

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION  
ADMINISTRATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION**

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**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION**

*Official Roster*

Darin Childers	Director
Dana Chavez	Executive Deputy Director - Operations
Thomas Dow	Executive Deputy Director – Support Services
Staci Tullar	Chief Financial Officer
Rachel Bayless	General Counsel

Timothy Keller, New Mexico State Auditor and  
State of New Mexico Workers' Compensation Administration  
Albuquerque, New Mexico

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Workers' Compensation Administration (the Administration) as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Administration's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Administration's fiduciary funds presented as supplementary information, as defined by Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015.

### **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 misstatements, 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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Administration, as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each fiduciary fund of the Administration as of June 30, 2015, and the respective changes in financial position, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Emphasis of Matter*

As discussed in Note 2, the financial statements of the State of New Mexico Workers' Compensation Administration are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Administration. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2015, and the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *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 10 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.

### *Supplemental Information*

Our audit was conducted for the purpose of forming opinions on the Administration's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC 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 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 the auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

The Schedule of Vendor Information as required by 2.2.2.10(A)(2)(g) and the Schedule of Joint Powers Agreements and Memorandums of Understanding have 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 them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015 on our consideration of the Administration'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 Administration's internal control over financial reporting and compliance.

### ***Ricci & Company LLC***

Albuquerque, New Mexico  
November 24, 2015

**NEW MEXICO WORKERS' COMPENSATION ADMINISTRATION**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2015**  
**(Required Supplementary Information)**

The Workers' Compensation Administration (Administration) (WCA) Management's Discussion and Analysis is provided as an overview of the financial activities of the Administration for the fiscal year ended June 30, 2015. The financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related GASB statements. Ricci & Company LLC prepared the financial statements with the assistance of the Administration. The requirements of GASB Statement No. 34 were developed by GASB to make annual reports more comprehensive and easier to understand and use.

**The Basic Financial Statements**

In compliance with requirements of accounting principles generally accepted in the United States of America (GAAP), the Administration's basic financial statements include the:

- Government-wide financial statements;
- Fund financial statements;
- Budget comparison statement; and
- Notes to the financial statements.

In compliance with 2.2.2 New Mexico Administrative Code (NMAC) Section 2.2.2.10A.(2)(b), the audit opinion also covers additional information consisting of:

- Individual fund budget comparison statements.

The Management's Discussion and Analysis (MD&A) is included as required supplementary information (RSI).

**REPORTING ON THE DEPARTMENT AS A WHOLE**

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Administration's finances, in a manner similar to private-sector business reporting. These statements report information about the overall government without displaying individual funds or fund types. They distinguish between governmental and business-type activities. However, the Administration does not have any business-type activities to report.

**NEW MEXICO WORKERS' COMPENSATION ADMINISTRATION**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2015**  
**(Required Supplementary Information)**

The *Statement of Net Position* inclusively presents current and long-term assets and liabilities, with the difference between the assets and liabilities reported as net position. The *Statement of Activities* presents all changes in net assets as soon as the underlying event giving rise to the change occurs, regardless of the timing related to cash flows. Therefore, revenues and expenses are included in this statement for some items that will only result in cash flows in future fiscal periods, like uncollected receivables (even if the "available" criteria is not met) and earned but unused vacation leave.

### **Reporting on the Administration's Most Significant Funds**

#### **The Fund Financial Statements**

The fund financial statements are used to report additional and detailed information. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are used to ensure and demonstrate compliance with finance-related legal requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented by governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Administration's near-term financing decisions. Both of the governmental funds *Balance Sheet* and the governmental funds *Statements of Revenues, Expenditures and Changes in Fund Balance* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Administration maintains its fund structure in the Statewide Human Resources, Accounting and Management Reporting (SHARE) system. The Administration operates with two governmental-type funds, the 1) General Fund, and 2) the Special Revenue fund (Uninsured Employers Fund). The governmental fund reporting focus is primarily on the sources, uses and balances of current financial resources and has a budgetary orientation.



**NEW MEXICO WORKERS' COMPENSATION ADMINISTRATION**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2015**  
**(Required Supplementary Information)**

**The Budget Comparison Statements**

The budget comparison statements required by GASB Statement 34 present the original and final appropriated budget for the reporting period as well as actual inflows and outflows stated on the budgetary basis. A separate column reports the variance between the final budget and actual amounts. In compliance with 2.2.2 New Mexico Administrative Code (NMAC) Section 2.2.2.10 P (1) through (3) the *Statement of Revenues and Expenditures – Budget and Actual*:

- Include prior-year cash required to balance the budget;
- Has been included as part of the basic financial statements; and
- Has been included in the auditor's opinion.

The Administration's budgeted funds consist of three individual Statewide Human Resources Accounting and Management Reporting System (SHARE) funds. Therefore, three individual fund budget comparison statements have been included in order to demonstrate budget compliance at the SHARE fund level, and to comply with the audit scope requirements of 2.2.2 (NMAC) Section 2.2.2.10 A(2)(e).

**THE ADMINISTRATION**

**Financial Analysis of the Administration**

The Administration's combined net position increased from a year ago, by \$1,252,168 or 9.5%, from \$13,222,834 to \$14,475,002.

Our analysis below focuses on the assets and liabilities and the changes in assets and liabilities of the Administration's governmental activities. Comparative information from the previous fiscal year is included for the reader's information.

**Net Position**  
**Governmental Activities**

	<u><b>FY 2015</b></u>	<u><b>FY 2014</b></u>	<u><b>Change</b></u>
Investment in the State Treasurer			
Fund Investment Pool	\$11,369,705	10,643,740	725,965
Petty cash	100	100	-
Receivable from other governments	753,301	669,672	83,629
Due to other state agencies	2,810,193	2,941,026	(130,833)
<b>Total current assets</b>	<u><b>14,933,299</b></u>	<u><b>14,254,538</b></u>	<u><b>678,761</b></u>
Capital assets, net of depreciation	588,894	543,512	45,382
<b>Total assets</b>	<u><u><b>\$15,522,193</b></u></u>	<u><u><b>14,798,050</b></u></u>	<u><u><b>724,143</b></u></u>

**NEW MEXICO WORKERS' COMPENSATION ADMINISTRATION**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2015**  
**(Required Supplementary Information)**

	<u>FY 2015</u>	<u>FY 2014</u>	<u>Change</u>
Accounts payable	\$ 461,282	227,457	233,883
Accrued payroll and related liabilities	293,024	175,044	117,922
Compensated absences payable	219,664	204,537	15,127
Due to other state agencies	-	900,000	(900,000)
<b>Total current liabilities</b>	<u>973,970</u>	<u>1,507,038</u>	<u>(533,068)</u>
 Long-Term Liabilities			
Compensated absences payable	<u>73,221</u>	<u>68,178</u>	<u>5,043</u>
 <b>Total liabilities</b>	 <u><b>1,047,191</b></u>	 <u><b>1,575,216</b></u>	 <u><b>(528,025)</b></u>
 Net position, invested in capital assets	 \$ 588,894	 543,512	 45,382
Restricted			
Special Revenue Funds	4,227,520	3,734,603	492,917
Unrestricted			
Administration Fund	<u>9,951,473</u>	<u>8,944,719</u>	<u>713,869</u>
 <b>Total net position</b>	 <u><b>14,475,002</b></u>	 <u><b>13,222,834</b></u>	 <u><b>1,252,168</b></u>
 <b>Total liabilities and net position</b>	 <u><b>\$15,522,193</b></u>	 <u><b>14,798,050</b></u>	 <u><b>724,143</b></u>

Total assets increased by \$724,143 or about 5% from a year ago, which is primarily related to the increase in the investment in the State Treasurer Fund Investment Pool. Total liabilities decreased by \$528,025 or about 34% from a year ago, which is primarily related to the decrease in due to other state agencies.

The Administration's net position is reported in the following three categories of net position; (1) invested in capital assets, (2) restricted, and (3) unrestricted. The invested in capital assets balance is positive and the restricted and unrestricted balances are also positive.

The Administration's capital assets balance at year end was \$588,894, net of accumulated depreciation of \$308,033. The Administration uses the capital assets to provide its services; consequently, these assets are not available for future spending.

**Statement of Activities – Changes in Net Position**

The statement below shows an increase in the aggregate, of the Administration's net position by \$1,252,168 during the year.

**NEW MEXICO WORKERS' COMPENSATION ADMINISTRATION**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2015**  
**(Required Supplementary Information)**

**Changes in Net Position**  
**Governmental Activities**

	<u>FY 2015</u>	<u>FY 2014</u>	<u>Change</u>
Program Expenses:			
General government	\$ 10,186,165	9,999,978	186,187
Loss on disposal of assets	159,087	-	159,087
Depreciation	75,522	65,468	10,054
	<hr/>	<hr/>	<hr/>
Total program expenses	10,420,774	10,065,446	355,328
General Revenues:			
Workers' compensation assessments	12,277,051	15,204,627	(2,927,576)
Settlement agreements	289,405	454,918	(165,513)
Penalties	3,864	716	3,148
Investment income	232	-	232
	<hr/>	<hr/>	<hr/>
Total general revenues	12,570,552	15,660,261	(3,089,709)
Transfers			
Inter-agency transfers in/(out)	(897,610)	(898,103)	493
	<hr/>	<hr/>	<hr/>
<b>Net change in net position</b>	<b>1,252,168</b>	<b>4,696,712</b>	<b>(3,444,544)</b>
Beginning net position	<hr/>	<hr/>	<hr/>
	13,222,834	8,526,122	4,696,712
<b>Ending net position</b>	<b><u>\$ 14,475,002</u></b>	<b><u>13,222,834</u></b>	<b><u>1,252,168</u></b>

The Administration's governmental activities program revenue decreased by \$3,089,709, or about 20%. This was the result of workers' compensations assessment fees and penalties, decrease in collections from FY 2014 to FY 2015.

The Administration's governmental activities program expenses increased by \$355,328, or about 4% from FY 2014 - \$10,065,446 to FY 2015 - \$10,420,774.

**The Administration's Funds**

The Workers' Compensation Administration's source of funding is the Workers' Compensation Fund. Employers pay the workers' compensation fee of \$4.30 per quarter per employee, including a \$2.30 employer contribution and a \$2 employee payroll deduction, into the Fund (including 30 cents earmarked for the Uninsured Employers' Fund).

**NEW MEXICO WORKERS' COMPENSATION ADMINISTRATION**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2015**  
**(Required Supplementary Information)**

The Uninsured Employers' Fund was created as a major new program of the WCA in 2003, to provide workers' compensation benefits for workers whose employers by law should, but do not, have workers' compensation coverage. Funding for this program comes from the earmarking of 30 cents per employee per quarter from the personnel assessment fee, paid by the employer. The law intends this source of funding to be supplemented by the collection of costs plus penalties from the uninsured employers whose employees receive benefits from the fund.

Collection of all revenue from the Workers' Compensation fee is under the Tax Administration Act. The WCA relies on the Taxation and Revenue Department (TRD) to collect the fee.

**Capital Assets – Debt Administration**

The Administration's capital assets consist of office equipment, furniture and fixtures, and information technology equipment. New information technology equipment of about \$15k and leasehold improvements of approximately \$265k were acquired during the current year and depreciation expense for the year ended June 30, 2015 was \$75,522.

The Administration did not acquire any debt during the current fiscal year, as such there is no related debt liability within the accompanying financial statements as of June 30, 2015. The only long-term liability is the amount of compensated absences expected to be paid after one year.

**Economic Factors and Next Year's Budgets and Rates**

The Administration expects to maintain a steady revenue figure stream in fiscal year 2016. Expenditures are expected to be steady.

**Contacting the Agency's Financial Management**

The financial report is designed to provide a general overview of the State of New Mexico Workers Compensation Administration's finances for all those interested in the Administration's fiscal health. Questions about this report or requests for additional information can be directed to:

State of New Mexico  
Workers Compensation Administration  
2410 Centre Ave SE  
P O Box 27198  
Albuquerque, NM 87125-7198  
505-841-6000

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
STATEMENT OF NET POSITION  
Year Ended June 30, 2015**

	Governmental Activities
<b>ASSETS</b>	
Current Assets	
Investment in State Treasurer General Fund Investment Pool	\$ 11,369,705
Petty cash	100
Receivables of penalties and assessments, net	753,301
Receivable from other agencies	<u>2,810,193</u>
<b>Total current assets</b>	14,933,299
Noncurrent Assets	
Capital assets, net	<u>588,894</u>
<b>Total assets</b>	<u>15,522,193</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	461,282
Accrued payroll and related liabilities	293,024
Compensated absences payable	<u>219,664</u>
<b>Total current liabilities</b>	973,970
Long-term Liabilities	
Compensated absences payable	<u>73,221</u>
<b>Total liabilities</b>	<u>1,047,191</u>
<b>NET POSITION</b>	
Net Investment in capital assets	588,894
Restricted	
Uninsured employer's future claims	4,227,520
Workers' compensation assessment	<u>9,658,588</u>
<b>Total net position</b>	<u>\$ 14,475,002</u>

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015**

	Governmental Activities
Program Expenses	
General government	\$ 10,186,165
Depreciation	<u>75,522</u>
<b>Total program expenses</b>	<u>10,261,687</u>
General Revenues	
Workers' compensation assessments	12,277,051
Settlement agreements	289,405
Penalties	3,864
Investment income	<u>232</u>
<b>Total general revenues</b>	<u>12,570,552</u>
Special Item	
Loss on disposal of assets	<u>(159,087)</u>
Transfers	
Inter-agency transfers in/(out)	<u>(897,610)</u>
<b>Change in net position</b>	1,252,168
Net position, beginning of year, as previously reported	10,693,283
Restatement to accounts receivable	<u>2,529,551</u>
Net position, beginning of year, as restated	<u>13,222,834</u>
<b>Net position, ending</b>	<u><u>\$ 14,475,002</u></u>

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015**

	Administration Fund	Uninsured Employer's Fund	Total
<b>ASSETS</b>			
Investment in State Treasurer General Fund			
Investment Pool	\$ 8,073,460	3,296,245	<b>11,369,705</b>
Petty cash	100	-	<b>100</b>
Receivables of penalties and assessments, net	-	753,301	<b>753,301</b>
Due from other agencies	2,604,355	205,838	<b>2,810,193</b>
	<hr/>		
<b>Total assets</b>	<b>\$ 10,677,915</b>	<b>4,255,384</b>	<b>14,933,299</b>
	<hr/> <hr/>		
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts payable	\$ 459,873	1,409	<b>461,282</b>
Accrued payroll and related liabilities	266,569	26,455	<b>293,024</b>
	<hr/>		
<b>Total liabilities</b>	<b>726,442</b>	<b>27,864</b>	<b>754,306</b>
	<hr/>		
Fund Balance			
Restricted			
Uninsured employer's future claims	-	4,227,520	<b>4,227,520</b>
Workers' compensation assessment	9,951,473	-	<b>9,951,473</b>
	<hr/>		
<b>Total fund balance</b>	<b>9,951,473</b>	<b>4,227,520</b>	<b>14,178,993</b>
	<hr/>		
<b>Total liabilities and fund balance</b>	<b>\$ 10,677,915</b>	<b>4,255,384</b>	<b>14,933,299</b>
	<hr/> <hr/>		

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
 WORKERS' COMPENSATION ADMINISTRATION  
 RECONCILIATION OF BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS  
 June 30, 2015**

**Total fund balance for the governmental fund (Balance Sheet) \$ 14,178,993**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 896,927	
Accumulated depreciation	<u>(308,033)</u>	588,894

Long-term liabilities, including current compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.

(292,885)

**Net position of governmental activities (Statement of Net Position) \$ 14,475,002**

*The Notes to the Financial Statements are an integral part of this statement.*



**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2015**

	Administratiior Fund	Uninsured Employers Fund	<b>Total</b>
Revenues			
Workers' compensation assessments	\$ 11,342,459	934,592	<b>12,277,051</b>
Settlement agreements	-	289,405	<b>289,405</b>
Penalties	3,864	-	<b>3,864</b>
Investment income	-	232	<b>232</b>
	<hr/>	<hr/>	<hr/>
<b>Total revenues</b>	<b>11,346,323</b>	<b>1,224,229</b>	<b>12,570,552</b>
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
Personal services	7,838,599	307,017	<b>8,145,616</b>
Contract services	299,739	9,740	<b>309,479</b>
Other costs	1,293,955	416,945	<b>1,710,900</b>
Capital outlay	279,991	-	<b>279,991</b>
	<hr/>	<hr/>	<hr/>
<b>Total expenditures</b>	<b>9,712,284</b>	<b>733,702</b>	<b>10,445,986</b>
	<hr/>	<hr/>	<hr/>
<b>Excess of revenues over expenditures</b>	<b>1,634,039</b>	<b>490,527</b>	<b>2,124,566</b>
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses)			
Transfers (to) from State General Fund	(900,000)	2,390	<b>(897,610)</b>
	<hr/>	<hr/>	<hr/>
<b>Total other financing sources (uses)</b>	<b>(900,000)</b>	<b>2,390</b>	<b>(897,610)</b>
	<hr/>	<hr/>	<hr/>
<b>Net change in fund balance</b>	<b>734,039</b>	<b>492,917</b>	<b>1,226,956</b>
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year, as previously reported	6,872,972	3,549,514	<b>10,422,486</b>
Restatement to accounts receivable	2,344,462	185,089	<b>2,529,551</b>
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year, as restated	<b>9,217,434</b>	<b>3,734,603</b>	<b>12,952,037</b>
	<hr/>	<hr/>	<hr/>
<b>Fund balance, end of year</b>	<b>\$ 9,951,473</b>	<b>4,227,520</b>	<b>14,178,993</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
 WORKERS' COMPENSATION ADMINISTRATION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS  
 Year Ended June 30, 2015**

**Net change in fund balance - Governmental Funds**  
**(Statement of Revenues, Expenditures and Changes in Fund Balance)** \$ 1,226,956

Amounts reported for governmental activities in the Statement of  
 Activities are different because:

Capital outlays are reported as expenditures in governmental funds.  
 However, in the Statement of Activities, the cost of capital assets  
 is allocated over their estimated useful lives as depreciation expense.  
 In the current period, these amounts are:

Capital outlay	\$	279,991	
Depreciation expense		(75,522)	
Excess capital outlay over depreciation expense			204,469

In the statement of activities, only the loss on the disposal of capital  
 assets is reported, whereas in the governmental funds the proceeds  
 (if any) from the sale increase financial resources. Thus, the change  
 in net position differs from the change in fund balance by the cost  
 of the capital asset sold. Because no proceeds were received for  
 the disposal of capital assets, the amount shown here represents  
 only the loss on disposal. (159,087)

Some items reported in the Statement of Activities do not require the  
 use of current financial resources and, therefore, are not reported  
 as expenditures in governmental funds.  
 Change in compensated absences (20,170)

**Change in net position of governmental activities (Statement of Activities)** \$ 1,252,168

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
 WORKERS' COMPENSATION ADMINISTRATION  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL  
 ADMINISTRATION FUND  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Workers' compensation assessment	\$ 10,531,900	10,531,900	11,342,459	810,559
Penalties	-	-	3,864	3,864
<b>Total revenues</b>	<b>10,531,900</b>	<b>10,531,900</b>	<b>11,346,323</b>	<b>814,423</b>
<b>Expenditures</b>				
Personnel services	7,868,700	7,868,700	7,838,599	30,101
Contractual services	360,000	360,000	299,739	60,261
Other	1,581,000	1,861,000	1,573,946	287,054
<b>Total expenditures</b>	<b>9,809,700</b>	<b>10,089,700</b>	<b>9,712,284</b>	<b>377,416</b>
<b>Excess of revenues over expenditures</b>	<b>722,200</b>	<b>442,200</b>	<b>1,634,039</b>	<b>1,191,839</b>
<b>Other Financing Sources (Uses)</b>				
Inter-agency transfers	(900,000)	(900,000)	(900,000)	-
<b>Total other financing sources (uses)</b>	<b>(900,000)</b>	<b>(900,000)</b>	<b>(900,000)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(177,800)</b>	<b>(457,800)</b>	<b>734,039</b>	<b>1,191,839</b>
Fund balance, beginning of year	588,039	588,039	9,217,434	8,629,395
<b>Fund balance, end of year</b>	<b>\$ 410,239</b>	<b>130,239</b>	<b>9,951,473</b>	<b>9,821,234</b>

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
 WORKERS' COMPENSATION ADMINISTRATION  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL  
 UNINSURED EMPLOYER'S FUND  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Workers' compensation assessment	\$ 1,210,700	1,210,700	934,592	(276,108)
Settlement agreements	-	-	289,405	289,405
Miscellaneous revenues	-	-	232	232
<b>Total revenues</b>	<b>1,210,700</b>	<b>1,210,700</b>	<b>1,224,229</b>	<b>13,529</b>
<b>Expenditures</b>				
Personal Services	308,500	308,500	307,017	1,483
Contractual services	50,000	50,000	9,740	40,260
Other	852,700	852,700	416,945	435,755
<b>Total expenditures</b>	<b>1,211,200</b>	<b>1,211,200</b>	<b>733,702</b>	<b>477,498</b>
<b>Excess of revenues over expenditures</b>	<b>(500)</b>	<b>(500)</b>	<b>490,527</b>	<b>491,027</b>
<b>Other Financing Sources (Uses)</b>				
Designated cash	-	-	-	-
Inter-agency transfers	-	-	2,390	2,390
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>2,390</b>	<b>2,390</b>
<b>Net change in fund balance</b>	<b>(500)</b>	<b>(500)</b>	<b>492,917</b>	<b>493,417</b>
Fund balance, beginning of year	1,434,859	1,434,859	3,734,603	2,299,744
<b>Fund balance, end of year</b>	<b>\$ 1,434,359</b>	<b>1,434,359</b>	<b>4,227,520</b>	<b>2,793,161</b>

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
 WORKERS' COMPENSATION ADMINISTRATION  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND - SHARE FUND 59600  
 June 30, 2015

Assets		
Investment in the State Treasurer General Fund Investment Pool	\$	1,150
Accounts receivable		8,250
		<hr/>
<b>Total assets</b>	<b>\$</b>	<b>9,400</b>
		<hr/> <hr/>
Liabilities		
Due to State General Fund	\$	9,400
		<hr/>
<b>Total liabilities</b>	<b>\$</b>	<b>9,400</b>
		<hr/> <hr/>

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 1. ORGANIZATION**

The Workers' Compensation Administration (Administration) was created on January 1, 1991, and until June 30, 1993, was administratively attached to the New Mexico Department of Labor (DOL). Effective July 1, 1993, the Administration became a fully independent agency vouchering through the Department of Finance and Administration (DFA).

The Legislature created the Administration and the laws administered by it to provide a workers' benefit system that assures the quick and efficient delivery of indemnity and medical benefits to injured and disabled workers at a reasonable cost to the employers who are subject to the provisions of the Workers' Compensation Act (Chapter 52, Article 1, NMSA 1978) and the New Mexico Occupational Disease Disablement Law (Chapter 52, Article 3, NMSA 1978).

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Administration have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The more significant of the Administration's accounting policies are described below:

**A. Financial Reporting Entity**

The chief executive of the Administration is the Director, who is appointed by the Governor of the State of New Mexico. The Administration is a component unit of the executive branch and these financial statements include all funds, programs and activities over which the Director has oversight responsibility. As a component unit of the State of New Mexico, a phase one government, the Administration was required to implement GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* in fiscal year 2002.

Governmental Accounting Standards Board Statement (GASBS) 14, *The Financial Reporting Entity*, effective for periods beginning after December 15, 1992, establishes standards for defining and reporting on the financial reporting entity. GASBS 14 supersedes previous standards issued by the National Council on Governmental Accounting. The requirements of GASBS 14 apply at all levels to all state and local governments. GASBS 14 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Financial Reporting Entity (Continued)**

A primary government is any state government or general purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, administrations and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Administration, therefore, is part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State. However, New Mexico does not at present issue an audited comprehensive annual financial report inclusive of all agencies of the primary government.

The Administration is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Even though the Director is appointed by the Governor, the Director has decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The Audit Act, Section 12-6-1 through 12-6-14, NMSA 1978, requires the financial affairs of every agency to be thoroughly examined and audited each year, and a complete written report to be made. Moreover, the New Mexico State Auditor requires that each agency shall prepare financial statements in accordance with accounting principles generally accepted in the United States of America. However, the financial statements were prepared by the independent certified public accountants performing the audit.

All of the programs that are administered and/or controlled by the Administration have been included for this purpose. No entities were noted that should be considered component units of the Administration. No entities were specifically excluded from the Administration because no entities were noted as meeting any of the criteria for potential inclusion.

The Administration is a user organization of the Statewide Human Resource, Accounting, and Management Reporting System (SHARE). The service organization is the Department of Finance and Administration (DFA).

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basic Financial Statements - Government-Wide Statements**

The basic financial statements include both government-wide (based on the Administration as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. The Administration is a single purpose government entity and has no business type activities. The government-wide financial statements, the statement of net position, and the statement of activities report information on all non-fiduciary activities of an agency. In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Department's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide statement of activities reflects both the gross and net cost per functional categories which are otherwise being supported by general government revenues. The statement of activities reduces gross expenses (including depreciation expense on capital assets) by related program revenues, operating and capital grants. Program revenue must be directly associated with the function. Program revenues include 1) charges to applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational or capital requirements for a particular function or segment. The Administration has no revenues that meet the definition of program revenues.

When applicable, the effect of inter-fund activity is removed from the statement of net position and the statement of activities in order to avoid a grossing-up effect on the assets, liabilities, revenues and expenditures.

The net cost by function is normally covered by general revenue. Since the Administration only has one program, it does not employ indirect cost allocation in the financial statements.

This government-wide focus is more on the sustainability of the Administration as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.



**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basic Financial Statements - Fund Financial Statements**

The fund financial statements are similar to the financial statements presented in the previous model. Emphasis is on the major funds of the governmental category. Non-major funds are summarized into a single column. The Administration only has major funds. The governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources, and to demonstrate how the Administration's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The Administration's fiduciary fund is not presented in the fund financial statements since it is an agency fund type. By definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government. These funds are not incorporated into the government-wide statements either.

The focus of the revised model is on the Administration as a whole and the fund financial statements, including the major individual fund of the governmental category, as well as the fiduciary fund by category.

The financial transactions of the Administration are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The new model sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The Administration has no non-major funds. The following fund types are used by the Administration:

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basic Financial Statements - Fund Financial Statements (Continued)**

Government Fund Types

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current position) is considered a measure of available expendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available expendable resources during a period. Revenues are available if collected within the current period or soon enough afterwards to pay liabilities of the current period. The Administration considers revenues to be available if collected within sixty days of the end of the fiscal year.

Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

*Administration Fund* - The Administration Fund (SHARE Fund #98200) is the general operating fund of the Administration. It is used to account for all financial resources except those required to be accounted for in another fund. The Administration Fund is funded primarily from workers' compensation assessments paid by applicable employers throughout the State of New Mexico. The Administration Fund is a non-reverting fund as per the Workers' Compensation Act.

*Special Revenue Fund* - Uninsured Employer's Fund. The Uninsured Employer's Fund (SHARE Fund #98300) is created by Laws of 2003 Chapter 258. It is used to account for the assessments and costs related to claims against uninsured employers. This fund is presented as a major fund at the Administration's discretion. The Uninsured Employer's Fund is a non-reverting fund.

Fiduciary Fund Types

Fiduciary Fund types include trust and agency funds, which are used to account for the assets held by the Administration in the capacity of trustee or agent.

*Agency Fund* - The Agency Fund (SHARE Fund #59600) is used to account for assets held as an agent for other governmental units, individuals, and other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is the Workers' Compensation-Penalty Fund.

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements and the fiduciary financial statements are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis. Under the accrual method of accounting, revenues are recognized when earned and expenditures are recognized when incurred. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, which was adopted by the Administration as of July 1, 2000. Gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange transactions are recognized when the exchange takes place.

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current fiscal period; available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Revenues from taxes are recorded when both earned and considered available, that is, received within 60 days of year-end. Contributions and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as noncurrent liabilities. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

In applying the "susceptible to accrual" concept to intergovernmental tax revenues pursuant to GASB Statement No., 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirement are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgets and Budgetary Accounting**

Per the General Appropriation Act, Laws of 2007, Chapter 28, Section 3, Item N, "For the purpose of administering the General Appropriation Act of 2007 and approving operating budgets, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the Department of Finance and Administration." The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget.

Legal compliance is monitored through the establishment of a budget (modified accrual basis) and a financial control system which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriations Act. The budget amounts shown in the financial statements are the final authorized amounts as legally revised during the year. The legal level of budgetary control is at the appropriation unit level.

The Administration follows these procedures in establishing the budgetary data reflected in the financial statements:

1. No later than September 1, the Administration submits to the Legislative Finance Committee (LFC) and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriations Act.
3. The Act is then signed into law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgets and Budgetary Accounting (Continued)**

4. Not later than May 1, the Administration submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget which becomes effective on July 1.
5. Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue Funds. Budgets are prepared for each project within a capital projects fund. These budgets are for the entire project and may span two or more years, depending on the project.
6. The budget for the General Fund and all Special Revenue Funds are adopted on a modified accrual basis of accounting. Per the General Appropriations Act, Laws of 2006, Chapter 109, Section 3, Subsections 0 and N, the budgetary basis is modified accrual. However, there is statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable require approval to pay prior year bills out of the subsequent year's budget.
7. The original budgets differ from the final budgets presented in the budget comparison statements by amendments made during the fiscal year. All budgetary adjustments must be approved by the Department of Finance and Administration Budget Division and the Legislative Finance Committees.
8. Appropriations lapse at the end of the fiscal year for those goods and services received by June 30.

In accordance with the requirements of Section 2.2.2.10.A(2)(b) of 2.2.2 NMAC, *Requirements for Conducting Audits of Agencies* and the allowance made by GASB 34, footnote 53, the budgetary comparison statement prepared on the modified accrual basis has been included as part of the basic financial statements. Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

**STATE OF NEW MEXICO  
 WORKERS' COMPENSATION ADMINISTRATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the General Fund. Unused and excess encumbrances are adjusted to zero in the year it is determined the funds will not be spent.

**G. Use of Estimates**

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**H. Compensated Absences Payable**

Qualified employees accumulate annual leave as follows:

Years of Service	Hours Earned Per Month	Days Earned Per Month	Days of Maximum Accrual
1-2	6.67	.83	30
3-6	8.00	1.00	30
7-10	9.99	1.25	30
11-14	12.00	1.50	30
15/Beyond	13.33	1.67	30

**STATE OF NEW MEXICO  
 WORKERS' COMPENSATION ADMINISTRATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Compensated Absences Payable (Continued)**

Exempt employees accumulate annual leave as follows:

Years of Service	Hours Earned Per Month	Days Earned Per Month	Days of Maximum Accrual
0-10	9.99	1.25	30
11-14	12.00	1.50	30
15/Beyond	13.33	1.67	30

Thirty (30) days of accrued annual leave may be carried forward into the beginning of the next calendar year, and any excess is forfeited. When employees terminate, they are compensated for accumulated annual leave as of the date of termination, up to a maximum of thirty (30) days. Accrued annual leave is recorded as a current and noncurrent liability in the government-wide financial statements.

Employees who have over 600 hours of accumulated sick leave can receive payment for hours over 600, up to 120 hours, on July 1 or January 1 of each year. However, sick leave is paid at 50% of the employee's regular hourly wage. At retirement, employees can receive 50% payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2015, over 600 hours up to a maximum of 120 hours. Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability in the statement of net assets.

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Net Position**

The government-wide and business type fund financial statements utilize a net position presentation. Net position is categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

*Net Investment in Capital Assets* - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

*Restricted Net Position* - are liquid assets (generated from revenues and not bond proceeds) which have a legally enforceable third-party (statutory or granting agency) limitation on their use. Legally enforceable means that a government can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation. This includes constraints placed on the funds' use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment. If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net position should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation.

In accordance with 52-5-19 NMSA 1978, the Workers' Compensation Assessments are set aside in the Uninsured Employer's Fund and the Workers' Compensation Administration Fund (Administration fund). This net position is considered restricted and does not revert to the State General Fund. When expenses are incurred for purposes for which both unrestricted and restricted funds are available, it is the policy of the Administration to first apply restricted resources. The balance of restricted net position as of June 30, 2015 is \$13,886,108 which is restricted by enabling legislation.

*Unrestricted Net Position* - represent unrestricted liquid assets. All net positions not otherwise classified as restricted, are shown as unrestricted.

The Administration allocates expenses to restricted or unrestricted resources based on the budgeted source of funds.

**J. Fund Balance**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement is intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications and clarifying the existing fund balance definitions.



STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Fund Balance (Continued)**

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. *Nonspendable* - includes amounts that cannot be spent because (1) they are either not in spendable form or (2) they are legally or contractually required to be maintained intact.
2. *Restricted* - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* - fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government's highest level of decision-making authority removes or changes the specified use by taking the same action it employed to previously commit those amounts.
4. *Assigned* - fund balance constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes
5. *Unassigned* - fund balance is the residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications.

The Administration has reviewed each of the classifications and has determined that fund balances are restricted for Uninsured employer's future claims in compliance with § 52-1-9.1 NMSA 1978, and for Administration fund workers' compensation assessments in accordance with § 52-5-19 NMSA 1978.

The Administration would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**K. Interfund Activity**

Interfund activity includes uninsured employer fees collected by the Administration Fund and transferred to the Uninsured Employers Fund on a periodic basis. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Capital Assets**

Capital assets are defined in Section 12-6-10 NMSA 1978. Section 12-6-10 NMSA 1978, was amended effective June 19, 2005, changing the capitalization threshold of movable chattels and equipment to items costing more than \$5,000. Capital assets purchased or acquired at a value of \$5,000 or greater are capitalized. In some cases assets acquired at a value of \$5,000 or less are capitalized. Items on the capital asset listing that were capitalized under previous lower thresholds remain on the inventory list and will continue to be depreciated until the Administration disposes of them in accordance with applicable statute.

Assets are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Computer software which is purchased with data processing computer equipment is included as part of the capitalized computer equipment data processing in accordance with 2.20.1.9 C (5). Also, the Department does not develop any software. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed when incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful life with no salvage value.

	<u>Years</u>
Furniture and Fixtures	5-20
Information Technology Equipment	5-10
Office Equipment	5-10

The Administration utilizes facilities and buildings that are owned by the State of New Mexico. These assets and the related depreciation expense are not included in the accompanying financial statements. GASB 34 requires the recording and depreciation of infrastructure assets, such as roads, bridges, etc. The Administration does not own any infrastructure assets. There is no debt related to capital assets.

**M. Implementation of New Accounting Standards**

During fiscal year 2015, the Administration adopted the following GASB Statements:

- GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statements No. 27*, this Statement addresses accounting and financial reporting for pension that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts.
- GASB 69, *Government Combinations and Disposals of Government Operations*, which distinguishes between a government merger and a government acquisition and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement did not apply to the Department.

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Implementation of New Accounting Standards (Continued)

- GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (Amendment to GASB 68)*, which improves accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

Subsequent accounting standards that the Administration is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 72, *Fair Value Measurement and Application*, this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ended June 30, 2016.
- GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, the objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended June 30, 2016.
- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended June 30, 2017.

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Implementation of New Accounting Standards (Continued)**

- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended June 30, 2018.
- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ended June 30, 2016.
- GASB 77, *Tax Abatement Disclosures*, this Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. This Statement will be effective for the year ended June 30, 2017.

**NOTE 3. CASH – INVESTMENTS AND COLLATERAL**

**Interest in the General Fund Investment Pool**

The State General Fund Investment Pool (SGFIP) is the State of New Mexico’s main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the SGFIP. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

**STATE OF NEW MEXICO  
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**NOTE 3. CASH – INVESTMENTS AND COLLATERAL (CONTINUED)**

**Interest in the General Fund Investment Pool (Continued)**

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a “business unit by fund” level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled “Current State Diagnostic of Cash Control,” also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting from the Remediation Project and has made changes to the State’s SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis; however, it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

As stated above and communicated in prior letters and memoranda, recorded agency claims against the SGFIP and fiduciary resources held at the State Treasurer’s Office (STO) to fulfill those claims were not reconciled from the inception of SHARE, in July 2006 through January 2013. A late 2014 effort to reconcile transactions which occurred during this period, also referred to as the Historical Cash Reconciliation Project, was unsuccessful in part due to incomplete data sets. The absence of all required data suggests that future efforts would be equally inconclusive and therefore not meriting additional energy.

**STATE OF NEW MEXICO  
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**NOTE 3. CASH – INVESTMENTS AND COLLATERAL (CONTINUED)**

**Interest in the General Fund Investment Pool (Continued)**

While the results of the Historical Cash Reconciliation Project did not yield the hope for closure, significant progress was made in the overall reconciliation process and the Financial Control Division (FCD) now has an operational model that effectively compares statewide claims against the SGFIP and resources held at the State Treasurer's Office. The process has been operational since March 2015. As a result, FCD is able to make the following representations:

1. The established allowance recorded within the General Operating Reserve Fund is sufficient to accommodate the current calculated difference between resources held in the SGFIP and agency claims;
2. The calculated difference between resources maintained by STO and the agency claims has remained stable during the time in which the process was employed;
3. The entirety of any adjustment will be applied against the allowance established in the General Operating Reserve Fund. No portion of the adjustment shall be allocated to any specific business unit that participates in the SGFIP.

The Administration has established procedures and internal controls to mitigate the statewide cash reconciliation issue described above by performing cash reconciliations on a monthly basis.

State law (Section 8-6-3 NMSA 1978) requires the Administration's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Administration consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office *Investment Accounts with State Treasurer*.

At June 30, 2015, the Administration had the following invested in the SGFIP:

Fund	SHARE Agency - Fund	Location	Balance Per SHARE
Administration Fund	63200-98200	STO	\$ 8,073,460
Petty cash - Administration Fund	63200-98200	On site	<u>100</u>
Subtotal Administration Fund			8,073,560
Uninsured Employers Fund	63200-98300	STO	<u>3,296,245</u>
Subtotal government-wide cash and investments			11,369,805
Agency Fund	63200-59600	STO	<u>1,150</u>
<b>Total cash and investments in SGFIP</b>			<b><u>\$ 11,370,955</u></b>

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**NOTE 3. CASH – INVESTMENTS AND COLLATERAL (CONTINUED)**

**Interest in the General Fund Investment Pool (Continued)**

Cash accounts on deposit with the New Mexico State Treasurer do not require collateral to be pledged, because they are deposits with another governmental entity. The Administration is not authorized to make investments of funds on deposit with the New Mexico State Treasurer.

The Administration reconciles actual activity to revenues and expenditures posted in the SHARE system, which mitigates the risk that the Administration's cash balances would be misstated due to the General Fund Investment Pool not being reconciled as previously mentioned.

**Interest Rate Risk**

The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

**Credit Risk**

The New Mexico State Treasurer pools are not rated. For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2015.

STATE OF NEW MEXICO  
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**NOTE 4. RECEIVABLES**

**Due From Others**

Amounts due from others are as follows:

Due to Fund	Type	Accounts Receivable	Allowance for Uncollectible Accounts	Accounts Receivable
Admin Fund	WCA assessments receivable	\$ 2,604,355	-	2,604,355
Admin Fund	Penalties receivable	-	-	-
Subtotal General Fund (SHARE Fund #98200)		<u>2,604,355</u>	<u>-</u>	<u>2,604,355</u>
UEF Fund	WCA assessments receivable	205,838	-	205,838
UEF Fund	UEF judgments receivable	<u>1,215,281</u>	<u>(461,980)</u>	<u>753,301</u>
Subtotal UEF Fund (SHARE Fund #98300)		<u>1,421,119</u>	<u>(461,980)</u>	<u>959,139</u>
Subtotal governmental activities		<u>4,025,474</u>	<u>(461,980)</u>	<u>3,563,494</u>
Agency Fund	Penalties receivable	<u>8,250</u>	<u>-</u>	<u>8,250</u>
<b>Due from others</b>		<u>\$ 4,033,724</u>	<u>(461,980)</u>	<u>3,571,744</u>

The allowance for uncollectible accounts is based on estimated collectible balances using an analysis of outstanding accounts receivable and past collection experience.



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**NOTE 5. CAPITAL ASSETS**

Summaries of changes in capital assets and related depreciation for the year ended June 30, 2015 is as follows:

	Balance 6/30/14	Additions	Deletions	Adjustments	Balance 6/30/15
<b>Capital Assets</b>					
Office equipment	\$ 73,984	-	(31,320)	(11,014)	31,650
Furniture and fixtures	31,686	-	-	-	31,686
Information technology equipment	433,848	14,857	(79,019)	(44,586)	325,100
Leasehold improvements	414,617	265,134	(171,260)	-	508,491
<b>Total capital assets</b>	<u>954,135</u>	<u>279,991</u>	<u>(281,599)</u>	<u>(55,600)</u>	<u>896,927</u>
<b>Accumulated depreciation</b>					
Office equipment	(64,489)	(3,165)	31,320	11,014	(25,320)
Furniture and fixtures	(24,424)	(3,169)	-	-	(27,593)
Information technology equipment	(293,435)	(41,976)	70,004	44,586	(220,821)
Leasehold improvements	(28,275)	(27,212)	21,188	-	(34,299)
<b>Total accumulated depreciation</b>	<u>(410,623)</u>	<u>(75,522)</u>	<u>122,512</u>	<u>55,600</u>	<u>(308,033)</u>
<b>Net capital assets</b>	<u>\$ 543,512</u>	<u>204,469</u>	<u>(159,087)</u>	<u>-</u>	<u>588,894</u>

The Administration does not have any debt related to capital assets at June 30, 2015. Current year depreciation expense is \$75,522 which is all allocated to the general government function on the statement of activities.

**NOTE 6. CHANGES IN COMPENSATED ABSENCES**

A summary of changes in compensated absences payable for the year ended June 30, 2015, is as follows:

	Balance 6/30/14	Increase	Decrease	Balance 6/30/15	Current Due Within One Year
<b>Governmental Activities</b>					
Annual leave	\$ 263,324	332,737	(314,888)	281,173	210,880
Sick leave	5,445	210,045	(212,303)	3,187	2,390
Compensatory	3,946	35,086	(30,507)	8,525	6,394
<b>Compensated absences payable</b>	<u>\$ 272,715</u>	<u>577,868</u>	<u>(557,698)</u>	<u>292,885</u>	<u>219,664</u>

Management estimates that 75% of annual leave balances and all sick leave and compensatory leave balances are due within one year. This results in a short-term liability of \$219,664 and a long-term liability of \$73,221. The Administration Fund (SHARE Fund #98200) has paid substantially all of the compensated absences balance in prior years.

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**NOTE 7. OPERATING LEASES**

The Administration leases office space throughout the State as well as copiers and vehicles. All leases may be terminated at any time with sixty days' notice if the New Mexico Legislature does not grant sufficient appropriation for the lease or if the Administration decides that termination is necessary to protect the best interests of the State of New Mexico.

Buildings and Structures

The Administration leases office space at five locations (seven leases) throughout the State. The terms of the leases are from one to ten years with additional renewal periods at the end of each lease. All leases contain fiscal funding clauses.

Machinery and Equipment

The Administration leases various copiers and postage machines. The terms of the leases run from four to five years. The leases on the copy machines also provide for maintenance and copy charges. All leases contain fiscal funding clauses.

Vehicles

The Agency leases 12 vehicles on an annual basis from the New Mexico General Services Department.

The cumulative expenditures for operating leases for the year ended June 30, 2015, were \$307,082.

Future minimum rental payments under these operating leases are as follows:

Year ended June 30,	
2016	\$ 205,550
2017	186,941
2018	148,668
2019	87,139
2020	88,652
Thereafter	<u>326,870</u>
<b>Total</b>	<b><u>\$ 1,043,820</u></b>

**STATE OF NEW MEXICO  
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**NOTE 8. PERA PENSION PLAN**

*Plan Description.* Substantially all of the Workers' Compensation Administration full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article II, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 8.92% of their gross salary. The Administration is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the Administration are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the Legislature. The Workers' Compensation Administration's contributions to PERA for the years ending June 30, 2015, 2014 and 2013 were \$930,779, \$896,309, and \$791,768, respectively, equal to the amount of the required contributions for each year.

**NOTE 9. ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS**

Compliant with the requirements of GASB No. 68, accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015.

The Administration, as a part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**STATE OF NEW MEXICO  
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**NOTE 10. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

*Plan Description.* The NM Workers' Compensation Administration contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the health care plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment health care plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for health care benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

**STATE OF NEW MEXICO  
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**NOTE 10. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Administration's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$109,606, \$108,231, and \$105,006, respectively, which equal the required contributions for each year.

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**NOTE 11. INTER-AGENCY BALANCES / TRANSFERS AND OTHER FINANCING SOURCES (USES)**

The following transfers were made during the fiscal year:

Transferring Agency/Fund	Receiving Agency/Fund	Amount	Purpose of Transfer/Laws
<b>Inter-agency Transfers In</b>			
33300/83100	63200/98200	\$ 9,456,351	Workers' comp assessments collected by other agency
33300/83100	63200/98200	<u>2,604,355</u>	Workers' comp assessments receivable as of 6/30/15
		12,060,706	Subtotal amounts received or receivable
		<u>(718,247)</u>	Less amounts transferred to WCA Fund 98300
		<u>11,342,459</u>	Amount reported on the fund financials as revenues in Fund 98200
33300/83100	63200/98300	<u>205,838</u>	Workers' comp assessments receivable as of 6/30/15
<b>Total transfers in</b>		<u>\$ 11,548,297</u>	
33300/83100	63200/98200	\$ 2,725,154	Workers' comp assessments collected by other agency
39400/41000	63200/98300	<u>215,187</u>	Workers' comp assessments collected by other agency
<b>Total payments on receivables from prior years</b>		<u>\$ 2,940,341</u>	
<b>Inter-agency Transfers Out</b>			
63200/98200	63100/32900	<u>\$ 900,000</u>	Gen'l. Approp. Act of 2008-Laws 2009, Ch 3, Sec4
<b>Total other financing uses</b>		<u>\$ 900,000</u>	
<b>Agency Fund Activity</b>			
63200/59600	34101/85300	<u>\$ 4,773</u>	Transfer workers' comp penalties collected by agency
<b>Total inter-agency transfers from agency fiduciary fund</b>		<u>\$ 4,773</u>	

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**NOTE 12. INTER-FUND TRANSFERS**

Inter-fund transfers are as follows:

Transferring Fund	Receiving Fund	Amount	Purpose of Transfer
98200	98300	\$ 718,247	Transfer Fund 983's portion of WCA assessments
		<u>216,345</u>	Audit AJE to adjust allowance for uncollectible accounts
<b>Total inter-fund transfers</b>		<u>\$ 934,592</u>	This amount is reported on the fund financials as revenues in Fund 983

**NOTE 13. RISK MANAGEMENT**

The Administration, as a state agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. Annual premiums are paid to the Office of Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the State of New Mexico
2. Coverages to protect the State of New Mexico's property and assets
3. Fringe benefit coverages for State of New Mexico employees

The Administration is currently involved in pending legal matters. Although the possibility of loss exists in some of these cases, any potential loss would likely be covered either by insurance (through Risk Management Division) or would not be material. Therefore, no liability has been recorded in the financial statements.

The Administration's UEF fund has amounts outstanding for future costs related to open UEF cases. Per Section 52-1-9.1H NMSA 1978, the liability of the State, the Workers' Compensation Administration and the State Treasurer, with respect to payment of any compensation benefits, expenses, fees or disbursement properly chargeable against the uninsured employers' fund, is limited to the assets in the uninsured employers' fund, and they are not otherwise liable for any payment. Per this statute, the UEF claim liability is limited to the net assets available within the fund. Due to the liability limitations under the existing state law and the potential impact ongoing operations and other permitted activities might have on the UEF fund's net assets, no associated liability has been recognized in the accompanying financial statements.

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June 30, 2015**

**NOTE 14. PRIOR PERIOD RESTATEMENT**

The Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities include a prior period restatement of \$2,529,551. The restatement represents an increase to accounts receivable of \$2,344,462 and \$185,089 for the General Fund and the Uninsured Employers Fund, respectively, as of June 30, 2014. The restatement was caused by workers' compensation assessments related to fiscal year 2014 that were collected within sixty days of prior year end, which were not properly included in accounts receivable at June 30, 2014. This created an understatement of revenue and accounts receivable in the government wide and the fund financial statements. Below is a schedule of the changes in revenue and accounts receivable and the changes in net position, and the effects of the correction of the error.

	June 30, 2014 as Previously Reported	Restatement	June 30, 2014 as Restated
<b>Administration Fund</b>			
Workers' compensation assessment	\$ 11,701,963	2,344,462	14,046,425
Receivables of penalties and assessments, net	380,692	2,344,462	2,725,154
<b>Uninsured employers' fund</b>			
Workers' compensation assessment	\$ 973,113	185,089	1,158,202
Receivables of penalties and assessments, net	700,240	185,089	885,329
<b>Total both funds – Government Wide</b>			
Workers' compensation assessment	\$ 12,675,076	2,529,551	15,204,627
Receivables of penalties and assessments, net	1,080,932	2,529,551	3,610,483

As a result of the understatements above, the June 30, 2014 beginning fund balances and net positions were understated as follows:

	Administration Fund	Uninsured Employers Fund
Fund balance, beginning	\$ 6,872,972	3,549,514
Restatement	<u>2,344,462</u>	<u>185,089</u>
Fund Balance, beginning, as restated	<u>\$ 9,217,434</u>	<u>3,734,603</u>
Net position, beginning	\$ 10,693,283	
Restatement	<u>2,529,551</u>	
Net position, beginning, as restated	<u>\$ 13,222,834</u>	



STATE OF NEW MEXICO  
 WORKERS' COMPENSATION ADMINISTRATION  
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUND  
 SHARE FUND 59600  
 Year Ended June 30, 2015

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Assets				
Cash	\$ 1,400	-	(250)	1,150
Accounts receivable	24,280	-	(16,030)	8,250
<b>Total assets</b>	<b>\$ 25,680</b>	<b>-</b>	<b>(16,280)</b>	<b>9,400</b>
Liabilities				
Deposits held in custody for others	\$ 25,680	-	(16,280)	9,400
<b>Total liabilities</b>	<b>\$ 25,680</b>	<b>-</b>	<b>(16,280)</b>	<b>9,400</b>

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
 WORKERS' COMPENSATION ADMINISTRATION  
 SCHEDULE OF JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING  
 Year Ended June 30, 2015

Participants	Responsible Party for Operations	Description	Beginning & Ending Dates	Total Estimated Amount of Project	Agency Contributions in FY 15	Revenues & Expenditures Reported On By:	Audit Responsibility
Workforce Solutions Department	WSD	Provide employment data	Open	\$ - \$	-	WSD & WCA	Both
NM Taxation and Revenue Department	TRD	Collect and remit WCA assessment fees	Open	738,373	738,373	TRD	TRD

Example Entity  
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)  
 For the Year Ended June 30, 2015

Prepared by Agency Staff Name: Staci Tullar Title: Financial Manager/CFO Date: 10/26/2015

<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 ALL 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>
12-632-0006	RFP	Corvel	\$92,000	NA	Corvel, 7510 Montgomery NE Suite 103 Albuquerque., NM 87109	Y	N	Healthcare management services

# Ricci & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS  
6200 UPTOWN BLVD. NE - SUITE 400  
ALBUQUERQUE, NM 87110

## **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***

### **Independent Auditor's Report**

Timothy Keller, New Mexico State Auditor  
and  
State of New Mexico Workers' Compensation Administration  
Albuquerque, 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 governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund, of the Workers' Compensation Administration (the Administration) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Administration's basic financial statements, and the combining and individual funds of the Administration presented as supplementary information, and have issued our report thereon dated November 24, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, of the financial statements, we considered the Administration'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 Administration's internal control. Accordingly, we do not express an opinion on the effectiveness of the Administration'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.

Timothy Keller, New Mexico State Auditor  
and  
State of New Mexico Workers' Compensation Administration  
Albuquerque, New Mexico

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 or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Administration's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2015-001 and 2015-002.

### **The Administration's Responses to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

*Ricci & Company LLC*

Albuquerque, New Mexico  
November 24, 2015

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2015**

The following summarizes the prior year audit findings:

**I. RESOLVED**

<b>2014-001</b>	Travel and Per Diem (Findings that do not Rise to the Level of a Significant Deficiency)	Resolved
<b>2014-002</b>	Deposits of Public Monies (Findings that do not Rise to the Level of a Significant Deficiency)	Resolved
<b>2014-003</b>	Proper Coding of Deposits (Findings that do not Rise to the Level of a Significant Deficiency)	Resolved

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2015**

**2015-001 PROCUREMENT AND ENCUMBRANCE VIOLATIONS (OTHER  
NONCOMPLIANCE)**

**CONDITION**

The IPA tested a random sample of 25 disbursements and found no violations; however, the Administration identified and self-reported the following procurement and encumbrance violations:

- Procurement Violation – Services received from December 6, 2014 through April 10, 2015 totaling \$13,078 were performed without a contract or purchase order (P.O.) in place. The previous contract in place for these services expired May 5, 2014
- Encumbrance Violation – Billed amounts from vendor were greater than contracted amounts by \$2,293. In addition vendor was not submitting charges in a timely manner.
- Encumbrance Violation – The Administration purchased \$29,034.25 in computer equipment using a purchase order dated June 2, 2015. Some of the equipment was received prior to year end and some was received after year end. The purchase order was closed prior to receiving the entire order.

**CRITERIA**

In accordance with Section 6-5-3 NMSA 1978, a purchase order must be in place prior to service. In addition the New Mexico Department of Finance's (DFA) Model Accounting Practice, FIN 4.4 states that payment of prior year bills must be paid within 30 days after the request is approved and FIN 5.2 states that Agencies must provide adequate supporting documentation for each disbursement.

**EFFECT**

The Administration was not in compliance with the state statute or DFA's Model Accounting Practice which could have resulted in unauthorized disbursements.

**CAUSE**

The Administration did not adequately review existing contracts for expiration dates or contract amounts. In addition the Administration did not adequately communicate to vendors the need for timely billings and the requirement that goods are not shipped after a P.O has expired or without a valid P.O.

**RECOMMENDATION**

The Administration should ensure employees involved in purchasing are familiar with internal controls and procedures for cash disbursements. In addition management should make certain that approved vendors are aware of the Administration's policies regarding cash disbursements.

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2015**

**2015-001 PROCUREMENT AND ENCUMBRANCE VIOLATIONS (OTHER  
NONCOMPLIANCE) - CONTINUED**

**MANAGEMENT RESPONSE**

WCA management self-reported all three violations and has taken the following actions:

- The procurement violation – The former CFO that allowed this to happen is no longer involved in the purchasing or financial management for WCA. The Procurement Officer has been instructed to track all agency contracts to make sure that we do not have this issue in the future.
- The encumbrance violation #1 – We added language to the contract requiring the vendor to submit monthly invoices as well asking agency staff that billing happen regularly.
- The encumbrance violation #2 – We instructed our Procurement Officer that in the future if items that are purchased and not received by fiscal yearend are to be refused.



**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2015**

**2015-002 AUTHORIZATION FOR TRAVEL AND PER DIEM (FINDINGS THAT DO NOT  
RISE TO THE LEVEL OF A SIGNIFICANT DEFICIENCY)**

**CONDITION**

For one out of twenty-two travel and per diem disbursements tested, the disbursement was not approved prior to travel date. Instead, the approval was received after the employee traveled. In addition the travel authorization was not signed by a Supervisor. The total amount of the travel reimbursement was \$217.60.

**CRITERIA**

In accordance with the Administration's internal control policies over travel and per diem disbursements, employees' must obtain approval prior to travel. Furthermore a supervisor must sign the travel authorization form prior to reimbursement, which indicates review and approval of amounts to be disbursed.

**EFFECT**

The Administration was not in compliance with their internal control policies.

**CAUSE**

Deviation is believed to be an oversight by management due to inadequate review.

**RECOMMENDATION**

The Administration should ensure that all employees are familiar with internal controls and procedures for travel and per diem disbursements. Management should ensure that the review process is consistently applied.

**MANAGEMENT RESPONSE**

The WCA acknowledges that in the one instance identified by the auditor, there was no supervisor signature on the travel authorization. WCA management believes that the original authorization may have been lost and a new authorization was completed with the itemized schedule of travel (ISTE) and the supervisor failed to sign the authorization while approving the ISTE. Financial staff has been reminded to check the authorization for signatures before processing the ISTE.

**STATE OF NEW MEXICO  
WORKERS' COMPENSATION ADMINISTRATION  
EXIT CONFERENCE  
Year Ended June 30, 2015**

**A. Exit Conference**

An exit conference was held on November 23, 2015 to discuss the annual financial report. Attending were the following:

Representing the Workers' Compensation Administration:

Darin Childers	Director
Thomas Dow	Executive Deputy Director
Staci Tullar	Chief Financial Officer

Representing the Independent Auditor:

Shawn Mortensen, CPA

**B. Auditor Prepared Financial Statements**

The Workers' Compensation Administration is responsible for the form and content of the accompanying financial statements which have been prepared substantially by the independent auditor with the assistance and approval of administration personnel.