13,468,195	13,468,195	6,685,663	6,782,532
General and Administrative	1,994,000	1,994,000	1,880,104	113,896
Brokerage Fees	65,000	65,000	45,000	20,000
Total Expenses	<u>15,527,195</u>	<u>15,527,195</u>	<u>8,610,767</u>	<u>6,916,428</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,912,927</u>	<u>\$ 6,912,927</u>
EXCESS OF REVENUES OVER EXPENSES PER ACCOMPANYING GAAP FINANCIAL STATEMENTS			<u>\$ 6,912,927</u>	

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
SCHEDULE OF CASH AND CASH EQUIVALENTS RECONCILIATION
FROM BANK TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

	Multi-Line Program	Law Enforcement Program	Total
	<u> </u>	<u> </u>	<u> </u>
Interest-Bearing Checking Accounts:			
First National Bank of Santa Fe	\$ 1,085,182	\$ 804,950	\$ 1,890,132
Money Market Wells Fargo Advisors	849,456	883,544	1,733,000
Money Market Fidelity Investments	284,464	279,652	564,116
	<u>2,219,102</u>	<u>1,968,146</u>	<u>4,187,248</u>
Reconciling Items:			
Outstanding Checks	(364,335)	(50,707)	(415,042)
Deposits in Transit	-	-	-
Financial Statement Balance	<u>1,854,767</u>	<u>1,917,439</u>	<u>3,772,206</u>
Cash Held with the State Treasurer			
Local Government			
Investment Fund	412	592	1,004
Financial Statement Balance	<u>412</u>	<u>592</u>	<u>1,004</u>
TOTAL CASH AND CASH EQUIVALENTS, RESTRICTED CASH, AND INVESTMENT IN THE STATE LOCAL GOVERNMENT INVESTMENT POOL	<u><u>\$ 1,855,179</u></u>	<u><u>\$ 1,918,031</u></u>	<u><u>\$ 3,773,210</u></u>

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
SCHEDULE OF CASH COLLATERAL
DECEMBER 31, 2018**

SUNFLOWER BANK

Multi-Line Checking	\$ 1,085,182
Law Enforcement Checking	804,950
Other Checking Accounts Administered by the New Mexico Association of Counties (Not Held by the Pool)	1,008,500
Total Deposit in Bank	2,898,632
FDIC Coverage	(250,000)
Total Uninsured Funds	2,648,632
50% Pledged Collateral Requirement	1,324,316

Pledged Collateral:

FHR - Series 4328 Class BH - Held with Sunflower Bank; Cusip #3137B9RC1, Maturity Date: 12/15/2026	717,782
FHR - Series 4420 Class CA - Held with Sunflower Bank; Cusip #3137BFF71, Maturity Date: 1/15/2041	2,816,777
FHR - Series 4700 Class PB - Held with Sunflower Bank; Cusip #313F1TC2, Maturity Date: 1/15/2045	2,249,045
GNMA II - Pool#: MA142 - Held with Sunflower Bank; Cusip #36179NSN9, Maturity Date: 11/20/2028	1,706,814
Total Pledged Collateral	7,490,418

OVER-COLLATERALIZED

\$ 6,166,102



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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 Multi-Line Pool
Santa Fe, New Mexico and
Brian S. Colón, Esq.
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 the New Mexico County Insurance Authority Multi-Line Pool (the Pool), as of and for the year ended December 31, 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 May 30, 2019.

Internal Control over Financial Reporting

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

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

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

MORTON ACCOUNTING SERVICES, LLC

A handwritten signature in cursive script that reads "Morton Accounting Services, LLC".

Santa Fe, New Mexico

May 30, 2019

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

SECTION I – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings for the year ended December 31, 2018.

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
DECEMBER 31, 2018**

SECTION I – FINANCIAL STATEMENT FINDINGS

The following prior year findings were cleared:

Finding 2017-001 – Underpayment of Claim Disbursement Invoice, Cleared

Condition: Out of 25 claims disbursements tested, one disbursement was underpaid by \$3.00, based on underlying supporting documentation (invoice).

**NEW MEXICO COUNTY INSURANCE AUTHORITY MULTI-LINE POOL
EXIT CONFERENCE
YEAR ENDED DECEMBER 31, 2018**

An exit conference was held on May 30, 2019. 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 MULTI-LINE POOL

Gregory S. Shaffer, Board Member
Taylor Horst, Risk Manager
Leandro Cordova, 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. However, they are the responsibility of management, as addressed in the Independent Auditor's Report.