

**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2017**

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## **INTRODUCTORY SECTION**

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

OFFICIAL ROSTER  
June 30, 2017

<u>Name</u>	<u>REC Council</u>	<u>Title</u>
Ms. Stacy Diller		Chairperson
Mr. Adan Estrada		Vice-chair
Ms. Kristen Forrester		Secretary
Mr. Mark Chandler		Member
Mr. Andy Ortiz		Member
Ms. Bonnie Lightfoot		Member
Mr. Tommy Turner		Member
Mr. Eddie King		Member
<u>REC Officials</u>		
R. Stephen Aguirre		Executive Director
Marisa Aguirre		Program Manager
Mary Lisa Gonzales		Business Manager
Gary Gabriele		Human Resource Manager

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED June 30, 2017**  
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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**

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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, 2017, 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 did not audit the 2016 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, 2017, 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.

## 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 67, the Schedule of Contributions on page 69, and the notes to the required supplementary information on page 71 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 and the budgetary comparisons. The other schedules, as presented in the Table of Contents, are 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, 2017 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, 2017

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**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3 – RATON, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

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, 2017. 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, 2017. 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 / OPERATIONAL HIGHLIGHTS**

- The ending cash balance at June 30, 2017 was **\$2,702,304**.
- The balance of Intergovernmental Receivables at June 30, 2017 was **\$1,811,092**.
- Overall revenue (including transfers in and other sources) totaled **\$8,620,550**. Total expenditures were **\$8,324,079**.
- Net Position increased **\$508,409**.
- Fund Balance increased **\$908,618**.
- Direct Educational Services included **9** Related Service Providers; **386** students with IEP's were served by Related Service Providers.
- **62** Professional Development workshops were offered; **2,500** Educators attended Professional Development Workshops.
- Successfully developed and implemented a statewide, online bus driver training to **6** districts within New Mexico. **460** modules were taken by qualified bus drivers across New Mexico.
- Provided multiple web-based products with adequate technical & content support to increase teacher effectiveness & student learning outcomes.
- Provided more than **800** hours of technical assistance to districts on topics including sound fiscal practices, special education compliance, effective instruction, leadership, Web EPSS, STARS, and other areas.
- Provided over **\$350,000** worth of Value Added support and services to member districts.
- **115** 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 **\$3,272,267**. 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, 2017

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, 2015 through June 30, 2017.

**Table 1**

	2015	2016	2017
<b>Total Assets &amp; Deferred Outflows of Resources</b>	5,035,686	5,250,653	6,100,766
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	2,346,221	2,486,795	2,828,499
<b>Net Position Beginning</b>	4,619,386	2,689,465	2,763,858
<b>Restatement</b>	(2,191,044)	-	-
<b>Net Change</b>	261,123	74,393	508,409
<b>Net Position End</b>	2,689,465	2,763,858	3,272,267

HPREC's total revenues for the fiscal year ending June 30, 2017 were **\$8,620,550**. The total cost of all programs and services was **\$8,324,079**. Table 2 presents a summary of revenues and expenses for the fiscal years ending June 30, 2012 through June 30, 2017.

**Table 2**

	<b>Governmental Activities</b>			
	2014	2015	2016	2017
<b>Revenue</b>				
Federal Sources	148,904	158,328	167,834	161,664
State Sources	928,108	3,934,540	2,147,980	6,808,069
Local Sources	1,727,453	2,220,245	2,179,911	1,650,817
<b>Total Revenue</b>	<b>2,804,465</b>	<b>6,313,110</b>	<b>4,496,625</b>	<b>8,620,550</b>
<b>Expenditures</b>				
Current				
Instruction	0.00	0.00	0.00	0.00
Support Services: Students	1,250,472	1,416,656	1,818,711	2,242,623
Support Services: Instruction	430,723	2,966,953	1,828,788	4,905,806
Support Services: General Admin	608,268	956,193	439,366	885,440
Support Services: School Admin	0.00	276,393	0.00	0.00
Support Services: Central Services	159,495	317,795	200,830	209,749
Operation & Maintenance of Plant	111,363	86,883	83,269	80,461
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.	58,927	31,114	21,663	0.00
<b>Total Expenditures</b>	<b>2,619,248</b>	<b>6,051,987</b>	<b>4,392,697</b>	<b>8,324,079</b>

## CAPITAL ASSETS

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

**BUDGETARY INFORMATION**

Fund	Adopted	Adjustments	Budget	YTD Expend	Balance
25153	205,867	10,380	216,247	132,931	83,316
27101	1,777,780	4,173,169	5,950,949	5,180,830	770,119
27200	267,356	2,503,509	2,770,865	2,616,486	154,379
28144	122,756	0.00	122,756	93,080	29,676
29102	500,000	0.00	500,000	294,436	205,564
	<u>2,873,759</u>	<u>6,687,058</u>	<u>9,560,817</u>	<u>8,317,763</u>	<u>1,243,054</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.

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 \$1,016,820. HPREC provided support to the PED in their efforts to roll out the New Mexico’s Graduate Now Initiative project through College Preparation, Career Readiness and Dropout Prevention with the start-up of Early College High Schools, Workforce Readiness Programs and continued support for an Early Warning System in the amount of \$1,187,800. 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 \$267,356. HPREC continued its support of quality reading coaching services for New Mexico schools’ goal of increasing student achievement. We did this by employing twenty-six Regional Reading Specialists who modeled and supported research-based strategies in the area of grades K-3 reading instruction, along with the employment of one Regional Reading Specialist Coordinator, who supported and monitored the specialists with assistance and direction from the PED using available funding of \$3,996,673. 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 with available funding in the amount of \$69,713. This year, HPREC also worked with the PED to provide professional development and coaching support to improve the content for K-8 teachers of math through the Pathway to Math Excellence (PME) pilot program and Making Sense of Student Work (MSSW) math project, with available funding of \$229,176. We continually work in conjunction with the Public Education Department to meet the needs of students and educators 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, 2017**

Exhibit A-1

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 2,702,304
Intergovernmental Receivables	1,811,092
Prepaid Assets	15,929
Total current assets	4,529,325
<b>Capital assets:</b>	
Land	15,190
Buildings	873,498
Equipment & Furnitures	488,806
Less accumulated depreciation	(586,789)
Net capital assets	790,705
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to Net Pension Liability	780,736
Total deferred outflows of resources	780,736
<i>Total assets and deferred outflows of resources</i>	6,100,766
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	
<b>Current Liabilities:</b>	
Accounts payable	\$ 14,786
Accrued Liabilities	46,239
Accrued Compensated Absences	-
Total current liabilities	61,025
<b>Non-current Liabilities:</b>	
Accrued Compensated Absences	18,413
Net Pension Liability	2,696,504
Total long-term liabilities	2,714,917
<b>Deferred Inflows of Resources</b>	
Deferred Inflows related to Net Pension Liability	52,557
Total deferred inflows of resources	52,557
Total liabilities and deferred inflows of resources	2,828,499
<b>Net Position:</b>	
Net investments in capital assets	790,705
Restricted	857,462
Unrestricted	1,624,100
Total net position	3,272,267
<i>Total liabilities, deferred inflows of resources, and net position</i>	\$ 6,100,766

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Exhibit A-2

<u><b>Functions/Programs</b></u>	<b>Program Revenues</b>			<b>Net (Expenses) Revenue and Changes in Net Position</b>	
	<b>Expenses</b>	<b>Charges for Service</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Primary government:</b>					
Governmental activities:					
Instruction:					
Direct instruction	\$ -	\$ -	\$ -	\$ -	\$ -
Support services:					
Students	2,032,104	1,214,270	7,406,280	-	6,588,446
Instruction	4,854,238	-	-	-	(4,854,238)
General Administration	935,589	-	-	-	(935,589)
School Administration	-	-	-	-	-
Central Services	209,749	-	-	-	(209,749)
Operation & Maintenance of Plant	80,461	-	-	-	(80,461)
Student Transportation	-	-	-	-	-
Other Support Services	-	-	-	-	-
Non-instructional support	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total primary government	<u>\$ 8,112,141</u>	<u>\$ 1,214,270</u>	<u>\$ 7,406,280</u>	<u>\$ -</u>	<u>\$ 508,409</u>
					-
					508,409
					<u>2,763,858</u>
					<u>\$ 3,272,267</u>

**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 June 30, 2017

Exhibit B-1  
 Page 1 of 2

	Operational/State Appropriations	Medicaid in our Schools	State Directed Activites	Medicaid HSD	Law Conference Local Fund	Total Governmental Funds
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and cash equivalents	\$ 520,761	\$ 254,901	\$ -	\$ 596,894	\$ 1,329,748	\$ 2,702,304
Accounts receivable						
Taxes	-	-	-	-	-	-
Due from other governments	613,198	24,468	1,153,407	20,019	-	1,811,092
Internal balances	1,153,407	-	-	-	-	1,153,407
Prepaid Assets	2,653	-	4,378	-	8,898	15,929
Inventory	-	-	-	-	-	-
<i>Total assets</i>	<u>\$ 2,290,019</u>	<u>\$ 279,369</u>	<u>\$ 1,157,785</u>	<u>\$ 616,913</u>	<u>\$ 1,338,646</u>	<u>\$ 5,682,732</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<i>Current Liabilities</i>						
Accounts payable	\$ 4,400	\$ 10,386	\$ -	\$ -	\$ -	\$ 14,786
Accrued salaries and benefits	45,163	-	-	1,076	-	46,239
Accrued Compensated Absences	-	-	-	-	-	-
Internal Balances	-	-	1,153,407	-	-	1,153,407
Unearned revenue	-	-	-	-	-	-
<i>Total liabilities</i>	<u>49,563</u>	<u>10,386</u>	<u>1,153,407</u>	<u>1,076</u>	<u>-</u>	<u>1,214,432</u>
<i>Fund Balances</i>						
Fund Balances						
Restricted for:						
General Fund	-	-	-	-	-	-
Special Revenue Funds	-	268,983	4,378	615,837	1,338,646	2,227,844
Capital Projects Funds	-	-	-	-	-	-
Debt Service Funds	-	-	-	-	-	-
Committed for:						
General Fund	-	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-	-
Assigned for:						
General Fund	2,240,456	-	-	-	-	2,240,456
Special Revenue Funds	-	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-	-
Unassigned for:						
General Fund	-	-	-	-	-	-
<i>Total fund balances</i>	<u>2,240,456</u>	<u>268,983</u>	<u>4,378</u>	<u>615,837</u>	<u>1,338,646</u>	<u>4,468,300</u>
<i>Total liabilities and fund balances</i>	<u>\$ 2,290,019</u>	<u>\$ 279,369</u>	<u>\$ 1,157,785</u>	<u>\$ 616,913</u>	<u>\$ 1,338,646</u>	<u>\$ 5,682,732</u>

**STATE OF NEW MEXICO**  
 HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3  
 GOVERNMENTAL FUNDS  
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 June 30, 2017

Exhibit B-1  
Page 2 of 2

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

Net position - total governmental funds	\$	4,468,300
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		790,705
Certain liabilities are not reported as liabilities in the funds. These liabilities at year end consist of:		
Compensated Absences		(18,413)
Net Pension Liability		<u>(1,968,325)</u>
Net position of governmental activities	\$	<u><u>3,272,267</u></u>

**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, 2017**

Exhibit B-2  
Page 1 of 2

	Operational/State Appropriations	Medicaid in our Schools	State Directed Activites	Medicaid HSD	Law Conference Local Fund	Total Governmental Funds
<i>Revenues:</i>						
Taxes						
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources						
Tuition	-	-	-	-	-	-
Investment Income	11,136	-	-	-	-	11,136
Food services	-	-	-	-	-	-
District activities	-	-	-	-	-	-
Other Revenue	1,052,606	-	-	-	587,075	1,639,681
State sources						
Unrestricted Grants	-	-	-	-	-	-
Restricted Grants	3,750,612	-	2,616,486	440,971	-	6,808,069
Federal sources						
Unrestricted Grants	-	-	-	-	-	-
Unrestricted -state passthrough	-	-	-	-	-	-
Restricted Grants	-	161,664	-	-	-	161,664
Restricted -state passthrough	-	-	-	-	-	-
Department of Interior	-	-	-	-	-	-
Other items	-	-	-	-	-	-
<i>Total revenues</i>	<u>\$ 4,814,354</u>	<u>\$ 161,664</u>	<u>\$ 2,616,486</u>	<u>\$ 440,971</u>	<u>\$ 587,075</u>	<u>\$ 8,620,550</u>
<i>Expenditures:</i>						
Current:						
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Support Services						
Students	837,907	128,660	1,225,242	50,814	-	2,242,623
Instruction	3,490,460	-	1,133,026	-	282,320	4,905,806
General Administration	586,052	-	258,589	40,799	-	885,440
School Administration	-	-	-	-	-	-
Central Services	209,749	-	-	-	-	209,749
Operation & Maintenance of Plant	80,461	-	-	-	-	80,461
Student Transportation	-	-	-	-	-	-
Other Support Services	-	-	-	-	-	-
Operation of non-instructional services	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
<i>Total expenditures</i>	<u>5,204,629</u>	<u>128,660</u>	<u>2,616,857</u>	<u>91,613</u>	<u>282,320</u>	<u>8,324,079</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(390,275)</u>	<u>33,004</u>	<u>(371)</u>	<u>349,358</u>	<u>304,755</u>	<u>296,471</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>	<u>-</u>
<i>Net changes in Fund Balances</i>	<u>(390,275)</u>	<u>33,004</u>	<u>(371)</u>	<u>349,358</u>	<u>304,755</u>	<u>296,471</u>
<i>Fund Balances - beginning of year</i>	<u>2,630,731</u>	<u>235,979</u>	<u>4,749</u>	<u>266,479</u>	<u>1,033,891</u>	<u>4,171,829</u>
<i>Fund Balances - end of year</i>	<u>\$ 2,240,456</u>	<u>\$ 268,983</u>	<u>\$ 4,378</u>	<u>\$ 615,837</u>	<u>\$ 1,338,646</u>	<u>\$ 4,468,300</u>

**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, 2017

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	\$	296,471
--------------------------------------------------------	----	---------

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		51,568
Depreciation expense		(31,736)

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/inflows of resources		197,650
Compensated absences payable		<u>(5,544)</u>

Change in Net Position of governmental activities	\$	<u><u>508,409</u></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, 2017**

Exhibit C-1

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
<i>Revenues:</i>				
Local and county sources	\$ 1,850,320	\$ 1,850,320	\$ 1,052,606	\$ (797,714)
State sources	103,956	4,100,629	3,163,494	(937,135)
Federal sources	-	-	-	-
Interest	9,900	9,900	11,136	1,236
<i>Total revenues</i>	1,964,176	5,960,849	4,227,236	(1,733,613)
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	1,061,313	993,307	814,589	178,718
Instruction	359,083	3,617,633	3,490,460	127,173
General Administration	218,350	990,873	585,378	405,495
School Administration	-	-	-	-
Central Services	-	210,102	209,749	353
Operation & maintenance of plant	139,034	139,034	80,654	58,380
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	1,777,780	5,950,949	5,180,830	770,119
<i>Excess (deficiency) of revenues over (under) expenditures</i>	186,396	9,900	(953,594)	(963,494)
<i>Other financing sources (uses):</i>				
Transfers	-	-	60	60
Designated Cash	(186,396)	(9,900)	-	9,900
<i>Total other financing sources (uses)</i>	(186,396)	(9,900)	60	9,960
<i>Net change in fund balances</i>	-	-	(953,534)	(953,534)
<i>Cash balances - beginning of year</i>	-	-	2,627,702	2,627,702
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ 1,674,168	\$ 1,674,168

Excess (deficiency) of revenues over expenditures (Budget Basis)	\$ (953,534)
Adjustments to revenues	589,070
Adjustments to expenditures	(25,811)
Excess (deficiency) of revenues over expenditures (GAAP Basis)	\$ (390,275)

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## STATE OF NEW MEXICO

Exhibit C-2

HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3  
 MEDICAID IN OUR SCHOOLS 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, 2017

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	205,867	216,247	162,087	(54,160)
Interest	-	-	-	-
<i>Total revenues</i>	<u>205,867</u>	<u>216,247</u>	<u>162,087</u>	<u>(54,160)</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	205,867	216,247	132,931	83,316
Instruction	-	-	-	-
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>205,867</u>	<u>216,247</u>	<u>132,931</u>	<u>83,316</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>29,156</u>	<u>(137,476)</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>29,156</u>	<u>(137,476)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>225,745</u>	<u>225,745</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,901</u>	<u>\$ 254,901</u>
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ 29,156	
Adjustments to revenues			(423)	
Adjustments to expenditures			4,271	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			<u>\$ 33,004</u>	

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## STATE OF NEW MEXICO

Exhibit C-3

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, 2017

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	267,356	2,770,865	2,283,635	(487,230)
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>267,356</u>	<u>2,770,865</u>	<u>2,283,635</u>	<u>(487,230)</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	-	1,257,513	1,220,493	37,020
Instruction	-	1,245,996	1,137,404	108,592
General Administration	267,356	267,356	258,589	8,767
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>267,356</u>	<u>2,770,865</u>	<u>2,616,486</u>	<u>154,379</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(332,851)</u>	<u>(332,851)</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>(332,851)</u>	<u>(332,851)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(820,556)</u>	<u>(820,556)</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(1,153,407)</u>	<u>\$(1,153,407)</u>
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ (332,851)	
Adjustments to revenues			944,627	
Adjustments to expenditures			-	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			<u>\$ 611,776</u>	

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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 BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Exhibit C-4

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	122,756	122,756	441,318	318,562
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>122,756</u>	<u>122,756</u>	<u>441,318</u>	<u>318,562</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	70,000	67,395	50,693	16,702
Instruction	-	-	-	-
General Administration	52,756	55,361	42,387	12,974
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>122,756</u>	<u>122,756</u>	<u>93,080</u>	<u>29,676</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>348,238</u>	<u>348,238</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	(60)	60
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(60)</u>	<u>60</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>348,178</u>	<u>348,178</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>248,716</u>	<u>248,716</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 596,894</u>	<u>\$ 596,894</u>
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ 348,178	
Adjustments to revenues			(347)	
Adjustments to expenditures			1,527	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			<u>\$ 349,358</u>	

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**LAW CONFERENCE LOCAL 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, 2017**

Exhibit C-5

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ 500,000	\$ 500,000	\$ 587,075	\$ 87,075
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>500,000</u>	<u>500,000</u>	<u>587,075</u>	<u>87,075</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	500,000	500,000	294,436	205,564
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	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>500,000</u>	<u>500,000</u>	<u>294,436</u>	<u>205,564</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>292,639</u>	<u>292,639</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>	-	-	292,639	292,639
<i>Cash balances - beginning of year</i>	-	-	1,037,109	1,037,109
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,329,748</u>	<u>\$ 1,329,748</u>
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ 292,639	
Adjustments to revenues			8,316	
Adjustments to expenditures			3,800	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			<u>\$ 304,755</u>	

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
Notes to the Financial Statements  
June 30, 2017

**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, 2017

**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, 2017

**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 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 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: 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.

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.

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**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, 2017 financial statements of REC, since the REC did not own any infrastructure assets as of June 30, 2017. 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, 2017, 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.

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**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	5-10 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.

**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 Plan (ERP) and additions to/deductions from ERP’s fiduciary net position have been determined on the same basis as they are reported by ERP. 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.

**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.

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**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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.



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**NOTE 2. Stewardship, Compliance and Accountability (continued)**

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

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.

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**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, 2017, 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, 2017.

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.

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**NOTE 3. Cash and Temporary Investments (continued)**

International Bank	<u>Type</u>	Bank Balance <u>June 30, 2017</u>	Reconciled <u>Balance</u>
General	Checking	\$ <u>3,144,779</u>	\$ <u>2,702,304</u>
Total Deposits		3,144,779	\$ <u>2,702,304</u>
Less: FDIC Coverage		<u>(250,000)</u>	
Uninsured Amount		2,894,779	
50% Collateral requirement		1,447,390	
Pledged Securities		<u>1,937,753</u>	
(Over) Under collateralized		<u>\$ (490,364)</u>	
Custodial Credit Risk-Deposits Account Balance	\$ 3,144,779		
FDIC Insured	250,000		
Collateral:			
Collateral held by the pledging bank, not in the REC's name	1,937,753		
Uninsured and uncollateralized	<u>957,026</u>		
Total Deposits	<u>\$ 3,144,779</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, 2017, \$957,026 of the REC's bank balance of \$3,144,779 was exposed to custodial credit risk.

Reconciliation of Cash and Temporary Investments

Governmental Funds - Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 2,702,304
Add outstanding items	<u>442,475</u>
Bank balance of deposits	<u>\$ 3,144,779</u>

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**NOTE 4. Receivables**

Receivables as of June 30, 2017, are as follows:

Due from	<u>Medicaid</u>	<u>Operational</u>	<u>State Directed</u>	<u>Medicaid, HSD</u>	<u>Total</u>
Other Governments	\$ 24,468	\$ 613,197	\$ 1,153,407	\$ 20,019	\$ 1,811,092
Totals	<u>\$ 24,468</u>	<u>\$ 613,197</u>	<u>\$ 1,153,407</u>	<u>\$ 20,019</u>	<u>\$ 1,811,092</u>

As of June 30, 2017, 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 \$15,929 at June 30, 2017.

**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, 2017 is as follows:

Governmental Activities:	Interfund Receivables	Interfund Payables
Other Funds:		
Operational Fund	\$ 1,153,407	\$ -
State Directed	<u>-</u>	<u>1,153,407</u>
Total Governmental Activities	<u>\$ 1,153,407</u>	<u>\$ 1,153,407</u>

**NOTE 7. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2017, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	<u>Balance June 30, 2016</u>	<u>Additions &amp; Adjustments</u>	<u>Deletions &amp; Adjustments</u>	<u>Balance June 30, 2017</u>
Land	\$ 15,190	\$ -	\$ -	\$ 15,190
Capital Assets, being depreciated:				
Buildings	873,498	-	-	873,498
Furniture, fixtures & equipment	437,238	51,568	-	488,806
Less Accumulated Depreciation for:				
Buildings, Equipment, Furniture, & Fixtures	<u>(555,054)</u>	<u>(31,736)</u>	<u>-</u>	<u>(586,790)</u>
Governmental activities capital assets, net:	<u>\$ 770,873</u>	<u>\$ (27,078)</u>	<u>\$ -</u>	<u>\$ 790,704</u>

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**NOTE 7. Capital Assets (continued)**

Capital assets, net of accumulated depreciation, at June 30, 2017 appear in the Statement of Net Position and/or the Fund Statements Balance Sheets as follows:

Governmental activities \$ 790,704

Depreciation expense for the year ended June 30, 2017 was charged to governmental activities as follows:

Instructional Support \$ 31,736

**NOTE 8. Long-term Debt**

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Current Portion
Compensated Absences	\$ <u>12,869</u>	\$ <u>14,384</u>	\$ <u>8,840</u>	\$ <u>18,413</u>	\$ -
Total	\$ <u>12,869</u>	\$ <u>14,384</u>	\$ <u>8,840</u>	\$ <u>18,413</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, 2017, compensated absences increased by \$5,544 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, 2017.

Excess Expenditures over budget. There are no instances of excess expenditures over budget as of June 30, 2017.

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**NOTE 11. Pension Plan - Educational Retirement Board**

**Plan description.** The New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's Web site at [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

The Plan is a cost-sharing, multiple-employer pension 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 state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

The Plan is considered a component unit of the State's financial reporting entity. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan which is a pension benefit trust fund of the State of New Mexico. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-11- 2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

**Benefits benefit** – A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) 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.

**Summary of Plan Provisions for Retirement Eligibility** – 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 of 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 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 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.

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements.

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

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits
- The member's age is 67, and has earned 5 or more years of service credit.

**Forms of Payment** – 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.

**Benefit Options** – The Plan has three benefit options available.

- **Option A – Straight Life Benefit** – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C – Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

**Disability Benefit** – An NMERB member is eligible for disability benefits if they have acquired at least ten years of earned service credit and is found totally disabled. The disability benefit is equal to 2% of the member's Final Average Salary (FAS) multiplied by the number of years of total service credits. However, the disability benefit shall not be less than the smaller of (a) one-third of the member's FAS or (b) 2% of the member's FAS multiplied by total years of service credit projected to age 60.

**Cost of Living Adjustment (COLA)** – All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

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

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is 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%. 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%.

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.

**Refund of Contributions** – Members may withdraw their contributions only when they terminate covered employment in the State and their former employer(s) certification determination has been received by NMERB. Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

**Contributions** – For the fiscal year ended June 30, 2017 and 2016 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%	0.00%
2016	7-1-15 to 6-30-16	Over \$20K	10.70%	13.90%	24.60%	0.00%
2016	7-1-15 to 6-30-16	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the REC paid employee and employer contributions of \$349,704 and \$450,960, which equal the amount of the required contributions for each fiscal year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2017, the REC reported a liability of \$2,696,504 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The REC’s proportion of the net pension liability was based on a projection of the REC’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the REC’s proportion was .03747%, which was an increase of 0.00168% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the REC recognized pension expense of \$253,913. At June 30, 2017, the REC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



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**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
Notes to the Financial Statements  
June 30, 2017

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 11,698	\$ 25,647
Changes of assumptions	54,890	-
Net difference between projected and actual earnings on pension plan investments	160,959	-
Changes in proportion and differences between REC contributions and proportionate share of contributions	102,228	26,909
REC contributions subsequent to the measurement date	<u>450,960</u>	<u>-</u>
Total	<u>\$ 780,735</u>	<u>\$ 52,557</u>

\$450,960 reported as deferred outflows of resources related to pensions resulting from REC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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:	
2018	\$ 52,865
2019	86,917
2020	98,185
2021	39,251
2022	-

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June 30, 2017

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

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment Rate of Return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. 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.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.
Mortality	<b>Healthy males:</b> Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. <b>Healthy females:</b> Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012. <b>Disabled males:</b> RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. <b>Disabled females:</b> RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. <b>Active members:</b> RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	2% per year, compounded annually.
Payroll growth	3.5% per year (with no allowance for membership growth).
Contribution accumulation	5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

The actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on June 12, 2015 in conjunction with the six-year actuarial experience study period ending June 30, 2014. At that time, the Board adopted several assumption changes, which included a decrease in the annual wage inflation rate from 4.25% to 3.75%, and changes to the mortality rates, disability rates, and retirement rates for members who joined the plan after June 30, 2010. In addition, the board lowered the population growth rate assumption to zero.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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Notes to the Financial Statements  
June 30, 2017

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>
Equities	35%	
Fixed income	28	
Alternatives	36	
Cash	1	
Total	100%	7.75%

*Discount rate.* A single discount rate of 7.75% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.75%, compounded annually, net of expense. 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

*Sensitivity of the REC's proportionate share of the net pension liability to changes in the discount rate.* The following 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:

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
REC's proportionate share of the net pension liability	\$ 3,571,456	\$ 2,696,504	\$ 1,970,540

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in separately issued NMERB'S financial reports. The reports can be found on NMERB's Web site at [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

Payables to the pension plan. At June 30, 2017, the REC had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2017.

**STATE OF NEW MEXICO**  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3  
Notes to the Financial Statements  
June 30, 2017

**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](http://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, June 30, 2016 and June 30, 2017, 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 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, 2017, 2016 and 2015 were \$32,526, \$21,655, and \$20,345, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO**  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3  
Notes to the Financial Statements  
June 30, 2017

**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 Directed Activities IGA/Pathways to Mathematics Excellence (27200)

Purpose: To provide professional development and coaching support to improve the content and pedagogy for K-8 teachers of math through the Pathway to Mathematics Excellence (PME) pilot program and making Sense of Student Work (MSSW)- Math. This includes PME partners, consultants, math coaches, administrators, facilitators and teachers.

Participants: The High Plains Regional Education Cooperative #3 and the N.M. Public Education Department.

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

Beginning and Ending Date of Agreement: July 1, 2016 to June 30, 2017.

Total Estimated Amount of Project and Actual Amount Contributed: \$229,176

Any unspent funds will revert back to PED as they were authorized by NMPED Fund Code 7900, Department Code S2640.

**STATE OF NEW MEXICO**  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3  
Notes to the Financial Statements  
June 30, 2017

**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, 2016 to June 30, 2017.

Total Estimated Amount of Project and Actual Amount Contributed: \$267,356

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

State Directed Activities (27200)- New Mexico's Graduate's Now Initiative

Purpose: New Mexico's Graduate's Now Initiative supports College Preparation, Career Readiness and Dropout Prevention. As such, PED has invested in the start-up of Early College High Schools (ECHS), Workforce Readiness Programs, and support for an Early Warning System. PED desires to: enhance targeted support for established Early College high Schools to strengthen practices and outcomes; invest in its career readiness system by implementing the goals and recommendations identified in the Southern Region Education Board's (SREB) report titled Building Career Pathways to Credential Attainment and Workforce Opportunities and facilitate the development of early warning reports in schools based information systems along with supporting professional development for their use.

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, 2016 to June 30, 2017.

Total Estimated Amount of Project and Actual Amount Contributed: \$1,285,000

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 OF NEW MEXICO**  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3  
Notes to the Financial Statements  
June 30, 2017

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

State Directed Activities (27101)- Regional Reading Specialists

Purpose: To provide base pay salary incentives for regional reading specialists if the Regional Reading Specialist demonstrates a PED-determined percentage increase in grades K-3 student achievement scores from beginning of the year to end of the year on I-station K-3 literacy assessment. If earned on the PED provided criteria, the incentive pay will be provided to the Regional Reading Specialist by June 30, 2017.

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, 2016 to June 30, 2017.

Total Estimated Amount of Project and Actual Amount Contributed: \$3,996,673

Any unspent funds will revert back to PED as they were authorized by Laws of 2016, Chapter 11, 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, 2016 to June 30, 2017.

Total Estimated Amount of Project and Actual Amount Contributed: \$1,016,820

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

**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 2016 to June 2017.

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, 2016 to June 30, 2017.

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.

**STATE OF NEW MEXICO**  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3  
Notes to the Financial Statements  
June 30, 2017

**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, 2017, which is the date of the financial statements were available to be issued, indicated new intergovernmental agreements entered into for the 2017-2018 fiscal year.



**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, 2017

	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	19,457	9,836	51,194	14,482
Restricted -state passthrough	-	-	-	-
Department of Interior	-	-	-	-
Other items	-	-	-	-
<i>Total revenues</i>	<u>\$ 19,457</u>	<u>\$ 9,836</u>	<u>\$ 51,194</u>	<u>\$ 14,482</u>
<i>Expenditures:</i>				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services				
Students	31,819	7,012	58,764	18,533
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>31,819</u>	<u>7,012</u>	<u>58,764</u>	<u>18,533</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(12,362)</u>	<u>2,824</u>	<u>(7,570)</u>	<u>(4,051)</u>
<i>Net changes in fund balances</i>	(12,362)	2,824	(7,570)	(4,051)
<i>Fund Balances - beginning of year</i>	<u>9,724</u>	<u>30,042</u>	<u>20,192</u>	<u>33,727</u>
<i>Fund Balances - end of year</i>	<u>\$ (2,638)</u>	<u>\$ 32,866</u>	<u>\$ 12,622</u>	<u>\$ 29,676</u>

Des Moines Municipal Schools	Maxwell Municipal Schools	Roy Municipal Schools	Clayton Municipal Schools	Total Special Revenue Medicaid Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
8,888	12,161	10,309	35,337	161,664
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 8,888</u>	<u>\$ 12,161</u>	<u>\$ 10,309</u>	<u>\$ 35,337</u>	<u>\$ 161,664</u>
\$ -	\$ -	\$ -	\$ -	\$ -
11,996	83	-	453	128,660
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>11,996</u>	<u>83</u>	<u>-</u>	<u>453</u>	<u>128,660</u>
(3,108)	12,078	10,309	34,884	33,004
(3,108)	12,078	10,309	34,884	33,004
16,517	7,487	54,867	63,423	235,979
<u>\$ 13,409</u>	<u>\$ 19,565</u>	<u>\$ 65,176</u>	<u>\$ 98,307</u>	<u>\$ 268,983</u>

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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, 2017

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

	<b>2017</b>	<b>2016</b>	<b>2015</b>
REC's proportion of net pension liability (asset)	0.03747%	0.03579%	0.03504%
REC's proportionate share of the net pension liability (asset)	\$ 2,696,504	\$ 2,042,081	\$ 1,999,281
REC's covered-employee payroll	\$ 3,244,318	\$ 1,071,497	\$ 1,017,270
REC's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	83.11%	190.58%	207.01%
Plan fiduciary net position as a percentage of total pension liability	61.58%	63.97%	66.54%

\* Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for High Plains REC is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVES #3**  
**Required Supplementary Information**  
**June 30, 2017**

**SCHEDULE OF CONTRIBUTIONS**  
**EDUCATIONAL RETIREMENT BOARD (ERB) Pension PLAN**  
**LAST 10 FISCAL YEARS\***

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 450,960	\$ 148,818	\$ 141,401
Contributions in relation to the contractually required contribution	\$ 450,960	\$ 148,818	\$ 141,401
Contribution deficiency (excess)	\$ -	\$ -	\$ -
REC's Covered-employee payroll	\$ 3,244,318	\$ 1,071,497	\$ 1,017,270
Contributions as a percentage of covered-employee payroll	13.90%	13.89%	13.90%

\* Governmental Accounting Standards Board Statement No.68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information of High Plains REc is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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**STATE OF NEW MEXICO**  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVES #3  
Required Supplementary Information  
For the Year Ended June 30, 2017

**Notes to Required Supplementary Information**

**For the Year Ended June 30, 2017**

*Changes of benefit terms and assumptions.* There were no benefit or assumption changes adopted since the last actuarial valuation. However, the actual cost of living adjustment (COLA) was less than the expected 2.0%, which resulted in a net \$138 million decrease in the unfunded actuarial accrued liability.

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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, 2017**

Schedule I

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2017	Name and Location of Safekeeper
International Bank	FNMA Cusip# 3136G4GU1 1.4%, matures 11/25/19	995,511	Federal Reserve Bank Kansas City, Missouri
	FNMA Cusip# 3136G12K4 1.20%, matures 12/20/18	323,928	Federal Reserve Bank Kansas City, Missouri
	FFCB Cusip# 3133EGKA2 1.5%, matures 7/6/21	444,168	Federal Reserve Bank Kansas City, Missouri
	FFCB Cusip # 3133EFU21 2.15% matures 3/28/2023	174,146	Federal Reserve Bank Kansas City, Missouri
	<b>Total Collateral Pledged</b>	<b><u>\$ 1,937,753</u></b>	

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS**  
June 30, 2017

Schedule II

Deposit or Investment Account Type	International Bank	Total
Checking, Interest Bearing	\$ 3,044,779	\$ 3,044,779
Checking	100,000	100,000
Total On Deposit	3,144,779	3,144,779
Reconciling Items	(442,475)	(442,475)
Reconciled Balance June 30, 2017	\$ 2,702,304	\$ 2,702,304
Reconciliation to financial statements:		
Cash and cash equivalents:		
Total cash and cash equivalents per Statement of Net Position		\$ 2,702,304
		\$ 2,702,304

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**CASH RECONCILIATION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	27101 Operational	27200 State Directed Activities	25000 Medicaid In our Schools	28000 Medicaid HSD	29000 Non-Categorical Conference	Total
Cash per June 30, 2016 audit report	\$ 2,627,702	\$ (820,556)	\$ 225,745	\$ 248,716	\$ 1,037,109	\$ 3,318,716
Add:						
2016-17 revenues	4,227,236	2,283,635	162,087	441,318	587,075	7,701,351
Cash Transfers (Interfund payables/receivables)	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total cash available	6,854,938	1,463,079	387,832	690,034	1,624,184	11,020,067
Less:						
2016-17 expenditures	(5,180,830)	(2,616,486)	(132,931)	(93,080)	(294,436)	(8,317,763)
Less Payroll liabilities	<u>          60</u>	<u>                    </u>	<u>                    </u>	<u>          (60)</u>	<u>                    </u>	<u>          (0)</u>
Total expenditures	(5,180,770)	(2,616,486)	(132,931)	(93,140)	(294,436)	(8,317,763)
Cash June 30, 2017	<u>\$ 1,674,168</u>	<u>\$ (1,153,407)</u>	<u>\$ 254,901</u>	<u>\$ 596,894</u>	<u>\$ 1,329,748</u>	<u>\$ 2,702,304</u>

Bank balance end of year	\$ 3,423,258
Deposits in transit	-
Outstanding checks	-
Balance per Books, June 30, 2017	<u>\$ 3,423,258</u>

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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, 2017, and the related notes to the financial statements, which collectively comprise High Plains Region Educational Cooperative #3's basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons of the General fund and major Special Revenue funds of High Plains Region Educational Cooperative #3, presented as supplemental information, and have issued our report thereon dated July 31, 2017.

**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. However, material weaknesses may exist that have not been identified. We did not identify any deficiencies in internal controls.

### **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.

### **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, 2017

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**STATE OF NEW MEXICO**  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2017

**SECTION I - FINDINGS-FINANCIAL STATEMENT AUDIT**

None

**SECTION II - PRIOR YEAR AUDIT FINDINGS**

2016-001 Noncompliance with Payroll (Material Weakness) resolved

**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 26, 2017. The following individuals were in attendance.

High Plains Regional Education Cooperative #3

Mr. Ortiz, Member  
Mary Lisa Gonzales, Business Manager  
Gary Gabriele, Human Resource Manager

Precision Accounting LLC

Melissa R. Santistevan, CPA, CFE, CGMA, CICA  
Alexandra Yebra, Senior Accountant  
Zachary Hayes, Senior Accountant