

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC
SCHOOLS INSURANCE AUTHORITY**

**ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2021

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2021**

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**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2021**

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**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
OFFICIAL ROSTER (UNAUDITED)
AS OF JUNE 30, 2021**

BOARD OF DIRECTORS

Alfred Park, President..... Governor Appointee
Chris Parrino, Vice-President..... NM Association of School Business Officials
Pauline Jaramillo, Secretary NM School Boards Association
Denise Balderas..... Governor Appointee
Tim Crone American Federation of Teachers, NM
Bethany Jarrell National Education Association
David Martinez, Jr. National Education Association
Sammy J. Quintana Governor Appointee
Ricky Williams NM Superintendents Association
K.T. Manis..... Public Education Commission
Trish Ruiz..... Educational Entities At Large

OFFICIALS OF THE NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY

Richard Valerio Executive Director
Patrick Sandoval Deputy Director
Martha Quintana Chief Financial Officer



Independent Auditors' Report

Honorable Brian S. Colón, Esq.
New Mexico State Auditor
and
The Board of Directors
New Mexico Public Schools Insurance Authority
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the New Mexico Public Schools Insurance Authority (NMPSIA), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the New Mexico Public Schools Insurance Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons information presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2021, 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the New Mexico Public Schools Insurance Authority as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended and its respective budgetary comparisons for the year ended June 30, 2021 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in the notes, the financial statements of the New Mexico Public Schools Insurance Authority are intended to present the net position, and the changes in net position and cash flows of only that portion of the business-type activities of the State of New Mexico that is attributable to the transactions of the New Mexico Public Schools Insurance Authority. They do not purport to, and do not, present fairly the net position of the State of New Mexico as of June 30, 2021, and the changes in its net position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 4 through 8 and Ten-year Claims Development Information on pages 33 through 34 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 New Mexico Public School Insurance Authority's basic financial statements and the budgetary comparison information presented in the supplemental information. The supplementary information included is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The supplementary information included is also presented for purposes of additional analysis and is not a required part of the financial statements of the New Mexico Public Schools Insurance Authority. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2021 on our consideration of the New Mexico Public Schools Insurance Authority'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 New Mexico Public Schools Insurance Authority's internal control over financial reporting and compliance.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
October 7, 2021

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

This section represents a discussion and analysis of the financial performance of the New Mexico Public Schools Insurance Authority (NMPSIA) for the year ended June 30, 2021, compared to the year ended June 30, 2020. Please read it in conjunction with the basic financial statements, which follow this section.

Overview of the Basic Financial Statements

NMPSIA's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities that act as a business-type operation such as an insurance pool.

Statement of Net Position -This statement presents information reflecting NMPSIA's assets, liabilities and net position. Net position represents the amount of total assets less total liabilities. The balance sheet is categorized as to current and non-current assets and liabilities. For purposes of the basic financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectable or becoming due within twelve months of the statement date. NMPSIA's long-term investment portfolio strategy is to hold investments which exceed one year in maturity or equity holdings with long-term gains in mind. The value of NMPSIA's long-term investment portfolio at June 30, 2021, was \$37,900,271.

Statement of Revenues, Expenses, and Changes in Net Position - This statement reflects NMPSIA's operating revenues and expenses, as well as non-operating revenues during the operating year. The major source of operating revenues is premium income, with major sources of operating expenses being claims expense both for medical and risk claims, premiums paid for vision, life, disability, property/liability and workers' compensation excess coverage. The change in net position for an enterprise fund is similar to net profit or loss for an insurance company. See page 10 of the financial statements.

Statement of Cash Flows -The statement of cash flows is presented on the direct method of reporting which reflects cash flows from operating, capital and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year. See page 11 of the financial statements.

Statement of Revenues and Expenditures Budget and Actual (Budget Basis) reflects NMPSIA's budgetary basis of accounting and NMPSIA was in compliance with its budget. See pages 36-38 of the financial statements.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data in the financial statements. The notes to the financial statements can be found on pages 12 through 31 of this report. As disclosed in footnote 17 on page 32, the State of New Mexico implemented GASB 68, *Accounting and Financial Reporting for Pensions*, only in the statewide Annual Financial Report and did not impact NMPSIA's financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information including the Schedule of Cash and Cash Equivalents and financial information on the three functional activities of NMPSIA.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

NMPSIA's total net position for the year ended June 30, 2021 increased by \$7,337,448. The Employee Benefits Fund (350) began fiscal year 2021 with a net position of \$31,603,640 and increased \$46,427 to a fiscal year 2021 net position of \$31,650,067. The Risk Fund (351) began fiscal year 2021 with a net position of \$7,122,371 and increased by \$7,297,485 in fiscal year 2021 to \$14,419,856.

The long-term investment portfolio increased by \$8,025,241 during fiscal 2021. NMPSIA's long-term investments portfolio was managed by the State of New Mexico Investment Council (SIC) and are invested in their Core Bond, Large Cap Index, Non-US Developed Markets, Non-US Emerging Markets and Mid/Small Cap funds. NMPSIA contracted with the same investment consultant firm as in 2020 to review its long-term investment policy and to make recommendations investment allocations for funds managed by the SIC.

NMPSIA's short term funds are invested in the New Mexico Local Government Investment Pool (LGIP). NMPSIA also has two Money Market accounts with the fiscal agent bank, one for the Employee Benefits Fund and one for the Risk Fund, in an attempt to provide more flexibility for daily cash requirements. These accounts were also expected to provide an alternative to the LGIP accounts with rates of return comparable to those provided by the LGIP. However, the LGIP yield rates were more favorable in 2021. The flexibility to meet daily cash requirements continues to be the most important advantage of these Money Market accounts. Short-term interest income was higher than originally anticipated due to the Agency's conservative projections.

Total liabilities decreased by \$540,667 in the current year. The Risk Fund continued to use the discounted (present value) basis to account for the Risk Program's reserve for losses and loss adjustment expenses. This methodology reflects the interest income earning power, which in 2020 computed at the rate of 2.0%, of the fund's cash reserves. NMPSIA contracted with the same actuary firm as in 2020.

NMPSIA had no capital asset additions in 2021. There was \$6,463 of capital asset depreciation in 2021.

NMPSIA did not issue any short-term or long-term debt during 2021 or 2020.

NMPSIA's budget is on a modified accrual basis of accounting. Depreciation expense and claims loss reserve expense is a GAAP expense but not for budgetary purposes. An original budget of \$414,513,300 was appropriated. The final approved budget was \$417,013,300. There were one budget adjustment request for the year ended June 30, 2021. For fund 35100, there was an increase of 2,500,000.

Opportunities to decrease provider reimbursement rates have been limited for self-insured pools due to the providers' losses associated with lower Medicaid and Medicare reimbursements. In addition, claims costs tend to be higher in rural communities and out-of-state. Approximately 85% of NMPSIA's members enrolled in medical coverage reside in rural communities. NMPSIA maintained its stop-loss insurance in 2021 for claims over \$1 million with a \$500,000 aggregating specific deductible.

The frequency of general liability and workers compensation claims is decreasing, while the severity is increasing. A lack of capital improvements and maintenance (i.e. roof leaks, etc.) continues. Catastrophic property losses are difficult to project since they generally result from hailstorms, floods, windstorms, etc. The exposure presented by these types of losses is directly tied to the weather.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

Property insurance premiums are expected to rise due to increased property values through a recent appraisal.

There continues to be an ongoing concern for sexual molestation claims, civil rights claims, and employment related claims (which include Whistleblower Protection Act allegations). The expenses associated with defending all of these types of claims continue to increase year over year, representing significant cost exposure to NMPSIA.

NMPSIA continues its bill review process through its third-party claims processing contractor, which has led to an overall decrease of the total claims billed amount and to an aggressive return to work policy. NMPSIA also utilizes nurse case management to facilitate care and bring advanced resolution to some of the more serious or longer-term claims. These factors, along with loss prevention services provided by the third-party contractor, have positively impacted the workers' compensation program despite an increase in the number of covered entities and an aging workforce.

With the onset of the COVID-19 pandemic in March 2020 NMPSIA saw gains in the Benefits Fund. Although the Benefits fund finished with a gain for Fiscal Year 2021, those gains are expected to diminish in Fiscal Year 2022 and NMPSIA is anticipating using a substantial amount of fund balance.

NMPSIA expects increases in premiums assessed to its members for the next fiscal year.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

The following tables summarize the financial position of NMPSIA's operations as of and for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
ASSETS			
Cash and Investments	\$ 109,521,550	\$ 115,218,878	\$ (5,697,328)
Other Current Assets	14,682,958	10,207,627	4,475,331
Total Current Assets	<u>124,204,508</u>	<u>125,426,505</u>	<u>(1,221,997)</u>
Investments - Long-Term Capital Assets, Net	37,900,271 256,311	29,875,030 262,774	8,025,241 (6,463)
Total Noncurrent Assets	<u>38,156,582</u>	<u>30,137,804</u>	<u>8,018,778</u>
TOTAL ASSETS	<u>\$ 162,361,090</u>	<u>\$ 155,564,309</u>	<u>\$ 6,796,781</u>
LIABILITIES			
Reserves for Losses and Loss Adjustment Expense	\$ 22,924,225	\$ 19,575,106	\$ 3,349,119
Other Current Liabilities	8,055,549	14,186,721	(6,131,172)
Total Current Liabilities	<u>30,979,774</u>	<u>33,761,827</u>	<u>(2,782,053)</u>
Noncurrent Liabilities Reserve for Losses	84,605,362	82,363,976	2,241,386
Total Noncurrent Liabilities	<u>84,605,362</u>	<u>82,363,976</u>	<u>2,241,386</u>
TOTAL LIABILITIES	<u>115,585,136</u>	<u>116,125,803</u>	<u>(540,667)</u>
NET POSITION			
Net Investment in Capital Assets	256,311	262,776	(6,465)
Restricted for Future Benefits	46,069,923	38,726,011	7,343,912
Unrestricted	449,720	449,719	1
TOTAL NET POSITION	<u>46,775,954</u>	<u>39,438,506</u>	<u>7,337,448</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 162,361,090</u>	<u>\$ 155,564,309</u>	<u>\$ 6,796,781</u>

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	Increase (Decrease)
REVENUE			
Premium Revenue and Other	\$ 403,368,845	\$ 393,009,898	\$ 10,358,947
EXPENSES			
Claims Loss and Loss Adjustments	321,050,388	319,585,255	1,465,133
Premium Expense	56,282,270	53,633,853	2,648,417
Insurance Services	25,407,463	22,517,040	2,890,423
General and Administrative and Other	1,628,416	1,533,159	95,257
TOTAL EXPENSES	<u>404,368,537</u>	<u>397,269,307</u>	<u>7,099,230</u>
Operating Income (Loss)	(999,692)	(4,259,409)	3,259,717
Nonoperating Revenues and Expenses	<u>8,337,140</u>	<u>10,947,605</u>	<u>(2,610,465)</u>
TOTAL NONOPERATING REVENUES AND EXPENSES	<u>8,337,140</u>	<u>10,947,605</u>	<u>(2,610,465)</u>
NET CHANGE IN NET POSITION	7,337,448	6,688,196	649,252
NET POSITION, BEGINNING	<u>39,438,506</u>	<u>32,750,310</u>	<u>6,688,196</u>
NET POSITION, END	<u>\$ 46,775,954</u>	<u>\$ 39,438,506</u>	<u>\$ 7,337,448</u>

Requests for Information

NMPSIA's financial statements are designed to present users with the general overview of the NMPSIA's finances and to demonstrate NMPSIA's accountability. If you have questions about the report or need additional financial information, please contact New Mexico Public Schools Insurance Authority, 410 Old Taos Highway, Santa Fe, New Mexico 87501.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Business-Type Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,287,025
NM State Treasurer's State Fund Investment Pool	694,850
NM State Treasurer's Local Fund Investment Pool	106,539,675
Accounts Receivable, Net	23,308
Accrued Interest Receivable, Net	11,260
Receivables From Excess Insurers, Net	14,392,390
Prepaid Expenses and Deposits	256,000
Total Current Assets	124,204,508
 Noncurrent Assets:	
Investments - Long-Term	37,900,271
Capital Assets, Net	256,311
Total Noncurrent Assets	38,156,582
TOTAL ASSETS	\$ 162,361,090
 LIABILITIES AND NET POSITION	
Current Liabilities:	
Reserves for Losses and Loss Adjustment Expense	\$ 22,924,225
Unearned Premium Revenue and Carrier Advances	115,173
Due to Insurance Carriers for Claims Paid	5,669,174
Accounts Payable	2,167,193
Accrued Payroll	36,639
Accrued Compensated Absences	67,370
Total Current Liabilities	30,979,774
 Noncurrent Liabilities:	
Reserve for Losses and Loss Adjustment Expense	84,605,362
Total Noncurrent Liabilities	84,605,362
TOTAL LIABILITIES	115,585,136
 NET POSITION	
Net Investment in Capital Assets	256,311
Restricted for Future Benefits	46,069,923
Unrestricted	449,720
TOTAL NET POSITION	46,775,954
TOTAL LIABILITIES AND NET POSITION	\$ 162,361,090

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

	Business-Type Activities
REVENUES	
Participant Premiums	\$ 403,368,845
TOTAL REVENUES	403,368,845
EXPENSES	
Loss and Loss Adjustment Expenses	321,050,388
Premiums	56,282,270
Insurance Servicing and Fees	25,407,463
General and Administrative	1,621,953
Depreciation Expense	6,463
TOTAL EXPENSES	404,368,537
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	(999,692)
NON-OPERATING REVENUES AND EXPENSES	
Investment Income	8,306,051
General Fund Appropriation	-
Other Income	31,089
TOTAL NON-OPERATING REVENUES AND EXPENSES	8,337,140
NET CHANGE IN NET POSITION	7,337,448
NET POSITION, BEGINNING OF YEAR	39,438,506
NET POSITION, END OF YEAR	\$ 46,775,954

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

	Business-Type Activities
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	
Participant Premiums Collected	\$ 398,871,703
Losses and Loss Adjustment Expenses Paid	(321,591,055)
Health Maintenance Premiums Paid	(56,282,270)
Amount Paid to Third Party Administrators / Vendors	(27,029,416)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(6,031,038)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers - General Fund Appropriation	-
Due to General Fund	-
Other Income	31,089
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	31,089
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest, Dividends, Realized Gains and Losses (Net)	302,621
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	302,621
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,697,328)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	115,218,878
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 109,521,550
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (999,692)
Adjustments to reconcile operating income (loss) to Net cash used by operating activities:	
Depreciation Expense	6,463
Changes in assets and liabilities:	
Change in Receivables	(4,497,142)
Change in Prepaid Expenses and Deposits	-
Increase (Decrease) in Reserve for Losses	5,590,505
Change in Unearned Premium Revenue and Carrier Advances	(33,513)
Change in Due to Insurance Carriers	(4,283,728)
Change in Due to State General Fund	(2,000,000)
Change in Accounts Payable and Accrued Liabilities	182,535
Change in Accrued Compensated Absences	3,534
NET CASH PROVIDED FROM (USED BY) OPERATING ACTIVITIES	\$ (6,031,038)

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1: ORGANIZATION AND OPERATIONS

The New Mexico Public Schools Insurance Authority (NMPSIA) was formed April 5, 1985 under the New Mexico Public School Insurance Authority Act of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability, and life insurance (benefits) coverage and property, casualty, and workers' compensation insurance (risk) coverage to participating public schools, school board members and retirees, and public school employees within the State of New Mexico and is not a reverting fund. Because NMPSIA is a self-insurance pool pursuant to Section 22-2 NMSA 1978, NMPSIA is not construed to be transacting insurance activity otherwise subject to the laws of the State of New Mexico that regulate insurance companies. Therefore, NMPSIA is not subject to minimum or maximum statutory reserve requirements.

Participation in NMPSIA is mandatory unless the school district is granted a waiver by NMPSIA. Once NMPSIA has awarded insurance contracts, no school district may withdraw from NMPSIA for the entire term of the contract. Upon withdrawal from NMPSIA, there is no refund of premiums. NMPSIA's own insurance coverage is also included as part of the pool.

The participants pay premiums for workers' compensation, and property and casualty coverage based on their own experience in the pool in past years. If the premium for a policy year does not cover the claims paid for that participant during the year, no additional premium will be assessed for that year. However, the next years' premiums will be increased to cover the excess claims. Premiums for health coverage are based on the experience of the total pool and are assessed on a premium per participating employee basis. Employees of all participants pay premiums based on a single premium schedule. At June 30, 2021 there were 19 active board members and 30 inactive board members participating and paying 100% of their premiums. Thus, there is no liability for post-retirement benefits recorded. If premiums assessed in one year do not cover the claims of that year, the premium schedule may be adjusted upward for the next year.

Financial Reporting Entity and Component Units

Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by FASB 39 and 61, *The Financial Reporting Entity*, establishes the standards for defining and reporting on the financial reporting entity. GASB 14 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A primary government is any state government or general-purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. NMPSIA, therefore, is part of the primary government of the State of New Mexico, and its financial data is included with the financial data of the State.

See Independent Auditors' Report

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1: ORGANIZATION AND OPERATIONS (CONTINUED)

Financial Reporting Entity and Component Units (Continued)

NMPSIA has developed criteria to determine whether the participating public schools should be included within its financial reporting entity. The criteria include, but are not limited to, whether NMPSIA exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financing relationships. Based on these criteria, management of NMPSIA has determined that no other such entities should be included in its financial reporting entity and no component units are included in these financial statements.

NMPSIA did not receive any appropriations or bond proceeds from the State of New Mexico in 2021. Any unexpended or unencumbered funds remaining at the end of the fiscal year do not revert to the State of New Mexico. There is no maximum or minimum amount of net position required. Investment earnings are budgeted to fund general and administrative expenses. Excess investment earnings are used to offset premiums to participants and increase reserves.

Activities of NMPSIA are largely performed by third party administrators under contractual arrangements. These activities are as follows:

Benefits - encompasses activities to provide health, disability, and life insurance coverage to enrolled employees and retired employees of the participants. (SHARE #35000).

Risk - encompasses activities to provide property, casualty, and workers' compensation insurance coverage to the participants. (SHARE #35100).

Administration - encompasses expenses incurred to administer NMPSIA's activities. (SHARE #34900).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Reporting Presentation

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

The financial statements of NMPSIA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units as prescribed by the Governmental Accounting Standards Board (GASB). NMPSIA adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB Statement 34). With the implementation of GASB Statement 34, the NMPSIA has prepared required supplementary information titled "Management's Discussion and Analysis" which precedes the basic financial statements, has prepared a balance sheet classified between current and noncurrent assets and liabilities, and has categorized net position as invested in capital assets, restricted, and unrestricted.

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**STATE OF NEW MEXICO
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Reporting Presentation (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operating of these funds are included on the statement of net position.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. All operations of NMPSIA are accounted for as an enterprise fund. Enterprise funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities are provided to outside parties. NMPSIA follows GASB 62, which incorporates Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Research Bulletins which do not conflict or contradict GASB statements.

The accrual basis of accounting is used by proprietary fund types. NMPSIA follows GASB 10 and as amended GASB 30, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to participants for premiums. Principal operating expenses are the costs of providing insurance coverage, administrative costs and depreciation of capital assets. Transactions not included as operating activities for the statements of cash flows are classified as nonoperating revenues and expenses in the statements of revenues, expenses, and changes in net position.

When both restricted and unrestricted resources are available for use, it is NMPSIA's policy to use restricted resources first, then unrestricted resources as needed.

Budgetary Process

An operating budget is submitted annually for review to the Public Education Department, the Budget Division of the Department of Finance and Administration and the Legislative Finance Committee of the State of New Mexico. The budget is prepared on a modified accrual basis and monthly modified accrual basis reports of receipts and expenditures are required to be submitted to the state. This modified accrual basis used for budget purposes differs from the accrual basis of accounting in that purchases of fixed assets are recorded as expenditures and depreciation and compensated absences are not recorded. Also, any accounts payable that does not get paid by the statutory deadline must be paid out of next year's budget. There were no differences between GAAP and budgetary basis accounts payable amounts. Budget amendments must be reviewed by the Department of Finance and Administration. For the administrative function budget, line-item expenditures within budget appropriation unit may legally exceed amounts budgeted; however, the budget appropriation unit expenditures may not legally exceed the total approved budget amount.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process (Continued)

Unfavorable variances by expense category are not a budget violation. There are no legal restrictions on the Benefits and Risk functions' expenditures.

Budget Adjustments: The approved Budget Adjustment Requests for fiscal year 2021 were as follows:

Fund 35100 – Risk:

Budget adjustment to increase category 300:	\$ 2,500,000
Budget adjustment to increase revenue:	\$ 2,500,000

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position

Statements of Cash Flows and Cash and Cash Equivalents: For purposes of the statements of cash flows, cash and cash equivalents include checking accounts, money market accounts and amounts on deposit in the New Mexico State Treasurer's Local Government Investment Pool and State Fund Investment Pool with original maturities of three months or less. A summary of cash and cash equivalents that reconciles to the statement of cash flows is as follows at June 30:

<u>Cash and Cash Equivalents Type</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 2,287,025
New Mexico State Treasurer's State Fund Investment Pool	694,850
New Mexico State Treasurer's Local Gov't Investment Pool	<u>106,539,675</u>
Total Cash and Cash Equivalents	<u>\$ 109,521,550</u>

Cash in bank accounts is insured up to \$250,000 per bank at June 30, 2021. As required by state law, 50 percent of the uninsured balance is required to be secured by pledges of qualifying securities held by the depository. The State Treasurer's Office has determined that all NMPSIA's bank accounts at Wells Fargo are covered by the State Treasurer's Collateralization Policy. As such, all bank accounts at Wells Fargo are covered by the provision in the State Fiscal Agency Contract entered into between Wells Fargo and the State Board of Finance. That contract specifies that the State Fiscal Agent must identify total State monies on deposit on a monthly basis in order that the State Board of Finance may require adjustment of collateralization levels of State money as necessary to comply with the State law requirements.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position (Continued)

All bank accounts at Wells Fargo are therefore covered by these collateralization requirements. Funds with the State Treasurer are required to be collateralized at a minimum level of 50 percent. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments.

Investment in the New Mexico State Treasurer's Local Government Investment Pool, New Mexico State Treasurer's State General Fund Investment Pool and New Mexico State Investment Council Long-Term Investment Pool: The Board of NMPSIA shall determine which money of NMPSIA constitutes long-term reserves for investment purposes. The State Treasurer shall invest the money in the fund that does not constitute the long-term reserves of the fund in accordance with the applicable provisions of Chapter 6, Article 10.

Investments in the New Mexico State Treasurer's Local Government Investment Pool (Pool) are carried at cost, which approximates market, plus accrued interest and are secured by obligations of the U.S. government or its agencies. Interest income is allocated to NMPSIA on the basis of its invested balance to the Pool's total invested balance. Amounts can be withdrawn by NMPSIA on demand.

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

At June 30, 2021 NMPSIA had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool: \$694,850.

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the SGFIP), which is managed by the Office of the New Mexico State Treasurer. Claims on the SGFIP are reported as assets by the various agencies investing in the SGFIP.

The SGFIP represents cash and short-term investments. The State Treasurer invests excess cash balances on behalf of certain earmarked funds of state agencies identified by State statute and local governments. Interest earnings are distributed based on average outstanding cash balances for local governments and the state agencies where interest is allowed to be earned. All other interest earnings are transferred to the State General Fund.

The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$250,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50% to 102% of the par value of the investment dependent upon the institution's operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50% of the average investment balance.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position (Continued)

Investment in the New Mexico State Treasurer's Local Government Investment Pool, New Mexico State Treasurer's State General Fund Investment Pool and New Mexico State Investment Council Long-Term Investment Pool (Continued):

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

Credit Risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, see the separate audit report of the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2021.

NMPSIA had funds that represented the long-term reserves invested in stocks and bonds formerly managed by independent third parties following NMPSIA's investment policy. During fiscal year 2004, stewardship of all funds were transferred to the New Mexico State Investment Council by a joint powers agreement that will expire only when either party terminates the agreement.

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, with increases or decreases in fair market value recognized in the statements of revenues, expenses, and changes in fund net position at the end of each month. Fair value is based on quoted market value at year-end. Investment transactions are recorded on the trade date. Dividends are recognized as income when declared.

Capital Assets: Capital assets consist of premises and equipment which are stated at cost, less accumulated depreciation. Capital assets are defined by the state as assets which have a cost of \$5,000 acquired during the 2007 fiscal year and thereafter. Purchased assets are valued at historical cost. Donated assets are recorded at their fair market value at the date of donation. There is no debt related to capital assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Generally, estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Building Improvements	10 - 30
Building	30
Computer Equipment	3 - 7
Furniture and Fixtures	7

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position (Continued)

Participant Premiums: Participant premiums for benefits coverage are recognized as revenue on a pro rata basis over the applicable contract period. Premiums for risk coverage are recognized as revenue in the applicable contract period (coincides with the fiscal year).

Excess Insurance Premiums: Excess insurance premiums for risk coverage are recognized as expense in the applicable contract period (coincides with the fiscal year). Premium adjustments for retrospectively adjusted excess insurance policies are estimated and recorded as revenue or expense over the period of policy coverage. Outstanding receivables at year end due from participants and excess insurers are fully collectable. Accordingly, no allowance for uncollectable receivables has been recorded.

Reserve for Losses and Loss Adjustment Expenses: Insurance losses and related loss adjustment expenses are charged to operations as incurred. The reserves for losses and loss adjustment expenses are determined based upon case-basis evaluations and actuarial projections and include a provision for claims incurred but not reported. The actuarial projections of ultimate losses on reported claims and the estimate of claims incurred but not reported are based on a composite of NMPSIA's experience and benefits, property, casualty, and workers' compensation insurance industry data, which supplements NMPSIA's historical experience and includes the effects of inflation and other factors. Losses are reported net of estimated amounts recoverable from excess insurance, salvage and subrogations, and the deductible portion of claims. Adjustments to the probable ultimate liability for losses and loss adjustment expenses are made continually, based on subsequent developments and experience, and are included in operations as made.

During 2003, NMPSIA changed its methodology for accounting for its risk fund reserve for losses and loss adjustment expenses from an undiscounted basis to a discounted basis. The change was made to adjust the reserves to present value and to better reflect income.

In the opinion of NMPSIA's management and NMPSIA's independent actuary, the reserves for losses and loss adjustment expenses are reasonably stated to cover the present value of the ultimate net cost of loss adjustment expenses.

As discussed above, NMPSIA's management has discounted the losses and loss adjustment expenses for property, casualty, and workers' compensation to present values. Estimated outstanding losses were determined by NMPSIA's actuary to be \$89,594,894 at June 30, 2021. The indicated discounted losses and loss adjustment expenses are \$84,605,362 at June 30, 2021. Discounting is based on estimated payment dates and an appropriate assumed rate of return. The estimated unpaid losses as of June 30, 2021 were discounted using an interest rate of 2.0%.

Income Taxes: NMPSIA provides an essential governmental function to its members as described in Section 115 of the Internal Revenue Code and is exempt from federal income taxes pursuant to the Code.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position (Continued)

Net Position: The government-wide fund financial statements utilize a net position presentation. Net positions are categorized as investment in capital assets, restricted and unrestricted. Net position is defined by GAAP as the residual of all assets, liabilities, deferred outflows of resources and deferred inflows of resources. There were no deferred inflows or deferred outflows for the year.

Net Investment in Capital Assets – consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. NMPSIA did not have any related debt during the year ended June 30, 2021.

Restricted Net Position – consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – are all other net position that do not meet the definition of restricted or net investment in capital assets.

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 may differ from those estimates.

At June 30, 2021, NMPSIA has total current and non-current reserves for losses and loss adjustment expenses in the amount of \$107,529,587. The allocation of current and non-current is an estimate. Due to the uncertainty of future claims, this amount could significantly change in fiscal year 2021.

COVID-19 (Coronavirus) Pandemic: In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. In response to the COVID-19 Pandemic, NMPSIA has seen several significant changes to NMPSIA's operations for the last few months of fiscal year 2020 and to the start of fiscal year 2021. In light of recent public health orders mandated by the Office of the Governor, all non-essential staff and those staff eligible to telecommute were sent home. The safety and health of our employees as well as the general public that we serve is of great importance to NMPSIA. We remain committed to the purpose of NMPSIA and ensuring that adequate internal controls over financial transactions and reporting were maintained.

The safety and health of our employees as well as the general public that we serve is of great importance to NMPSIA. We remain committed to the purpose of NMPSIA and ensuring that adequate internal controls over financial transactions and reporting were maintained while complying with federal state, and local mandates.

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**STATE OF NEW MEXICO
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FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 3: CASH AND INVESTMENTS

NMPSIA follows GASB statement No. 40, *Deposit and Investment Risk Disclosures* for the year ended June 30, 2021.

NMPSIA investments held by the State Investment Council at June 30, 2021 was as follows:

<u>Type</u>	<u>June 30, 2021</u>		
	<u>Benefits</u>	<u>Risk</u>	<u>Total</u>
Large Cap Index	\$ 8,205,900	\$ 3,503,914	\$ 11,709,814
Core Bonds	10,126,482	4,356,249	14,482,731
Mid / Small Cap	2,441,044	1,048,341	3,489,385
Non US Emerging Markets	1,236,165	520,722	1,756,887
Non US Developed Markets	4,560,374	1,901,080	6,461,454
Total	<u>\$ 26,569,965</u>	<u>\$ 11,330,306</u>	<u>\$ 37,900,271</u>

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to change in market interest rates. NMPSIA has exposure to interest rate risk by its investment in the Core Bond holdings with the State Investment Council.

The carrying amounts of NMPSIA's deposits at financial institutions as of June 30, 2021 was \$109,521,550. Bank balances before reconciling items were \$109,521,550 at June 30, 2021. The custodial credit risk for deposits is the risk that in the event of a bank failure, NMPSIA's deposits may not be recovered. The bank balance for 2021 was insured or covered by the State Treasurer's Collateralization Policy.

The New Mexico State Treasurer Local Government Investment Pool (Pool) is not SEC registered. Section 6-10-10 I, NMSA 1978 empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government that have AAA credit quality ratings. The Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The New Mexico LGIP AAAM Rated \$106,539,675 [48] day weighted average maturity (WAM) (R); [78] day WAM (F).

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. The Pool does not have any foreign currency risk as all holdings are denominated in US dollars. Participation in the Pool is voluntary.

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NOTE 3: CASH AND INVESTMENTS (CONTINUED)

Total investment income and gains from investments are as follows:

Type	2021
Investment Income	\$ 238,545
Unrealized Gain	8,067,506
Total Investment Income	\$ 8,306,051

NMPSIA does not engage in any securities lending arrangements, reverse repurchase agreements or in the use of derivatives.

All investments are managed by the New Mexico State Investment Council which is audited annually. That report can be obtained by writing to the New Mexico State Investment Council, 41 Plaza la Prensa, Santa Fe, New Mexico 87507.

State General Fund Investment Pool Reconciliation

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the state, except where otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Office (STO) acts as the state's bank when agency cash receipts are deposited with STO and pooled in a statewide investment fund, also referred to as the State General Fund Investment Pool (SGFIP). In times when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool are reduced.

The comprehensive cash reconciliation model which compares aggregated agency claims on the SGFIP to the associated resources held by the State Treasurer's Office has been completed for fiscal year 2021. This process has been previously reviewed and is analyzed annually, by the IPAs performing audits of the General Fund, the Department of Finance and Administration (Department), and the State of New Mexico's Annual Financial Report. These reviews have deemed the process sound and the Department is fully compliant with reconciliation requirements. The Department asserts that:

- As of June 30, 2021, resources held in the pool were equivalent to the corresponding business unit claims on those resources
- All claims, as recorded in SHARE, shall be honored at face value

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NOTE 4: FAIR VALUE MEASUREMENTS

Investments are recorded at fair value in accordance with GASB No. 72. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. NMPSIA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments measured at the net asset value (NAV) are those whose underlying positions are not evident and thus the market value of the investment is priced at a price per share in a fund or by another pricing methodology.

NMPSIA has the following recurring fair value measurements:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balances as of June 30, 2021
Assets				
Large Cap Index	\$ 11,709,814	\$ -	\$ -	\$ 11,709,814
Core Bonds	-	14,482,731	-	14,482,731
Mid / Small Cap	3,489,385	-	-	3,489,385
Non US Emerging Markets	1,756,887	-	-	1,756,887
Non US Developed Markets	6,461,454	-	-	6,461,454
Total Investments at fair market value	\$ 23,417,540	\$ 14,482,731	\$ -	\$ 37,900,271

NOTE 5: RECEIVABLES

Receivables as of June 30, 2021 are as follows:

Receivables	Balance June 30, 2021
Accounts Receivable, Net	\$ 23,308
Accrued Interest Receivable, Net	11,260
Receivables From Excess Insurers, Net	14,392,390
Receivables, Net	\$ 14,426,958

NMPSIA considers all receivables to be fully collectable, and therefore, there is no provision for uncollectable accounts.

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NOTE 6: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Capital Assets Not Being Depreciated:				
Land	\$ 235,000	\$ -	\$ -	\$ 235,000
Art	1,765	-	-	1,765
Total Capital Assets Not Being Depreciated	<u>236,765</u>	<u>-</u>	<u>-</u>	<u>236,765</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	556,920	-	-	556,920
Data Processing Equipment	17,674	-	-	17,674
Total Capital Assets Being Depreciated	<u>574,594</u>	<u>-</u>	<u>-</u>	<u>574,594</u>
Total Capital Assets	<u>811,359</u>	<u>-</u>	<u>-</u>	<u>811,359</u>
Accumulated Depreciation:				
Buildings and Improvements	(542,222)	(4,400)	-	(546,622)
Data Processing Equipment	(6,363)	(2,063)	-	(8,426)
Total Accumulated Depreciation	<u>(548,585)</u>	<u>(6,463)</u>	<u>-</u>	<u>(555,048)</u>
Capital Assets, Net	<u>\$ 262,774</u>	<u>\$ (6,463)</u>	<u>\$ -</u>	<u>\$ 256,311</u>

Depreciation expense of \$6,463 is unallocated in the Program Fund for the year ended June 30, 2021.

NOTE 7: EXCESS INSURANCE

NMPSIA has entered into contracts with various commercial excess insurance carriers to minimize exposure on risks above NMPSIA's self-insurance retention. As of June 30, 2021, the per occurrence self-insurance retention for workers' compensation losses is \$1 million; general, automobile and errors and omissions liability is \$1 million; property is \$1,000,000 subject to a sub-limit of \$1,500,000 for the perils of wind and hail and automobile physical damage losses is \$1 million. Crime limits are \$2,250,000 each occurrence.

Property and casualty losses are self-insured up to certain amounts during each policy year. Property coverages and limits are written on a per occurrence basis subject to various sub-limits. Liability coverages and limits are written on an occurrence basis subject to various annual aggregate limits and are reinsured by commercial excess insurance carriers.

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NOTE 7: EXCESS INSURANCE (Continued)

For the policy year July 1, 2020 to July 1, 2021, the property policy limit is \$750,000,000 each occurrence, subject to various sub-limits. The liability policy limit is \$35,000,000 each occurrence subject to annual aggregates. In addition, there is an annual total policy aggregate in the amount of \$35,000,000 subject to an annual aggregate limit. The total aggregate limits, limits the annual amounts that NMPSIA would be responsible for in funding all self-insured losses.

NOTE 8: RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

The reserves for losses and loss adjustment expenses represent, in management's opinion, the best estimate of the ultimate cost of settling all reported and unreported claims. The actuarial projections of ultimate losses on reported claims and the estimate of claims incurred but not reported are based on a composite of NMPSIA's experience and benefits, property, casualty and workers' compensation insurance industry data.

However, due to the historical experience of NMPSIA, there exists a range of variability around the best estimate of the ultimate cost of settling all unpaid NMPSIA claims. Accordingly, the amount reflected in the accompanying financial statements as reserves for losses and loss adjustment expense at June 30, 2021 and the related provisions for the year ended June 30, 2021, may not ultimately be the actual cost of settling all unpaid claims.

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NOTE 8: RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES (CONTINUED)

Components of the reserves for losses and Loss adjustment expenses are as follows:

	Benefits 2021	Workers' Compensation 2021	Property and Casualty 2021	Total
Estimated Reserves for Claims	\$ 28,373,000	\$ -	\$ -	\$ 28,373,000
Less: Estimated Amounts Recoverable pursuant to excess insurance on specific and aggregate loss occurrences	-	-	-	-
Reserve for Losses and Loss adjustment expenses at year end (discounted)	<u>28,373,000</u>	<u>-</u>	<u>-</u>	<u>28,373,000</u>
Changes in reserves for losses and loss adjustment expenses are as follows:				
Reserve for Losses and Loss adjustment expenses at beginning of year (discounted)	<u>29,130,000</u>	<u>33,177,580</u>	<u>50,449,162</u>	<u>112,756,742</u>
Incurring Losses and Loss Adjustment Expenses				
Provision for Insured Events of the Current Year	328,955,148	9,417,251	19,074,067	357,446,466
Increase (Decrease) in Provision for Events of Prior Year	<u>(8,027,187)</u>	<u>(2,399,814)</u>	<u>57,403</u>	<u>(10,369,598)</u>
Total Incurred Losses and Loss Adjustment Expenses	<u>320,927,961</u>	<u>7,017,437</u>	<u>19,131,470</u>	<u>347,076,868</u>
Payments (net of amounts receivable pursuant to excess insurance contracts)				
Losses and Loss Adjustment Expenses Attributable to Events of the Current Year	300,262,681	1,519,255	2,983,564	304,765,500
Losses and Loss Adjustment Expenses Attributable to Events of the Prior Year	<u>21,422,280</u>	<u>6,163,647</u>	<u>14,235,735</u>	<u>41,821,662</u>
Total Payments and Adjustment Expenses	321,684,961	7,682,902	17,219,299	346,587,162
Reserve for Losses and Loss Adjustment Expenses at End of Year (Undiscounted)	28,373,000	32,512,114	52,361,333	113,246,447
Add: Premium Factor	-	-	-	-
Reserves for Losses and Loss Adjustment Expenses at End of Year	<u>\$ 28,373,000</u>	<u>\$ 32,512,114</u>	<u>\$ 52,361,333</u>	<u>\$ 113,246,447</u>

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NOTE 9: ACCRUED COMPENSATED ABSENCES

NMPSIA accounts for accumulated annual and sick leave on the accrual basis. Employees are entitled to accumulate annual leave at a graduated rate based on years of service. In accordance with State law, NMPSIA has recorded a liability included in accrued compensated absences for each employee for annual leave up to 240 hours at 100% of the employee's hourly wage. State law requires that sick leave be accrued for each employee for hours in excess of 600, but not over 720 (a maximum of 120 hours).

Upon termination of employment, sick pay for hours accumulated for 600 hours is forfeited and vacation pay is limited to payment of 240 hours at 100% of the employee's hourly wage. Sick leave is payable semiannually to qualified employees for hours accumulated over 600 hours but not over 720 at 50% of the employee's hourly wage. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at 50% of the employee's hourly wage.

A detail of accrued compensated absences is as follows:

	Balance			Balance	Due
	June 30, 2020	Additions	Deletions	June 30, 2021	Within
					One Year
Annual Leave	\$ 63,836	\$ 39,318	\$ 35,784	\$ 67,370	\$ 67,370
Total	\$ 63,836	\$ 39,318	\$ 35,784	\$ 67,370	\$ 67,370

Based on expected usage during the 2021 fiscal year all of the accrued compensated absences balance has been classified as a current liability.

NOTE 10: JOINT POWERS AGREEMENT

An agreement exists among NMPSIA, New Mexico Retiree Health are Authority, Albuquerque Public Schools, and the State's Risk Management Division of the General services Department (collectively, the Interagency Benefits Advisory Committee). The purpose is to authorize the parties to exercise their common powers to provide and administer health care insurance program, and to implement the purposes of the Health Care Purchasing Act. Each agency acts as its own fiscal agent for cost purposes. The agreement was effective March 15, 1999 and continues in force until terminated by any party upon 90 days written notice to the other parties.

NOTE 11: INSURANCE SERVICING AND ADMINISTRATION AGREEMENTS

NMPSIA has entered into agreements with third parties for claims administration, administration of excess insurance contracts, accounting, administrative services, and related matters.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 11: INSURANCE SERVICING AND ADMINISTRATION AGREEMENTS (CONTINUED)

Fees for such services for the year ended June 30, 2021 was as follows:

<u>Description</u>	<u>2021</u>
Administrative / Wellness Fees of Health Care Providers	\$ 17,177,654
Third Party Administration Claims & Fees	<u>2,224,832</u>
Total	<u>\$ 19,402,486</u>

NOTE 12: OPERATING LEASES

NMPSIA leases one vehicle, a phone system and other office equipment for use in its operations under operating leases. Total rent expense paid for the year ended June 30, 2021 was \$15,383. Remaining lease payments under the leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2022	\$ 13,912
2023	13,912
2024	8,774
2025	4,934
2026	<u>-</u>
Total	<u>\$ 41,533</u>

NOTE 13: OPERATING TRANSFERS

The following operating transfers occurred between the NMPSIA functional activities and with the Department of Finance and Administration during the year ended June 30, 2021:

<u>SHARE FUND</u>		<u>June 30, 2021</u>	
		<u>From</u>	<u>To</u>
Administration Fund (Fund 34900)	A	\$ -	\$ 1,401,000
Benefits Fund (Fund 35000)	A	700,500	-
Risk Fund (Fund 35100)	A	700,500	-
Administration Fund (Fund 34900)	B	129,236	-
Benefits Fund (Fund 35000)	B	-	64,618
Risk Fund (Fund 35100)	B	-	64,618
Total		<u>\$ 1,530,236</u>	<u>\$ 1,530,236</u>

- A) These annual transfers were to pay for administration fund operating costs as approved by the NMPSIA board and by the budgetary process.
- B) Unexpended balance in Administration Fund remaining at the end of the fiscal year reverted back to the Risk and Benefits funds.

See Independent Auditors' Report

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 14: PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description - Substantially all of NMPSIA's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.nmpera.org.

Funding Policy - Plan members are required to contribute 8.92% of their gross salary for the year ended June 30, 2021. NMPSIA is required to contribute 17.24% of the gross covered salary for the year ended June 30, 2021. The contribution requirements of plan members and NMPSIA are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. NMPSIA's contributions to PERA, for the years ending June 30, 2021, 2020, and 2019 were \$130,053, \$111,548, and \$112,648, respectively, which equal the amount of the required contributions for each fiscal year.

Financial Reporting and Disclosure for multiple employer cost sharing pension plans by employers:

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico (the State) has implemented the standard for the fiscal year ending June 30, 2016.

NMPSIA, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, total pension liability exceeds Plan net position resulting in a net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Annual Financial Report of the State of New Mexico.

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

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 15: POST-EMPLOYMENT BENEFITS –STATE RETIREE HEALTH CARE

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

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 6300 Jefferson St. NE Suite 150 Albuquerque, NM 87109

Funding Policy - The Retiree Health Care Act (Section 1 0-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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

The Retiree Health Care Act (Section 1 0-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 15: POST-EMPLOYMENT BENEFITS –STATE RETIREE HEALTH CARE (CONTINUED)

For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2021, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2021, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

NMPSIA's total contributions to the RHCA for the year ended June 30, 2021, 2020 and 2019 were \$14,674, \$12,941, and \$13,261, respectively, which equal the required contributions for each fiscal year.

Financial Reporting and Disclosure for post-employment benefits:

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

NMPSIA, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Annual Financial Report of the State of New Mexico. Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Annual Financial Report for the year ended June 30, 2021 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 16: CONTINGENT LIABILITIES

NMPSIA is subject to various legal proceedings, claims and liabilities, which arise in the ordinary course of NMPSIA's operations. In the opinion of NMPSIA'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 operations of NMPSIA.

See Independent Auditors' Report

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 17: NEW ACCOUNTING STANDARDS

NMPSIA conforms to the pronouncements of the GASB, which are the primary authoritative statements of accounting principles generally accepted in the United States of America applicable to state and local governments.

The following pronouncements have been issued but are not yet effective and will be evaluated in year of implementation:

- GASB Statement No. 91, Conduit Debt Obligations
- GASB Statement No. 92, Omnibus 2020
- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements
- GASB Statement No. 97, Certain Component Unit Criteria

The following pronouncements that are issued and effective are not deemed to be applicable to NMPSIA:

- GASB Statement No. 90, Majority Equity Interests
- GASB Statement No. 93, Replacement of Interbank Offered Rates
- GASB Statement No. 89, Interest Costs Incurred before End of Construction

The following pronouncements that are issued and effective have been adopted in the current or previous year:

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 84, Fiduciary Activities
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

NOTE 18: SUBSEQUENT EVENTS

NMPSIA has evaluated subsequent events through October 7, 2021, which is the date the financial statements were available to be issued. See *Note 1: Summary of Significant Accounting Policies* for the *COVID-19 (Coronavirus) Pandemic* disclosure. There are no other matters identified for recognition in the accounts.

See Independent Auditors' Report

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021**

The following table illustrates how NMPSIA's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by re-insurers) and other expenses assumed by NMPSIA 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.
- 2) This line shows each fiscal year's other operating costs, including overhead and claims expense not allocable to individual claims.
- 3) This line shows NMPSIA'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 occurred triggered coverage under the contract (called policy year) .
- 4) This section of ten rows shows the cumulative amounts paid as of the end of successive years for each policy year.
- 5) This section of ten rows shows how each policy years incurred claims increased or decreased as of the end of successive years. This annual re-estimation results 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 the latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the incurred claims currently recognized in less mature policy years.

The columns of the table show data for successive policy years.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net earned required contribution and investment revenues	\$ 281,118,806	\$ 282,627,712	\$ 306,988,501	\$ 315,681,448	\$ 323,531,055	\$ 335,640,756	\$ 328,834,095	\$ 330,487,993	\$ 341,982,495	\$ 354,955,279
Unallocated Expenses	\$ 7,222,667	\$ 5,570,613	\$ 5,522,823	\$ 8,207,462	\$ 7,004,493	\$ 6,970,350	\$ 6,837,718	\$ 7,348,438	\$ 8,678,473	\$ 9,052,789
Estimated incurred claims and expense, end of policy year	270,953,635	281,150,718	287,923,547	303,520,019	\$328,244,167	\$318,308,067	\$302,599,897	\$303,469,568	\$327,668,402	\$329,627,655
Net Paid (cumulative) as of:										
End of policy year	235,713,317	239,862,997	245,048,536	259,387,540	270,733,727	274,268,674	256,097,967	259,798,127	269,327,553	286,350,454
One year later	240,427,472	245,422,529	252,704,464	280,251,992	302,077,252	311,697,655	288,225,691	297,554,916	294,957,515	
Two years later	243,331,130	249,668,956	272,079,338	285,830,477	306,004,391	316,984,386	294,439,798	302,143,998		
Three years later	246,308,303	249,668,956	273,051,395	289,763,911	310,120,469	321,450,458	300,325,466			
Four years later	246,308,303	249,668,956	274,763,528	292,186,337	311,486,541	320,483,939				
Five years later	246,308,303	249,668,956	276,462,411	293,930,752	311,885,369					
Six years later	246,308,303	249,668,956	276,699,642	295,012,042						
Seven years later	246,308,303	249,668,956	277,167,998							
Eight years later	246,308,303	249,668,956								
Nine years later	246,308,303									
Re-estimated net incurred claims and expenses										
End of policy year	270,953,635	281,150,718	287,923,547	303,520,019	305,437,028	309,189,860	296,021,418	298,101,048	327,668,402	329,627,655
One year later	265,603,783	276,228,199	281,881,679	286,078,510	309,015,653	320,900,610	301,397,386	311,684,679	302,685,594	
Two years later	263,578,328	273,485,545	275,872,282	291,878,444	313,743,072	323,761,732	305,585,640	315,957,624		
Three years later	262,256,828	273,485,545	275,820,441	294,752,589	312,816,078	325,099,233	307,113,140			
Four years later	262,256,828	273,485,545	277,726,022	296,533,549	313,965,886	326,413,528				
Five years later	262,256,828	273,485,545	277,731,263	296,014,407	313,895,881					
Six years later	262,256,828	273,485,545	277,450,851	295,712,894						
Seven years later	262,256,828	273,485,545	277,640,678							
Eight years later	262,256,828	273,485,545								
Nine years later	262,256,828									
	-	-	-	-	-	-	-	-	-	-
Increases (decrease) in estimated net incurred claims and expenses from end of original policy year.	\$ 8,696,807	\$ 7,665,173	\$ (10,282,869)	\$ (7,807,125)	\$ (14,348,286)	\$ 8,105,461	\$ 4,513,243	\$ 12,488,056	\$ (24,982,808)	\$ -

* Data is current for fiscal years 2014 - 2021. Due to a change in actuaries, data for fiscal years 2012 - 2013 is carried forward.

SUPPLEMENTARY INFORMATION

Fund	Agency #	SHARE Fund #
Administration	34200	34900
Benefits	34200	35000
Risk	34200	35100

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS) –
ADMINISTRATION FUND (34900)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Favorable (Unfavorable)</u>
REVENUES AND OTHER FINANCING SOURCES				
Transfers In	\$ 1,401,000	\$ 1,401,000	\$ 1,401,000	\$ -
Total Revenues and Other Financing Sources	1,401,000	1,401,000	1,401,000	-
Prior Year Fund Balance Rebudgeted	-	-	-	-
TOTAL REVENUES, OTHER FINANCING SOURCES AND PRIOR YEAR FUND BALANCE REBUDGETED	<u>1,401,000</u>	<u>1,401,000</u>	<u>1,401,000</u>	<u>-</u>
EXPENSES AND OTHER FINANCING USES				
Loss and Loss Adjustment Expenses	-	-	-	-
Premiums	-	-	-	-
Insurance Servicing and Administration	-	-	-	-
General and Administrative	1,401,000	1,401,000	1,271,764	129,236
TOTAL EXPENSES AND OTHER FINANCING USES	<u>\$ 1,401,000</u>	<u>\$ 1,401,000</u>	<u>1,271,764</u>	<u>\$ 129,236</u>
NON-BUDGETED ITEMS:				
Transfers Out			(129,236)	
Depreciation Expense			(6,464)	
EXCESS (DEFICIENCY) OF REVENUES (UNDER) OVER EXPENSES AND OTHER FINANCING SOURCES AND USES			<u>\$ (6,464)</u>	

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS) –
BENEFITS (FUND 35000)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES AND OTHER FINANCING SOURCES				
Participant Premiums	\$ 330,029,300	\$ 330,029,300	\$ 320,299,615	\$ (9,729,685)
Investment Income	12,000	12,000	5,737,047	5,725,047
Other Income	-	-	31,089	31,089
Settlement Reimbursements	-	-	-	-
Total Revenues and Other Financing Sources	<u>330,041,300</u>	<u>330,041,300</u>	<u>326,067,751</u>	<u>(3,973,549)</u>
Prior Year Fund Balance Rebudgeted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES, OTHER FINANCING SOURCES AND PRIOR YEAR FUND BALANCE REBUDGETED	<u>330,041,300</u>	<u>330,041,300</u>	<u>326,067,751</u>	<u>(3,973,549)</u>
EXPENSES AND OTHER FINANCING USES				
Loss and Loss Adjustment Expenses	294,140,800	294,140,800	293,116,714	1,024,086
Premiums	15,000,000	15,000,000	12,518,337	2,481,663
Insurance Servicing and Administration	20,000,000	20,000,000	19,568,922	431,078
General and Administrative	200,000	200,000	181,469	18,531
Transfers Out	<u>700,500</u>	<u>700,500</u>	<u>700,500</u>	<u>-</u>
TOTAL EXPENSES AND OTHER FINANCING USES	<u>\$ 330,041,300</u>	<u>\$ 330,041,300</u>	<u>326,085,942</u>	<u>\$ 3,955,358</u>
NON-BUDGETED ITEMS:				
Transfers In			<u>64,618</u>	
EXCESS (DEFICIENCY) OF REVENUES (UNDER) OVER EXPENSES AND OTHER FINANCING SOURCES AND USES			<u>\$ 46,427</u>	

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS) –
RISK (FUND 35100)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES AND OTHER FINANCING SOURCES				
Participant Premiums	\$ 82,824,200	\$ 85,324,200	\$ 83,069,230	\$ (2,254,970)
Investment Income	5,000	5,000	2,569,004	2,564,004
Settlement Reimbursements	-	-	-	-
Other Income	-	-	-	-
General Fund Appropriation	-	-	-	-
Total Revenues and Other Financing Sources	<u>82,829,200</u>	<u>85,329,200</u>	<u>85,638,234</u>	<u>309,034</u>
Prior Year Fund Balance Rebudgeted	<u>241,800</u>	<u>241,800</u>	<u>-</u>	<u>(241,800)</u>
SOURCES AND PRIOR YEAR FUND BALANCE REBUDGETED				
	<u>83,071,000</u>	<u>85,571,000</u>	<u>85,638,234</u>	<u>67,234</u>
EXPENSES AND OTHER FINANCING USES				
Loss and Loss Adjustment Expenses	31,170,500	33,670,500	27,933,674	5,736,826
Premiums	45,000,000	45,000,000	43,763,933	1,236,067
Insurance Servicing and Administration	6,000,000	6,000,000	5,838,541	161,459
General and Administrative	200,000	200,000	168,719	31,281
Transfers Out	<u>700,500</u>	<u>700,500</u>	<u>700,500</u>	<u>-</u>
TOTAL EXPENSES AND OTHER FINANCING USES	<u>\$ 83,071,000</u>	<u>\$ 85,571,000</u>	<u>78,405,367</u>	<u>\$ 7,165,633</u>
NON-BUDGETED ITEMS:				
Transfers In			64,618	
Other Income			<u>-</u>	
EXCESS (DEFICIENCY) OF REVENUES (UNDER) OVER EXPENSES AND OTHER FINANCING SOURCES AND USES			<u>\$ 7,297,485</u>	

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
CASH AND CASH EQUIVALENTS - RECONCILIATION
FROM BANK TO FINANCIAL STATEMENTS
JUNE 30, 2021**

	35000	35100	34900	
	Benefits	Risk	Administration	Total
Interest bearing checking and money market:				
Wells Fargo:				
Employee Benefits Depository	\$ 320,748	\$ -	\$ -	\$ 320,748
Employee Benefits Short-Term Investments	1,001,606	-	-	1,001,606
Local Government Investment Pool	32,262,236	74,277,439	-	106,539,675
Employee Benefits Disbursement Account	-	-	-	-
Risk Depository Account	-	14,197	-	14,197
Risk Short-Term Investment Account	-	950,474	-	950,474
Total-Interest bearing checking and money market:	<u>33,584,590</u>	<u>75,242,110</u>	<u>-</u>	<u>108,826,700</u>
New Mexico State Treasurer Accounts				
General Fund Investment Pool	-	-	694,850	694,850
Total Amounts held with State Treasurer	<u>-</u>	<u>-</u>	<u>694,850</u>	<u>694,850</u>
Total Cash Balances	33,584,590	75,242,110	694,850	109,521,550
Less: Outstanding Checks / Reconciling Items	-	-	-	-
Total Cash and Cash Equivalents	<u>\$ 33,584,590</u>	<u>\$ 75,242,110</u>	<u>\$ 694,850</u>	<u>\$ 109,521,550</u>

The information on outstanding warrants at June 30, 2021 was not provided to NMPSIA by the State Treasurer's Office.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
COMBINING STATEMENTS OF NET POSITION INFORMATION
BY FUNCTIONAL ACTIVITY
JUNE 30, 2021**

	35000	35100	34900	
	Benefits	Risk	Administration	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,322,354	\$ 964,671	\$ -	\$ 2,287,025
NM State Treasurer's State Fund Investment Pool	-	-	694,850	694,850
NM State Treasurer's Local Fund Investment Pool	32,262,236	74,277,439	-	106,539,675
Accounts Receivable, Net	9,655	13,220	433	23,308
Accrued Interest Receivable, Net	4,016	7,244	-	11,260
Receivables From Excess Insurers, Net	1,652,661	12,739,729	-	14,392,390
Due from Other Funds	64,618	64,618	-	129,236
Prepaid Expenses and Deposits	-	256,000	-	256,000
Total Current Assets	<u>35,315,540</u>	<u>88,322,921</u>	<u>695,283</u>	<u>124,333,744</u>
Noncurrent Assets:				
Investments - Long-Term	26,569,965	11,330,306	-	37,900,271
Capital Assets, Net	-	-	256,311	256,311
Total Noncurrent Assets	<u>26,569,965</u>	<u>11,330,306</u>	<u>256,311</u>	<u>38,156,582</u>
TOTAL ASSETS	<u>\$ 61,885,505</u>	<u>\$ 99,653,227</u>	<u>\$ 951,594</u>	<u>\$ 162,490,326</u>
LIABILITIES AND NET POSITION				
Current Liabilities:				
Reserves for Losses and Loss Adjustment Expense	\$ 22,924,225	\$ -	\$ -	\$ 22,924,225
Unearned Premium Revenue and Carrier Advances	115,173	-	-	115,173
Due to Insurance Carriers for Claims Paid	5,456,030	213,144	-	5,669,174
Accounts Payable	1,740,010	414,865	12,318	2,167,193
Accrued Payroll	-	-	36,639	36,639
Due to Other Funds	-	-	129,236	129,236
Accrued Compensated Absences	-	-	67,370	67,370
Total Current Liabilities	<u>30,235,438</u>	<u>628,009</u>	<u>245,563</u>	<u>31,109,010</u>
Noncurrent Liabilities:				
Reserve for Losses and Loss Adjustment Expense	-	84,605,362	-	84,605,362
Total Noncurrent Liabilities	<u>-</u>	<u>84,605,362</u>	<u>-</u>	<u>84,605,362</u>
TOTAL LIABILITIES	<u>30,235,438</u>	<u>85,233,371</u>	<u>245,563</u>	<u>115,714,372</u>
NET POSITION				
Net Investment in Capital Assets	-	-	256,311	256,311
Restricted for Future Benefits	31,650,067	14,419,856	-	46,069,923
Unrestricted	-	-	449,720	449,720
TOTAL NET POSITION	<u>31,650,067</u>	<u>14,419,856</u>	<u>706,031</u>	<u>46,775,954</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 61,885,505</u>	<u>\$ 99,653,227</u>	<u>\$ 951,594</u>	<u>\$ 162,490,326</u>

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION INFORMATION
BY FUNCTIONAL ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2021**

	35000	35100	34900	
	Benefits	Risk	Administration	Total
REVENUES				
Participant Premiums	\$ 320,299,615	\$ 83,069,230	\$ -	\$ 403,368,845
TOTAL REVENUES	<u>320,299,615</u>	<u>83,069,230</u>	<u>-</u>	<u>403,368,845</u>
EXPENSES				
Loss and Loss Adjustment Expenses	293,116,714	27,933,674	-	321,050,388
Premiums	12,518,337	43,763,933	-	56,282,270
Insurance Servicing and Fees	19,568,922	5,838,541	-	25,407,463
General and Administrative	181,469	168,719	1,271,765	1,621,953
Depreciation Expense	-	-	6,463	6,463
TOTAL EXPENSES	<u>325,385,442</u>	<u>77,704,867</u>	<u>1,278,228</u>	<u>404,368,537</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>(5,085,827)</u>	<u>5,364,363</u>	<u>(1,278,228)</u>	<u>(999,692)</u>
NON-OPERATING REVENUES AND EXPENSES				
Investment Income	5,737,047	2,569,004	-	8,306,051
Other Income	31,089	-	-	31,089
Transfers In	64,618	64,618	1,401,000	1,530,236
Transfers Out	(700,500)	(700,500)	(129,236)	(1,530,236)
TOTAL NON-OPERATING REVENUES AND EXPENSES	<u>5,132,254</u>	<u>1,933,122</u>	<u>1,271,764</u>	<u>8,337,140</u>
CHANGE IN NET POSITION	46,427	7,297,485	(6,464)	7,337,448
NET POSITION, BEGINNING OF YEAR	<u>31,603,640</u>	<u>7,122,371</u>	<u>712,495</u>	<u>39,438,506</u>
NET POSITION, END OF YEAR	<u>\$ 31,650,067</u>	<u>\$ 14,419,856</u>	<u>\$ 706,031</u>	<u>\$ 46,775,954</u>

COMPLIANCE SECTION



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

Honorable Brian S. Colón, Esq.
New Mexico State Auditor
and
The Board of Directors
New Mexico Public Schools Insurance Authority
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the New Mexico Public School Insurance Authority's basic financial statements, and the related budgetary comparisons of the New Mexico Public Schools Insurance Authority (NMPSIA), presented as supplementary information, and have issued our report thereon dated October 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the New Mexico Public Schools Insurance Authority's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the New Mexico Public Schools Insurance Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the New Mexico Public Schools Insurance Authority'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 or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the New Mexico Public Schools Insurance Authority'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
October 7, 2021

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION I. SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|----------------------------------------------------------|------------|
| 1. Type of Auditors' Report Issued: | Unmodified |
| 2. Internal Control Over Financial Reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | No |
| c. Noncompliance material to financial statements noted? | No |

SECTION II. CURRENT YEAR AUDIT FINDINGS

There are no audit findings in the current year.

SECTION III. STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no audit findings in the prior year.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2021**

An exit conference was held on October 7, 2021 to discuss the results of the audit.

Representing the New Mexico Public Schools Insurance Authority:

Pauline Jaramillo, Board President
Richard Valerio, Executive Director
Patrick Sandoval, Deputy Director
Martha Quintana, Chief Financial Officer
Melissa Rael, Finance/HR Manager

Representing the Independent Auditors:

Daniel O. Trujillo, CPA, CFE, CGFM, CGMA, Member – Director of Audit
Jose “Joe” Ortiz, Audit Manager
Shi “Richard” Lu, CPA – Senior Auditor

Note: The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of The New Mexico Public Schools Insurance Authority. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles. Management has reviewed and approved the financial statements.