

NEW MEXICO
COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL
Financial Statements
for the Years Ended
June 30, 2010 and 2009,
and Independent
Auditors' Report

NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION POOL

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

Official Roster

Year Ended June 30, 2010

Board of Directors

Doug Moore	Board Chair
Julie Baca	Vice Chair
Gloria Jean Chavez	Secretary/Treasurer
Anne Behl	Member
Scott Krahling	Member
Lance Pyle	Member
Barbara Shaw	Member
Jeff Trujillo	Member
Mary Ann Sedillo	Ex-Officio Member
Dan Bryant	Ex-Officio Member

Administrative Officers

Paul Gutierrez	Executive Director
Steven Kopelman	Risk Management Director
Carol Madley	Finance Director

INDEPENDENT AUDITORS' REPORT

Board of Directors
New Mexico County Insurance Authority
Workers' Compensation Pool
Santa Fe, New Mexico and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying basic financial statements of the business-type activities of the New Mexico County Insurance Authority Workers' Compensation Pool (the Pool) as of and for the years ended June 30, 2010 and 2009, which collectively comprise the Pool's basic financial statements as listed in the table of contents. We also have audited the Pool's Schedules of Revenues and Expenses – Budget and Actual (Non-GAAP Basis) presented as supplementary information as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Pool's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Pool as of June 30, 2010 and 2009, and the respective changes in the financial position and cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the Schedules of Revenues and Expenses – Budget and Actual (Non-GAAP Basis) referred to above present fairly, in all material respects, the budgetary comparison of the Pool as of and for the years ended June 30, 2010 and 2009 in conformity with GAAP in the United States of America.

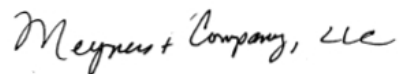


Board of Directors
New Mexico County Insurance Authority
Workers' Compensation Pool
Santa Fe, New Mexico and
Mr. Hector H. Balderas
New Mexico State Auditor

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2010, 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* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 4 through 7 and ten year claims development information on pages 28 through 29 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the basic financial statements of the Pool and the budget comparisons. The accompanying financial information listed as other supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplemental information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



November 8, 2010

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

**Management's Discussion and Analysis -
Year Ended June 30, 2010**

As management of the New Mexico Counties' Workers Compensation Pool (the Pool), we offer readers of the Pool's financial statements this narrative overview and analysis of the financial activities of the New Mexico Counties' Workers Compensation Pool for the fiscal year ended June 30, 2010.

Financial Highlights

- Pool deficit decreased by \$400,652 from June 30, 2009, and the Pool remains in a deficit of \$466,778. Claims expenses for the most recently completed claims year, 2009-10, decreased by \$133,810 per the June 30, 2010 actuarial study. Prior years' claims expenses increased by \$268,989 due to claims development in those years.
- Assets increased by \$2,371,092 to \$14,692,478. The Workers Compensation Pool's liabilities consist of funds held in reserve to pay claims and claim adjustment expenses. Liabilities increased by \$1,970,440 to \$15,159,256 at June 30, 2010.
- The Pool began a new funding arrangement with Bernalillo County in which that county pays the first \$350,000 of every claim, up to an aggregate of \$1,250,000. Beginning July 1, 2009, Santa Fe County began an arrangement where they pay the first \$50,000 of every claim, with an annual aggregate of \$500,000. The Pool will continue to handle all claims and all counties, including Bernalillo and Santa Fe Counties, will be covered by the Pool's excess insurance for any claim which exceeds \$750,000.

Overview of the Financial Statements

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

The operations of the Pool are accounted for in a single proprietary fund of the enterprise type. The basic financial statements include balance sheets which report the Pool's assets, liabilities and members' net assets (equity), statements of revenues, expenses and changes in net assets, and statements of cash flows, which summarize cash receipts and payments. Additionally, there are notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The balance sheets are presented as of June 30, 2010 and 2009.

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

**Management's Discussion and Analysis -
Year Ended June 30, 2010 - continued**

Condensed Comparative Data

YEARS ENDING JUNE 30,	2010	2009
Total assets (cash, investments and prepaid expenses)	\$ 14,692,478	12,321,386
Total liabilities (claims and claim adjustment expenses)	<u>15,159,256</u>	<u>13,188,816</u>
Members' net deficit:		
Unrestricted	(469,326)	(872,331)
Invested in capital assets	<u>2,548</u>	<u>4,901</u>
Total members net deficit	\$ <u>(466,778)</u>	<u>(867,430)</u>
Revenues:		
Member contributions	\$ 7,632,534	7,230,114
Investment and other income	<u>622,102</u>	<u>427,595</u>
Total revenues	8,254,636	7,657,709
Expenses:		
Claims and claim adjustment expenses	6,145,830	5,431,001
Excess insurance and brokerage fees	632,038	1,158,476
General and administrative	<u>1,076,116</u>	<u>1,017,013</u>
Total expenses	<u>7,853,984</u>	<u>7,606,490</u>
Excess of revenues over expenses	400,652	51,219
Net deficit held for member benefits, beginning of year	<u>(867,430)</u>	<u>(918,649)</u>
Net deficit held for member benefits, end of year	\$ <u>(466,778)</u>	<u>(867,430)</u>

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

**Management's Discussion and Analysis -
Year Ended June 30, 2010 - continued**

Financial Analysis of the Pool

Assets of the pool consist primarily of cash and fixed income investments. \$84,691 was due from excess insurance providers at the end of the year. Liabilities consist primarily of the amounts held in reserve to pay future claims expenses.

Revenue increased by \$596,927 (7.8%) for the year ended June 30, 2010. Overall, county contributions increased by \$402,420, a 5.6% increase. This was despite the fact that Santa Fe County's contribution decreased due to their taking on additional risk. Investment income increased due to a \$69,574 gain on the Pool's County Reinsurance Ltd. equity account due to investment gains on their end and due to \$222,040 in unrealized gains in the Pool's other investments. Claims and claim adjustment expenses increased by 13% from the prior year, although they were \$318,581 less than the budgeted amount. The Pool increased its self insured retention from \$350,000 to \$750,000, which made the excess insurance premium decrease from \$1,147,976 to \$621,533. General and administrative costs increased by \$59,103 (5.81%) due to an increase in the Pool's administrative fee.

Unpaid Claims Liabilities

The following table presents the changes in the Pool's liabilities for the past year:

YEARS ENDING JUNE 30	2010	2009
Unpaid claims and claim adjustment expenses at beginning of year	\$ 12,935,153	10,972,172
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	5,309,313	4,634,628
Increase in provision for insured events of prior years	<u>836,517</u>	<u>796,373</u>
Total incurred claims and claim adjustment expenses	6,145,830	5,431,001
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year, net of recoveries	1,758,336	366,335
Claims and claim adjustment expenses attributable to insured events of prior years	<u>2,322,638</u>	<u>3,101,685</u>
Total payments	<u>4,080,974</u>	<u>3,468,020</u>
Total unpaid claims and claim adjustment expenses at end of year	\$ <u>15,000,009</u>	<u>12,935,153</u>

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

**Management's Discussion and Analysis -
Year Ended June 30, 2010 - continued**

Investment Results

Total cash and investments increased from \$11,358,394 at June 30, 2009 to \$14,530,211 at June 30, 2010. The yield on the New Mexico Counties' Workers Compensation Pool's investment portfolio went from 4% at June 30, 2009 to about 3.5% at June 30, 2010. Interest rates on cash stayed extremely low, going from an average of about 0.70% at the beginning of the fiscal year to 0.28% at the end of the year. Additional investment was made in CDs (\$1,000,000) and \$5,000,000 was moved to a new investment advisory firm, First American Financial Advisors. That money was invested in various mutual funds that are a mix of fixed government and corporate securities. County Reinsurance Ltd., in which the Pool is required to maintain an equity position, had a good financial year, which positively impacted the Pool's investment results.

Property, Plant and Equipment

The Pool had no purchases or disposals of property, plant and equipment during 2010.

Long-term Debt

The Pool had no long-term debt during 2010.

Budget Adjustments

There were no budget adjustments made during the year. Member contributions were as budgeted. Investment income was greater than budgeted due to unrealized gains. Total claims and claims adjusting expense was less than budgeted for the year. Other expenses were as budgeted.

Current Trends and Conditions

The New Mexico Counties' Workers Compensation Pool continues to move in a positive direction towards reducing its deficit position. Interest rates on cash are very low and are expected to stay low for a while, which continues to impact the investment income of the pool and the reduction of the deficit.

BASIC FINANCIAL STATEMENTS

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

Statements of Net Assets

AS OF JUNE 30,	2010	2009
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 829,192	4,546,125
N.M. State Treasurer's Local Government Investment Pool (Note 5)	24,591	263,975
Investments (Note 5)	13,475,820	6,417,260
Investments in County Reinsurance Limited	200,608	131,034
Accounts receivable - subrogation (Note 3)	84,691	134,393
Accounts receivable - Bernalillo County	37,563	823,698
Accounts receivable - Santa Fe County	29,578	-
Prepays	<u>7,887</u>	<u>-</u>
TOTAL CURRENT ASSETS	14,689,930	12,316,485
NON-CURRENT ASSETS:		
Capital assets, net (Note 6)	<u>2,548</u>	<u>4,901</u>
TOTAL NON-CURRENT ASSETS	<u>2,548</u>	<u>4,901</u>
TOTAL ASSETS	\$ <u>14,692,478</u>	<u>12,321,386</u>
LIABILITIES AND NET DEFICIT:		
Current liabilities:		
Accounts payable	\$ 34,470	122,319
Deferred revenues	124,777	131,344
Claims and claim adjustment expenses (Note 2)	<u>15,000,009</u>	<u>12,935,153</u>
TOTAL LIABILITIES	15,159,256	13,188,816
NET DEFICIT:		
Unrestricted net deficit held for member benefits	(469,326)	(872,331)
Invested in capital assets	<u>2,548</u>	<u>4,901</u>
TOTAL NET DEFICIT	<u>(466,778)</u>	<u>(867,430)</u>
TOTAL LIABILITIES AND NET DEFICIT	\$ <u>14,692,478</u>	<u>12,321,386</u>

See Independent Auditors' Report and Notes to Financial Statements.

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

Statements of Revenues, Expenses and Changes in Fund Net Deficit

YEARS ENDED JUNE 30,	2010	2009
OPERATING REVENUE:		
Member contributions	\$ 7,632,534	7,230,114
Investment income (Note 5)	620,150	427,558
Miscellaneous income	<u>1,952</u>	<u>37</u>
TOTAL OPERATING REVENUE	8,254,636	7,657,709
OPERATING EXPENSES:		
Claims and claim adjustment expenses, net of recoveries (Note 2)	6,145,830	5,431,001
General and administrative (Note 4)	1,076,116	1,017,013
Excess insurance premiums (Note 3)	621,533	1,147,976
Brokerage fees	<u>10,505</u>	<u>10,500</u>
TOTAL OPERATING EXPENSES	<u>7,853,984</u>	<u>7,606,490</u>
CHANGE IN NET DEFICIT	<u>400,652</u>	<u>51,219</u>
NET DEFICIT, BEGINNING OF YEAR	<u>(867,430)</u>	<u>(918,649)</u>
NET DEFICIT, END OF YEAR	\$ <u>(466,778)</u>	<u>(867,430)</u>

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

Statements of Cash Flows

YEARS ENDED JUNE 30,	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members	\$ 9,170,233	7,394,759
Cash paid to suppliers	(1,895,081)	(1,396,606)
Cash paid on claims and claim adjustment expenses	(4,775,139)	(4,749,479)
Cash received from (paid to) others	51,654	(356)
Investment income received	<u>620,150</u>	<u>427,558</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,171,817	1,675,876
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	-	(7,057)
Purchase of investments	(9,067,069)	-
Proceeds from the sale of investments	<u>1,938,935</u>	<u>1,575,018</u>
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(7,128,134)</u>	<u>1,567,961</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,956,317)	3,243,837
BALANCE, BEGINNING OF YEAR	<u>4,810,100</u>	<u>1,566,263</u>
BALANCE, END OF YEAR	\$ <u><u>853,783</u></u>	<u><u>4,810,100</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
CHANGE IN NET DEFICIT	\$ 400,652	51,219
CHANGE IN ASSETS AND LIABILITIES:		
Accounts receivable	756,557	(42,009)
Subrogation receivable	49,702	(393)
Change in note receivable from related party	-	319,735
Prepays	(7,887)	23,294
Accounts payable	(87,849)	122,319
Deferred revenues	(6,567)	18,263
Claims and claim adjustment expenses	2,064,856	1,181,292
Depreciation expense	<u>2,353</u>	<u>2,156</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u><u>3,171,817</u></u>	<u><u>1,675,876</u></u>

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

Notes to Financial Statements

NATURE OF ORGANIZATION

The New Mexico Insurance Authority Workers' Compensation Pool (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 various 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-day's 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 GASB Statement 39.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

• **Basis of Accounting**

The accounts of the Pool are organized and operated on the basis of funds. 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 assets, revenues, and expenses relating to the Pool's activities where revenues over expenditures are measured. The accounting principles generally accepted in the United States of America are generally those applicable to similar businesses in the private sector.

The Pool has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Pool has elected to not apply FASB pronouncements issued after the applicable date.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Pool first uses restricted net assets.

• **Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents include bank demand accounts and money market mutual funds which invest in short-term U.S. governmental obligations. 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 - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Investment in U.S. Treasury and Agency Obligations**

The Pool recorded its investments portfolio at fair value and recognizes the corresponding change in the fair value of investment in the year in which the change has occurred. Fair value is based on quoted market value at year-end.

The Pool has adopted an investment policy that is consistent with 6-10-10 NMSA 1978 for the deposit of public funds by local government 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; and the New Mexico State Treasurer's Short-Term Investment Fund.

- **Capital Assets**

As a result of House Bill 1074, effective date June 17, 2005, the State of New Mexico's capitalization policy threshold was changed from \$1,000 to \$5,000, requiring agencies to capitalize acquisitions greater than \$5,000. Assets purchased prior to June 17, 2005 were not removed and will continue to be depreciated. Capital assets of the Pool are capitalized at cost. The Pool elects to capitalize purchases in excess of \$500. Capital assets of the Pool are depreciated on the straight-line method over the assets' estimated useful life. Generally, estimated useful lives are as follows: Office Equipment - 5 years.

- **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 taxed under Section 115 of the Internal Revenue Code. Accordingly, no liability for income taxes is included in the accompanying financial statements.

- **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

- **Credit Risk**

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

- **Budget**

In accordance with by-laws, the Pool prepares the budget that is controlled at the Pool level. Amendments affecting the overall Pool must be approved by the Board and members. The budget is adopted on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Restricted/Unrestricted Net Assets**

Net assets are restricted to the extent external constraints place restrictions on the use of the net assets, such as restrictions by contributors or laws and regulations. Usage of the Pool's net assets was not externally restricted at June 30, 2010, and, accordingly, the net assets are 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 and return on investments. 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. There are no discounts or allowances related to revenue.

- **Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

2. CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The liability for claims and claims adjustment expenses, which is reported on an ultimate development basis, includes an amount determined from claims reports and individual cases, and an amount for claims incurred but not reported. Estimates of the liability for amounts incurred but not reported as of June 30, 2010, 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 four percent average rate of return on investments as of June 30, 2010.

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

	2010	2009
Unpaid claims and claim adjustment expenses		
at beginning of year	\$ 12,935,153	10,972,172
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	5,309,313	4,634,628

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

Notes to Financial Statements - continued

2. CLAIMS AND CLAIM ADJUSTMENT EXPENSES - continued

		2010	2009
Increase in provision for insured events, prior years	\$	<u>836,517</u>	<u>796,373</u>
Total incurred claims and claim adjustment expenses		6,145,830	5,431,001
Payments:			
Claims and claim adjustment expenses attributable to insured events of the current year (net of recoveries)		1,758,336	366,335
Claims and claim adjustment expenses attributable to insured events of prior years		<u>2,322,638</u>	<u>3,101,685</u>
Total payments		<u>4,080,974</u>	<u>3,468,020</u>
Total unpaid claims and claim adjustment expenses at end of year	\$	<u>15,000,009</u>	<u>12,935,153</u>

At June 30, 2010 and 2009, the Pool recorded the liability for losses and loss adjustment expenses based on an estimate of its independent consulting actuary. The reserve of approximately \$15 million and approximately \$13 million is the independent actuary's and management's best estimate of reserves at June 30, 2010 and 2009, respectively.

3. EXCESS INSURANCE PREMIUMS

The Pool has purchased commercial excess insurance for specific claims in excess of \$300,000. 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 subrogation. For the years ended June 30, 2010 and 2009, the amount of subrogation receivable was \$84,691 and \$134,393, respectively.

CRL is a captive organization formed to provide excess and reinsurance to county association pools. Similar to counties that participate as members of the Workers' Compensation Pool, the Pool's contribution to CRL includes amounts for capital, losses and other pool expenses. CRL has the ability to return equity to its members in the event that loss fund contributions are not depleted or if there is a surplus of capital. For the years ended June 30, 2010 and 2009, the Pool paid \$621,533 and \$1,147,976, respectively, to CRL for excess insurance premiums. As of June 30, 2010 and 2009, the amount of claim liabilities not included on the balance sheet due to the excess insurance coverage is approximately \$6.2 million and approximately \$5.9 million, respectively.

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

Notes to Financial Statements - continued

4. GENERAL AND ADMINISTRATIVE

The New Mexico Association of Counties provides general and administrative services, as well as office space, equipment and supplies, to the Pool. These services include general administration and consulting, financial management and risk management. The fees to be paid to the New Mexico Association of Counties for such services are approved by the Pool's Board of Directors when the Pool's annual operating budget is reviewed and approved. The Pool also engages other related third parties to provide legal, actuarial and other services. The Pool's general and administrative expenses for the years ended June 30, 2010 and 2009 consisted of the following:

	2010	2009
Risk management	\$ 1,008,035	945,802
Software licensing	29,632	45,151
Accounting	25,949	11,042
Actuarial	<u>12,500</u>	<u>15,018</u>
	<u>\$ 1,076,116</u>	<u>1,017,013</u>

5. 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.

2010	Rate	Maturity Date	Moody Rating		Cost	Market Gain (Loss)	Estimated Fair Value
AM EX CENT BK CD	3.20%	5/6/2013	N/A	\$	250,000	8,475	258,475
AM EX BK FSB CD	3.20%	5/6/2013	N/A		250,000	8,475	258,475
DISCOVER BK CD	3.00%	5/7/2012	N/A		250,000	5,695	255,695
SALLIE MAE BK CD	3.05%	5/14/2012	N/A		100,000	2,361	102,361
CIT BANK CD	3.00%	5/8/2012	N/A		100,000	2,279	102,279
GE CAP FIN CD	3.00%	5/14/2012	N/A		100,000	2,286	102,286
MIDFIRST BANK CD	3.05%	5/14/2012	N/A		100,000	2,361	102,361
BMW BK NA CD	3.35%	5/28/2013	N/A		100,901	2,945	103,846
SALLIE MAE BK CD	3.00%	6/11/2012	N/A		100,000	2,323	102,323
CITIBANK CD	1.45%	12/16/2011	N/A		250,000	975	250,975
COLLEGE SVGS BNK	2.15%	12/11/2012	n/a		250,000	3,155	253,155

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

Notes to Financial Statements - continued

5. CASH AND INVESTMENTS - continued

2010	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
COLUMBUS BK & TR	1.55%	12/19/2011	N/A	\$ 250,000	1,180	251,180
GE MONEY BK	2.35%	12/18/2012	N/A	250,000	3,880	253,880
LANB CD	1.85%	7/24/2010	N/A	1,000,000	-	1,000,000
FIRST NATL CD	1.50%	7/24/2010	N/A	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
TOTAL CDs				4,350,901	46,390	4,397,291
CATERPILLAR NOTES	3.90%	5/15/2011	A2	100,000	2,422	102,422
GE CORP NOTES	4.00%	5/15/2011	AA2	500,000	11,390	511,390
JOHNSON & J.	5.15%	8/15/2012	AAA	109,880	(667)	109,213
JP MORGAN	5.375%	10/1/2012	AA3	105,110	2,840	107,950
WAL MART	7.25%	6/1/2013	AA2	115,505	999	116,504
IBM CORP NOTES	5.70%	9/14/2017	A1	<u>104,535</u>	<u>11,714</u>	<u>116,249</u>
TOTAL CORPORATE BONDS				1,035,030	28,698	1,063,728
FEDERATED ADJ RATE SEC	1.30%	N/A	N/A	1,002,862	5,116	1,007,978
FEDERATED INCOME TRST	4.33%	N/A	N/A	1,088,407	8,204	1,096,611
FEDERATED SER INC TOTAL RET	4.56%	N/A	N/A	506,843	9,663	516,506
FED TOT RET SER ULTRA SHRT	1.88%	N/A	N/A	351,750	1,536	353,286
PAYDEN & RYGEL INV GRP	3.21%	N/A	N/A	425,000	422	425,422
PIMCO FD PAC INVT LOW DURATION	2.75%	N/A	N/A	754,181	7,970	762,151
PIMCO FDS PAC INV TOTAL RETURN	4.22%	N/A	N/A	1,212,920	37,275	1,250,195
PIMCO FDS TOTAL RETURN	4.41%	N/A	N/A	<u>655,528</u>	<u>19,549</u>	<u>675,077</u>
TOTAL MUTUAL FUNDS				5,997,491	89,734	6,087,225
GNMA	5.50%	7/20/2033	N/A	294,875	(19,734)	275,141
GNMA	5.50%	8/20/2033	N/A	535,957	51,495	587,452
GNMA II	5.00%	1/20/2037	N/A	482,015	14,260	496,275
GNMA	5.50%	2/20/2038	N/A	<u>54,519</u>	<u>27,189</u>	<u>568,708</u>
TOTAL GOVT. ASSET BACKED SEC.				<u>1,854,366</u>	<u>73,210</u>	<u>1,927,576</u>
TOTAL INVESTMENTS				\$ <u>13,237,788</u>	<u>238,032</u>	<u>13,475,820</u>

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

Notes to Financial Statements - continued

5. CASH AND INVESTMENTS - continued

2009	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
AM EX CENT BK CD	3.20%	5/6/2013	N/A	\$ 250,000	2,170	252,170
AM EX BK FSB CD	3.20%	5/6/2013	N/A	250,000	2,170	252,170
DISCOVER BK CD	3.00%	5/7/2012	N/A	250,000	968	250,968
SALLIE MAE BK CD	3.05%	5/1/2012	N/A	100,000	499	100,499
CIT BANK CD	3.00%	5/8/2012	N/A	100,000	382	100,382
GE CAP FIN CD	3.00%	5/14/2012	N/A	100,000	362	100,362
MIDFIRST BANK CD	3.05%	5/1/2012	N/A	100,000	499	100,499
BMW BK NA CD	3.35%	5/28/2013	N/A	100,901	409	101,310
SALLIE MAE BK CD	3.00%	6/11/2012	N/A	<u>100,000</u>	<u>260</u>	<u>100,260</u>
TOTAL CDs				1,350,901	7,719	1,358,620
CATERPILLAR NOTES	3.90%	5/15/2011	A2	100,000	108	100,108
GE CORP NOTES	4.00%	5/15/2011	AA2	500,000	4,390	504,390
JOHNSON & J.	5.15%	8/15/2012	AAA	109,880	157	110,037
JP MORGAN	5.375%	10/1/2012	AA3	105,110	381	105,491
WAL MART	7.25%	6/1/2013	AA2	115,505	(2,304)	113,201
IBM CORP NOTES	5.70%	9/14/2017	A1	<u>104,535</u>	<u>1,085</u>	<u>105,620</u>
TOTAL CORPORATE BONDS				1,035,030	3,817	1,038,847
FHLB BONDS	2.60%	4/9/2013	AAA	<u>1,500,005</u>	<u>(5,915)</u>	<u>1,494,090</u>
TOTAL GOVERNMENT BONDS				1,500,005	(5,915)	1,494,090
GNMA	5.50%	7/20/2033	N/A	362,220	(30,356)	331,864
GNMA	5.50%	8/20/2033	N/A	679,685	38,117	717,802
GNMA II	5.00%	1/20/2037	N/A	674,213	(5,718)	668,495
GNMA	5.50%	2/20/2038	N/A	<u>799,214</u>	<u>8,328</u>	<u>807,542</u>
TOTAL GOVT. ASSET BACKED SEC.				<u>2,515,332</u>	<u>10,371</u>	<u>2,525,703</u>
TOTAL INVESTMENTS				\$ <u>6,401,268</u>	<u>15,992</u>	<u>6,417,260</u>

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

Notes to Financial Statements - continued

5. CASH AND INVESTMENTS – continued

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

	2010	2009
Interest and dividends received	\$ 398,110	303,163
Unrealized gains	<u>222,040</u>	<u>124,395</u>
 Total investment income	 \$ <u>620,150</u>	 <u>427,558</u>

As of June 30, 2010, the Pool's investments were as follows:

Investment Type		Cost	Estimated Fair Value
Certificates of Deposit	\$	4,350,901	4,397,291
Corporate Bonds		1,035,030	1,063,728
Mutual Funds		5,997,491	6,087,225
Government Asset Backed Securities		<u>1,854,366</u>	<u>1,927,576</u>
 Total	 \$	 <u>13,237,788</u>	 <u>13,475,820</u>

As of June 30, 2009, the Pool's investments were as follows:

Investment Type		Cost	Estimated Fair Value
Certificates of Deposit	\$	1,350,901	1,358,620
Corporate Bonds		1,035,030	1,038,847
Government Bonds		1,500,005	1,494,090
Government Asset Backed Securities		<u>2,515,332</u>	<u>2,525,703</u>
 Total	 \$	 <u>6,401,268</u>	 <u>6,417,260</u>

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

Notes to Financial Statements - continued

5. CASH AND INVESTMENTS – continued

June 30, 2010:

- **Collateral Requirement**

First National Bank:

Checking – Bank Balance	\$	308,937
Money Market		290,186
FDIC coverage		<u>(250,000)</u>
Total uninsured funds		349,123
50% pledged collateral requirement		174,562
Pledged collateral:		
Federal Home Loan Bank of Dallas Line of Credit		<u>10,000,000</u>
Over-collateralized	\$	<u>9,825,438</u>

June 30, 2009:

- **Collateral Requirement**

First Community Bank:

Checking – Bank Balance	\$	868,839
Money Market		2,207,897
FDIC coverage		<u>(250,000)</u>
Total uninsured funds		2,826,736
50% pledged collateral requirement		1,413,368
Pledged collateral:		
Federal Home Loan Bank of Dallas Line of Credit		<u>4,000,000</u>
Over-collateralized	\$	<u>2,586,632</u>

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

Notes to Financial Statements - continued

5. CASH AND INVESTMENTS – continued

• **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits may not be returned to it. As of June 30, 2010, none of the Pool's deposits were exposed to custodial credit risk; the total of demand deposits were covered was covered by FDIC or by collateral held by the Pool's agent in the Pool's name.

Insured and collateralized	\$	250,000
Uninsured and collateral held by pledging		
First National Bank's trust department		<u>58,937</u>
Checking account balance per bank	\$	<u><u>308,937</u></u>

As of June 30, 2009 none of the Pool's deposits were exposed to custodial credit risk; the total of demand deposits were covered was covered by FDIC or by collateral held by the Pool's agent in the Pool's name.

Insured and collateralized	\$	250,000
Uninsured and collateral held by pledging		
First Community Bank's trust department		<u>618,839</u>
Checking account balance per bank	\$	<u><u>868,839</u></u>

• **Interest Rate Risk**

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

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

	<u>S&P Rating</u>	<u>Amount Invested</u>	<u>Weighted Average</u>
New MexiGROW LGIP	AAAm rated	\$24,591	43 day WAM

LGIP has no foreign currency risk.

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

Notes to Financial Statements - continued

5. CASH AND INVESTMENTS – continued

- **Credit Risk**

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

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

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 MexicoGROW 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 - continued

5. CASH AND INVESTMENTS – continued

• **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. The Pool's investments have the implied full faith and credit of the United States government or agencies guaranteed by the United States government. At June 30, 2010 and 2009, 14% and 39%, respectively, or more of the Pool's investments were held by a single issuer and therefore subject the Pool to a concentration of credit risk as follows:

2010 Investment Types	Cost	Estimated Fair Value
Mutual Funds	\$ 5,997,491	6,087,225
GNMA	\$ 1,854,366	1,927,576
Corporate Bonds	\$ 1,035,030	1,063,728
Certificates of Deposit	\$ <u>4,350,901</u>	<u>4,397,291</u>
Total	\$ <u>13,237,788</u>	<u>13,475,820</u>

2009 Investment Types	Cost	Estimated Fair Value
Federal Home LN Bank	\$ 1,500,005	1,494,090
GNMA	\$ 2,515,332	2,525,703
Corporate Bonds	\$ 1,035,030	1,038,847
Certificates of Deposit	\$ <u>1,350,901</u>	<u>1,358,620</u>
Total	\$ <u>6,401,268</u>	<u>6,417,260</u>

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

Notes to Financial Statements - continued

6. CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Depreciable assets:				
Equipment	\$ <u>7,057</u>	<u>-</u>	<u>-</u>	<u>7,057</u>
Total	7,057	-	-	7,057
Less accumulated depreciation:				
Equipment	<u>2,156</u>	<u>2,353</u>	<u>-</u>	<u>4,509</u>
Total accumulated depreciation	<u>2,156</u>	<u>2,353</u>	<u>-</u>	<u>4,509</u>
Net total	\$ <u><u>4,901</u></u>	<u><u>2,353</u></u>	<u><u>-</u></u>	<u><u>2,548</u></u>

Current year depreciation expense for the Pool was \$2,353, all of which was considered general and administrative costs. There were no software costs to capitalize as of year end.

7. NET ASSETS DEFICIT

At June 30, 2010 and 2009, the Pool had a \$466,778 and \$867,430 deficit balance in net assets, respectively. Management intends to fund the deficit through member contributions and investment income.

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 - continued

9. 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 Counties Workers' Compensation Fund (the fiscally accountable agency) to be jointly exercised herein by New Mexico counties as members of the fund. The agreement is effective from July 1, 1987 and shall be continued until dissolved by vote of the members pursuant to Article XII of the bylaws. The purpose is to permit the members efficient use of their powers and resources by cooperating on a basis of mutual advantage through the creation and operation of a workers' compensation fund, and to secure those workers' compensation insurance and self-insurance benefits, services and protections for members and their employees, and risk management services related thereto.

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

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

10. TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)

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

- (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues, net of contribution revenue ceded to reinsurers.
- (2) This line shows each fiscal year's other operation costs of the Pool, including overhead and claims expenses not allocable to individual claims.

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

Notes to Financial Statements - continued

10. TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED) - continued

- (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.

REQUIRED SUPPLEMENTARY INFORMATION

TEN YEARS ENDED JUNE 30,	2001	2002	2003	2004
(in thousands)				
1. Net earned required contribution and investment revenues	3,402	2,915	3,225	3,272
2. Unallocated expenses	580	561	574	612
3. Estimated incurred claims and expense, end of policy year	1,809	1,647	2,330	2,790
4. Paid (cumulative) as of:				
Year one	1,013	814	751	1,285
Year two	1,606	1,502	1,885	2,257
Year three	1,857	2,004	2,655	2,543
Year four	2,037	2,244	3,097	2,764
Year five	2,120	2,360	3,419	2,836
Year six	2,164	2,323	3,533	2,932
Year seven	2,198	2,350	3,685	3,001
Year eight	2,131	2,375	3,745	-
Year nine	2,313	2,401	-	-
Year ten	2,350	-	-	-
5. Re-estimated incurred claims and expense:				
Year one	1,809	1,647	2,330	2,790
Year two	2,184	2,283	2,790	2,763
Year three	2,434	2,465	3,376	3,054
Year four	2,482	2,541	3,862	3,116
Year five	2,609	2,564	3,736	3,149
Year six	2,546	2,457	4,189	3,222
Year seven	2,509	2,635	4,157	3,339
Year eight	2,430	2,596	4,061	-
Year nine	2,588	2,699	-	-
Year ten	2,643	-	-	-
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	834	1,052	1,731	549

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

Ten Year Claims Development Information (Unaudited)

2005	2006	2007	2008	2009	2010
4,390	5,245	7,719	8,048	7,658	8,255
608	746	898	953	1,017	1,071
3,356	3,229	2,306	2,875	3,658	4,674
1,510	1,695	1,135	1,176	1,554	1,505
3,098	3,013	1,987	3,082	2,744	-
3,987	3,368	2,223	3,687	-	-
4,512	3,629	2,446	-	-	-
4,704	3,766	-	-	-	-
4,862	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,356	3,229	2,306	2,875	3,658	4,674
4,909	3,893	2,371	4,530	4,323	-
5,303	4,058	2,752	5,508	-	-
5,607	4,364	2,985	-	-	-
5,644	4,576	-	-	-	-
5,801	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,445	1,347	679	2,633	665	-

OTHER SUPPLEMENTAL INFORMATION

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

**Schedule of Revenues and Expenses -
Budget and Actual (Non-GAAP Basis)**

YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Member contributions	\$ 7,632,534	7,632,534	7,632,534	-
Investment income	400,000	400,000	620,150	220,150
Miscellaneous income	-	-	<u>1,952</u>	<u>1,952</u>
TOTAL REVENUES	<u>8,032,534</u>	<u>8,032,534</u>	<u>8,254,636</u>	<u>222,102</u>
EXPENSES:				
Claims and claim adjustment expenses	6,314,534	6,314,534	5,995,953	318,581
Excess insurance premiums	625,000	625,000	621,533	3,467
General and administrative	1,082,500	1,082,500	1,067,362	15,138
Brokerage fees	<u>10,500</u>	<u>10,500</u>	<u>10,505</u>	<u>(5)</u>
TOTAL EXPENSES	<u>8,032,534</u>	<u>8,032,534</u>	<u>7,695,353</u>	<u>337,181</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>-</u>	559,283	<u>559,283</u>
Adjustment to claims reserve based on actuarial study			(49,222)	
Adjustment to claims reserve based on actuarial study			(100,655)	
Adjustment to correct current year professional service expenses			<u>(8,754)</u>	
EXCESS OF REVENUES OVER EXPENSES PER ACCOMPANYING GAAP FINANCIAL STATEMENTS			<u>\$ 400,652</u>	

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

**Schedule of Revenues and Expenses -
Budget and Actual (Non-GAAP Basis) - continued**

YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Member contributions	\$ 7,230,114	7,230,114	7,230,114	-
Investment income	450,000	450,000	427,558	(22,442)
Miscellaneous income	-	-	37	37
TOTAL REVENUES	7,680,114	7,680,114	7,657,709	(22,405)
EXPENSES:				
Claims and claim adjustment expenses	5,760,214	5,605,457	5,431,001	174,456
Excess insurance premiums	920,400	1,025,657	1,025,657	-
General and administrative	989,000	1,038,500	1,015,107	23,393
Brokerage fees	10,500	10,500	10,500	-
TOTAL EXPENSES	7,680,114	7,680,114	7,482,265	197,849
EXCESS OF REVENUES OVER EXPENSES	\$ -	-	175,444	175,444
Adjustment to correct current year excess insurance expense			(122,319)	
Adjustment to record current year depreciation expense			(2,156)	
Adjustment to correct current year miscellaneous expenses			250	
EXCESS OF REVENUES OVER EXPENSES PER ACCOMPANYING GAAP FINANCIAL STATEMENTS			\$ 51,219	

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

**Schedule of Cash and Cash Equivalents
Reconciliation from Bank to Financial Statements**

YEAR ENDED JUNE 30, 2010

FIRST NATIONAL BANK:

Checking	\$ 582,685
Reconciling items:	
Deposits in transit	-
Outstanding checks	<u>(273,748)</u>
Total Checking	308,937
Money Market	290,186
Reconciling items:	
Deposits in transit	-
Outstanding checks	<u>-</u>
Total Money Market	<u>290,186</u>

TOTAL FIRST NATIONAL BANK

599,123

WACHOVIA SECURITIES:

Money Market	229,187
Reconciling items:	
Deposits in transit	-
Outstanding checks	<u>(44,245)</u>

TOTAL WACHOVIA SECURITIES

184,942

LPL FINANCIAL INVESTMENTS:

Checking	45,127
Reconciling items:	
Deposits in transit	-
Outstanding checks	<u>-</u>

TOTAL LPL FINANCIAL INVESTMENTS

45,127

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

\$ 829,192

Cash Balance per Bank

\$ 1,147,185

See Independent Auditors' Report and Notes to Financial Statements.

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

Schedule of Cash Collateral

YEAR ENDED JUNE 30, 2010

FIRST NATIONAL BANK:

Checking	\$	308,937
Money Market		290,186
FDIC coverage		<u>(250,000)</u>
Total uninsured funds		349,123
50% pledged collateral requirement		174,562
Pledged collateral:		
FHLB Line of Credit - held with First National Bank of Santa Fe		
Commitment #: 7654000006, Maturity Date: 8/16/2010		<u>10,000,000</u>
Over-collateralized	\$	<u><u>9,825,439</u></u>

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

Board of Directors
New Mexico County Insurance Authority
Workers' Compensation Pool
Santa Fe, New Mexico and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the business-type activities and related budgetary comparisons presented as supplemental information of New Mexico County Insurance Authority Workers' Compensation Pool (Pool) as of and for the year ended June 30, 2010, which collectively comprise the Pool's basic financial statements and have issued our report thereon dated November 8, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pool's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.



Board of Directors
New Mexico County Insurance Authority
Workers' Compensation Pool
Santa Fe, New Mexico and
Mr. Hector H. Balderas
New Mexico State Auditor

Internal Control Over Financial Reporting - continued

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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. We consider the deficiency described in the accompanying schedule of findings and responses as finding 10-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pool'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as finding 10-01.

The Pool's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Pool's response and, accordingly, we express no opinion on it.

Board of Directors
New Mexico County Insurance Authority
Workers' Compensation Pool
Santa Fe, New Mexico and
Mr. Hector H. Balderas
New Mexico State Auditor

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, the Pool's participants, the Office of the State Auditor and the New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Meyers + Company, LLC

November 8, 2010

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

Schedule of Findings and Responses

A. FINDINGS - FINANCIAL STATEMENT AUDIT

10-1 CASH RECEIPTS NOT DEPOSITED IN TIMELY MANNER

Condition: Out of 25 cash receipts tested during internal control testwork, 21 were not deposited by close of the following business day.

Criteria: Procedures outlined by the Statutory Chapter in New Mexico, Chapter 6, Article 10, Section 3, pertaining to Public Monies states cash received is to be deposited with the authorized financial institution by close of the following business day.

Cause: Lack of timely deposits

Effect: Non-compliance with the New Mexico Statutes.

Recommendation: We recommend management establish a policy to ensure that all cash received is deposited with the respective financial institution within 24 hours of receipt of the cash, check or money order.

Management's Response: The Finance Department does its best to deposit checks received as promptly as possible. Sometimes we have to wait for approval on certain checks prior to depositing. Also, with the small accounting staff we have, it can be inefficient and impractical to make deposits daily. Management will continue to encourage the timely depositing of checks in order to be in compliance with state law.

10-2 JOURNAL ENTRY APPROVAL (Significant Deficiency)

Statement of Condition: Our review over financial reporting revealed that journal entries can be initiated and posted to the general ledger system by the same individual.

Criteria: There should be a system in place that segregates the ability to initiate journal entries and post entries to the accounting system.

Cause: The Finance Director has the ability to initiate and post entries into the system; lack of effective procedures surrounding the journal entry approval process.

Effect: There is an increased risk of unintentional posting errors as well as a heightened risk of fraud when an individual can initiate and post journal entries.

Recommendation: We recommend that management establish a policy whereby all journal entries are initiated and posted by separate individuals.

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

Schedule of Findings and Reponses - continued

A. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

10-2 JOURNAL ENTRY APPROVAL (Significant Deficiency) - continued

Management's Response: Per NMCIA's Finance Policies and Procedures, journal entries are initiated by and created by either the bookkeeper, staff accountant or finance director. Entries are then reviewed by and posted to the general ledger by either the staff accountant or finance director so that there is a review and approval prior to posting. Presently there is a staff vacancy so that this procedure has not been functional or practicable. We are in the process of hiring another staff person so that there will be segregation of the ability to initiate journal entries and post them.

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

Summary Schedule of Prior Year Audit Findings

- 09-1 Internal Controls over Claims Processing (Material Weakness) – Resolved
- 09-2 Claims Disbursement Approval (Control Deficiency) – Resolved

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

Exit Conference

An exit conference was held on November 8, 2010. In attendance were:

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

Paul Gutierrez, Executive Director
Steve Kopelman, Risk Management Director
Carol Madley, Finance Director
Theresa Griego, Workers' Compensation Claims Manager
Jeff Trujillo, Santa Fe County Risk and Safety Division Director

MEYNER + COMPANY, LLC

Raul J. Anaya, CPA, CGFM, Manager
Jason T. Shaw, CPA, Senior Accountant

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 Auditors' Report.