

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
ANNUAL FINANCIAL REPORT
JUNE 30, 2016

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INTRODUCTORY SECTION

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OFFICIAL ROSTER
June 30, 2016

Name

REC Council

Title

Ms. Stacy Diller

Chairperson

Mr. Adan Estrada

Vice-chair

Ms. Kristen Forrester

Secretary

Mr. Mark Chandler

Member

Mr. Bill Ward

Member

Ms. Bonnie Lightfoot

Member

Dr. Neil Terhune

Member

Mr. Eddie King

Member

REC Officials

R. Stephen Aguirre

Executive Director

Dr. Dana Stoltz Gray

Director of Programs

Mary Lisa Gonzales

Business Manager

Gary Gabriele

Human Resource Manager

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED June 30, 2016
TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Official Roster		1
Table of Contents		3
FINANCIAL SECTION		
Independent Auditor’s Report		9
Management’s Discussion and Analysis		13
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	A-1	21
Statement of Activities	A-2	23
Fund Financial Statements:		
Balance Sheet – Governmental Funds	B-1	25
Reconciliation of the Balance Sheet to the Statement Of Net Position		27
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	B-2	29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		31
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual:		
REC Operating Fund	C-1	33
State Directed Activities	C-2	35
Non-Categorical Local Fund	C-3	37
Notes to the Financial Statements		39
SUPPLEMENTARY INFORMATION		
Statement of Revenues, Expenses and Changes in Fund Balance by school for major funds Medicaid in Schools Fund		62
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	71

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	<u>Statement/ Schedule</u>	<u>Page</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual:		
Medicaid in our Schools Fund	B-1	73
Medicaid HSD	B-2	75
REQUIRED SUPPLEMENTARY INFORMATION		
Pension Liability		
Schedule of the REC’s Proportionate Share of the Net Pension Liability		79
Schedule of Contributions		81
Notes to the Required Supplementary Information		83
SUPPORTING SCHEDULES		
Schedule of Collateral Pledged by Depository	I	87
Schedule of Deposit and Investment Accounts	II	89
Cash Reconciliation	III	91
Schedule of Vendor Information	IV	93
COMPLIANCE SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		97
SCHEDULE OF FINDINGS & RESPONSES		101
OTHER DISCLOSURES		102

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Timothy M. Keller
New Mexico State Auditor
The Office of Management and Budget and
The Governing Council
High Plains Regional Education Cooperative #3
Raton, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and the major special revenue funds of High Plains Region Educational Cooperative #3 (the "REC") as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise High Plains Region Educational Cooperative #3's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of High Plains Region Educational Cooperative #3's nonmajor governmental funds and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents. We did not audit the 2015 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Educational Retirement Board (ERB), the administrator of the cost sharing pension plan for REC. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the REC, is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain 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 High Plains Region Educational Cooperative #3'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 High Plains Region Educational Cooperative #3's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of High Plains Region Educational Cooperative #3, as of June 30, 2016, and the respective changes in financial position where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of High Plains Region Educational Cooperative #3 as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 13-17, the Schedule of Proportionate Share of the Net Pension Liability on page 79, the Schedule of Contributions on page 81, and the notes to the required supplementary information on page 83 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 the 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.

Our audit was conducted for the purpose of forming opinions on High Plains Region Educational Cooperative #3's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules as required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 2.2.2 NMAC are the responsibility of management and 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 statement 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 other schedules as required by 2.2.2 NMAC is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated July 31, 2016, on our consideration of the High Plains Region Educational Cooperative #3'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 High Plains Region Educational Cooperative #3's internal control over financial reporting and compliance.

Precision Accounting, LLC

Precision Accounting, LLC
Albuquerque, New Mexico
July 31, 2016

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**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3 – RATON, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Management of the **High Plains Regional Education Cooperative #3 (HPREC)** offers readers of HPREC's financial statements this narrative overview and analysis of the financial activities of HPREC for the fiscal year ending June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3

High Plains Regional Education Cooperative #3 (HPREC), located in Raton, is one of nine regional education cooperatives in New Mexico. HPREC is a state agency administratively attached to the Public Education Department responsible for regional education services to eight school districts in Colfax, Union, and Harding counties. Our mission is to research and implement sound educational practices in order to be responsive to our clients' needs. HPREC does this by engaging in researched-based practices, developing relationships and implementing systems to transform education. HPREC does this so all of our clients are successful and effective.

HPREC reduces costs to member school districts by using a cooperative system of shared services and programs. These are best managed on a regional basis because they are too costly for an individual district to maintain. As a result, HPREC provides education related services to member school districts as well as direct services to children, families and communities.

HPREC also offers professional development, technical assistance, program coordination, and services to school districts, other agencies and the New Mexico Public Education Department. HPREC provides quality professional development, support, and services to member districts that may otherwise be cost prohibitive.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis provides a review of HPREC's overall financial activities, using the accrual basis of accounting for the year ending June 30, 2016. Fund financial statements are reported on a modified accrual basis of accounting. The analysis focuses on the financial performance of the agency as a whole. This report also contains other supplementary information in addition to the basic financial statements themselves.

FINANCIAL HIGHLIGHTS

- The ending cash balance at June 30, 2016 was **\$3,318,716**.
- The balance of Intergovernmental Receivables at June 30, 2016 was **\$891,893**.
- Overall revenue (including transfers in and other sources) totaled **\$4,496,625**. Total expenditures were **\$4,661,004**.
- Net Position decreased **\$164,379**.
- Fund Balance increased **\$103,968**.
- Direct Educational Services included **15** Related Service Providers; **336** students with IEP's were served by Related Service Providers.
- **50** Professional Development workshops were offered; **1,828** Educators attended Professional Development Workshops.
- Successfully developed and implemented a statewide, online bus driver training to **6** districts within New Mexico. **1637** modules were taken by qualified bus drivers across New Mexico.
- Provided over **325 hours of** customized coaching, mentoring, and modeling sessions in classrooms in all **8** districts to increase teacher effectiveness.
- Provided more than **1,150** hours of technical assistance to districts on topics including sound fiscal practices, special education compliance, effective instruction, leadership, Web EPSS, STARS, and other areas.
- Presented at statewide and national conferences.
- Provided over **\$375,000** worth of Value Added support and services to member districts.
- **80** infants, children, and adults were provided services at the HPREC Audiology Clinic.

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities are designed to provide readers with a broad overview of HPREC's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of HPREC's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of HPREC's financial position.

The Statement of Activities presents information showing how HPREC's net position changed during the most recent fiscal year.

The Governmental Activities of HPREC include instruction, support services, central services, operation and maintenance of plant, and operation of non-instructional services.

FUND FINANCIAL STATEMENTS

The Fund Financial Statements give detailed information about the most significant funds, not HPREC as a whole. Some funds are required to be established by State Statute, while other funds are established by HPREC to help manage funds for particular purposes and compliance with grant provisions.

GOVERNMENTAL FUNDS

Most of HPREC's activities are reported in governmental funds, which focus on how money flows into and out of funds and the year-end balances available for spending in future years. The modified accrual accounting method is used to report these funds. This method measures cash and other financial assets that can be readily converted to cash. The Governmental Fund Statements provide a detailed short-view of HPREC's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are financial resources available to spend in the near future to finance HPREC's programs. The relationship/differences between governmental activities (reported in the Statements of Net Position and Activities) and the governmental funds are reconciled in the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

At the end of the fiscal year, HPREC assets exceeded liabilities by **\$2,525,086**. Net position may serve over time as a useful indicator of a government's financial position. HPREC continues to expand its entrepreneurial & professional development activities.

NET POSITION FOR THE PERIOD ENDING JUNE 30, 2016

The Statement of Net Position provides perspective on the Agency as a whole. Table 1 provides a summary of HPREC's net position as of June 30, 2014 through June 30, 2016.

Table 1

	2014	2015	2016
Total Assets & Deferred Outflows of Resources	4,681,665	5,035,686	5,159,573
Total Liabilities & Deferred Inflows of Resources	62,279	2,346,221	2,643,487
Net Position Beginning	4,483,431	4,619,386	2,689,465
Restatement	-	(2,191,044)	-
Net Change	135,955	261,123	164,379
Net Position End	4,619,386	2,689,465	2,525,086

HPREC's total revenues for the fiscal year ending June 30, 2016 were **\$4,496,625**. The total cost of all programs and services was **\$4,661,004**. Table 2 presents a summary of revenues and expenses for the fiscal years ending June 30, 2012 through June 30, 2016.

Table 2

	Governmental Activities			
	2013	2014	2015	2016
Revenue				
Federal Sources	204,270	148,904	158,328	167,834
State Sources	698,625	928,108	3,934,540	2,147,980
Local Sources	1,821,607	1,727,453	2,220,245	2,179,911
Total Revenue	2,724,502	2,804,465	6,313,110	4,496,625
Expenditures				
Current				
Instruction	0.00	0.00	0.00	0.00
Support Services: Students	1,291,459	1,250,472	1,416,656	2,047,171
Support Services: Instruction	520,707	430,723	2,966,953	1,823,761
Support Services: General Admin	638,640	608,268	956,193	439,366
Support Services: School Admin	0.00	0.00	276,393	0.00
Support Services: Central Services	153,348	159,495	317,795	200,830
Operation & Maintenance of Plant	204,129	111,363	86,883	83,269
Non-current				
Debt Principal	0.00	0.00	0.00	0.00
Debt Interest	0.00	0.00	0.00	0.00
Capital Outlay/Other Support Svc.	66,936	58,927	31,114	21,663
Total Expenditures	2,875,219	2,619,248	6,051,987	4,661,004

CAPITAL ASSETS

See Notes to the Financial Statements: 7. Capital Assets.

BUDGETARY INFORMATION

Fund	Adopted	Adjustments	Budget	YTD Expend	Balance
25153	215,954	19,606	235,560	149,431	86,129
27101	4,696,919	-2,153,879	2,543,040	2,100,395	442,645
27200	69,713	1,775,078	1,844,791	1,795,620	49,171
28144	132,291	0.00	132,291	80,332	51,959
29102	400,000	0.00	400,000	178,304	221,696
	<u>5,514,877</u>	<u>-359,195</u>	<u>4,795,682</u>	<u>4,224,082</u>	<u>851,600</u>

The budget for HPREC is prepared in accordance with requirements from New Mexico Statutes and the New Mexico Public Education Department. The budget is prepared on a **cash basis** of accounting.

HPREC continues to receive its allocation from the Laws of 2013, Chapter 227, Section 4(l) by meeting the requirements of timely quarterly reporting and by being in compliance with state and federal reporting requirements, including annual audit requirements pursuant to the Audit Act, and, is otherwise financially stable.

PUBLIC EDUCATION DEPARTMENT PROJECTS

High Plains Regional Education Cooperative continued to provide fiscal management and service coordination for numerous PED supported projects this fiscal year. HPREC assisted the PED with the delivery of intervention actions, including support, technical assistance, training, monitoring, and reporting, to struggling districts and schools in New Mexico under the Priority Schools Bureau project of \$1,009,800 available dollars. In an effort to continue with the PARCC testing project, HPREC facilitated the PARCC Support project by providing oversight and assisted with management of the available \$149,999 monies. HPREC provided and supported the annual 3-day professional development workshop for NM Public Schools and State Charter Schools to continue with the implementation of the Early Warning System (EWS), which enables schools to identify students who may be at risk for academic failure and to monitor these students' responses to interventions with PED funding in the amount of \$350,000. In addition, HPREC continued the facilitation and management of the State Directed Activities Project. Our efforts include providing support, technical assistance, professional development and training of school personnel to maintain and/or meet compliance with the SPP Indicators, maintain A or B school grades or assist in improving those with C, D, or F, provide capacity building activities through the implementation of the Teacher Evaluation System and the Common Core State Standards in grades K-12 with available funding in the amount of \$265,279. HPREC supported the quality reading initiative by continuing to employ a K-3 regional reading coach to provide technical assistance and professional development in districts within our region with funding from the PED in the amount of \$109,571. HPREC assisted in the coordination of services with the Charter School Division in their closure of non-renewed or revoked state sponsored charters in New Mexico in the amount of \$69,713 for the project. We continually work in conjunction with the Public Education Department to meet the needs of students across the state.

Board action that impacted the budget included a pay increase for the usual experience step for all employees.

Request for information

This financial report is designed to provide a general overview of the REC's finances. Questions concerning any of the information provided in this report or request of additional information should be addresses to the Executive Director, High Plains Education Cooperative #3, 101 North Second Street, Raton, New Mexico 87740.

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**BASIC
FINANCIAL STATEMENTS**

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
STATEMENT OF NET POSITION
JUNE 30, 2016

Exhibit A-1

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,318,716
Intergovernmental Receivables	891,893
Prepaid Assets	6,032
Total current assets	4,216,641
Capital assets:	
Land	15,190
Buildings	873,498
Equipment & Furnitures	437,238
Less accumulated depreciation	(555,053)
Net capital assets	770,873
Deferred Outflows of Resources	
Post Measurement Date Contributions	148,939
Change in Assumptions in Net Pension Liability	79,736
Reallocation in Net Pension Liability	34,464
Total deferred outflows of resources	263,139
<i>Total assets and deferred outflows of resources</i>	5,250,653
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Current Liabilities:	
Accounts payable	\$ 22,188
Accrued Liabilities	22,624
Accrued Compensated Absences	-
Total current liabilities	44,812
Non-current Liabilities:	
Accrued Compensated Absences	12,869
Net Pension Liability	2,318,214
Total long-term liabilities	2,331,083
Deferred Inflows of Resources	
Investment Experience in Net Pension Liability	10,435
Change in Proportion in Net Pension Liability	57,488
Actuarial Experience in Net Pension Liability	42,977
Total deferred inflows of resources	110,900
Total liabilities and deferred inflows of resources	2,486,795
Net Position:	
Net investments in capital assets	770,873
Restricted	475,102
Unrestricted	1,517,883
Total net position	2,763,858
<i>Total liabilities, deferred inflows of resources, and net position</i>	\$ 5,250,653

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit A-2

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
Instruction:					
Direct instruction	\$ -	\$ -	\$ -	\$ -	\$ -
Support services:					
Students	1,808,399	2,075,312	2,421,313	-	2,688,226
Instruction	1,823,761	-	-	-	(1,823,761)
General Administration	484,310	-	-	-	(484,310)
School Administration	-	-	-	-	-
Central Services	200,830	-	-	-	(200,830)
Operation & Maintenance of Plant	83,269	-	-	-	(83,269)
Student Transportation	-	-	-	-	-
Other Support Services	21,663	-	-	-	(21,663)
Non-instructional support	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total primary government	<u>\$ 4,422,232</u>	<u>\$ 2,075,312</u>	<u>\$ 2,421,313</u>	<u>\$ -</u>	<u>\$ 74,393</u>
					Transfers
					-
					Change in net position
					74,393
					Net Position - beginning
					<u>2,689,465</u>
					Net position - ending
					<u>\$ 2,763,858</u>

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

Exhibit B-1
Page 1 of 2

	Operational/State Appropriations	State Directed Activities	Law Conference Local Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 1,807,146	\$ -	\$ 1,037,109	\$ 474,461	\$ 3,318,716
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	26,080	820,556	-	45,257	891,893
Internal balances	820,556	-	-	-	820,556
Prepaid Assets	701	4,749	582	-	6,032
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 2,654,483</u>	<u>\$ 825,305</u>	<u>\$ 1,037,691</u>	<u>\$ 519,718</u>	<u>\$ 5,037,197</u>
LIABILITIES AND FUND BALANCES					
<i>Current Liabilities</i>					
Accounts payable	\$ 2,143	\$ -	\$ 3,800	\$ 16,245	\$ 22,188
Accrued salaries and benefits	21,609	-	-	1,015	22,624
Accrued Compensated Absences	-	-	-	-	-
Internal Balances	-	820,556	-	-	820,556
Unearned revenue	-	-	-	-	-
<i>Total liabilities</i>	<u>23,752</u>	<u>820,556</u>	<u>3,800</u>	<u>17,260</u>	<u>865,368</u>
<i>Fund Balances</i>					
Fund Balances					
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	4,749	1,033,891	502,458	1,541,098
Capital Projects Funds	-	-	-	-	-
Debt Service Funds	-	-	-	-	-
Committed for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Assigned for:					
General Fund	2,630,731	-	-	-	2,630,731
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Unassigned for:					
General Fund	-	-	-	-	-
<i>Total fund balances</i>	<u>2,630,731</u>	<u>4,749</u>	<u>1,033,891</u>	<u>502,458</u>	<u>4,171,829</u>
<i>Total liabilities and fund balances</i>	<u>\$ 2,654,483</u>	<u>\$ 825,305</u>	<u>\$ 1,037,691</u>	<u>\$ 519,718</u>	<u>\$ 5,037,197</u>

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
GOVERNMENTAL FUNDS

Exhibit B-1
Page 2 of 2

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2016

Amounts reported for governmental activities in the statement of net position are different because:

Net position - total governmental funds	\$	4,171,829
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		770,873
Certain liabilities are not reported as liabilities in the funds. These liabilities at year end consist of:		
Compensated Absences		(12,869)
Net Pension Liability		<u>(2,165,975)</u>
Net position of governmental activities	\$	<u><u>2,763,858</u></u>

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B-2
Page 1 of 2

	Operational/State Appropriations	State Directed Activities	Law Conference Local Fund	Other Governmental Funds	Total Governmental Funds
<i>Revenues:</i>					
<i>Taxes</i>					
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Local sources</i>					
Tuition	-	-	-	-	-
Investment Income	10,012	-	-	-	10,012
Food services	-	-	-	-	-
District activities	-	-	-	-	-
Other Revenue	1,906,578	-	263,321	-	2,169,899
<i>State sources</i>					
Unrestricted Grants	-	-	-	-	-
Restricted Grants	214,307	1,795,620	-	138,053	2,147,980
<i>Federal sources</i>					
Unrestricted Grants	-	-	-	-	-
Unrestricted -state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	168,734	168,734
Restricted -state passthrough	-	-	-	-	-
Department of Interior	-	-	-	-	-
Other items	-	-	-	-	-
<i>Total revenues</i>	<u>\$ 2,130,897</u>	<u>\$ 1,795,620</u>	<u>\$ 263,321</u>	<u>\$ 306,787</u>	<u>\$ 4,496,625</u>
<i>Expenditures:</i>					
<i>Current:</i>					
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Support Services</i>					
Students	1,227,225	390,088	-	201,458	1,818,771
Instruction	509,104	1,135,509	184,175	-	1,828,788
General Administration	105,148	295,544	-	38,644	439,336
School Administration	-	-	-	-	-
Central Services	200,830	-	-	-	200,830
Operation & Maintenance of Plant	83,269	-	-	-	83,269
Student Transportation	-	-	-	-	-
Other Support Services	21,663	-	-	-	21,663
Operation of non-instructional services	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service	-	-	-	-	-
<i>Total expenditures</i>	<u>2,147,239</u>	<u>1,821,141</u>	<u>184,175</u>	<u>240,102</u>	<u>4,392,657</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(16,342)</u>	<u>(25,521)</u>	<u>79,146</u>	<u>66,685</u>	<u>103,968</u>
<i>Other financing sources (uses)</i>					
Transfers	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in Fund Balances</i>	<u>(16,342)</u>	<u>(25,521)</u>	<u>79,146</u>	<u>66,685</u>	<u>103,968</u>
<i>Fund Balances - beginning of year</i>	<u>2,647,073</u>	<u>30,270</u>	<u>954,745</u>	<u>435,773</u>	<u>4,067,861</u>
<i>Fund Balances - end of year</i>	<u>\$ 2,630,731</u>	<u>\$ 4,749</u>	<u>\$ 1,033,891</u>	<u>\$ 502,458</u>	<u>\$ 4,171,829</u>

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STATE OF NEW MEXICO
 HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B-2
Page 2 of 2

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

Net change in fund balances - total governmental funds	\$	103,968
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures:

Current year capital expenditures		5,027
Depreciation expense		(32,105)

Certain operating expenses, such as compensated absences payable are measured by the amounts incurred during the year. In the fund financial statements, however, expenditures are measured by the amount of financial resources used. The (increase)/decrease in the liabilities for the year were:

Change in deferred outflows of resourc		(8,516)
Compensated absences payable		<u>6,019</u>

Change in Net Position of governmental activities	\$	<u>74,393</u>
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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
OPERATIONAL/ STATE APPROPRIATIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit C-1

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
<i>Revenues:</i>				
Local and county sources	\$ 1,956,164	\$ 1,956,164	\$ 1,908,453	\$ (47,711)
State sources	477,305	586,876	592,469	5,593
Federal sources	-	-	-	-
Interest	8,300	8,300	10,012	1,712
<i>Total revenues</i>	2,441,769	2,551,340	2,510,934	(40,406)
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	1,513,711	1,486,007	1,224,798	261,209
Instruction	383,566	501,927	509,104	(7,177)
General Administration	210,445	196,878	65,462	131,416
School Administration	-	-	-	-
Central Services	2,433,469	201,140	200,830	310
Operation & maintenance of plant	130,728	132,088	83,288	48,800
Student transportation	-	-	-	-
Other Support Services	25,000	25,000	21,663	3,337
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	4,696,919	2,543,040	2,105,145	437,895
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(2,255,150)	8,300	405,789	397,489
<i>Other financing sources (uses):</i>				
Transfers	-	-	-	-
Designated Cash	2,255,150	(8,300)	-	8,300
<i>Total other financing sources (uses)</i>	2,255,150	(8,300)	-	8,300
<i>Net change in fund balances</i>	-	-	405,789	405,789
<i>Cash balances - beginning of year</i>	-	-	2,221,913	2,221,913
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ 2,627,702	\$ 2,627,702
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ 405,789	
Adjustments to revenues			(420,471)	
Adjustments to expenditures			(1,660)	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			\$ (16,342)	

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
STATE DIRECTED ACTIVITIES SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit C-2

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	69,713	1,844,791	2,683,321	838,530
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>69,713</u>	<u>1,844,791</u>	<u>2,683,321</u>	<u>838,530</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	69,713	419,713	394,837	24,876
Instruction	-	1,159,799	1,135,509	24,290
General Administration	-	265,279	265,274	5
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>69,713</u>	<u>1,844,791</u>	<u>1,795,620</u>	<u>49,171</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>887,701</u>	<u>789,359</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	887,701	789,359
<i>Cash balances - beginning of year</i>	-	-	(1,708,257)	(1,708,257)
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (820,556)</u>	<u>\$ (820,556)</u>
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ 887,701	
Adjustments to revenues			(913,222)	
Adjustments to expenditures			-	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			<u>\$ (25,521)</u>	

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
NON-CATEGORICAL LOCAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit C-3

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ 400,000	\$ 400,000	\$ 263,321	\$ (136,679)
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>400,000</u>	<u>400,000</u>	<u>263,321</u>	<u>(136,679)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	400,000	400,000	178,304	221,696
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>400,000</u>	<u>400,000</u>	<u>178,304</u>	<u>221,696</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>85,017</u>	<u>85,017</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>85,017</u>	<u>85,017</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>952,092</u>	<u>952,092</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,037,109</u>	<u>\$ 1,037,109</u>
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ 85,017	
Adjustments to revenues			(2,071)	
Adjustments to expenditures			(3,800)	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			<u>\$ 79,146</u>	

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies

The ten Regional Cooperative Centers established throughout New Mexico in 1984 were originally organized to provide supplementary special education services to local education agencies utilizing federal PL 94-142 funds. The role of the Cooperatives has expanded under the authorization of the regional Coordinating Councils to include a variety of other projects, both federally funded and funded from other sources. High Plains Regional Education Cooperative, through the governing council, has established as its purpose the delivery to local districts and communities those services deemed critical to the ongoing success of regular and special education programs provided by the local agencies. For financial reporting purposes, the Cooperative includes all fund and accounts groups that are controlled by or dependent on the Cooperative for financial support. The Cooperative has no component units. The financial statements of High Plains Regional Education Cooperative #3 (REC) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the REC's accounting policies are described below.

Authority for the operation of the High Plains Regional Education Cooperative #3 (REC) is based upon Chapter 232 of the Laws of 1993, State of New Mexico, and the State Board of Education Regulation 93-23, which authorize the establishment of Regional Educational Cooperatives in the State of New Mexico. The member organizations undertake a Joint Powers Agreement, whereby they will submit a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico pursuant to the Individual with Disabilities Education Act, Part B- (IDEA-B).

The Cooperative Council will oversee the function and the operation of the Cooperative. The Council will adopt a budget and administrative guidelines as necessary to carry out the purposes of the Cooperative; hire an Executive Director and necessary additional staff; Approve an annual proposal/budget for each project; approve all fiscal arrangements, policies and agreements; approve reports; maintain "education records" in accordance with 34 CFR 300.560-300.576; permit authorized representatives of regulatory agencies to inspect and audit all data and records relating to the Cooperative; annually evaluate cooperative projects and determine which are to be continued; and subject to any applicable requirements of state or federal laws and regulation, including the Procurement Code of the State of New Mexico, take action on any other matters which the Council considers necessary or desirable in furtherance of Cooperative programs, operations or interest.

A. Reporting Entity

GASB Statement No. 61 established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the REC is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 61, fiscally independent means that the REC may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The REC also has no component units, as defined by GASB Statement No. 61, as there are no other legally separate organizations for which the elected REC Council members are financially accountable. There are no other primary governments with which the REC Council Members are financially accountable. There are no other primary governments with which the REC has a significant relationship.

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Governmental funds are used to account for the REC's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of long-term debt. Governmental funds include:

The Operational Fund is the main fund of the REC that accounts for all financial resources, except those required to be accounted for in other funds.

The Special Revenue Funds account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or major capital projects.

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Under the requirements of GASB #34, the REC is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which include funds that were not required to be presented as major but were at the discretion of management:

Operational Fund: The Operational Fund (27101) is used to account for state funds granted to the REC operating fund for the REC per the request of NM Public Education Department. Authorized by Laws 2005, Chapter 33.

Special Revenue Fund: The State Directed Activities Fund (27200) is used to account for a program funded by a State grant to assist the REC in providing free appropriate public education to all handicapped children. Funding authorized by the individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 936-380 ,94-142 ,98-199 ,99-457, 100-639, and 101-476, 20 U.S.C. 1411-1420. The fund was created by the authority of federal grant provisions.

Special Revenue Fund: Non-Categorical Local Fund (29102) the purpose of this program is to account for the entrepreneurial revenues and expenditures generated by the REC. The fund was created by the NM Public Education Department.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Private-sector standards of accounting and financial reporting are now included in GASB guidance from the Accounting Codification Standards.

Program revenues included in the Statement of Activities derive directly from the program itself or from outside parties, as a whole; program revenues reduce the cost of the function to be financed from the REC's donations. Program revenues are categorized as (a) charges for services, (b) program-specific operating grants, which includes revenues received from state and federal sources such as, State Directed Activities (Idea B Discretionary) funding to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

The REC reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities.

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position or Equity

Cash and Temporary Investments: The REC's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The REC is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

State statutes authorize the REC to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the REC are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Certain Special Revenue funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. However, infrastructure assets have not been included in the June 30, 2016 financial statements of REC, since the REC did not own any infrastructure assets as of June 30, 2016. Information technology equipment, including software, is being capitalized and included in furniture and equipment as the REC did not maintain internally developed software. Donated capital assets are recorded at estimated fair market value at the date of donation. During the year ended June 30, 2016, the REC had not received any donated capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Equipment	5-10 years
Vehicles	12 years
Buildings	50 years
Building Renovations	50 years

Unearned Revenues: The REC recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be “available” under the current financial resources measurement focus are reported as unearned revenues in the governmental fund financial statements.

Deferred Inflows/Outflows of Resources: GASB 63 amended previous guidance on deferred revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period.

Compensated Absences: Qualified employees are entitled to accumulate annual leave at a rate of two weeks for the first three years and one additional day for years four through eight up to a maximum of three weeks. Employees may carry over hours limited to a maximum of three weeks per year depending on their numbers of years of service with the REC. Upon termination, employees will be paid for accrued annual leave.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the operational fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Fund Equity

Restricted fund balance represents amounts that are constrained: Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or Imposed by law through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government’s highest level of decision-making authority.

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high-level body or official whom the governing body has delegated.

Unassigned fund balance is the residual classification for the general fund and represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes.

The REC’s policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the REC's financial statements include management's estimate of the useful lives of capital assets and accrued compensated absences.

Federal Grants: The REC receives revenues from various Federal Departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operated under its own budget, which has been approved by the Federal Department or the flow through agency (usually the New Mexico Public Education Department). The various budgets are approved by the REC Council and the New Mexico Public Education Department.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Budgets for the General and Special Revenue Funds are prepared by management and are approved by the local governing council, made up of participating School Superintendents, and the REC Budget and Planning Unit of the Public Education Department.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget on a line item basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series,' this may be accomplished with only local Council approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public Education Department.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 2. Stewardship, Compliance and Accountability (continued)

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

1. Prior to April 15, the REC Council submits to the School Budget Planning Unit (SBPU) of the New Mexico Public Education Department a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the REC shall contain headings and details as described by law and have been approved by the Public Education Department.
2. Prior to June 20 of each year, the proposed “operating” budget will be reviewed and approved by the DBPU and certified and approved by the local Council at a public hearing of which notice has been published by the local REC board which fixes the estimated budget for the REC for the ensuing fiscal year.
3. The REC board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The “operating” budget will be used by the REC until they have been notified that the budget has been approved by the SBPU and the local board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The REC shall make corrections, revisions and amendments to the estimated budgets fixed by the local board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
6. The board is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the REC board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public Schools Accounting and Budgeting. Such changes are initiated by the REC and approved by the SBPU.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year’s budget. The budget of REC has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.
11. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are not utilized for GAAP purposes or for budget purposes.

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2016, is presented.

NOTE 3. Cash and Temporary Investments

State statutes authorize the investment of REC funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the REC properly followed state investment requirements as of June 30, 2016.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the REC. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The collateral pledged is listed on Schedule I of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, REC or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Deposits

New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the REC for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

**STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016**

NOTE 3. Cash and Temporary Investments (continued)

International Bank	<u>Type</u>	Bank Balance <u>June 30, 2016</u>	Reconciled <u>Balance</u>
General	Checking	\$ <u>3,423,258</u>	\$ <u>3,318,716</u>
Total Deposits		3,423,258	\$ <u>3,318,716</u>
Less: FDIC Coverage		<u>(250,000)</u>	
Uninsured Amount		3,173,258	
50% Collateral requirement		1,586,629	
Pledged Securities		<u>1,902,497</u>	
(Over) Under collateralized		<u><u>\$ (315,868)</u></u>	
Custodial Credit Risk-Deposits Account Balance	\$ 3,423,258		
FDIC Insured	250,000		
Collateral:			
Collateral held by the pledging bank, not in the REC's name	1,902,497		
Uninsured and uncollateralized	<u>1,270,761</u>		
Total Deposits	<u>\$ 3,423,258</u>		

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$315,868 of the REC's bank balance of \$3,423,258 was exposed to custodial credit risk.

Reconciliation of Cash and Temporary Investments

Governmental Funds - Balance Sheet		
Cash and cash equivalents per Exhibit A-1	\$ 3,318,716	
Add outstanding items	<u>104,542</u>	
Bank balance of deposits	<u><u>\$ 3,423,258</u></u>	

**STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016**

NOTE 4. Receivables

Receivables as of June 30, 2016, are as follows:

Due from	<u>Medicaid</u>	<u>Operational</u>	<u>State Directed</u>	<u>Medicaid, HSD</u>	<u>Total</u>
Other Governments	\$ 24,891	\$ 26,080	\$ 820,556	\$ 20,366	\$ 891,893
Totals	<u>\$ 24,891</u>	<u>\$ 26,080</u>	<u>\$ 820,556</u>	<u>\$ 20,366</u>	<u>\$ 891,893</u>

As of June 30, 2016, the above receivables are deemed collectible by management.

NOTE 5. Prepaid Assets

The REC pays for certain service contracts in advance resulting in a prepaid asset. Prepaid assets for the REC totaled \$6,032 at June 30, 2016.

NOTE 6. Interfund Receivables, Payables, and Transfers

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the REC is waiting for grant reimbursements. The composition of interfund balances as of June 30, 2016 is as follows:

Governmental Activities:	Interfund Receivables	Interfund Payables
Other Funds:		
Operational Fund	\$ 820,556	\$ —
State Directed	<u>—</u>	<u>820,556</u>
Total Governmental Activities	<u>\$ 820,556</u>	<u>\$ 820,556</u>

NOTE 7. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2016, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	<u>Balance June 30, 2014</u>	<u>Additions & Adjustments</u>	<u>Deletions & Adjustments</u>	<u>Balance June 30, 2016</u>
Land	\$ 15,190	\$ -	\$ -	\$ 15,190
Capital Assets, being depreciated:				
Buildings	873,498	-	-	873,498
Furniture, fixtures & equipment	432,211	5,027	-	437,238
Less Accumulated Depreciation for:				
Buildings, Equipment, Furniture, & Fixtures	<u>(522,948)</u>	<u>(32,105)</u>	<u>-</u>	<u>(555,053)</u>
Governmental activities capital assets, net:	<u>\$ 797,951</u>	<u>\$ (27,078)</u>	<u>\$ -</u>	<u>\$ 770,873</u>

**STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016**

NOTE 7. Capital Assets (continued)

Capital assets, net of accumulated depreciation, at June 30, 2016 appear in the Statement of Net Position and/or the Fund Statements Balance Sheets as follows:

Governmental activities	\$ 770,873
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Depreciation expense for the year ended June 30, 2016 was charged to governmental activities as follows:

Instructional Support	\$ 32,105
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NOTE 8. Long-term Debt

During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Current Portion
Compensated Absences	\$ 20,547	\$ 23,435	\$ 31,113	\$ 12,869	\$ -
Total	<u>\$ 20,547</u>	<u>\$ 23,435</u>	<u>\$ 31,113</u>	<u>\$ 12,869</u>	<u>\$ -</u>

Compensated Absences - Administrative employees of the REC are able to accrue vacation and other compensatory time during the year. During fiscal year June 30, 2016, compensated absences decreased \$6,220 from the prior year accrual. The current portion of the compensated absences is estimated at \$-. Any liability would be liquidated out of the Operational Fund. See Note 1 for more details.

NOTE 9. Risk Management

The REC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The REC, as a State entity, is insured through the State of New Mexico, General Services Department, Risk Management Division. Annual premiums are paid by the REC to the General Services Department, Risk Management Division for coverage provided in the following areas:

Workers Compensation

Property and Automobile Liability and Physical Damage Liability and Civil Rights and Personal Injury; and Crime.

NOTE 10. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the combined statements of certain information concerning individual funds including:

Deficit Fund Balances. There are no deficit fund balances as of June 30, 2016.

Excess Expenditures over budget. There are no instances of excess expenditures over budget as of June 30, 2016.

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 11. Pension Plan - Educational Retirement Board

Plan Description. ERB was created by the state's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates.

ERB issues a publicly available report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

Benefits provided. A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater. A brief summary of Plan coverage provisions follows:

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member's age and earned service credit add up to the sum or 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 11. Pension Plan - Educational Retirement Board (continued)

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions. The contribution requirements of defined benefit plan members and the REC are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2015 employers contributed 13.9% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. For fiscal year ended June 30, 2016 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the REC were \$148,939 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. At June 30, 2016, the REC reported a liability of \$2,318,214 for its proportionate share of the net pension liability. The REC's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2015. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2015, the REC's proportion was 0.03579 percent, which was a decrease of 0.00075% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the REC recognized pension expense of \$157,469. At the June 30, 2016, the REC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 42,977
Changes of assumptions	79,736	-
Reallocation	34,464	-
Net difference between projected and actual earnings on pension plan investments	-	10,435
Changes in proportion and differences between REC contributions and proportionate share of contributions	-	57,488
REC contributions subsequent to the measurement date	148,939	-
Total	<u>\$ 263,139</u>	<u>110,900</u>

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 11. Pension Plan - Educational Retirement Board (continued)

\$148,939 reported as deferred outflows of resources related to pensions resulting from REC contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (24,163)
2018	(19,227)
2019	14,482
2020	32,198
2021	-

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on July 12, 2015 in conjunction with the six-year experience study period ending June 30, 2014.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 20, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment to 2014 using Scale AA (one year setback for females)

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 11. Pension Plan - Educational Retirement Board (continued)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2015 and 2014 for 30-year return assumptions are summarized in the following table:

Asset Class	2015 Long-Term Expected Real Rate of Return	2014 Long-Term Expected Real Rate of Return
Cash	1.50%	1.50%
Treasuries	2.00%	2.00%
IG Corp Credit	3.50%	3.50%
MBS	2.25%	2.25%
Core Bonds	2.53%	2.53%
TIPS	2.50%	2.50%
High Yield Bonds	4.5%	4.5%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	1.25%
Global Bonds (Hedged)	1.38%	1.38%
EMD External	5.00%	5.00%
EMD Local Currency	5.75%	5.75%
Large Cap Equities	6.25%	6.25%
Small/Mid Cap	6.25%	6.25%
International Equities (Unhedged)	7.25%	7.25%
International Equities (Hedged)	7.50%	7.50%
Emerging International Equities	9.50%	9.50%
Private Equity	8.75%	8.75%
Private Debt	8.00%	8.00%
Private Real Assets	7.75%	7.75%
Real Estate	6.25%	6.25%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	5.50%
Hedge Funds Mod Vol	5.50%	5.50%

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2015 and June 30, 2014. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels.

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 11. Pension Plan - Educational Retirement Board (continued)

Sensitivity of the REC's proportionate share of the net pension liability to changes in the discount rate. The following table presents the REC's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the REC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
REC's proportionate share of the net pension liability	\$ 3,119,311	\$ 2,318,214	\$ 1,645,208

Pension plan fiduciary net position. Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2015 and 2014 which are publicly available at www.nmerb.org.

Payables to the pension plan. At June 30, 2016, the REC had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2016.

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 12. Post-Employment Benefits-State Retiree Healthcare Plan

Plan description: High Plains Regional Education Cooperative #3 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 Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for 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 RCHA 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 RCHA or viewed on their website at www.nmrhca.stat.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirement for the contributions can be changed by the New Mexico State Legislature. Employers that chose 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 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 3, 4 or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, 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, 2014, the statute required each participating employer to contribute 2.0% 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 years ended June 30, 2015 and June 30, 2016, the statute required each participating employer to contribute 2.0% of each 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

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 12. Post-Employment Benefits - State Retiree Healthcare Plan (continued)

pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The REC's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$21,655, \$20,345, and \$19,702, respectively, which equal the required contributions for each year.

NOTE 13. Economic Dependency

The primary source of funding for the REC (reported in fund 27200) consists of Intergovernmental Agreements for services between the New Mexico Public Education Department and the REC to provide services for various contracts that include both federal and state funding. The REC also administers Medicaid funds passed through the State of New Mexico Department of Education in funds (25153 and 28144). The amount of these revenues is subject to change.

NOTE 14. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the REC expects such amount, if any, to be immaterial.

The REC, by its nature, may be subjected to claims and lawsuits arising in the normal course of business. Currently, there are no such pending claims or lawsuits to which the REC is a party.

NOTE 15. Joint Powers Agreements and Intergovernmental Agreements

Medicaid JPA

Purpose: Medicaid billing for Member Districts.

Participants: The High Plains Regional Education Cooperative #3 and the New Mexico Human Services Department.

Responsible Party for Operation and Audit: High Plains Regional Education Cooperative

Beginning and Ending Date of Agreement: Until terminated

Total Estimated Amount of Project and Actual Amount Contributed: Not determinable

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 15. Joint Powers Agreements and Intergovernmental Agreements (continued)

IDEA B Discretionary IGA/ State Directed Activities (27200)

Purpose: To assist local educational agencies in providing positive behavioral interventions and supports and appropriate mental health services for children with disabilities, to provide support and direct services, including technical assistance, personnel preparation and professional development and training. To support capacity building activities and improve the delivery of services by local educational agencies to improve result for children with disabilities. To provide alternative programming for children with disabilities who have been expelled from school, and services for children with disabilities in correction facilities, children enrolled in State-operated or State-supported schools and children with disabilities in charters schools and to provide technical assistance to schools and LEAs, and direct services including supplemental educational services as defined in Section 1116 9e) of the Elementary and Secondary Education Act of 1965 to children with disabilities, in schools or local education agencies identified for improvement under Section 1116 for the Elementary disaggregated subgroup of children with disabilities, including providing professional development to special and regular education teachers, who teach children with disabilities, based on scientifically based research to improve education instruction in order to improve academic achievement to meet or exceed the objectives established by the State under Section 1111 (b)(2)(G) of the Elementary and Secondary Education Act of 1965.

Participants: High Plains Regional Education Cooperative #3 and the New Mexico Public Education Department.

Responsible Party for Operation and Audit: Although the New Mexico Public Education Department is responsible for the audit, High Plains Regional Education Cooperative #3 records all revenues and expenditures for this agreement.

Beginning and Ending Date of Agreement: July 1, 2015 to June 30, 2016.

Total Estimated Amount of Project and Actual Amount Contributed: \$265,279

These monies are federal funds and are on a reimbursement basis.

State Directed Activities (27200)- PARCC IT Services

Purpose: To subcontract with CB Technologies and TEKsystems, Inc. The Subcontractors will assist the Public Education Department (PED) to insure all schools can deliver PARCC tests using TestNav on every testing computer, every time. The sub-contractors will organize and train a team of IT professionals at each school to identify and resolve technical issues that may be preventing students from having access to practice tests through PearsonAccessNext (PAN). The sub-contractors will work with the IT professionals both remotely and through site-visits. Schools will provide the subcontractors with the contact names, email and phone number for an overall single point of contact at the school, as well as IT Staff that can configure firewalls, filters, routers, and user accounts to specifications. The subcontractors will assist school level IT professional and testing staff who manage testing devices in creating test sessions, assigning student to test, and monitor progress in PAN.

Participants: High Plains Regional Education Cooperative #3 and the New Mexico PED.

Responsible Party for Operation and Audit: Although the New Mexico PED is responsible for the audit, High Plains Regional Education Cooperative #3 records all revenues and expenditures for this agreement.

Beginning and Ending Date of Agreement: July 1, 2015 to June 30, 2016.

Total Estimated Amount of Project and Actual Amount Contributed: \$149,999

Any unspent funds will revert back to PED as they were authorized by State Appropriations.

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 15. Joint Powers Agreements and Intergovernmental Agreements (continued)

State Directed Activities (27200)- Early Warning Systems

Purpose: New Mexico's Early Warning System (EWS) will enable schools and district to identify students who may be at risk for academic failure and to monitor these students' responses to interventions. The EWS relies on student level data available at the school, district and state level including indicators for attendance, course failures, and behavior (if available) to calculate potential risk for eventual dropping out. The intended purpose of the EWS is to support students with an increased risk of academic failure, in order to get them back on track for academic success and eventual graduation. To promote efficacy of the system and fidelity of implementation, the PED desires to provide professional development to schools in alignment.

Participants: High Plains Regional Education Cooperative #3 and the New Mexico PED.

Responsible Party for Operation and Audit: Although the New Mexico PED is responsible for the audit, High Plains Regional Education Cooperative #3 records all revenues and expenditures for this agreement.

Beginning and Ending Date of Agreement: July 1, 2015 to June 30, 2016.

Total Estimated Amount of Project and Actual Amount Contributed: \$350,000

Any unspent funds will revert back to PED as they were authorized by Senate Bill 313 of the regular 2013 Legislative Session; College Preparation, career readiness and dropout prevention.

State Directed Activities (27101)- Regional Reading Coach Project

Purpose: To support quality reading coaching services for New Mexico schools with the overarching goal of increasing student achievement.

Participants: High Plains Regional Education Cooperative #3 and the New Mexico PED.

Responsible Party for Operation and Audit: Although the New Mexico PED is responsible for the audit, High Plains Regional Education Cooperative #3 records all revenues and expenditures for this agreement.

Beginning and Ending Date of Agreement: July 1, 2015 to June 30, 2016.

Total Estimated Amount of Project and Actual Amount Contributed: \$109,571

Any unspent funds will revert back to PED as they were authorized by Laws of 2014, Chapter 63, Section 4, Item I (Other Education) (1) Fund Code 7900, Department Code Z2200, Early Reading Initiative.

State Directed Activities (27200)- Priority Schools Bureau

Purpose: To provide fiscal management and service coordination in assisting the Priority Schools Bureau (PSB) in delivery of intervention actions (technical assistance, training, monitoring, and support) to struggling districts and schools in New Mexico.

Participants: High Plains Regional Education Cooperative #3 and the New Mexico PED.

Responsible Party for Operation and Audit: Although the New Mexico PED is responsible for the audit, High Plains Regional Education Cooperative #3 records all revenues and expenditures for this agreement.

Beginning and Ending Date of Agreement: July 1, 2015 to June 30, 2016.

Total Estimated Amount of Project and Actual Amount Contributed: \$1,009,800

Any unspent funds will revert back to PED as they were authorized by Laws of 2014, Chapter 63, Section I, Subsection X.

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Notes to the Financial Statements
June 30, 2016

NOTE 15. Joint Powers Agreements and Intergovernmental Agreements (continued)

State Directed Activities (27200)- Charter School Closure

Purpose: To provide service coordination in assisting the Charter School Division (CSD) in the closure of non-renewed or revoked state sponsored charters in New Mexico- July 2015 to June 2016.

Participants: High Plains Regional Education Cooperative #3 and the New Mexico PED.

Responsible Party for Operation and Audit: Although the New Mexico PED is responsible for the audit, High Plains Regional Education Cooperative #3 records all revenues and expenditures for this agreement.

Beginning and Ending Date of Agreement: July 1, 2015 to June 30, 2016.

Total Estimated Amount of Project and Actual Amount Contributed: \$69,712.50

Any unspent funds will revert back to PED as they were authorized by the NM Legislature.

NOTE 16. Related Party Transactions

The REC employs the spouse of the Executive Director as an employee to perform Medicaid Billing and Project Management. The employee reports to the Human Resource Manager.

NOTE 17. Subsequent Events Review

A review of subsequent events through July 31, 2016, which is the date of the financial statements were available to be issued, indicated new intergovernmental agreements entered into for the 2016-2017 fiscal year.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
SPECIAL REVENUE FUNDS- MEDICAID IN OUR SCHOOLS 25153
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Cimarron Valley Schools	Mosquero Municipal Schools	Raton Independent Schools	Springer Public Schools
<i>Revenues:</i>				
Taxes				
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -
Local sources				
Tuition	-	-	-	-
Investment Income	-	-	-	-
Food services	-	-	-	-
District activities	-	-	-	-
Other Revenue	-	-	-	-
State sources				
Unrestricted Grants	-	-	-	-
Restricted Grants	-	-	-	-
Federal sources				
Unrestricted Grants	-	-	-	-
Unrestricted -state passthrough	-	-	-	-
Restricted Grants	17,657	10,437	50,538	18,607
Restricted -state passthrough	-	-	-	-
Department of Interior	-	-	-	-
Other items	-	-	-	-
<i>Total revenues</i>	<u>\$ 17,657</u>	<u>\$ 10,437</u>	<u>\$ 50,538</u>	<u>\$ 18,607</u>
<i>Expenditures:</i>				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services				
Students	31,171	8,198	57,757	21,426
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
<i>Total expenditures</i>	<u>31,171</u>	<u>8,198</u>	<u>57,757</u>	<u>21,426</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(13,514)</u>	<u>2,239</u>	<u>(7,219)</u>	<u>(2,819)</u>
<i>Net changes in fund balances</i>	(13,514)	2,239	(7,219)	(2,819)
<i>Fund Balances - beginning of year</i>	<u>23,238</u>	<u>27,803</u>	<u>27,411</u>	<u>36,546</u>
<i>Fund Balances - end of year</i>	<u>\$ 9,724</u>	<u>\$ 30,042</u>	<u>\$ 20,192</u>	<u>\$ 33,727</u>

Des Moines Municipal Schools	Maxwell Municipal Schools	Roy Municipal Schools	Clayton Municipal Schools	Total Special Revenue Medicaid Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
9,624	15,288	11,122	35,461	168,734
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 9,624</u>	<u>\$ 15,288</u>	<u>\$ 11,122</u>	<u>\$ 35,461</u>	<u>\$ 168,734</u>
\$ -	\$ -	\$ -	\$ -	\$ -
25,628	13,006	1,632	-	158,818
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>25,628</u>	<u>13,006</u>	<u>1,632</u>	<u>-</u>	<u>158,818</u>
(16,004)	2,282	9,490	35,461	9,916
(16,004)	2,282	9,490	35,461	9,916
<u>32,521</u>	<u>5,205</u>	<u>45,377</u>	<u>27,962</u>	<u>226,063</u>
<u>\$ 16,517</u>	<u>\$ 7,487</u>	<u>\$ 54,867</u>	<u>\$ 63,423</u>	<u>\$ 235,979</u>

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NONMAJOR GOVERNMENTAL FUNDS

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**STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the REC with the purpose of accomplishing specific educational tasks. Grants accounted for in the Special Revenue Funds include:

Special Revenue Fund: **The Medicaid in Schools Fund (25153)** is used to account for amounts billed, received, and paid for member schools as reimbursements for services to Medicaid-eligible children. Funding is authorized by the State of New Mexico Human Services Department under the Medicaid Program (42 USC 1396a (a)5). No minimum balance required according to legislation.

Special Revenue Fund: **The Medicaid HSD (28144)** is used to account for amounts billed, received, and paid for member schools as reimbursements for services to Medicaid-eligible children. Funding is authorized by the State of New Mexico Human Services Department under the Medicaid Program (42 USC 1396a (a)5). No minimum balance required according to legislation.

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

Statement A-1

	Medicaid in our Schools	Medicaid HSD	Total Nonmajor Governmental Funds
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 225,745	\$ 248,716	\$ 474,461
Accounts receivable			
Taxes	-	-	-
Intergovernmental receivable	24,891	20,366	45,257
Internal Balances	-	-	-
Inventory	-	-	-
<i>Total assets</i>	<u>\$ 250,636</u>	<u>\$ 269,082</u>	<u>\$ 519,718</u>
LIABILITIES AND FUND BALANCE			
<i>Current Liabilities</i>			
Accounts payable	\$ 14,657	\$ 1,588	\$ 16,245
Accrued salaries and benefits	-	1,015	1,015
Internal Balances	-	-	-
Unearned revenue	-	-	-
<i>Total liabilities</i>	<u>14,657</u>	<u>2,603</u>	<u>17,260</u>
<i>Fund Balance</i>			
Fund Balance			
Restricted for:			
General Fund	-	-	-
Special Revenue Funds	235,979	266,479	502,458
Capital Projects Funds	-	-	-
Debt Service Funds	-	-	-
Committed for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Assigned for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Unassigned for:			
General Fund	-	-	-
<i>Total fund balance</i>	<u>235,979</u>	<u>266,479</u>	<u>502,458</u>
<i>Total liabilities and fund balance</i>	<u>\$ 250,636</u>	<u>\$ 269,082</u>	<u>\$ 519,718</u>

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Statement A-2

	<u>Medicaid in our Schools</u>	<u>Medicaid HSD</u>	<u>Total Nonmajor Governmental Funds</u>
<i>Revenues:</i>			
Taxes			
Taxes levied/assessed	\$ -	\$ -	\$ -
Local sources			
Tuition	-	-	-
Investment Income	-	-	-
Food services	-	-	-
District activities	-	-	-
Other Revenue	-	-	-
State sources			
Unrestricted Grants	-	-	-
Restricted Grants	-	138,053	138,053
Federal sources			
Unrestricted Grants	-	-	-
Unrestricted -state passthrough	-	-	-
Restricted Grants	168,734	-	168,734
Restricted -state passthrough	-	-	-
Department of Interior	-	-	-
Other items	-	-	-
	<u> </u>	<u> </u>	<u> </u>
<i>Total revenues</i>	<u>\$ 168,734</u>	<u>\$ 138,053</u>	<u>306,787</u>
<i>Expenditures:</i>			
Current:			
Instruction	\$ -	\$ -	\$ -
Support Services			
Students	158,818	42,640	201,458
Instruction	-	-	-
General Administration	-	38,644	38,644
School Administration	-	-	-
Central Services	-	-	-
Operation & Maintenance of Plant	-	-	-
Student Transportation	-	-	-
Other Support Services	-	-	-
Operation of non-instructional services	-	-	-
Capital Outlay	-	-	-
Debt Service	-	-	-
	<u> </u>	<u> </u>	<u> </u>
<i>Total expenditures</i>	<u>158,818</u>	<u>81,284</u>	<u>240,102</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>9,916</u>	<u>56,769</u>	<u>66,685</u>
<i>Other financing sources (uses)</i>			
Transfers	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	9,916	56,769	66,685
<i>Fund balances - beginning of year</i>	<u>226,063</u>	<u>209,710</u>	<u>435,773</u>
<i>Fund balances - end of year</i>	<u>\$ 235,979</u>	<u>\$ 266,479</u>	<u>\$ 502,458</u>

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
MEDICAID IN OUR SCHOOLS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

Statement B-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	215,954	227,960	170,461	(57,499)
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	\$ 215,954	\$ 227,960	\$ 170,461	\$ (57,499)
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services				
Students	215,954	235,560	149,431	86,129
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Non-Operating Emergency Reserves	-	-	-	-
Total instructional support	215,954	235,560	149,431	86,129
<i>Total expenditures</i>	215,954	235,560	149,431	86,129
<i>Excess (deficiency) of revenues over expenditures</i>	-	(7,600)	21,030	28,630
<i>Other financing sources (uses):</i>				
Transfers	-	-	-	-
Designated cash balance	-	7,600	-	(7,600)
Sale of Property	-	-	-	-
<i>Total other financing sources (uses)</i>	-	7,600	-	(7,600)
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	21,030	21,030
<i>Cash balances - beginning of year</i>	-	-	204,715	204,715
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ 225,745	\$ 225,745
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ 21,030	
Adjustments to revenues			(1,727)	
Adjustments to expenditures			(9,387)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			\$ 9,916	

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
MEDICAID HSD SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

Statement B-2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	132,291	132,291	139,466	7,175
Federal sources	-	-	-	-
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	\$ 132,291	\$ 132,291	\$ 139,466	\$ 7,175
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services				
Students	91,224	91,824	42,319	49,505
Instruction	-	-	-	-
General Administration	41,067	40,467	37,473	2,994
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Non-Operating Emergency Reserves	-	-	-	-
Total instructional support	132,291	132,291	79,792	52,499
Total expenditures	132,291	132,291	79,792	52,499
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	59,674	59,674
<i>Other financing sources (uses):</i>				
Designated cash balance	-	-	-	-
Sale of Property	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	59,674	59,674
<i>Cash balances - beginning of year</i>	-	-	189,042	189,042
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ 248,716	\$ 248,716
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ 59,674	
Adjustments to revenues			(1,413)	
Adjustments to expenditures			(1,492)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			\$ 56,769	

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PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVES #3
Required Supplementary Information
June 30, 2016

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Educational Retirement Board (ERB) Plan
Last 10 fiscal years*

	2016	2015
REC's proportion of net pension liability (asset)	0.03579%	0.03504%
REC's proportionate share of the net pension liability (asset)	\$ 2,318,214	\$ 1,999,281
REC's covered-employee payroll	\$ 977,182	\$ 965,778
REC's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	237.23%	207.01%
Plan fiduciary net position as a percentage of total pension liability	63.97%	66.54%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State of New Mexico will present information for those years for which information is available

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVES #3
Required Supplementary Information
June 30, 2016

SCHEDULE OF CONTRIBUTIONS		
EDUCATIONAL RETIREMENT BOARD (ERB) Pension PLAN		
LAST 10 FISCAL YEARS*		
	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 148,939	\$ 141,401
Contributions in relation to the contractually required contribution	\$ 148,939	\$ 141,401
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
REC's Covered-employee payroll	\$ 977,182	\$ 965,778
Contributions as a percentage of covered-employee payroll	15.24%	14.64%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the REC will present information for those years for which information is available.

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVES #3
Required Supplementary Information
June 30, 2016

Notes to Required Supplementary Information

For the Year Ended June 30, 2016

Changes of benefit terms. The COLA and retirement eligibility benefits changes in recent years are described in the *Benefits Provided* subsection of the financial statement note disclosure *General Information on the Pension Plan*.

Changes of assumptions.

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 12, 2015, ERB implemented the following changes in assumptions for fiscal year 2015.

1. Fiscal year 2015 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 4.25% to 3.75%
 - c. Minor changes to demographic assumptions
 - d. Remove population growth assumptions for projections

2. Assumptions that were not changed:
 - a. Investment return will remain at 7.75%
 - b. Inflation will remain at 3.00%
 - c. Maintain payroll growth at 3.50%

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
June 30, 2016

Schedule I

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2016	Name and Location of Safekeeper
International Bank	FHLB Cusip# 3130A0C65 0.62%, matures 12/28/16	\$ 1,000,707	Federal Reserve Bank Kansas City, Missouri
	FNMA CBL Cusip# 3134G8ZV4 1.50%, matures 4/21/2021	451,066	Federal Reserve Bank Kansas City, Missouri
	FNMA Cusip# 3135G0GY3 1.25%, matures 1/30/2017	75,334	Federal Reserve Bank Kansas City, Missouri
	FNMA Cusip# 3136G12K4 1.20%, matures 12/20/2018	325,386	Federal Reserve Bank Kansas City, Missouri
	FHLB Cusip# 313381DN2 1.46%, matures 12/13/2019	50,003	Federal Reserve Bank Kansas City, Missouri
	Total Collateral Pledged	<u><u>\$ 1,902,497</u></u>	

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
June 30, 2016

Schedule II

Deposit or Investment Account Type	International Bank	Total
Checking, Interest Bearing	\$ 3,323,258	\$ 3,323,258
Checking	100,000	100,000
Total On Deposit	3,423,258	3,423,258
Reconciling Items	(104,542)	(104,542)
Reconciled Balance June 30, 2016	\$ 3,318,716	\$ 3,318,716
Reconciliation to financial statements:		
Cash and cash equivalents:		
Total cash and cash equivalents per Statement of Net Position		\$ 3,318,716
		\$ 3,318,716

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
CASH RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2016

	27101 Operational	27200 State Directed Activities	25000 Medicaid In our Schools	28000 Medicaid HSD	29000 Non-Categorical Conference	Total
Cash per June 30, 2015 audit report	\$ 2,221,913	\$ (1,708,257)	\$ 204,715	\$ 189,042	\$ 952,092	\$ 1,859,505
Add:						
2015-16 revenues	2,510,934	2,683,321	170,461	139,466	263,321	5,767,503
Cash Transfers (Interfund payables/receivables)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash available	4,732,847	975,064	375,176	328,508	1,215,413	7,627,008
Less:						
2015-16 expenditures	(2,100,395)	(1,795,620)	(149,431)	(79,792)	(178,304)	(4,303,542)
Less Payroll liabilities	<u>(4,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,750)</u>
Total expenditures	(2,105,145)	(1,795,620)	(149,431)	(79,792)	(178,304)	(4,308,292)
Cash June 30, 2016	<u>\$ 2,627,702</u>	<u>\$ (820,556)</u>	<u>\$ 225,745</u>	<u>\$ 248,716</u>	<u>\$ 1,037,109</u>	<u>\$ 3,318,716</u>

Bank balance end of year	\$ 3,423,258
Deposits in transit	1,243
Outstanding checks	(105,785)
Balance per Books, June 30, 2016	<u>\$ 3,318,716</u>

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STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
Schedule of Vendor Information for purchases exceeding \$60,000 (excluding GRT)
For the Year Ended June 30, 2016

RFP# RFB#/RFP# / State-Wide Price Agreement	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of ALL Vendors that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor instate and chose Veteran's preference (Y or N)	Brief Description of the Scope of Work
991-17-001	RFP for Cost Reimbursement Contract	All-Rite Construction, Inc.	Fee for Service-varies based on services provided	N/A	All-Rite Construction, Inc. Mr. Meshach Alvarado, President 3040 Painted Rock NW Albuquerque, NM 87120	Y	N	Related service providers licensed in the following areas: construction services for various renovation, repair, replacement, alteration, and minor construction project on a requirement basis.
991-17-001	RFP for Cost Reimbursement Contract	STOVEN Construction, Inc.	Fee for Service-varies based on services provided	N/A	STOVEN Construction, Inc. Mr. Jeffrey Romero, President 2709 Vassar Place NE, #F Albuquerque, NM 87107	Y	N	
991-17-001	RFP for Cost Reimbursement Contract	Weil Construction, Inc.	Fee for Service-varies based on services provided	N/A	Weil Construction, Inc. Mr. Chris Weil, President 3344 Princeton NE Albuquerque, NM 87107	Y	N	

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COMPLIANCE SECTION

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

INDEPENDENT AUDITOR'S REPORT

Timothy M. Keller
New Mexico State Auditor
The Office of Management and Budget and
The Governing Board
High Plains Regional Education Cooperative #3
Raton, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons of the General fund and Special Revenue funds, of the High Plains Region Educational Cooperative #3 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise High Plains Region Educational Cooperative #3's basic financial statements, and the combining and individual and related budgetary comparisons of High Plains Region Educational Cooperative #3, presented as supplemental information, and have issued our report thereon dated July 31, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered High Plains Region Educational Cooperative #3's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of High Plains Region Educational Cooperative #3's internal control. Accordingly, we do not express an opinion on the effectiveness of the High Plains Region Educational Cooperative #3'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 function, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant

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deficiencies may exist that were not identified. Given these limitations, during our audit we identified one any deficiency in internal control that we consider to be material weaknesses. The material weakness is described as 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether High Plains Region Educational Cooperative #3's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2016-001.

High Plains Region Educational Cooperative #3' Response to Finding

High Plains Region Educational Cooperative #3' response to the finding identified in our audit are described in the accompanying schedule of findings and responses. High Plains Region Educational Cooperative #3' response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Precision Accounting LLC

Precision Accounting LLC
Albuquerque, New Mexico
July 31, 2016

**STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2016**

SECTION I - FINDINGS-FINANCIAL STATEMENT AUDIT

2016-001 Noncompliance with Payroll (Material Weakness)

CONDITION: During our test work of fifteen (15) payroll employees, we noted one (1) employee whose contract did not agree to the amount paid resulting in an over payment of \$4170.00 for the fiscal year. The calculated error rate is 7%, and when projected to the population of 17 employees could have resulted in two (2) errors. After a review of the other employees, it was noted that this appeared to be the only error.

CRITERIA: NMAC 6.20.2.11 C-Internal Control structure standards: "An internal control structure is required to demonstrate the school district's ability to record, process, summarize and report financial data consistent with the following financial statement assertions: 1) rights and ownership, 2) existence and occurrence, 3) valuation and allocations, 4) completeness, and 5) presentation and disclosure," and NMAC 6.20.2.14.C. Cash Control Standards.

CAUSE: The cause was a result of a decrease in the number of contracted days that was not properly recorded in the payroll system.

EFFECT: Without proper review and agreement of employee contracts to data reported in Visions, the District is at risk of making inaccurate payroll disbursements. The result was an overstatement of wages, tax, and other benefit liabilities/expenditures for the fiscal year 2015-2016.

RECOMMENDATION: The REC is encouraged to have staff perform a review and agreement of employee contracts against processed payroll prior to processing and issuing payroll checks for the first pay period to ensure accuracy of wage payments. There should be a secondary management review to ensure accuracy of processed payroll.

COSTS AND BENEFITS OF RECOMMENDED ACTION: The costs of improvements to the system should be minimal and will mitigate discrepancies regarding payroll disbursements.

CLIENT RESPONSE: As recommended, HPREC will have a secondary review of information entered into the payroll system prior to initial payroll processing for the fiscal year. Upon completion of the data entered by Human Resources personnel, the Business Manager will review the entered salary information to ensure that it concurs with the personnel contracts. This review should ensure the accuracy of the processed payroll.

To correct the error that occurred this year, an adjustment to the employee's 2017 contract will be made to allow repayment throughout the year rather than a lump sum payment.

AUDITOR RESPONSE: Precision Accounting, LLC was provided with a signed contract with the employee indicating the adjustment.

SECTION II - PRIOR YEAR AUDIT FINDINGS

None

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**STATE OF NEW MEXICO
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3
OTHER DISCLOSURES
YEAR ENDED JUNE 30, 2016**

SECTION III - AUDITOR PREPARED FINANCIAL STATEMENTS

The REC has the capability of preparing, understanding and accepting responsibility for its own GAAP-basis financial statements, however, the REC's personnel do not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes with assistance from High Plains Regional Education Cooperative #3 for inclusion in the annual audit report. Management has taken responsibility for the contents of this report.

SECTION IV - EXIT CONFERENCE

The contents of this report were discussed on July 27, 2016. The following individuals were in attendance.

High Plains Regional Education Cooperative #3
R. Stephen Aguirre, Executive Director
Mary Lisa Gonzales, Business Manager
Gary Gabriele, Human Resource Manager
Mr. Andy Ortiz, Member

Precision Accounting LLC
Melissa R. Santistevan, CPA, CFE, CGMA, CICA
Daniel Perea, Senior Accountant
Zachary Hayes, Staff Accountant
Alexandra Yebra, Staff Accountant