



NEW MEXICO COUNTY INSURANCE AUTHORITY: WORKERS' COMPENSATION POOL

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2019 AND 2018

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
June 30, 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



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 years ended June 30, 2019 and 2018, and the related notes to the financial statements which collectively comprise the Pool's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities Pool as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and, the Notes to Ten Year Claims Development Information and the Ten Year Claims Development Information on pages 30 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pool's basic financial statements. The 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 audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenue and Expenses - Budget and Actual, 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 November 22, 2019 on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control over financial reporting and compliance.

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

Santa Fe, New Mexico
November 22, 2019

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

As management of the New Mexico County Insurance Authority 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 Pool for the fiscal years ended June 30, 2019 and 2018.

Financial Highlights

- Pool net position increased by \$2,524,503 to \$14,642,741 from June 30, 2018. Over the past two years the Pool has grown the net position held for members' benefits (fund balance) from \$4,458,378 to \$14,642,741, a 228% increase. Total claims liabilities decreased by \$176,156 (1%) from June 30, 2018.
- Assets increased by \$2,679,001 to \$33,982,093. Assets of the Pool consist primarily of cash, accounts receivable and investments. The Pool's liabilities consist primarily of reserves to pay claims and claim adjustment expenses. Liabilities increased by \$154,498 to \$19,339,352 at June 30, 2019.
- The Pool has optional high-deductible funding arrangements with Bernalillo, Dona Ana, Sandoval, San Juan and Santa Fe Counties. For the years ended June 30, 2019 and 2018, Bernalillo County paid the first \$500,000 of every claim with an annual aggregate of \$2,000,000 and \$1,750,000, respectively. For the years ended June 30, 2019 and 2018, Sandoval County paid the first \$25,000 of every claim, with an annual aggregate of \$750,000. San Juan paid the first \$10,000 of every claim, with no aggregate for the fiscal years ending June 30, 2019 and 2018. Santa Fe County participated in the high-deductible funding for the year ended June 30, 2019, paying the first \$25,000 of every claim, with an annual aggregate of \$750,000.
- Workers' Compensation hired a nurse case manager on staff and this has resulted in a 2% decrease in claims expense

Overview of the Financial Statements

The Pool is a self-insured pool for New Mexico counties created by a joint powers agreement. The Pool has 30 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 statements of net position which report the Pool's assets, liabilities and members' net position (equity), statements of revenues, expenses and changes in net position, and statements of cash flows, which summarize cash receipts and payments.

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Overview of the Financial Statements (Continued)

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 statements of net position and statements of revenues, expenses and changes in net position are presented as of and for the years ended June 30, 2019 and 2018.

Condensed Comparative Data

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Assets (Cash, Receivables, Investments, and Prepaid Expenses)	\$ 33,982,093	\$ 31,303,092	\$ 29,141,598
Total Liabilities (Claims and Claim Adjustment Expenses and Accounts Payable)	<u>19,339,352</u>	<u>19,184,854</u>	<u>24,683,220</u>
Pool Net Position:			
Unrestricted - Held for Member Benefits	<u>14,642,741</u>	<u>12,118,238</u>	<u>4,458,378</u>
Total Net Position	<u><u>\$ 14,642,741</u></u>	<u><u>\$ 12,118,238</u></u>	<u><u>\$ 4,458,378</u></u>
Revenues:			
Member Contributions and Other Income	\$ 8,102,719	\$ 9,078,389	\$ 8,710,372
Investment Income	<u>1,337,999</u>	<u>80,813</u>	<u>390,395</u>
Total Revenues	9,440,718	9,159,202	9,100,767
Expenses			
Claims and Claim Adjustment Expenses (Recoveries)	4,728,673	(785,297)	5,190,153
Reinsurance Fees	701,002	822,735	839,114
Brokerage Fees	20,000	20,000	20,000
General, Administrative	<u>1,466,540</u>	<u>1,441,904</u>	<u>1,330,993</u>
Total Expenses	<u>6,916,215</u>	<u>1,499,342</u>	<u>7,380,260</u>
Excess (Deficiency) of Revenues Over Expenses	2,524,503	7,659,860	1,720,507
Pool Net Position Held for Member Benefits - Beginning of Year	<u>12,118,238</u>	<u>4,458,378</u>	<u>2,737,871</u>
Pool Net Position Held for Member Benefits - End of Year	<u><u>\$ 14,642,741</u></u>	<u><u>\$ 12,118,238</u></u>	<u><u>\$ 4,458,378</u></u>

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Financial Analysis of the Pool

Assets of the Pool consist primarily of cash, accounts receivable and fixed income investments. Liabilities consist primarily of the amounts held in reserve to pay future claims. As of June 30, 2019, total assets increased by \$2,679,001, primarily due to cash and investment balances increasing as a result of the laddering of short term bonds, notes and CDs and improved market conditions. Accounts receivable for high-deductible counties increased by \$779,649.

The Pool's liabilities consist primarily of reserves to pay claims and claim adjustment expenses. Liabilities increased by \$154,498 to \$19,339,352 at June 30, 2019. This increase is primarily due to an increase in accounts payable.

The Pool's net position held for members' benefits (fund balance) increased by \$2,524,503 to \$14,642,741 in 2019. Over the past two years the Pool has grown the net position held for member's benefits from \$4,458,378 to \$14,642,741, a 228% increase.

Operating revenue decreased by \$976,192 for 2019, due to an 11% decrease in member contributions. Dona Ana and Otero counties left the Pool and Rio Arriba joined. Investment and other income increased to \$1,338,522 in 2019 due to improved market conditions and maximizing returns with various types of short term investments.

Total expenses increased by \$5,416,873 in 2019. This increase in expenses is primarily due to the change in the actuarial estimate of the short term claims reserves and actual recoveries that penetrated the excess layer in 2018. As a result short term claims reserves were reduced to \$167,767 in 2019 from \$5,233,779 in 2018. Paid claims totaled \$8,161,255 in 2019 a 12% increase from 2018. Recoveries increased by 22.8% to \$3,149,488 in 2019. Reinsurance expense decreased 15% to \$701,002 in 2019 due to the reduced membership. Workers' Compensation hired a nurse case manager on staff that has resulted in a 2% decrease in claims expense. Administrative expenses increased by 1.7% in 2019. Operating income decreased to \$2,524,503 in 2019 from \$7,659,860 in 2018. Again, the result of the 2018 actuarial adjustment.

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Unpaid Claims Liabilities

The following table presents the changes in the Pool's claims for the past three years:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Unpaid Claims and Claim Adjustment Expenses - Beginning of Year	\$ 19,184,840	\$ 24,679,955	\$ 23,874,848
Incurred Claims and Claim Adjustment Expenses:			
Provision for Insured Events of the Current Year	7,878,160	1,780,125	7,717,789
Increase (Decrease) in Provision for Insured Events of Prior Years	<u>(3,149,487)</u>	<u>(2,565,422)</u>	<u>(2,527,636)</u>
Total Incurred Claims and Claim Adjustment Expenses	4,728,673	(785,297)	5,190,153
Payments:			
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year, Net of Recoveries	747,811	876,405	990,653
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>4,157,018</u>	<u>3,833,413</u>	<u>3,394,393</u>
Total Payments	<u>4,904,829</u>	<u>4,709,818</u>	<u>4,385,046</u>
 Total unpaid Claims and Claim Adjustment Expenses - End of Year	 <u>\$ 19,008,684</u>	 <u>\$ 19,184,840</u>	 <u>\$ 24,679,955</u>

Investment Results

As of June 30, 2019, cash balances increased by \$1,000,429 and investments increased by \$965,359. Because of the market conditions, investments were done by laddering short term government bonds and notes and brokered CDs. The Pool has two independent investment advisors that are consulted regularly on the changing market and the best strategies to invest pool funds for maximum return and liquidity. There was also an increase of \$23,584 in the Pool's equity with County Reinsurance Limited, the reinsurance carrier. This results in a total increase for cash and investments of more than \$1.9 million from \$30,560,742 at June 30, 2018 to \$32,550,114 at June 30, 2019. The overall investment yield on the Pool's investment portfolio approximated 3.01% during 2019, an increase from the 2.27% in 2018.

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Property, Plant and Equipment

The Pool had no purchases or disposals of property, plant and equipment during 2019 and 2018.

Long-Term Debt

The Pool had no long-term debt during the years ended June 30, 2019 and 2018.

Budget and changes in Net Position

Member contributions were under budget by 12.8%, due to a change in Pool membership. Investment income exceeded budget totaling \$1,338,521 due to improved market conditions and a conservative budgeted amount.

The Board approved \$9,373,948 in expenses and the Pool ended the year with \$6,916,215 in expenses, a 26% budget savings. Reinsurance expense was under budget by 15.7% due to the membership change. Administrative expenses were under budget 1.2%. As a result, the pool had an increase in the Pool's net position held for county members' benefit of over \$2.5 million, from \$12.1 million to \$14.6 million.

Current Trends and Conditions

The Pool's financial position improved by \$2,524,503 to \$14,642,741 from \$12,118,238 for a 21% increase. The Workers' Compensation Pool continues to improve in several areas, including improved excess reporting to our reinsurers, increased efficiencies from the utilization of our new Risk Management System's capabilities to electronically transfer information to and from the Workers' Compensation Administration, and a reduction in claims costs due to the hiring of an in-house nurse case manager.

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
STATEMENTS OF NET POSITION - ENTERPRISE FUND
JUNE 30, 2019, AND 2018**

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,596,522	\$ 1,596,093
Investments	29,130,284	28,164,925
Accounts Receivable - Deductibles	1,419,331	716,800
Prepays	12,648	25,550
TOTAL CURRENT ASSETS	33,158,785	30,503,368
NONCURRENT ASSETS		
Investment in County Reinsurance Limited	823,308	799,724
TOTAL ASSETS	\$ 33,982,093	\$ 31,303,092
LIABILITIES AND POOL NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 170,804	\$ 14
Claims and Claim Adjustment Expenses	5,148,586	5,148,887
Unearned Member Contributions	159,864	-
TOTAL CURRENT LIABILITIES	5,479,254	5,148,901
LONG-TERM LIABILITIES		
Claims and Claim Adjustment Expenses	13,860,098	14,035,953
TOTAL LIABILITIES	19,339,352	19,184,854
POOL NET POSITION HELD FOR MEMBERS' BENEFITS		
Unrestricted	14,642,741	12,118,238
TOTAL LIABILITIES AND POOL NET POSITION	\$ 33,982,093	\$ 31,303,092

See auditor's report and accompanying notes to financial statements

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN POSITION – ENTERPRISE FUND
YEARS ENDED JUNE 30, 2019, AND 2018**

	2019	2018
OPERATING REVENUE		
Member Contributions, Net of Rebates and Safety Awards	\$ 8,102,197	\$ 9,078,389
Other Revenue	522	-
	8,102,719	9,078,389
OPERATING EXPENSES		
Claims and Claim Adjustment Expenses (Recoveries)	4,728,673	(785,297)
General and Administrative	1,466,540	1,441,904
Excess Insurance Premiums	701,002	822,735
Brokerage Fees (Insurance)	20,000	20,000
	6,916,215	1,499,342
OPERATING INCOME	1,186,504	7,579,047
NON-OPERATING REVENUES		
Investment Income	1,314,415	60,973
Interest in Change in Net Position of County Reinsurance Limited	23,584	19,840
	1,337,999	80,813
CHANGE IN NET POSITION	2,524,503	7,659,860
Pool Net Position - Beginning of Year	12,118,238	4,458,378
POOL NET POSITION - END OF YEAR	\$ 14,642,741	\$ 12,118,238

See auditor's report and accompanying notes to financial statements

NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019, AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Members	\$ 7,559,530	\$ 9,734,210
Cash Received from Others	522	-
Cash Paid to Vendors	(1,282,848)	(1,455,622)
Cash Paid on Claims and Claim Adjustment Expenses	(4,904,829)	(4,709,818)
Cash Paid for Insurance Brokerage Fees	(20,000)	(20,000)
Cash Paid for Excess Insurance	(701,002)	(822,735)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	651,373	2,726,035
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income Received	727,939	450,965
Purchase of Investments	(2,635,445)	(5,161,666)
Proceeds from the Sale of Investments	2,256,562	156,689
CASH (USED FOR) PROVIDED FROM INVESTING ACTIVITIES	349,056	(4,554,012)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,000,429	(1,827,977)
Cash and Cash Equivalents - Beginning of Year	1,596,093	3,424,070
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,596,522	\$ 1,596,093
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,186,504	\$ 7,579,047
Accounts Receivable	(702,531)	655,821
Prepays	12,902	(10,467)
Accounts Payable	170,790	(3,251)
Unearned Revenue	159,864	-
Claims and Claim Adjustment Expenses	(176,156)	(5,495,115)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 651,373	\$ 2,726,035
NONCASH INVESTING ACTIVITIES		
Unrealized Losses on Investments	\$ 586,476	\$ (389,992)
Increase in County Reinsurance Limited Equity	\$ 23,584	\$ 19,840

See auditor's report and accompanying notes to financial statements

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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 30 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
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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 27 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 \$23,584 and \$19,840 during the years ended June 30, 2019 and 2018, respectively. Additional contributions may be required from the Pool and other members as determined by CRL. During the years ended June 30, 2019 and 2018, there were no additional contributions requested from the Pool by CRL. Upon withdrawal from CRL, the Pool may request repayment of the original contribution plus the Pool's proportionate earnings in CRL accumulated during membership.

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
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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 June 30, 2019 and 2018 and, accordingly, 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 June 30, 2015, the Pool began offsetting certain member counties' contributions with rebates and safety awards as part of ongoing risk reduction initiatives. During the years ended June 30, 2019 and 2018, these amounts totaled \$35,000 and \$35,000, respectively, and are 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 (coincides with the fiscal year).

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
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - CASH AND INVESTMENTS

The Pool deposits its funds with various financial institutions. New Mexico statutes provide that deposits of public monies in financial institutions must be secured by pledged collateral in an aggregate 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 June 30:

2019	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
MUTUAL FUNDS:						
FEDERATED INC TRST SH BEN	2.41%	N/A	N/A	\$ 2,202,005	\$ (106,631)	\$ 2,095,374
PIMCO FD PAC INVT LOW DURATION	2.82%	N/A	N/A	2,088,136	(87,280)	2,000,856
DELAWARE LTD TERM DIVERS INC FD	3.12%	N/A	N/A	2,025,375	(68,658)	1,956,717
METROPOLITAN WEST FDS	2.83%	N/A	N/A	1,932,972	17,953	1,950,925
DOUBLELINE FDS TR	3.69%	N/A	N/A	1,988,150	(40,130)	1,948,020
DODGE & COX INC FD	3.08%	N/A	N/A	1,712,542	29,397	1,741,939
FIDELITY FUNDS	2.35%	N/A	N/A	1,568,200	-	1,568,200
AMG MANAGERS DOUBLE CORE BOND	3.67%	N/A	N/A	1,500,000	34,417	1,534,417
FEDERATED SER INC TOTAL RET	3.41%	N/A	N/A	1,115,892	(11,208)	1,104,684
PRUDENTIAL SHORT-TERM	2.84%	N/A	N/A	1,071,900	(24,438)	1,047,462
VANGUARD SHORT-TERM	2.89%	N/A	N/A	883,957	(602)	883,355
FPA NEW INCOME INC	4.29%	N/A	N/A	865,048	(17,988)	847,060
VANGUARD BD INDEX	2.13%	N/A	N/A	664,743	2,405	667,148
JPMORGAN STRATEGIC INC OPPS	3.16%	N/A	N/A	622,090	(14,389)	607,701
BLACKROCK STRATEGIC INC	3.19%	N/A	N/A	566,782	(9,655)	557,127
DELAWARE FLOATING RATE FUND	5.43%	N/A	N/A	500,000	(7,168)	492,832
LOOMIS SAYLES LTD	4.29%	N/A	N/A	431,075	(10,374)	420,701
CARILLON UNCONSTRAINED BD INSTL	2.16%	N/A	N/A	339,066	7,205	346,271
GOLDMAN SACHS STRNG INC FUND	3.62%	N/A	N/A	340,086	(39,799)	300,287
CARILLON CORE BOND FUND CL I	2.29%	N/A	N/A	154,079	6,298	160,377
FIDELITY FL RATE HIGH INC CL I	4.82%	N/A	N/A	165,855	(7,288)	158,567
VANGUARD SHORT TERM INVMT	2.89%	N/A	N/A	75,159	(627)	74,532
TOTAL MUTUAL FUNDS				22,813,112	(348,560)	22,464,552
EXCHANGE-TRADED FUNDS (ETF)						
ISHARES BARCLAYS MBS BOND FD	2.67%	N/A	N/A	170,433	(745)	169,688
ISHARES	2.14%	N/A	N/A	194,658	(1,243)	193,415
TOTAL EXCHANGE-TRADED FUNDS (ETF)				365,091	(1,988)	363,103
LONG-TERM CERTIFICATE OF DEPOSITS	2.76%	N/A	N/A	3,962,915	41,127	4,004,042

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

2019	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
GOVT. ASSET BACKED SECURITIES:						
GNMA	3.77%	9/20/2040	N/A	229,020	(29,439)	199,581
GNMA II	5.02%	7/20/2033	N/A	78,534	(37,703)	40,831
GNMA II	5.02%	2/20/2038	N/A	50,338	(11,973)	38,365
GNMA II	5.02%	8/20/2033	N/A	72,920	20,477	93,397
GNMA II	4.65%	1/20/2037	N/A	37,778	(16,020)	21,758
TOTAL GOVT. ASSET BACKED SECURITIES				468,590	(74,658)	393,932
GOVERNMENT BONDS						
FEDERAL NAT'L MTG ASSN	N/A	10/9/2019	N/A	99,424	(50)	99,374
FEDERAL NAT'L MTG ASSN	1.13%	10/28/2019	AAA	496,483	1,867	498,350
FEDERAL HOME LOAN	1.43%	10/29/2019	AAA	99,000	783	99,783
FEDERAL HOME LOAN	4.13%	12/13/2019	AAA	755,642	1,011	756,653
TOTAL GOVERNMENT BONDS				1,450,549	3,611	1,454,160
US TREASURY NOTE	1.63%	6/30/2019	AAA	149,027	973	150,000
US TREASURY NOTE	3.63%	8/15/2019	AAA	300,427	68	300,495
TOTAL US TREASURY NOTE				449,454	1,041	450,495
TOTAL INVESTMENTS				<u>\$ 29,509,711</u>	<u>\$ (379,427)</u>	<u>\$ 29,130,284</u>
MONEY MARKET						
WELLS FARGO MONEY MARKET	1.60%	N/A	N/A	\$ 1,126,968	\$ -	\$ 1,126,968
FIDELITY MONEY MARKET	0.00%	N/A	N/A	1,069,414	-	1,069,414
TOTAL MONEY MARKET				2,196,382	-	2,196,382
STATE TREASURER LGIP	0.03%	N/A	N/A	1,825	-	1,825
TOTAL CASH EQUIVALENTS				<u>\$ 2,198,207</u>	<u>\$ -</u>	<u>\$ 2,198,207</u>

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

2018	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
MUTUAL FUNDS:						
FEDERATED GOVT INC TRST IS	2.47%	N/A	N/A	\$ 2,202,005	\$ (166,799)	\$ 2,035,206
PIMCO FD PAC INVNT LOW DURATION	1.56%	N/A	N/A	2,093,563	(111,046)	1,982,517
DELAWARE LTD TERM DIV INC FD	2.54%	N/A	N/A	2,032,942	(71,493)	1,961,449
FIDELITY TREASURY ONLY	0.81%	N/A	N/A	2,016,125	-	2,016,125
DOUBLELINE FDS TR	3.64%	N/A	N/A	1,918,223	(87,535)	1,830,688
METROPOLITAN WEST FDS	2.30%	N/A	N/A	1,878,487	(74,776)	1,803,711
DODGE & COX INC FD	2.80%	N/A	N/A	1,656,858	(37,645)	1,619,213
AMG MANAGERS DOUBLE CORE PLUS	3.26%	N/A	N/A	1,500,000	(11,472)	1,488,528
LOOMIS SAYLES LTD	2.08%	N/A	N/A	1,170,559	(48,616)	1,121,943
FEDERATED TOTAL RET	3.27%	N/A	N/A	1,115,892	(53,540)	1,062,352
PGIM SHORT TERM CORP	2.73%	N/A	N/A	1,042,563	(53,625)	988,938
VANGUARD FIXED INCOME SHORT TERM	2.29%	N/A	N/A	858,846	(21,134)	837,712
FPA NEW INCOME INC	2.89%	N/A	N/A	834,672	(18,264)	816,408
VANGUARD S/T FUND ADMIRAL	1.79%	N/A	N/A	650,652	(16,479)	634,173
JPMORGAN STRATEGIC INC OPPS	2.76%	N/A	N/A	622,090	(10,690)	611,400
BLACKROCK STRATEGIC INC	3.59%	N/A	N/A	566,946	(18,252)	548,694
DELAWARE LTD TERM DIVERS INC FD	2.40%	N/A	N/A	560,579	(36,005)	524,574
DELAWARE FLOATING RATE INSTL	4.32%	N/A	N/A	500,000	(2,987)	497,013
GOLDMAN SACHS STRNG INC FUND	1.69%	N/A	N/A	340,086	(39,155)	300,931
CARILLON REAMS UNCONSTRAINED I	1.81%	N/A	N/A	339,066	(3,192)	335,874
FIDELITY ADVISOR FL RATE HIGH INC	3.93%	N/A	N/A	165,855	(5,278)	160,577
CARILLON REAMS CORE CL I	2.04%	N/A	N/A	154,079	(1,971)	152,108
VANGUARD SHORT-TERM	2.29%	N/A	N/A	75,159	(2,367)	72,792
TOTAL MUTUAL FUNDS				24,295,247	(892,321)	23,402,926
EXCHANGE-TRADED FUNDS (ETF)						
ISHARES TR MBS	2.65%	N/A	N/A	166,021	(6,186)	159,835
ISHARES	2.07%	N/A	N/A	194,658	(2,954)	191,704
TOTAL EXCHANGE-TRADED FUNDS (ETF)				360,679	(9,140)	351,539
LONG-TERM CERTIFICATE OF DEPOSITS	1.86%	N/A	N/A	1,909,964	(1,556)	1,908,408

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

2018	Rate	Maturity Date	Moody Rating	Cost	Market Gain (Loss)	Estimated Fair Value
GOVT. ASSET BACKED SECURITIES:						
GNMA II	3.86%	9/20/2040	N/A	261,913	(33,057)	228,856
GNMA II	5.03%	8/20/2033	N/A	87,951	21,550	109,501
GNMA II	5.11%	2/20/2038	N/A	55,941	(12,288)	43,653
GNMA II	5.03%	7/20/2033	N/A	85,109	(37,232)	47,877
GNMA II	4.67%	1/20/2037	N/A	41,846	(15,826)	26,020
TOTAL GOVT. ASSET BACKED SECURITIES				532,760	(76,853)	455,907
GOVERNMENT BONDS						
MOODY AAA, S&P AA+	0.96%	N/A	AAA	102,649	286	102,935
FEDERAL NAT'L MTG ASSN	1.62%	11/27/2018	AAA	499,826	(821)	499,005
FEDERAL NAT'L MTG ASSN	N/A	10/9/2019	N/A	97,434	(620)	96,814
FEDERAL HOME LOAN	1.12%	9/14/2018	AAA	54,856	38	54,894
FEDERAL HOME LOAN	1.45%	10/29/2019	AAA	99,000	(474)	98,526
FEDERAL HOME LOAN	1.30%	10/30/2018	AAA	44,910	(24)	44,886
TOTAL GOVERNMENT BONDS				898,675	(1,615)	897,060
US TREASURY NOTE						
US TREASURY NOTE	1.37%	6/30/2018	AAA	400,000	-	400,000
US TREASURY NOTE	1.00%	8/15/2018	AAA	498,437	1,027	499,464
US TREASURY NOTE	1.37%	9/30/2018	N/A	249,883	(262)	249,621
TOTAL US TREASURY NOTE				1,148,320	765	1,149,085
TOTAL INVESTMENTS				<u>\$ 29,145,645</u>	<u>\$ (980,720)</u>	<u>\$ 28,164,925</u>
MONEY MARKET						
WELLS FARGO MONEY MARKET	0.01%	N/A	N/A	\$ 673,119	\$ -	\$ 673,119
FIDELITY MONEY MARKET	0.01%	N/A	N/A	751,839	-	751,839
TOTAL MONEY MARKET				1,424,958	-	1,424,958
STATE TREASURER LGIP						
STATE TREASURER LGIP	0.03%	N/A	N/A	1,786	-	1,786
TOTAL CASH EQUIVALENTS				<u>\$ 1,426,744</u>	<u>\$ -</u>	<u>\$ 1,426,744</u>

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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

	2019	2018
Interest and Dividends Received	\$ 800,747	\$ 572,973
Loss on Sale of Investments	(72,808)	(122,008)
Unrealized Gains (Losses)	586,476	(389,992)
Total Investment Income	\$ 1,314,415	\$ 60,973

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

Investment Type	2019	
	Cost	Estimated Fair Value
Mutual Funds	\$ 22,813,112	\$ 22,464,552
U.S. Government Agency Bonds	1,450,549	1,454,160
U.S. Treasury Note	449,454	450,495
Government Asset Backed Securities	468,590	393,932
Long-term certificates of deposit	3,962,915	4,004,042
Exchange-Traded Funds	365,091	363,103
Total	\$ 29,509,711	\$ 29,130,284

Investment Type	2018	
	Cost	Estimated Fair Value
Mutual Funds	\$ 24,295,247	\$ 23,402,926
U.S. Government Agency Bonds	898,675	897,060
U.S. Treasury Note	1,148,320	1,149,085
Government Asset Backed Securities	532,760	455,907
Long-term certificates of deposit	1,909,964	1,908,408
Exchange-Traded Funds	360,679	351,539
Total	\$ 29,145,645	\$ 28,164,925

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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 June 30, 2019 and 2018, 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 State Treasurer Local Government Investment Pool (LGIP)

As of June 30, 2019 and 2018 the investment in LGIP was as follows:

S&P Ratings	June 30, 2019	June 30, 2018	Weighted Average
AAAm Rated	\$ 1,825	\$ 1,786	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.

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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.

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.

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 June 30, 2019 and 2018, the following investments, by issuer, represented 5% or more of the Pool's total investments:

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Issuer	Percentage of Total	
	2019	2018
Federated Investors	15%	14%
Delaware Investments	11%	13%
PIMCO	9%	9%
DoubleLine	9%	8%
Metropolitan West	8%	8%
Fidelity	8%	9%
Dodge & Cox	8%	7%
Vanguard	7%	7%
AMG	7%	6%
Loomis Sayles LTD	2%	5%

Fair Value Measurements

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

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

Investments by Fair Value Level - June 30, 2019

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual Funds	\$ 22,464,552
U.S. Government Agency Bonds	1,454,160
U.S. Treasury Note	450,495
Government Asset Backed Securities	393,932
Long-term certificates of deposit	4,004,042
Exchange-Traded Funds	363,103
Total	\$ 29,130,284

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

NAV Investment - June 30, 2019

Investment in County Reinsurance Limited	\$ 823,308
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Investments Not Requiring Fair Value - June 30, 2019

Money Market	2,196,382
State Treasurer LGIP	1,825
Total Investments and Cash Equivalents	\$ 32,151,799

Investments by Fair Value Level - June 30, 2018

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual Funds	\$ 23,402,926
U.S. Government Agency Bonds	897,060
U.S. Treasury Note	1,149,085
Government Asset Backed Securities	455,907
Long-term certificates of deposit	1,908,408
Exchange-Traded Funds	351,539
Total	\$ 28,164,925

NAV Investment - June 30, 2018

Investment in County Reinsurance Limited	\$ 799,724
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Investments Not Requiring Fair Value - June 30, 2018

Money Market	1,424,958
State Treasurer LGIP	1,786
Total Investments and Cash Equivalents	\$ 30,391,393

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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 June 30, 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 June 30, 2019 and 2018. Estimated outstanding losses were discounted from \$24,151,216 and \$24,755,387 as of June 30, 2019 and 2018, respectively.

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

	2019	2018
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	\$ 19,184,840	\$ 24,679,955
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Year	7,878,160	1,780,125
Decrease in Provision for Insured Events of Prior Years	(3,149,487)	(2,565,422)
Total (Recovery) Incurred Claims and Claim Adjustment Expenses	4,728,673	(785,297)
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year, Net of Recoveries	747,811	876,405
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	4,157,018	3,833,413
Total Payments	4,904,829	4,709,818
 Total Unpaid Claims and Claim Adjustment Expenses at End of Year	 \$ 19,008,684	 \$ 19,184,840

At June 30, 2019 and 2018, 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
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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 years ended June 30, 2019 and 2018 consisted of the following:

	2019	2018
Risk Management	\$ 1,288,940	\$ 1,218,158
Software Licensing and Support	118,538	165,840
Accounting and Audit	48,812	47,668
Actuarial	10,250	9,000
Legal Fees	-	1,238
Total	\$ 1,466,540	\$ 1,441,904

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 June 30, 2019 and 2018, the amount of excess insurance receivable was \$0 and \$0, 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, 2019 and 2018, the Pool paid \$701,002 and \$822,735, respectively, to CRL for excess insurance premiums. Reinsurance offset claims expense by \$300,040 and \$108,218 for the years ended June 30, 2019 and 2018, respectively.

**NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

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. Members are as follows:

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

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 years ended June 30, 2019 and 2018, Bernalillo County paid the first \$500,000 of every claim with an annual aggregate of \$2,000,000 and \$1,750,000, respectively. For the years ended June 30, 2019 and 2018, Sandoval County paid the first \$25,000 of every claim, with an annual aggregate of \$750,000. San Juan paid the first \$10,000 of every claim, with no aggregate for the fiscal years ending June 30, 2019 and 2018.

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 7 - FUNDING ARRANGEMENTS (CONTINUED)

Santa Fe County participated in the "high-deductible" funding for the year ended June 30, 2019, paying the first \$25,000 of every claim, with an annual aggregate of \$750,000. 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.

NOTE 9 - TAX ABATEMENTS

As of June 30, 2019, the Pool does not have a GASB 77 disclosure to make as the Pool does not provide tax abatements.

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
NOTES TO TEN YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
JUNE 30, 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)
JUNE 30, 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	\$ 9,441
2. Unallocated Expenses	1,697	2,010	1,078	1,180	1,181	1,289	1,269	1,351	1,462	1,486
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	4,942
4. Paid (Cumulative) as of:										
Year One	1,505	1,286	1,330	970	1,099	1,439	1,186	1,315	896	978
Year Two	2,145	2,788	2,534	1,906	2,227	2,526	2,539	2,410	1,731	
Year Three	2,768	3,596	3,043	2,442	2,630	3,046	3,164	3,734		
Year Four	3,302	4,040	3,400	2,760	2,923	3,323	3,568			
Year Five	3,552	4,365	3,711	3,088	3,356	3,356				
Year Six	3,762	4,561	3,758	3,486	3,594					
Year Seven	3,973	4,755	3,823	3,650						
Year Eight	4,082	4,883	3,867							
Year Nine	4,180	2,081								
Year Ten	4,012									
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	4,942
Year Two	5,349	6,675	6,337	4,969	6,462	6,491	7,594	6,160	3,788	
Year Three	5,333	6,831	5,531	4,934	6,628	5,920	5,638	6,965		
Year Four	5,076	7,029	5,396	4,737	6,199	5,033	5,668			
Year Five	6,050	6,693	5,204	5,222	5,536	4,745				
Year Six	5,296	6,385	4,961	5,068	5,506					
Year Seven	5,188	6,293	4,527	4,922						
Year Eight	5,451	6,107	4,499							
Year Nine	4,817	6,078								
Year Ten	4,569									
6. Increase (Decrease) in Estimated Incurred Claims and Expense from End of Policy Year	(740)	(401)	(1,212)	(551)	(259)	(3,156)	(2,086)	76	(269)	-

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
SCHEDULES OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - (Budgetary Basis)	Variance With Final Budget Positive (Negative)
REVENUES				
Member Contributions	\$ 9,291,441	\$ 9,291,441	\$ 8,102,197	\$ (1,189,244)
Investment Income	300,000	300,000	1,338,521	1,038,521
Total Revenues	<u>9,591,441</u>	<u>9,591,441</u>	<u>9,440,718</u>	<u>(150,723)</u>
EXPENSES				
Claims and Claim Adjustment Expenses (Recoveries)	7,037,891	7,037,891	4,728,673	2,309,218
Reinsurance Premiums	832,057	832,057	701,002	131,055
Brokerage Fees	20,000	20,000	20,000	-
General and Administrative	1,484,000	1,484,000	1,466,540	17,460
Total Expenses	<u>9,373,948</u>	<u>9,373,948</u>	<u>6,916,215</u>	<u>2,457,733</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 217,493</u>	<u>\$ 217,493</u>	<u>2,524,503</u>	<u>\$ 2,307,010</u>
EXCESS OF REVENUES OVER EXPENSES PER ACCOMPANYING GAAP FINANCIAL STATEMENTS			<u>\$ 2,524,503</u>	

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
SCHEDULES OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - (Budgetary Basis)	Variance With Final Budget Positive (Negative)
REVENUES				
Member Contributions	\$ 9,291,441	\$ 9,291,441	\$ 9,078,389	\$ (213,052)
Investment Income	300,000	300,000	80,813	(219,187)
Total Revenues	9,591,441	9,591,441	9,159,202	(432,239)
EXPENSES				
Claims and Claim Adjustment Expenses	7,037,891	7,037,891	(785,297)	7,823,188
Reinsurance Premiums	832,057	832,057	822,735	9,322
Brokerage Fees	20,000	20,000	20,000	-
General and Administrative	1,621,000	1,621,000	1,441,904	179,096
Total Expenses	9,510,948	9,510,948	1,499,342	8,011,606
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 80,493</u>	<u>\$ 80,493</u>	<u>7,659,860</u>	<u>\$ 7,579,367</u>
EXCESS OF REVENUES OVER EXPENSES PER ACCOMPANYING GAAP FINANCIAL STATEMENTS			<u>\$ 7,659,860</u>	

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
SCHEDULE OF CASH AND CASH EQUIVALENTS RECONCILIATION FROM BANK TO FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

FIRST NATIONAL BANK

Checking	\$ 705,070
Reconciling Items:	
Outstanding Checks	(306,755)
Total Checking	398,315
Total First National Bank	398,315

WELLS FARGO SECURITIES

Money Market	1,132,801
Reconciling Items:	
Outstanding Checks	(5,833)
Deposits in Transit	-
Total Wells Fargo Securities	1,126,968

FIDELITY FINANCIAL INVESTMENTS

Money Market	1,069,414
Total Fidelity Financial Investments	1,069,414

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

1,825

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

\$ 2,596,522

CASH BALANCE PER BANK

\$ 2,907,285

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
SCHEDULE OF CASH COLLATERAL
FOR THE YEAR ENDED JUNE 30, 2019**

FIRST NATIONAL BANK

Checking	\$ 705,070
Other Checking Accounts Held by the New Mexico Association of Counties (Not Held by the Pool)	2,894,945
Total Deposit in Bank	3,600,015
FDIC Coverage	(250,000)
Total Uninsured Funds	3,350,015
50% Pledged Collateral Requirement	1,675,008
Pledged Collateral:	
FHR - Series 4328 Class BH - Held with First National Bank of Santa Fe; Cusip #3137B9RC1, Maturity Date: 12/15/2026	609,459
FHR - Series 4420 Class CA - Held with First National Bank of Santa Fe; Cusip #3137BFF71, Maturity Date: 1/15/2041	2,780,580
FNMA Pool - Series #MA2417 - Held with First National Bank of Santa Fe; Cusip #31418BVK9, Maturity Date: 10/01/2035	545,657
Total Pledged Collateral	3,935,696
OVER-COLLATERALIZED	\$ 2,260,689



**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 New Mexico County Insurance Authority Workers' Compensation Pool (the Pool), as of and for the year ended June 30, 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 November 22, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pool's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and these findings are described in the accompanying schedule of findings and responses as 2014-001 and 2019-001.

The Pool's Response to Finding

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

Purpose of This Report

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

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

Santa Fe, New Mexico

November 22, 2019

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 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.

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

Section III – Other Matters as Required by New Mexico State Statute 12-6-5, NMSA 1978

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

Condition: Out of 40 claims payments tested, Nine payments were made outside of the required thirty day turnaround, as required by the New Mexico Administrative Code (NMAC) Section 11.4.7.8 D(2).

- Payment in the amount of \$111.35, and was paid 65 days after receipt of the associated invoice.
- Payment in the amount of \$4,228.62, and was paid 44 days after receipt of the associated invoice.
- Payment in the amount of \$151.54, and was paid 33 days after receipt of the associated invoice.
- Payment in the amount of \$101.87, and was paid 35 days after receipt of the associated invoice.
- Payment in the amount of \$242.71, and was paid 42 days after receipt of the associated invoice.
- Payment in the amount of \$137.53, and was paid 40 days after receipt of the associated invoice.
- Payment in the amount of \$300.10, and was paid 35 days after receipt of the associated invoice.
- Payment in the amount of \$56.94, and was paid 42 days after receipt of the associated invoice.
- Payment in the amount of \$29.42, and was paid 238 days after receipt of the associated invoice. This request was originally flagged as a duplicate and it had to be resubmitted in order to be processed.

Progress on Corrective Action Plan Implementation: The volume of claims, payments made, the new process of the third party billing provider, along with the change in system and processes, caused a challenge to meet this requirement over the audit period. We strongly believe running our bills through the third party review yields material cost savings which will continue to be a benefit to our members. However, we remain committed to meet the required 30-day turnaround as required by the NMAC Section 11.4.7.8 D (2).

Although we have made strides to shorten the payment period, we still fall short. As a result, management has begun a mailroom service through Equian which went into effect 11/13/18. All bills go directly to Equian, are electronically date stamped and are immediately placed into their portal. The adjusters can access all bills through Equian's portal and Equian processes according to our contract. Projected turnaround time is no more than 7 days, unless it is a large hospital bill which can take 10-14 days to process. Management believes this change will reduce the number of late payments. We continue to address issues with Equian because some late payments were caused by delays in processing on Equian's part.

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

Section III – Other Matters as Required by New Mexico State Statute 12-6-5, NMSA 1978, Continued

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

Criteria: Per the New Mexico Administrative Code, Section 11.4.7.8 D(2), “for all reasonable and necessary services provided to a patient/worker with a valid workers’ compensation claim, payer is responsible for timely good faith payment within thirty days of receipt of a bill for services unless payment is pending in accordance with the criteria for contesting bills and an appropriate explanation of benefits has been issued by the payer.”

Cause: The process and internal controls for claims disbursements failed to produce payment on nine invoices within the 30-day time frame; capture the date received on one of the disbursements.

Effect: The Pool is out of compliance with NMAC 11.4.7.8 D(2). Compliance could not be determined for one disbursement tested.

Recommendation: We recommend that management utilize existing reporting capabilities within the claims information system to track invoices that are approaching the 30-day deadline for payment. This should be done on a bi-weekly basis to ensure that compliance with the applicable requirements is met. All incoming invoices should be stamped with received date.

Management’s Response: Management begun a mailroom service through Equian, which went into 11/13/18. All bills are sent to post office box dedicated to New Mexico Counties created by Equian. Bills are electronically date stamped and immediately placed in the portal. The adjusters may access the bills within 24 hours of the receive date. Equian will process these according to our contract. Expected turnaround time is no more than 7 days, unless it is a large hospital bill which may require additional processing of 10-14 days. Additionally, management has the ability to run reports outlining lag times, access data, and evaluate processes and turnaround times which was granted by Equian. Management has also addressed delays in processing which were caused by Equian.

New Mexico Counties has also moved to a new risk management system, effective 11/13/18 which interfaces with Equian. There were problems with this interface shortly after the implementation; however, these issues were resolved.

NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019

Section III – Other Matters as Required by New Mexico State Statute 12-6-5, NMSA 1978, Continued

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

Condition: Out of 40 claims payments tested, we discovered one claim was paid for the amount of \$3,379.76 without detail of the calculation of the benefits. Per review of the notes, the worker was due TTD instead of TPD benefits. No detail of the calculation was found on the records and or notes, therefore the accuracy of the disbursement could not be verified.

Criteria: Per the New Mexico Administrative Code, Section 11.4.7.8 D(2), “for all reasonable and necessary services provided to a patient/worker with a valid workers’ compensation claim, payer is responsible for timely good faith payment within thirty days of receipt of a bill for services unless payment is pending in accordance with the criteria for contesting bills and an appropriate explanation of benefits has been issued by the payer.”

Cause: The process and internal controls for claims disbursements failed to include the supporting calculation of the incurred expenses.

Effect: The Pool TTD expenses could be disbursed without proper calculations.

Recommendation: We recommend the Pool documents the calculations for TTD payment, prior to disbursement to mitigate the risk of double or higher payment.

Management Response: The worker was originally paid a partial benefit (TPD) because the employer was paying the worker a partial payment in order to continue health insurance premiums. Once we learned that the worker was being paid by the employer using the worker’s accrued leave, it was concluded that the worker was actually entitled to a full benefit (TTD). After review with the employer and defense attorney, it was determined that \$3,379.76 was owed to the worker. The claim file note outlined the reason for the change, but did not provide the formula for which the dollar amount was determined, or the corresponding dates which should have been easily accessible to the auditor. Moving forward, management has instructed the adjusters to outline the formula used to determine dollar amounts due and include the corresponding dates which support payment amounts for cases such as this. The Finance Director and Claims Manager will ensure that this process is implemented immediately.

**NM COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2018**

The following finding was repeated and modified in the current year:

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

The following finding was cleared in the current year:

Finding 2018-001 – 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
JUNE 30, 2019**

An exit conference was held on November 22, 2019. The conference was held at the offices of New Mexico Association of Counties in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

NEW MEXICO COUNTY INSURANCE AUTHORITY WORKERS' COMPENSATION POOL

Lance Pyle, Curry County Manager and Chairman of the Pool Board (by phone)

Jim Fambro, Vice Chair

Taylor Horst, Risk Management Director (by phone)

Leandro Cordova, Finance Director

Carolin Rios, Controller

Richard Garcia, GL Accountant

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.