



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

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**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2019

**MORTON**  
ACCOUNTING, LLC

certified public accountants | consultants

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
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**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
OFFICIAL ROSTER  
DECEMBER 31, 2019**

**BOARD OF DIRECTORS**

Lance Pyle	Board Chair
Matthew Hunton	Member
Danny Monette	Member
Lisa Sedillo-White	Member
Henry Roybal	Member
Cynthia Singleton	Member
Patricia Miller	Member
Mike Cherry	Member
Jim Fambro	Vice Chair
Mark Cage	Ex-Officio Member

**ADMINISTRATION**

Steve Kopelman	Executive Director
Taylor Horst	Risk Management Director
Leandro Cordova	Finance Director

**MEMBER COUNTIES**

Bernalillo	McKinley
Catron	Mora
Chavez	Quay
Cibola	Rio Arriba
Colfax	Roosevelt
Curry	San Juan
De Baca	Sandoval
Eddy	San Miguel
Grant	Sierra
Guadalupe	Socorro
Harding	Taos
Hidalgo	Torrence
Lea	Union
Lincoln	Valencia
Luna	



1512 Pacheco Street  
Suite D-204  
Santa Fe, NM 87505  
505.303.3557 (o)

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
New Mexico County Insurance Authority Workers' Compensation Pool  
Santa Fe, New Mexico  
Brian S. Colón, Esq.  
New Mexico State Auditor

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities of New Mexico County Insurance Authority Workers' Compensation Pool (the Pool) as of and for the 6-month period ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Pool as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the 6-month period then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Notes to Ten Year Claims Development Information and the Ten Year Claims Development Information on pages 21 and 22 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pool's basic financial statements. The Schedule of Revenue and Expenses - Budget and Actual, Schedule of Cash and Cash Equivalents Reconciliation from Bank to Financial Statements and the Schedule of Cash Collateral are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated May 29, 2020 on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control over financial reporting and compliance.

MORTON ACCOUNTING SERVICES, LLC

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

Santa Fe, New Mexico  
May 29, 2020

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
STATEMENT OF NET POSITION - ENTERPRISE FUND  
DECEMBER 31, 2019**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 3,688,740
Investments	32,089,773
Accounts Receivable - Deductibles	831,741
Prepays	<u>357,482</u>
 TOTAL CURRENT ASSETS	 <u>36,967,736</u>

**NONCURRENT ASSETS**

Investment in County Reinsurance Limited	<u>1,044,856</u>
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<b>TOTAL ASSETS</b>	<b><u><u>\$ 38,012,592</u></u></b>
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**LIABILITIES AND POOL NET POSITION**

**CURRENT LIABILITIES**

Accounts Payable	\$ 3,938
Claims and Claim Adjustment Expenses	2,850,247
Unearned Member Contributions	<u>3,446,351</u>
 TOTAL CURRENT LIABILITIES	 <u>6,300,536</u>

**LONG-TERM LIABILITIES**

Claims and Claim Adjustment Expenses	<u>16,782,848</u>
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<b>TOTAL LIABILITIES</b>	<b><u>23,083,384</u></b>
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**POOL NET POSITION HELD FOR MEMBERS' BENEFITS**

Unrestricted	<u>14,929,208</u>
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<b>TOTAL LIABILITIES AND POOL NET POSITION</b>	<b><u><u>\$ 38,012,592</u></u></b>
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See auditor's report and accompanying notes to financial statements

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN POOL POSITION – ENTERPRISE FUND  
FOR THE PERIOD ENDED DECEMBER 31, 2019**

**OPERATING REVENUE**

Member Contributions, Net of	
Rebates and Safety Awards	\$ 3,446,351
Other Revenue	-
	-
TOTAL OPERATING REVENUE	3,446,351

**OPERATING EXPENSES**

Claims and Claim Adjustment Expenses (Recoveries)	2,848,788
General and Administrative	700,339
Excess Insurance Premiums	312,298
Brokerage Fees (Insurance)	10,000
	10,000
TOTAL OPERATING EXPENSES	3,871,425

**OPERATING INCOME (LOSS)** (425,074)

**NON-OPERATING REVENUES**

Investment Income	489,993
Interest in Change in Net Position of County	
Reinsurance Limited	221,548
	221,548
TOTAL NON-OPERATING REVENUE	711,541

**CHANGE IN POOL NET POSITION** 286,467

Pool Net Position - Beginning of Period	14,642,741
	14,642,741

**POOL NET POSITION - END OF PERIOD** \$ 14,929,208

See auditor's report and accompanying notes to financial statements



**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED DECEMBER 31, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Members	\$ 7,320,428
Cash Received from Others	-
Cash Paid to Vendors	(1,212,039)
Cash Paid on Claims and Claim Adjustment Expenses	(2,224,377)
Cash Paid for Insurance Brokerage Fees	(10,000)
Cash Paid for Excess Insurance	(312,298)
	<u>3,561,714</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 3,561,714

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income Received	435,680
Purchase of Investments	(3,558,007)
Proceeds from the Sale of Investments	652,831
	<u>652,831</u>

**CASH USED FOR INVESTING ACTIVITIES** (2,469,496)

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 1,092,218

Cash and Cash Equivalents - Beginning of Period 2,596,522

**CASH AND CASH EQUIVALENTS - END OF PERIOD** \$ 3,688,740

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (425,074)
Accounts Receivable	587,590
Prepays	(344,834)
Accounts Payable	(166,866)
Unearned Revenue	3,286,487
Claims and Claim Adjustment Expenses	624,411
	<u>624,411</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** \$ 3,561,714

**NONCASH INVESTING ACTIVITIES**

Unrealized Gains on Investments \$ 54,313

Increase in County Reinsurance Limited Equity \$ 221,548

See auditor's report and accompanying notes to financial statements

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The New Mexico County Insurance Authority Workers' Compensation Pool (the Pool) was formed July 1, 1987, pursuant to the New Mexico Joint Powers Agreement Act (NMSA 1978), as amended, as a workers' compensation self-insurance pool. Members of the Pool include 29 counties within the State of New Mexico.

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

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

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

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

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

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

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

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

Investment in County Reinsurance, Limited. County Reinsurance Limited (CRL) is a member-owned reinsurance company, consisting of 28 members. The Pool accounts for its investment in CRL on the equity method of accounting. Annually, the carrying amount of the investment is adjusted to reflect the Pool's proportionate share in CRL's earnings or losses. These annual adjustments are reflected in the statement of revenues, expenses, and changes in net position as interest in change in net position of County Reinsurance Limited, and totaled \$221,548 during the year ended December 31, 2019. Additional contributions may be required from the Pool and other members as determined by CRL. During the year ended December 31, 2019, there was no additional contributions requested from the Pool by CRL. Upon withdrawal from CRL, the Pool may request repayment of the original contribution plus the Pool's proportionate earnings in CRL accumulated during membership.

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

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

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

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

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

**Restricted/Unrestricted Net Position.** Net position is restricted to the extent external constraints place restrictions on the use of the net position, such as restrictions by contributors or laws and regulations. Usage of the Pool's net position was not externally restricted at December 31, 2019, the net position is reported as unrestricted.

**Operating Revenues.** Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Pool are premiums paid by members for risk and benefits coverage. Operating expenses for enterprise funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Beginning in the year ended December 31, 2015, the Pool began offsetting certain member counties' contributions with rebates and safety awards as part of ongoing risk reduction initiatives. During the year ended December 31, 2019, this amount totaled \$35,000 and is presented as an offset to member contributions in the statement of revenues, expenses and changes in net position.

**Member Contributions.** Member contributions for benefits coverage are recognized as revenue on a pro rata basis over the applicable contract period.

**Claims and Claim Adjustment Expenses.** Insurance claims and related claims adjustment expenses are charged to operations as incurred. The reserves for claims and claims adjustment expenses are determined based upon case-basis evaluations and actuarial projections, and include a provision for claims incurred but not reported. Losses are reported net of estimated amounts recoverable from reinsurance, subrogations, and the deductible portion of claims. Adjustments to the probable ultimate liability for claims and claims adjustment expenses are made continually, based on subsequent developments and experience, and are included in operations.

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 - CASH AND INVESTMENTS**

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

Investments and cash equivalents consisted of the following at December 31:

<b>2019</b>	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
<b>MUTUAL FUNDS:</b>						
FEDERATED GOVT INC TRST IS	2.25%	N/A	N/A	\$ 2,202,005	\$ (85,987)	\$ 2,116,018
METROPOLITAN WEST FDS	2.80%	N/A	N/A	1,975,884	23,094	1,998,978
PIMCO LOW DURATION FUND CL I2	3.28%	N/A	N/A	2,088,135	(91,356)	1,996,779
DOUBLELINE FDS TR	3.65%	N/A	N/A	2,024,176	(49,563)	1,974,613
DELAWARE LIMITED TERM DIV INC FD	2.98%	N/A	N/A	2,025,375	(68,658)	1,956,717
DODGE & COX INC FD	3.04%	N/A	N/A	1,748,909	44,437	1,793,346
AMG MANAGERS DOUBLE CORE BOND	3.53%	N/A	N/A	1,500,000	34,417	1,534,417
FEDERATED TOTAL RETURN BOND IS	3.39%	N/A	N/A	1,115,892	(122)	1,115,770
PGIM SHORT-TERM CORP	2.84%	N/A	N/A	1,086,938	(17,762)	1,069,176
VANGUARD FIXED INC SHORT-TERM	2.93%	N/A	N/A	896,809	1,044	897,853
FPA NEW INCOME INC	2.63%	N/A	N/A	875,916	(17,997)	857,919
FIDELITY FUNDS	1.62%	N/A	N/A	781,088	-	781,088
VANGUARD SHORT-TERM BOND INDEX	2.24%	N/A	N/A	672,285	3,664	675,949
JPMORGAN STRATEGIC INCOME OPPTS	2.85%	N/A	N/A	622,090	(15,974)	606,116
BLACKROCK STRATEGIC INCOME	3.36%	N/A	N/A	566,782	(6,282)	560,500
DELAWARE FLOATING RATE FUND	5.36%	N/A	N/A	500,000	(4,182)	495,818
LOOMIS SAYLES LIMITED	2.30%	N/A	N/A	435,663	(11,501)	424,162
CARILLON REAMS UNCONSTRAINED BD	2.60%	N/A	N/A	339,066	8,360	347,426
GOLDMAN SACHS STRG INC FUND	3.48%	N/A	N/A	340,086	(41,732)	298,354
FIDELITY ADV FL RATE HIGH INC CL I	4.61%	N/A	N/A	165,855	(7,120)	158,735
CARILLON REAMAS CORE BOND FUND	2.37%	N/A	N/A	154,079	4,265	158,344
VANGUARD SHORT TERM INVMT	2.93%	N/A	N/A	75,159	(488)	74,671
TOTAL MUTUAL FUNDS				22,192,192	(299,443)	21,892,749
<b>EXCHANGE-TRADED FUNDS (ETF)</b>						
ISHARES	2.06%	N/A	N/A	194,658	(993)	193,665
ISHARES TR MBS	2.77%	N/A	N/A	173,003	(18)	172,985
TOTAL EXCHANGE-TRADED FUNDS (ETF)				367,661	(1,011)	366,650
LONG-TERM CERTIFICATE OF DEPOSITS	2.45%	N/A	N/A	4,492,287	46,249	4,538,536

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

<b>2019</b>	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
GOVT. ASSET BACKED SECURITIES:						
GNMA II	3.77%	9/20/2040	N/A	211,064	(30,267)	180,797
GNMA II	4.88%	7/20/2033	N/A	74,986	(37,047)	37,939
GNMA II	4.93%	2/20/2038	N/A	47,711	(11,613)	36,098
GNMA II	4.88%	8/20/2033	N/A	65,550	22,077	87,627
GNMA II	4.51%	1/20/2037	N/A	37,368	(15,391)	21,977
TOTAL GOVT. ASSET BACKED SECURITIES				436,679	(72,241)	364,438
GOVERNMENT BONDS						
FEDERAL HOME LOAN	2.37%	3/30/2020	AA+	155,187	107	155,294
TOTAL GOVERNMENT BONDS				155,187	107	155,294
US TREASURY NOTE	1.99%	1/31/2020	AAA	510,024	109	510,133
US TREASURY NOTE	2.24%	2/29/2020	AAA	750,398	285	750,683
US TREASURY NOTE	1.50%	4/15/2020	AAA	748,271	1,519	749,790
US TREASURY NOTE	2.49%	5/31/2020	AAA	751,855	718	752,573
US TREASURY NOTE	2.48%	6/30/2020	AAA	752,184	973	753,157
US TREASURY NOTE	2.60%	8/15/2020	AAA	754,592	(92)	754,500
US TREASURY NOTE	1.90%	9/30/2020	AAA	501,352	(82)	501,270
TOTAL US TREASURY NOTE				4,768,676	3,430	4,772,106
TOTAL INVESTMENTS				\$ 32,412,682	\$ (322,909)	\$ 32,089,773
MONEY MARKET						
WELLS FARGO MONEY MARKET	0.89%	N/A	N/A	\$ 1,966,721	\$ -	\$ 1,966,721
FIDELITY MONEY MARKET	0.00%	N/A	N/A	1,234,983	-	1,234,983
TOTAL MONEY MARKET				3,201,704	-	3,201,704
STATE TREASURER LGIP	1.65%	N/A	N/A	1,844	-	1,844
TOTAL CASH EQUIVALENTS				\$ 3,203,548	\$ -	\$ 3,203,548

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

Investment income is summarized as follows for the years ended December 31:

	2019
Interest and Dividends Received	\$ 435,306
Loss on Sale of Investments	374
Unrealized Gains (Losses)	54,313
Total Investment Income	\$ 489,993

As of December 31, the Pool's investments were as follows:

	2019	
Investment Type	Cost	Estimated Fair Value
Mutual Funds	\$ 22,192,192	\$ 21,892,749
U.S. Treasury Note	4,768,676	4,772,106
Long-term certificates of deposit	4,492,287	4,538,536
Exchange-Traded Funds	367,661	366,650
Government Asset Backed Securities	436,679	364,438
U.S. Government Agency Bonds	5,360,542	155,294
Corporate Bonds	-	-
Total	\$ 37,618,037	\$ 32,089,773

**Custodial Credit Risks**

Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits may not be returned to it. As of December 31, 2019, the Pool had no exposure to custodial credit risk.

**Interest Rate Risk.**

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

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**New Mexico State Treasurer Local Government Investment Pool (LGIP)**

As of December 31, 2019 the investment in LGIP was as follows:

S&P Ratings	December 31, 2019	Weighted Average
AAAm Rated	\$ 1,844	60 Day WAM

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

LGIP has no foreign currency risk.

**Credit Risk**

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

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

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

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

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

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



**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

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

*Mutual Funds.* Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in fixed-income securities or debt instruments that are listed in a nationally recognized, broad-market, fixed-income-securities market index. Such investments shall have aggregate durations or maturities of no more than five years.

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

**Concentration of Credit Risk**

The Pool places no limit on the amount the Pool may invest in any one issuer. However, management believes the investment policy adequately protects the Pool from credit risk given investments are restricted to those categories identified above. At December 31, 2019, the following investments, by issuer, represented 5% or more of the Pool's total investments:

Issuer	Percentage of Total 2019
Federated Investors	15%
Delaware Investments	11%
PIMCO	9%
DoubleLine	9%
Metropolitan West	9%
Dodge & Cox	8%
Vanguard	7%
AMG	7%

**Fair Value Measurements**

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

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

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

**Investments by Fair Value Level - December 31, 2019**

	Quoted Prices in Active Markets for Identical Assets (Level 1)
	\$
Mutual Funds	21,892,749
U.S. Treasury Note	4,772,106
Long-term certificates of deposit	4,538,536
Exchange-Traded Funds	366,650
Government Asset Backed Securities	364,438
U.S. Government Agency Bonds	155,294
Total	\$ 32,089,773

**NAV Investment - December 31, 2019**

Investment in County Reinsurance Limited	\$ 1,044,856
--	--------------

**Investments Not Requiring Fair Value - December 31, 2019**

Money Market	3,201,704
State Treasurer LGIP	1,844
Total Investments and Cash Equivalents	\$ 36,338,177

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 3 - CLAIMS AND CLAIM ADJUSTMENT EXPENSES**

The liability for claims and claims adjustment expenses, which is reported on an ultimate development basis, includes an amount determined from claims reports and individual cases, and an amount for claims incurred but not reported. This projected ultimate cost includes the effects of inflation and other societal and economic factors. Estimates of the liability for amounts incurred but not reported as of December 31, 2019 have been based on an actuarial evaluation of the Pool's historical claims experience, industry data and other factors. While management believes that these estimates are adequate, actual incurred but unpaid claims may vary significantly from the amount provided.

The Pool recorded the present value of incurred but unpaid claims assuming a 3% average rate of return on investments as of December 31, 2019. Estimated outstanding losses were discounted from \$18,698,186 as of December 31, 2019.

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

	2019
Unpaid Claims and Claim Adjustment Expenses at Beginning of Period	\$ 19,008,684
Incurred Claims and Claim Adjustment Expenses:	
Provision for Insured Events of the Current Period	3,845,319
Decrease in Provision for Insured Events of Prior Years	(996,531)
Total (Recovery) Incurred Claims and Claim Adjustment Expenses	2,848,788
Payments:	
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year, Net of Recoveries	268,658
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	1,955,719
Total Payments	2,224,377
Total Unpaid Claims and Claim Adjustment Expenses at End of Period	\$ 19,633,095

At December 31, 2019, the Pool recorded the liability for losses and loss adjustment expenses based on an estimate of its independent consulting actuary.

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 4 - GENERAL AND ADMINISTRATIVE**

The New Mexico Association of Counties provides general and administrative services, as well as office space, equipment and supplies, to the Pool. These services include general administration and consulting, financial management and risk management. The fees to be paid to the New Mexico Association of Counties for such services are approved by the Pool's Board of Directors when the Pool's annual operating budget is reviewed and approved. The Pool also engages other related third parties to provide legal, actuarial and other services. The Pool's general and administrative expenses for the year ended December 31, 2019 consisted of the following:

	2019
Risk Management	\$ 654,211
Software Licensing and Support	26,456
Accounting and Audit	11,386
Actuarial	6,750
Legal Fees	1,536
Total	\$ 700,339

**NOTE 5 - EXCESS INSURANCE PREMIUMS**

The Pool has purchased commercial reinsurance for specific claims in excess of \$750,000. Beginning July 1, 1998, this insurance was provided by County Reinsurance Limited (CRL).

Any amount received by the Pool from pursuit of recovery from CRL that is liable for a portion of or the entire claim paid by the Pool is considered a reinsurance recovery. As of December 31, 2019, the amount of excess insurance receivable was \$0.

CRL is a captive organization formed to provide excess and reinsurance to county association pools. Similar to counties that participate as members of the Workers' Compensation Pool, the Pool's contribution to CRL includes amounts for capital, losses and other pool expenses. CRL has the ability to return equity to its members in the event that loss fund contributions are not depleted or if there is a surplus of capital.

For the year ended December 31, 2019, the Pool paid \$312,298, to CRL for excess insurance premiums. Reinsurance offset claims expense by \$701,002 for the period ended December 31, 2019.

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 6 - JOINT POWERS AGREEMENT**

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

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

**NOTE 7 - FUNDING ARRANGEMENTS**

The Pool has optional high-deductible funding arrangements with Bernalillo, Dona Ana, Sandoval, San Juan and Santa Fe Counties. For the year ended December 31, 2019, Bernalillo County paid the first \$500,000 of every claim with an annual aggregate of \$1,500,000. For the year ended December 31, 2019, Sandoval County paid the first \$25,000 of every claim, with an annual aggregate of \$750,000. San Juan County did not participate in the high deductible funding arrangement for fiscal year ending December 31, 2019. Santa Fe and Dona Ana Counties have withdrawn from the Pool. All other counties have a no deductible funding arrangement with the Pool. The Pool handled all claims for member counties and they were covered by the Pool's reinsurance for any claim which exceeded \$750,000.

**NOTE 8 - LITIGATION**

The Pool is subject to various legal proceedings, claims and liabilities which arise in the ordinary course of the Pool's operations. In the opinion of the Pool's management and legal counsel, the ultimate resolution of these matters will not have a material adverse impact on the financial position or results of operation of the Pool.

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 9 - TAX ABATEMENTS**

As of December 31, 2019, the Pool does not have any tax abatement activity to disclose.

**NOTE 10 - SUBSEQUENT EVENTS**

**Joint Powers Agreement - Consolidation.** As of January 1, 2020, pursuant to a Joint Powers Agreement, the New Mexico County Insurance Authority Workers' Compensation Pool will consolidate with the New Mexico County Insurance Multi-Line Pool, as one legal entity, the New Mexico County Insurance Authority (Authority). All assets, liabilities and contracts of the respective Pools are transferred to and assumed by the Authority upon consolidation. The consolidation will allow for efficient use of Pools' Member powers and resources, by cooperating on a basis that will be of mutual advantage; and provide a means for securing benefits, services, coverage or protection for the Pools' Members, their employees, and other political subdivisions or local public bodies approved by the Authority Board, relating to insurance or self-insurance, as authorized by law.

**Impact of COVID-19.** Since December 31, 2019, the outbreak of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global equity markets have experienced significant volatility and weakness. As of May 29, 2020, the fair value of the Pool's investments had not been significantly affected, due to the nature of the underlying assets (Government Bonds and other Government-Backed Assets). While governments and central banks have reacted with monetary interventions designed to stabilise economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time.

Any work disruptions experienced by the Pool have been mitigated by instituting work-at-home and staggered office hours and other work-flow processes. In April, 2020, the Board approved a 50% discount to Member Contributions, approximately \$3.2 million, for fiscal year 2020, to assist Member Counties during the COVID-19 economic slowdown. This will result in an estimated operating loss of \$3.6 million for the Pool, in fiscal year 2020. The Pool, however, has sufficient net position to absorb such a loss.

**NOTE 11 - OMISSION OF MANAGEMENT'S DISCUSSION & ANALYSIS**

The Management's Discussion & Analysis is required to be presented to supplement the basic financial statements. However, management has opted not to present the Management's Discussion & Analysis for the 6-month period ended December 31, 2019, as the 6-month period is not reasonably comparable to the prior full year audited financial statements and would not provide a useful analysis for the users of the financial statements.

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**NOTES TO TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)**  
**DECEMBER 31, 2019**

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

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

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

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

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

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

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

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL**  
**TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)**  
**DECEMBER 31, 2019**  
**(Dollars in Thousands)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Net Earned Required Contribution and Investment Revenues	\$ 8,255	\$ 8,192	\$ 8,464	\$ 7,812	\$ 8,914	\$ 8,667	\$ 9,328	\$ 9,101	\$ 9,159	\$ <b>4,158</b>
2. Unallocated Expenses	1,697	2,010	1,078	1,180	1,181	1,289	1,269	1,351	1,462	<b>710</b>
3. Estimated Incurred Claims and Expense, End of Policy Year	5,309	6,479	5,711	5,473	5,765	7,901	7,754	6,889	4,057	<b>2,733</b>
4. Paid (Cumulative) as of:										
Year One	1,505	1,286	1,330	970	1,099	1,439	1,186	1,315	896	<b>263</b>
Year Two	2,145	2,788	2,534	1,906	2,227	2,526	2,539	2,410	<b>1,661</b>	
Year Three	2,768	3,596	3,043	2,442	2,630	3,046	3,164	<b>2,030</b>		
Year Four	3,302	4,040	3,400	2,760	2,923	3,323	<b>3,823</b>			
Year Five	3,552	4,365	3,711	3,088	3,356	<b>3,764</b>				
Year Six	3,762	4,561	3,758	3,486	<b>3,711</b>					
Year Seven	3,973	4,755	3,823	<b>3,696</b>						
Year Eight	4,082	4,883	<b>3,742</b>							
Year Nine	4,180	<b>3,922</b>								
Year Ten	<b>5,142</b>									
5. Re-Estimated Incurred Claims and Expense										
Year One	5,309	6,479	5,711	5,473	5,765	7,901	7,754	6,889	4,057	<b>2,733</b>
Year Two	5,349	6,675	6,337	4,969	6,462	6,491	7,594	6,160	<b>5,267</b>	
Year Three	5,333	6,831	5,531	4,934	6,628	5,920	5,638	<b>4,087</b>		
Year Four	5,076	7,029	5,396	4,737	6,199	5,033	<b>6,702</b>			
Year Five	6,050	6,693	5,204	5,222	5,536	<b>5,525</b>				
Year Six	5,296	6,385	4,961	5,068	<b>4,756</b>					
Year Seven	5,188	6,293	4,527	<b>5,461</b>						
Year Eight	5,451	6,107	<b>4,981</b>							
Year Nine	4,817	<b>4,548</b>								
Year Ten	<b>6,130</b>									
6. Increase (Decrease) in Estimated Incurred Claims and Expense from End of Policy Year	821	(1,931)	(730)	(12)	(1,009)	(2,376)	(1,052)	(2,802)	1,210	-



**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
SCHEDULES OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
FOR THE PERIOD ENDED DECEMBER 31, 2019**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Member Contributions	\$ 3,871,947	\$ 3,871,947	\$ 3,446,351	\$ (425,596)
Investment Income	250,000	250,000	711,541	461,541
Total Revenues	4,121,947	4,121,947	4,157,892	35,945
Net Position Budgeted	10,509	10,509		
Total Revenues and Net Position Budgeted	4,132,456	4,132,456		
<b>EXPENSES</b>				
Claims and Claim Adjustment Expenses (Recoveries)	3,008,698	3,008,698	2,848,788	159,910
Reinsurance Premiums	360,757	360,757	312,298	48,459
Brokerage Fees	10,000	10,000	10,000	-
General and Administrative	753,001	753,001	700,339	52,662
Total Expenses	4,132,456	4,132,456	3,871,425	261,031
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>286,467</u>	<u>\$ 296,976</u>
<b>EXCESS OF REVENUES OVER EXPENSES PER ACCOMPANYING GAAP FINANCIAL STATEMENTS</b>			<u>\$ 286,467</u>	

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
SCHEDULE OF CASH AND CASH EQUIVALENTS RECONCILIATION FROM BANK TO FINANCIAL  
STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 31, 2019**

**FIRST NATIONAL 1870**

Checking	\$ 684,051
Reconciling Items:	
Outstanding Checks	(198,859)
Total Checking	485,192
Total First National Bank	485,192

**WELLS FARGO SECURITIES**

Money Market	2,129,790
Reconciling Items:	
Outstanding Checks	(163,069)
Deposits in Transit	-
Total Wells Fargo Securities	1,966,721

**FIDELITY FINANCIAL INVESTMENTS**

Money Market	1,234,983
Total Fidelity Financial Investments	1,234,983

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

1,844

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

\$ 3,688,740

**CASH BALANCE PER BANK**

\$ 4,048,824

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
SCHEDULE OF CASH COLLATERAL  
FOR THE PERIOD ENDED DECEMBER 31, 2019**

**FIRST NATIONAL 1870**

Checking	\$ 684,051
Other Checking Accounts Held by the New Mexico Association of Counties (Not Held by the Pool)	2,165,795
Total Deposit in Bank	2,849,846
FDIC Coverage	(250,000)
Total Uninsured Funds	2,599,846
50% Pledged Collateral Requirement	1,299,923
Pledged Collateral:	
FHR - Series 4328 Class BH - Held with First National Bank of Santa Fe; Cusip #3137B9RC1, Maturity Date: 12/15/2026	511,523
FHR - Series 4420 Class CA - Held with First National Bank of Santa Fe; Cusip #3137BFF71, Maturity Date: 1/15/2041	2,414,401
FNMA Pool - Series #CA3632 - Held with First National Bank of Santa Fe; Cusip #3140QBBA5, Maturity Date: 6/01/2049	816,057
FNMA Pool - Series #MA2417 - Held with First National Bank of Santa Fe; Cusip #31418BVK9, Maturity Date: 10/01/2035	492,658
Total Pledged Collateral	4,234,639
<b>OVER-COLLATERALIZED</b>	<b>\$ 2,934,716</b>



1512 Pacheco Street  
Suite D-204  
Santa Fe, NM 87505  
505.303.3557 (o)

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

Board of Directors  
New Mexico County Insurance Authority Workers' Compensation Pool  
Santa Fe, New Mexico and  
Brian S. Colón, Esq.  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the New Mexico County Insurance Authority Workers' Compensation Pool (the Pool) as of and for the 6-month period ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements and have issued our report thereon dated May 29, 2020.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Pool's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

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

MORTON ACCOUNTING SERVICES, LLC

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

Santa Fe, New Mexico

May 29, 2020

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE PERIOD ENDED DECEMBER 31, 2019**

**Section I – Summary of Auditor’s Results**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- |   |    |
|---|----|
| 1. Material weaknesses identified                           | No |
| 2. Significant deficiencies identified                      | No |
| 3. Noncompliance material to the financial statements noted | No |

**Section II – Current Year Findings Pertaining to the Financial Statements Which Are Required to Be Reported**

None.

**Section III - Other Findings**

None.

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
SUMMARY SCHEDULE OF PRIOR PERIOD FINDINGS  
FOR THE PERIOD ENDED DECEMBER 31, 2019**

The following findings for the prior period( 7/1/2018 - 6/30/2019) were cleared in the current period:

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

**Finding 2019-001 – Internal Control over Claims Disbursements (Finding that does not rise to the level of significant deficiency)**

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL  
EXIT CONFERENCE  
DECEMBER 31, 2019**

An exit conference was held on May 28, 2020. The conference was held via teleconference in a closed meeting, to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

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

Lance Pyle, Curry County Manager and Chairman of the Pool Board  
Steve Kopelman, Executive Director  
Taylor Horst, Risk Management Director  
Leandro Cordova, Finance Director  
Carolin Rios, Controller  
Richard Garcia, GL Accountant  
Lori Urban, Assistant Risk Management Director  
Kamie Denton, Claims Manager  
Cynthia Stephenson, Risk Management Specialist

**MORTON ACCOUNTING SERVICES, LLC**

Janet Pacheco-Morton, Principal

**PREPARATION OF FINANCIAL STATEMENTS**

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