STATE OF NEW MEXICO

CENTRAL REGION
EDUCATIONAL COOPERATIVE NO. 5

FINANCIAL ANNUAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2017
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTING & FINANCIAL
SOLUTIONS
CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

OFFICIAL ROSTER
June 30, 2017

COUNCIL

Jeremy Abshire	President
Jack Props	Vice-President
Dawn Apodaca	Member
Joel Shirley	Member
Dr. Susan Wilkinson-Davis	Member
David Lackey	Member
David Atencio	Member
Bruce Hegwer (interim)	Member
Leslie Bradley	Member
Ben Santistevan	Member
Carmela Sandoval	Member

ADMINISTRATION

Maria Jaramillo	Executive Director
Jessica Orona	Business Manager
Vicky Fuessel	Program Coordinator
Chrys McMillin	AP/Payroll Specialist
Vanessa Skrehot	Procurement

AUDIT COMMITTEE

Jeremy Abshire	President
Jack Props	Vice-President
Maria Jaramillo	Member
Jessica Orona	Member

FINANCE COMMITTEE

Jeremy Abshire	President
Jack Props	Vice-President
Dawn Apodaca	Member
Joel Shirley	Member
Dr. Susan Wilkinson-Davis	Member
David Lackey	Member
David Atencio	Member
Bruce Hegwer (interim)	Member
Leslie Bradley	Member
Ben Santistevan	Member
Carmela Sandoval	Member
Maria Jaramillo	Executive Director
Jessica Orona	Business Manager

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FINANCIAL SECTION

FISCAL YEAR 2017

JULY 1, 2016 THROUGH JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

Tim Keller, State Auditor,
The Council and Audit Committee of
Central Region Educational Cooperative No. 5

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Central Region Educational Cooperative No. 5, as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise Central Region Educational Cooperative No. 5 basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Central Region Educational Cooperative No. 5's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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 Central Region Educational Cooperative No. 5, as of June 30, 2017, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Telephone (505) 566-1900
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Tim Keller, State Auditor,
The Council and Audit Committee of
Central Region Educational Cooperative No. 5

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Accounting principles generally accepted in the United States of America also require that the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Region Educational Cooperative No. 5's basic financial statements. The supplemental information such as the combining and individual nonmajor fund financial statements, the budgetary comparisons for non-major special revenue funds and the other information, such as schedules required by 2.2.2 NMAC and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the budgetary comparisons for non-major special revenue funds and the other information, such as schedules required by 2.2.2 NMAC and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures and combining and individual nonmajor fund financial statements, the budgetary comparisons for non-major special revenue funds and the other information, such as schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2017 on our consideration of the Central Region Educational Cooperative No. 5'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 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 Central Region Educational Cooperative No. 5's internal control over financial reporting and compliance.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
September 11, 2017

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities
Assets	
Cash and cash equivalents	$ 434,300
Receivables:	
Grant	637,889
Non-current:	
Depreciable capital assets, net	4,675
Total Assets	1,076,864
Deferred Outflows of Resources:	
Contributions to pension subsequent to the measurement date	309,968
Difference between expected and actual experience	31,745
Net difference between projected and actual investment earnings on plan investments	436,784
Net change in pension assumptions	148,952
Net change in proportionate share of pension liability	545,633
Total Deferred Outflows of Resources	1,473,082
Liabilities	
Accounts payable	3,445
Compensated absences	42,417
Aggregate net pension liability	7,317,334
Total Liabilities	7,363,196
Deferred Inflows of Resources	
Difference between expected and actual experience	69,597
Net Position	
Net investment in capital assets	4,675
Restricted for:	
Special revenue funds	460,535
Unrestricted	(5,348,057)
Total Net Position	$ (4,882,847)

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contibutions	Governmental Activities
Primary government:					
Governmental activities:					
Instruction	$ 768,679	$ -	$ 263,781	$ -	$ (504,898)
Support Services - Students	4,131,796	-	1,417,875	-	(2,713,921)
Support Services - Instruction	13,273	-	4,555	-	(8,718)
Support Services - General Administration	670,827	-	230,202	-	(440,625)
Support Services - School Administration	208,301	-	71,481	-	(136,820)
Central Services	654,379	-	224,558	-	(429,821)
Operations & Maintenance of Plant	48,918	-	16,787	-	(32,131)
Other Support Services	5,253	-	1,803	-	(3,450)
Community Services	403,314	-	138,402	-	(264,912)
Total governmental activities	$ 6,904,740	$ -	$ 2,369,444	$ -	(4,535,296)

General revenues:	
Grants and contributions not restricted	4,133,597
Change in net position	(401,699)
Net position - beginning	(4,481,148)
Net position - ending	$ (4,882,847)

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2017

	General Fund	Negligent, Delinquent or At-Risk Fund #24123	Title XIX Medicaid Fund #25153	State Discretionary IDEA-B Fund #27200
Assets				
Cash and cash equivalents	$ 18,774	$ -	$ 299,244	$ -
Receivables:				
Grant	261,891	48,518	-	297,884
Due from other funds	330,184	-	-	-
Total assets	$ 610,849	$ 48,518	$ 299,244	$ 297,884
Liabilities, deferred inflows, and fund balance				
Liabilities:				
Accounts payable	$ 2,640	$ 805	$ -	$ -
Due to other funds	-	47,713	-	297,884
Total liabilities	2,640	48,518	-	297,884
Fund balance:				
Restricted for:				
Special revenue funds	-	-	299,244	-
Unassigned	608,209	-	-	-
Total fund balance	608,209	-	299,244	-
Total liabilities and fund balance	$ 610,849	$ 48,518	$ 299,244	$ 297,884

(cont'd; 1 of 2)

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2017

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash and cash equivalents	$ 116,282	$ 434,300
Receivables:		
Grant	29,596	637,889
Due from other funds	45,009	375,193
Total assets	$ 190,887	$ 1,447,382
Liabilities, deferred inflows, and fund balance		
Liabilities:		
Accounts payable	$ -	$ 3,445
Due to other funds	29,596	375,193
Total liabilities	29,596	378,638
Fund balance:		
Restricted for:		
Special revenue funds	161,291	460,535
Unassigned	-	608,209
Total fund balance	161,291	1,068,744
Total liabilities and fund balance	$ 190,887	$ 1,447,382

(2 of 2)

The notes to the financial statements are an integral part of this statement.

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STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

RECONCILIATION OF THE BALANCE SHEET - ALL GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2017

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

Fund balances - total governmental funds	$	1,068,744
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		82,376
Accumulated depreciation		(77,701)
Deferred inflow of resources are not financial resources, and therefore are not reported in the funds and include:		
Contributions to pension subsequent to the measurement date		309,968
Difference between expected and actual experience		31,745
Net difference between projected and actual investment earnings on plan investments		436,784
Net change in pension assumptions		148,952
Net change in proportionate share of pension liability		545,633
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds		
Accrued vacation payable		(42,417)
Net pension liability		(7,317,334)
Deferred outflow of resources are not financial resources, and therefore are not reported in the funds and include:		
Difference between expected and actual experience		(69,597)
Net position of governmental activities	$	(4,882,847)

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2017

	General Fund	Negligent, Delinquent or At-Risk Fund #24123	Title XIX Medicaid Fund #25153	State Discretionary IDEA-B Fund #27200
Revenues:				
Intergovernmental - federal grants	$ -	$ 286,364	$ 893,921	$ 570,582
Intergovernmental - state grants	4,133,597	-	-	-
Total revenues	4,133,597	286,364	893,921	570,582
Expenditures:				
Current:				
Instruction	5,244	99,666	-	-
Support services:				
Students	2,681,179	159,666	732,675	446,122
Instruction	-	-	-	-
General Administration	488,315	1,462	-	124,460
School Administration	208,275	-	-	-
Central Services	529,012	25,570	396	-
Operation & Maintenance of Plant	48,912	-	-	-
Other Support services	5,252	-	-	-
Community services	-	-	-	-
Total expenditures	3,966,189	286,364	733,071	570,582
Excess (deficiency) of revenues over expenditures	167,408	-	160,850	-
Fund balance at beginning of the year	440,801	-	138,394	-
Fund balance at end of the year	$ 608,209	$ -	$ 299,244	$ -

(cont'd; 1 of 2)

The notes to the financial statements are an integral part of this statement.

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2017

	Other Governmental Funds	Total Governmental Funds
Revenues:		
Intergovernmental - federal grants	$ 568,053	$ 2,318,920
Intergovernmental - state grants	50,524	4,184,121
Total revenues	618,577	6,503,041
Expenditures:		
Current:		
Instruction	11,386	116,296
Support services:		
Students	111,645	4,131,287
Instruction	1	1
General Administration	56,507	670,744
School Administration	-	208,275
Central Services	99,320	654,298
Operation & Maintenance of Plant	-	48,912
Other Support services	-	5,252
Community services	403,264	403,264
Total expenditures	682,123	6,238,329
Excess (deficiency) of revenues over expenditures	(63,546)	264,712
Fund balance at beginning of the year	224,837	804,032
Fund balance at end of the year	$ 161,291	$ 1,068,744

(2 of 2)

The notes to the financial statements are an integral part of this statement.

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STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

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

Net change in fund balance - total governmental funds	$	264,712
Govermental funds report capital outlays as expenditures. However, in the statement of activites the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital oulays exceeded depreciation in the current year		
Depreciation		(850)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences at:		
June 30, 2016		29,147
June 30, 2017		(42,417)
Deferred contributions to pension plan		309,968
Pension expense		(962,259)
Change in net position of governmental activities	$	(401,699)

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

GENERAL FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental - state grants	$ 4,074,766	$ 7,098,129	$ 4,133,597	$ (2,964,532)
Expenditures:				
Current:				
Instruction	24,859	23,750	5,244	18,506
Support services:				
Students	3,690,964	4,769,049	2,683,194	2,085,855
General Administration	152,945	931,928	488,040	443,888
School Administration	-	365,773	208,275	157,498
Central Services	155,479	997,331	528,358	468,973
Operation & Maintenance of Plant	60,956	60,981	48,121	12,860
Other Support services	2,670	5,252	5,252	-
Total expenditures	4,087,873	7,154,064	3,966,484	3,187,580
Excess (deficiency) of revenues over expenditures	(13,107)	(55,935)	167,113	223,048
Beginning cash balance budgeted	13,107	55,935	-	(55,935)
Fund balance at beginning of the year	-	-	440,801	440,801
Fund balance at end of the year	$ -	$ -	607,914	$ 607,914
RECONCILIATION TO GAAP BASIS:				
Change in payables			295	
Fund balance at end of the year (GAAP basis)			$ 608,209	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

NEGLIGENT, DELINQUENT OR AT-RISK FUND - NO. 24123

Statement of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Intergovernmental - federal grants	$ 398,321	$ 398,321	$ 285,559	$ (112,762)
Expenditures:				
Current:				
Instruction	91,541	86,441	77,935	8,506
Support services:				
Students	273,195	256,564	158,861	97,703
General Administration	2,075	2,075	1,462	613
Central Services	31,510	31,510	25,570	5,940
Debt service:				
Principal retirement	-	21,731	21,731	-
Total expenditures	398,321	398,321	285,559	112,762
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	$ -	$ -	-	$ -
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
Fund balance at end of the year (GAAP basis)			$ -	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

TITLE XIX MEDICAID FUND - NO. 25153

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Intergovernmental - federal grants	$ 319,882	$ 817,644	$ 893,920	$ 76,276
Expenditures:				
Current:				
Support services:				
Students	444,168	941,930	732,674	209,256
Central Services	700	700	396	304
Total expenditures	444,868	942,630	733,070	209,560
Excess (deficiency) of revenues over expenditures	(124,986)	(124,986)	160,850	285,836
Beginning cash balance budgeted	124,986	124,986	-	(124,986)
Fund balance at beginning of the year	-	-	138,394	138,394
Fund balance at end of the year	$ -	$ -	299,244	$ 299,244
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
Fund balance at end of the year (GAAP basis)			$ 299,244	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

STATE DISCRETIONARY IDEA-B FUND - NO. 27200

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental - state grants	$ 415,372	$ 2,097,483	$ 570,582	$ (1,526,901)
Expenditures:				
Current:				
Instruction	-	108,140	-	108,140
Support services:				
Students	384,604	580,078	446,122	133,956
General Administration	30,768	1,409,265	124,460	1,284,805
Total expenditures	415,372	2,097,483	570,582	1,526,901
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	$ -	$ -	-	$ -
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
Fund balance at end of the year (GAAP basis)			$ -	

The notes to the financial statements are an integral part of this statement.

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Central Region Educational Cooperative No. 5 (Cooperative) is a special purpose government corporation organized for the purpose of providing supplementary special education services to local education agencies and is governed by an eleven-member Governing Council. The Council is the basic level of government, which has oversight responsibility and control over all activities related to the Cooperative. The Cooperative is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The Cooperative receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The Cooperative's financial statements include all entities over which the Council exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units or fiduciary units were included in the financial statements.

Generally Accepted Accounting Principles (GAAP) requires that financial statements present the Cooperative (primary government) and its component units. The Cooperative has no component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39*, Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

1. Blended Component Units

   The Cooperative does not have any component units reported as blended component units.

2. Discretely Presented Component Units

   The Cooperative does not have any component units reported as discretely presented component units.

The summary of significant accounting policies of the Cooperative is presented to assist in the understanding of the Cooperative's financial statements. The financial statements and notes are the representation of Central Region Educational Cooperative's management who is responsible for their integrity and objectivity. The financial statements of the Cooperative conform to GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B. Implementation of New Accounting Principles

During fiscal year 2017, the Cooperative adopted the following GASB Statements:

- **GASB Statement No. 74**, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement will be effective for the year ended June 30, 2017.
- **GASB Statement No. 77**, *Tax Abatement Disclosures*, financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as inter-period equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period.

➢ **GASB Statement No. 78**, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, the objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

➢ **GASB Statement No. 80**, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, the objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

Other accounting standards that the Cooperative is currently reviewing for applicability and potential impact on the financial statements include:

- **GASB Statement No. 75**, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, this Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement will be effective for the year ended June 30, 2018.

- **GASB Statement No. 81**, *Irrevocable Split-Interest Agreements,* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

  Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

  This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

  The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016 (FYE June 30, 2018), and should be applied retroactively. Earlier application is encouraged.

- **GASB Statement No. 82**, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73, t*he objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016 (FYE June 30, 2017), except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017 (FYE June 30, 2018). Earlier application is encouraged.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

- **GASB Statement No. 83**, *Certain Asset Retirement Obligations* - This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

  This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

  This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

  This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

  A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

  In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

  The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FYE June 30, 2019). Earlier application is encouraged.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

- **GASB Statement No. 84**, *Fiduciary Activities* – This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

  The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FYE June 30, 2020). Earlier application is encouraged. Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all prior periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. In the first period that this Statement is applied, the notes to the financial statements should disclose the nature of the restatement and its effect. Also, the reason for not restating prior periods presented should be disclosed.

- **GASB Statement No. 85**, Omnibus 2017 – The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

  Specifically, this Statement addresses the following topics:

  - Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
  - Reporting amounts previously reported as goodwill and "negative" goodwill • Classifying real estate held by insurance entities
  - Measuring certain money market investments and participating interest earning investment contracts at amortized cost
  - Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
  - Recognizing on-behalf payments for pensions or OPEB in employer financial statements
  - Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
  - Classifying employer-paid member contributions for OPEB
  - Simplifying certain aspects of the alternative measurement method for OPEB
  - Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

  The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (FYE June 30, 2018). Earlier application is encouraged.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

- **GASB Statement No. 86**, Certain Debt Extinguishment Issues – The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

  In-Substance Defeasance of Debt Using Only Existing Resources Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

  Prepaid Insurance Related to Extinguished Debt – For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

  Additional Disclosure for All In-Substance Defeasance Transactions – One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

  The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (FYE June 30, 2018). Earlier application is encouraged.

- **GASB Statement No. 87**, *Leases* - The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

  Definition of a Lease - A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

  The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FYE June 30, 2021).

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Cooperative. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of net position reports all of the Cooperative's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference being presented as net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 fund financial statements are provided for governmental funds. The emphasis of fund financial statements is on major governmental funds each being reported as a separate column in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

D. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues, net of estimated refunds and estimated uncollectable amounts, in the year for which they are levied. 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. Revenues received during the year but are applicable to subsequent years are reported as deferred inflows of resources. 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. Expenditures incurred during the year that are for the benefit of subsequent years are reported as deferred outflows of resources.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Cooperative reports the following major governmental funds:

- GENERAL FUND

  The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

- SPECIAL REVENUE FUNDS

Negligent, Delinquent, or At-Risk (Fund No. 24123) Minimum Balance: None
Program is to provide supplemental educational opportunities for academically disadvantaged children in the area where they reside. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total REC percentage becomes eligible for program participation. Any student whose test scores fall below REC established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; education need determines the students to be served. Authorization: Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

Title XIX Medicaid (Fund No. 25153) Minimum Balance: None
To provide financial assistance from the Federal government which flows-through the State of New Mexico to school districts, for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women and the aged who meet income and resource requirements, and other categorically-eligible groups. The program is funded by the U.S. government under the Social Security Act, Title XIX, as amended; Public Laws 92-223, 92-602, 93-66, 93-233, 96-499, 97-35, 97-2248, 98-369, 99-272, 99-509, 100-93, 100-202, 100-203, 100-360, 100-436, 100-485, 100-647, 101-166, 101-234, 101-239, 101-508, 101-517, 102-234, 102-170, 102-394, 103-66, 103-112, 103-333, 104-91, 104-191, 104-193, 104-208, and 104-134; Balanced Budget Act of 1997, Public Law 105-33.

State Discretionary IDEA-B (Fund No. 27200) Minimum Balance: None
To support the improvement of educational results and functional outcomes for all children with disabilities.

Additionally, the government reports the following fund types:

- Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources – which are legally restricted to expenditures for specified purposes.

E. Assets, Liabilities, and Net Position or Equity

1. *Deposits and investments*

The government'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.

State statutes authorize the investment of the Cooperative's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The Cooperative is also allowed to invest in United States Government obligations. All funds for the Cooperative must follow the above investment policies.

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 Cooperative. 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 present 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due from/to other funds."

3. *Capital assets*

Capital assets, which include property, plant, and equipment (software), are reported in the applicable governmental-wide financial statements. Beginning July 1, 2005, the threshold for defining Capital assets by the government was raised from $1,000 to assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Software costs have been included with the cost of computer equipment and are capitalized with that equipment. The Cooperative does not develop software for internal use or any other use.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

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

ASSETS	YEARS
Vehides	5
Equipment	5-7

4. *Compensated absences*

It is the Cooperative's policy to permit employees to accumulate earned but unused vacation, of which up to 240 hours will be paid to employees upon separation from the Cooperative's service. The amount for liability has been reported in the government-wide financial statements.

Accumulated sick leave is not payable upon termination and is recorded as expenditures when it is paid.

5. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issue costs are reported as expenditures during the year in which they are incurred. Bonds payable are reported net of the applicable bond premium or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as capital projects expenditures.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

6. *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 Education 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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

7. *Deferred Outflows/Inflows of Resources*

Both deferred inflows and outflows are reported in the Statement of Net Position, but are not recognized in the financial statements as revenues, expenses, and reduction of liabilities or increase in assets until the period(s) to which they relate.

In addition to assets, the Cooperative reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position/fund balance that applies to future periods and will not be recognized as an expenditure until that time.

The Cooperative also reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position/fund balance that applies to future periods and so will not be recognized as a revenue until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

The Cooperative reports deferred outflows of resources for pension-related amounts for the Cooperative's share of the difference between projected and actual earnings, for the Cooperative's share of the difference between contributions to the individual plans and the proportionate share of the contributions, and for changes of assumptions or other inputs.

The Cooperative reports deferred inflows of resources for pension-related amounts in the government wide financial statements or the City's share of the difference between expected and actual experience and for the Cooperative's share of the difference between contributions to the individual plans and the proportionate share of the contributions.

Under the modified accrual basis of accounting, revenue and other fund financial resources are recognized in the period in which they become both measurable and available. Assets recorded in the fund financial statements for which the revenues are not available are reported as a deferred inflow of resources. Deferred inflows of resources are also comprised of property tax and long-term receivables that are unavailable in the fund statements.

8. *Fund balance*

a. Non-Spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

b. Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

c. Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the Cooperative's Council should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the Cooperative's Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Cooperative did not have committed fund balances for the year ended June 30, 2017.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

d. Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, (b) that are not classified as non-spendable and are neither restricted nor committed and (c) amounts in the general fund that are constrained by the Cooperative's intent to be used for specific purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the Council or the Finance Committee. The Cooperative did not have assigned fund balances for the year ended June 30, 2017.

e. Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the Cooperative's policy to use committed first followed by assigned and unassigned resources as they are needed.

9. *Net position*

Net position is presented on the statement of net position and may be presented in any of three components.

a. Net investment in capital assets

This component of Net Position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. That portion of the debt is included in restricted for capital projects.

b. Restricted Net Position

Net Position are reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

c. Unrestricted Net Position

Unrestricted Net Position consists of Net Position that does not meet the definition of "net investment in capital assets" or "restricted."

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

In the governmental environment, net position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted net position, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

10. *Indirect Costs*

The Cooperative's General Fund receives indirect cost reimbursements from the various federal programs it administers. These reimbursements are for expenses incurred in performing administrative functions on behalf of the Special Revenue Funds. They are shown as expenditures in the Special Revenue Funds, and as other special federal revenue in the General Fund.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

11. *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.

12. *Revenues*

The Cooperative 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.

13. *Tax Abatements*

Governmental Accounting Standards Board Statement No. 77 requires the Cooperative to disclose information on certain tax abatement agreements effecting the Cooperative. Accordingly, the Cooperative did not have any tax abatements effecting the District during the year ended June 30, 2017.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budgets for the General, Special Revenue Funds are prepared by management and are approved by the local Cooperative's Council and the Public School Budget and Planning Unit of the Department of Education.

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. The budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

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 Council approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

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

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

1. In April or May, the superintendent submits to the Council a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
2. In May or June, the budget is approved by the Council.
3. The Council meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
4. The Executive Director 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 Cooperative's Council and the State of New Mexico Department of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

A. Budgetary Information (cont'd)

The Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2016 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

	ORIGINAL	FINAL
Major Funds:		
General Funds	$ 4,087,873	$ 7,154,064
Special Revenue Funds:		
Negligent, Delinquent or At-Risk	398,321	398,321
Title XIX Medicaid	444,868	942,630
State Discretionary IDEA-B	415,372	2,097,483
Nonmajor Funds:		
Special Revenue Funds	136,609	1,175,275
Total Budget	$ 5,483,043	$ 11,767,773

B. Budgetary Violations

The Cooperative did not have any budgetary violations during the year ended June 30, 2017.

C. Deficit Fund Equity

The Cooperative did not have any deficit fund balance at June 30, 2017.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2017, the carrying amount of the Cooperative's deposits was $434,300 and the bank balance was $912,298 with the difference consisting of outstanding checks. Of this balance $250,000 was covered by federal depository insurance and $450,243 was covered by collateral held in joint safekeeping by a third party.

	BALANCE
Financial institution:	
Bank of America	$ 912,298
Less net reconciling items	(477,997)
Total cash and equivalents	$ 434,300

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. 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 Cooperative for at least one half of the amount on deposit with the institution. The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2017, $212,055 of the Cooperative's bank balance of $912,298 was exposed to custodial risk as follows:

	INSURED	UNDER INSURED	TOTAL
Bank deposits:			
Uninsured and uncollateralized	$ 212,055	$ -	$ 212,055
Uninsured and collateral held by pledging bank's trust dept not in the District's name	450,243	-	450,243
Total uninsured	662,298	-	662,298
Insured (FDIC)	250,000	-	250,000
Total deposits	$ 912,298	$ -	$ 912,298
State of New Mexico collateral requirement:			
50% of uninsured public fund bank deposits	$ 331,149	$ -	$ 331,149
Pledged security	450,243	-	450,243
Over collateralization	$ 119,094	$ -	$ 119,094

The collateral pledged is listed on Page 72 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, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the Cooperative. 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.

III. DETAILED NOTES ON ALL FUNDS (cont'd)

B. Receivables

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate, including the following:

	RECEIVABLES		DUE FROM OTHER	
	Grant	Other	Governments	Funds
Major Funds:				
General Funds	$ 261,891	$ -	$ -	$ 330,184
Negligent, Delinquent or At-Risk	48,518	-	-	-
Title XIX Medicaid	-	-	-	-
State Discretionary IDEA-B	297,884	-	-	-
Other Governmental Funds	29,596	-	-	45,009
Total	$ 637,889	$ -	$ -	$ 375,193

An allowance for doubtful accounts has not been established. All receivables are expected to be collectible.

C. Inter-Fund Receivables and Payables

The inter-fund receivables and payables at June 30, 2017 were:

	RECEIVABLES	PAYABLES
Major Funds:		
General Funds	$ 330,184	$ -
Negligent, Delinquent or At-Risk	-	47,713
Title XIX Medicaid	-	-
State Discretionary IDEA-B	-	297,884
Other Governmental Funds	45,009	29,596
Total	$ 375,193	$ 375,193

The inter-fund loans were made for the purposes of cash shortfalls within the individual funds. All loans are expected to be repaid within the next fiscal year.

D. Inter-Fund Transfers

The inter-fund transfers during the year ended June 30, 2017 were:

	TRANSFERS IN	TRANSFERS OUT
Major Funds:		
General Funds	$ 31,454	$ -
Negligent, Delinquent or At-Risk	-	-
Title XIX Medicaid	-	-
State Discretionary IDEA-B	-	-
Other Governmental Funds	-	31,454
Total	$ 31,454	$ 31,454

III. DETAILED NOTES ON ALL FUNDS (cont'd)

E. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	BEGINNING	INCREASES	DECREASES	ENDING
Governmental activities:				
Capital assets being depreciated:				
Furniture, Fixtures, and Equipment	$ 82,376	$ -	$ -	$ 82,376
Less accumulated depreciation for:				
Furniture, fixtures, and equipment	(76,851)	(850)	-	(77,701)
Total capital assets, net	$ 5,525	$ (850)	$ -	$ 4,675

Depreciation has been allocated to the functions by the following amounts:

DEPRECIATION ALLOCATION TO FUNCTIONS	
Instruction	$ 102
Support Services - Students	504
Support Services - Instruction	1
Support Services - General Administration	82
Support Services - School Administration	25
Central Services	80
Operations & Maintenance of Plant	6
Other Support Services	1
Community Services	49
Total Depreciation Expense	$ 850

The Schedule of Capital Assets Used by Source, and the Schedule of Changes in Capital Assets by Function and Activity have not been prepared because the detailed information is unavailable.

F. Liabilities

Changes in long liabilities – the following changes occurred in liabilities during the year ended June 30, 2017:

	BEGINNING	ADDITIONS	RETIREMENTS	ENDING	CURRENT
Compensated absences:					
Compensated vacation	$ 29,147	$ 46,437	$ 33,167	$ 42,417	$ 42,417

The liability of compensated absences is liquidated with resources from the general fund and several special revenue funds

III. DETAILED NOTES ON ALL FUNDS (cont'd)

F. Liabilities (cont'd)

Operating Leases

The Cooperative leases office space under a three year operating lease executed April 25, 2013 with the option to renew after each third year for a total of 15 years. The Cooperative is now in the first renewal option. Rental cost for the year ended June 30, 2017 was $21,661. The annual lease requirements are as follows:

JUNE 30,	AMOUNT
2018	$ 21,661
2019	22,311
Total	$ 43,972

The Cooperative leases office equipment under a 60 month non-cancellable operating lease executed July 7, 2016 with monthly payments of $331. At the end of the lease period the Cooperative has the option purchase the equipment at fair market value, return the equipment, or renew the lease. Rental costs for the year ended June 30, 2017 were $3,972. The annual lease requirements are as follows:

JUNE 30,	AMOUNT
2018	$ 3,972
2019	3,972
2020	3,972
2021	3,972
Total	$ 15,888

IV. OTHER INFORMATION

A. Risk Management

The Cooperative 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 Cooperative, as a State entity, is insured through the State of New Mexico, General Services Department, Risk Management Division. Annual premiums are paid by the Cooperative 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.

B. Employee Retirement Plan

Plan Description - Substantially all of the Cooperative's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, Sections 1 through 52, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the New Mexico Educational Employees' Retirement Plan (Plan), which is a cost-sharing multiple-employer defined benefit retirement plan. ERB issues a separate, publicly available financial report that includes the financial statements and required supplementary information for the plan. That report may be obtained www.nmerb.org, www.saonm.org, or by writing to:

ERB
P.O. Box 26129
Santa Fe, New Mexico 87502-6129
www.nmerb.org

Membership in the Plan is a condition of employment. Employees of public schools, universities, regional cooperatives, special schools and state agencies providing educational programs, who are employed at more than 25% of a full-time equivalency, are required to be members of the Plan. There were 150,082 active, retired, and inactive members in fiscal year 2016; there were 146,089 active, retired, and inactive members in fiscal year 2015.

IV. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

Benefits Provided - The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. Benefits are based on three components: Final Average Salary (FAS), years of both earned and allowed service credits, and a 2.35% factor. The gross annual benefit is determined by multiplying the three components together. FAS is the higher of annual earnings for the previous 20 calendar quarters prior to retirement or the highest average annual earnings for any 20 consecutive calendar quarters.

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

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

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

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

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

IV. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

The member, upon retirement, has three options as to how to receive the benefit.

Option A – If the member elects the Option A, there is no reduction to the monthly benefit other than any "Rule of 75" deductions or any community property or child support reductions. There will be no continuing benefit to a beneficiary or estate upon the retiree's death, except the balance, if any, of member contributions. Those contributions are usually exhausted in the first three to four years of retirement.

Option B – If the member elects Option B, the monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member and upon the retiree's death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement since the amount of the option is calculated by using both the age of the member and the beneficiary. If the beneficiary predeceases the member, the member's benefit will be adjusted by returning it to the Option A Benefit amount. The IRS prohibits selection of Option B for a non-spouse beneficiary more than ten years younger than the member.

Option C – If the member elects Option C, the monthly benefit is reduced to provide for a 50% survivor's benefit. The benefit is payable during the life of the member and upon the retiree's death, one half of the member's benefit is paid to the beneficiary for his or her lifetime. Here again, the named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by returning it to the Option A Benefit amount.

Under the provisions of Options B and C coverage, the beneficiary must be a person, and only one beneficiary may be named. The term beneficiary means a person having an insurable interest in the life of the member.

Member Contributions – Plan members whose annual salary is $20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over $20,000 are required to make the following contributions to the Plan: 10.7% of their gross salary in fiscal year 2017.

Employer Contributions – In fiscal year 2017, the Cooperative was required to contribute 13.9% of the gross covered salary for employees whose annual salary is $20,000 or less, and 13.9% of the gross covered salary for employees whose annual salary is more than $20,000. The contribution requirements of plan members and the Cooperative are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to ERB for the fiscal years ending June 30, 2017, 2016, and 2015, were $309,968, $403,654, and $376,667, respectively, which equal the amount of the required contributions for each fiscal year.

Employers

The Educational Retirement Act designates employers as Local Administrative Units, directly responsible for payment of compensation for the employment of members or participants of this Plan. There were 218 contributing employers in fiscal year 2016; there were 216 contributing employers in fiscal year 2015.

Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and Expense Related to Pensions

At June 30, 2017, the Cooperative reported a liability of $7,317,334 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 that date. The Cooperative's proportion of the net pension liability was based on a projection of the Cooperative's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the Cooperative's proportion was 0.10168 percent, which was an increase of 0.00635 percent from its proportion measured as of June 30, 2015.

IV. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

For the year ended June 30, 2017, the Cooperative recognized pension expense of $962,259.

PENSION EXPENSE CALCULATION		
Net pension liability - end of the year	$	7,317,334
Net pension liability - beginning of the year		(6,174,778)
Deferred outflows of resources during the year		(511,279)
Deferred inflows of resources during the year		(72,672)
Reductions to ending net pension liability due contributions paid		403,654
Total Pension Expense	$	962,259

At June 30, 2017, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		OUTFLOWS		INFLOWS
Difference between expected and actual experience	$	31,745	$	69,597
Change of assumptions		148,952		-
Net difference between projected and actual earnings on pension plan investments		436,784		-
Changes in proportion and differences between District contributions and proportionate share of contributions		545,633		-
District contributions subsequent to the measurement date		309,968		-
Total	$	1,473,082	$	69,597

Deferred outflows of resources related to pensions in the amount of $309,968 resulted from Cooperative contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in subsequent years as follows:

JUNE 30,		AMORTIZATION
2018	$	(394,212)
2019		(302,925)
2020		(289,866)
2021		(106,514)
2022		-
Thereafter		-
Total	$	(1,093,517)

IV. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

Actuarial Assumptions

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 the expected rate of return on pension plan investments of 7.75%. Based on the assumptions described below and the projection of cash flows, pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. The long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled forward from the valuation date to the Plan's year ending June 30, 2016 using generally accepted actuarial principals. The liabilities reflect the impact of Senate Bill 115, signed into law on March 29, 2013, and new assumptions adopted by the Board of Trustees on June 12, 2015. Specifically, the liabilities measured as of June 30, 2016 and 2015 incorporate the following assumptions:

1) All members with an annual salary of more than $20,000 will contribute 10.7% during the fiscal year ending June 30, 2015 and thereafter.
2) Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their Cost of Living Adjustment (COLA) will be deferred until age 67.
3) COLAs for most retirees are reduced until ERB attains a 100% funded status.
4) The new assumptions were adopted by ERB on June 12, 2015 in conjunction with the six year experience study period ending June 30, 2014.

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

Actuarial Cost Method Entry Age:	Normal
Amortization Method:	Level Percentage of Payroll
Remaining Period:	Amortized - closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method:	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation:	3.00%
Salary Increases:	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return:	7.75%
Retirement Age:	Experience based table of rates based on age and service. Adopted by NMERB on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014
Mortality:	Healthy males: RP-2000 Combined Mortality Table with white collar adjustments, generational mortality improvements with scale BB. Healthy females: 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.

IV. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

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

Asset Class	2016 Long-Term Expected Real Rate of Return	2015 Long-Term Expected Real Rate of Return
Cash	-0.25%	0.00%
U.S. Treasuries	0.00%	0.25%
IG Corp Credit	1.75%	1.50%
Mortgage Backed Securities	0.25%	0.50%
Core Bonds*	0.64%	0.73%
Treasury Inflation Protected Securities	0.75%	0.75%
High-Yield Bonds	2.50%	2.50%
Bank Loans	2.75%	2.75%
Global Bonds (Unhedged)	-0.50%	-1.00%
Global Bonds (Hedged)	-0.38%	-0.84%
Emerging Market Debt External	2.75%	2.75%
Emerging Market Debt Local Currency	3.25%	3.50%
Large Cap Equities	4.25%	4.25%
Small/ Mid Cap Equities	4.50%	4.50%
International Equities (Unhedged)	4.75%	4.75%
International Equities (Hedged)	5.14%	5.22%
Emerging International Equities	6.25%	6.00%
Private Equity	6.25%	6.25%
Private Debt	4.75%	4.75%
Private Real Assets	4.50%	4.50%
Real Estate	3.25%	3.25%
Commodities	2.25%	2.50%
Hedge Funds	3.25%	3.50%

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.).

These items are developed for each major asset class.

IV. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate Assumption

The following table shows the sensitivity of the net pension liability to changes in the discount rate as of fiscal year end 2016. In particular, the table presents the Plan's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

			CURRENT SINGLE RATE	
		1% Decrease	Assumption	1%Increase
		6.75%	7.75%	8.75%
ERB (All Employers)				
	2016	$ 9,531,509,131	$ 7,196,433,561	$ 5,258,980,529
	2015	$ 8,715,594,530	$ 6,477,266,299	$ 4,596,837,569
	2014	$ 7,763,304,829	$ 5,705,730,813	$ 3,987,098,791
Central Regional Education Cooperative				
	2016	$ 9,691,638	$ 7,317,334	$ 5,347,331
	2015	$ 8,308,576	$ 6,174,778	$ 4,382,165
	2014	$ 7,050,623	$ 5,181,936	$ 3,621,048

C. Post-Retirement Health Care Benefits

Plan Description

Central Region Educational Cooperative No. 5 contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are:

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

Retiree Health Care Authority
4308 Carlisle NE, Suite 104
Albuquerque, NM 87107

IV. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits (cont'd)

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 RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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

The Retiree Health Care Act (Section 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 plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 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, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Cooperative's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were $68,183, $58,962, and $55,074, respectively, which equal the required contributions for each year.

D. Contingent Liabilities

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

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

E. Cash Flows

The Cooperative's federal and state grants operate on a reimbursement basis. The Cooperative must support the expenditures of these grants with monies from the unrestricted operating monies. Operating on a reimbursement basis for these grants in its self does not adversely affect the Cooperative's ability to operate effectively. However, the time it takes to receive reimbursement, if extensive, does significantly affect the Cooperative's cash flows and the ability to deliver educational services to the community in an effective manner. This could affect the Cooperative's financial operations in subsequent years.

F. Subsequent Events

Subsequent events were evaluated through September 11, 2017, which is the date the financial statements were available to be issued.

SCHEDULE OF THE COOPERATIVE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

	2017	2016	2015
Cooperative's proportion of the net pension liability	0.101680%	0.095330%	0.000908%
Cooperative's proportionate share of the net pension liability	$ 7,317,334	$ 6,174,778	$ 5,181,936
Cooperative's covered-employee payroll	$ 2,229,988	$ 2,710,761	$ 2,504,469
Cooperative's proportionate share of the net pension liability as a percentage of its covered-employee payroll	328.13%	227.79%	206.91%
Plan fiduciary net position as a percentage of the total pension liability	61.58%	63.97%	66.54%

* These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SCHEDULE OF COOPERATIVE'S CONTRIBUTIONS
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

	2017	2016	2015
Contractually required contribution	$ 309,968	$ 376,795	$ 329,185
Contributions in relation to the contractually required	(309,968)	(376,666)	(329,185)
Contribution deficiency (excess)	$ -	$ 129	$ -
Cooperative's covered-employee payroll	$ 2,229,988	$ 2,710,761	$ 2,504,469
Contribution as a percenatge of covered-employee payroll	13.90%	13.90%	13.14%

* These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the Cooperative will present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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

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

1) Fiscal year 2016 valuation assumptions that changed based on this study:
   a. Lower wage inflation from 4.75% to 3.75%
   b. Lower payroll growth from 3.75% to 3.50%
   c. Minor changes to demographic assumptions
   d. Population growth per year from 0.50% to 0.00%
2) Assumptions that were not changed:
   a. Investment return will remain at 7.75%
   b. Net real return remains at 4.75%
   c. Inflation will remain at 3.00%
   d. COLA assumption of 2.00% per year
   e. Payroll growth remains at 3.50%

See also the Note VI (B) *Actuarial Assumptions* of the financial statement note disclosure on the Pension Plan.

GENERAL FUNDS

YEAR ENDED JUNE 30, 2017

REC OPERATIONAL FUND (Fund No. 27101)

The government's primary fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

INSTRUCTIONAL MATERIALS FUND (Fund No. 14000)

Accounts for all the Instructional Materials funds received through the state for the purpose of acquiring study materials for the students.

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

GENERAL FUNDS

Combining Balance Sheet

June 30, 2017

	REC Operational Fund #27101	Instructional Materials Fund #14000	Total General Funds
Assets			
Cash and cash equivalents	$ -	$ 18,774	$ 18,774
Receivables:			
Grant	261,891	-	261,891
Due from other funds	330,184	-	330,184
Total assets	$ 592,075	$ 18,774	$ 610,849
Liabilities, deferred inflows and fund balance			
Liabilities:			
Accounts payable	$ 2,640	$ -	$ 2,640
Fund balance:			
Unassigned	589,435	18,774	608,209
Total liabilities and fund balance	$ 592,075	$ 18,774	$ 610,849

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

GENERAL FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2017

	General Funds		
	REC Operational Fund #27101	Instructional Materials Fund #14000	Total General Fund
Revenues:			
Intergovernmental - state grants	$ 4,122,065	$ 11,532	$ 4,133,597
Expenditures:			
Current:			
Instruction	-	5,244	5,244
Support services:			
Students	2,681,179	-	2,681,179
General Administration	488,315	-	488,315
School Administration	208,275	-	208,275
Central Services	529,012	-	529,012
Operation & Maintenance of Plant	48,912	-	48,912
Other Support services	5,252	-	5,252
Total expenditures	3,960,945	5,244	3,966,189
Excess of revenues over expenditures	161,120	6,288	167,408
Fund balance at beginning of the year	428,315	12,486	440,801
Fund balance at end of the year	$ 589,435	$ 18,774	$ 608,209

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

REC OPERATIONAL FUND - NO. 27101

Statement of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Intergovernmental - state grants	$ 4,063,014	$ 7,089,500	$ 4,122,065	$ (2,967,435)
Expenditures:				
Current:				
Support services:				
Students	3,690,964	4,769,049	2,683,194	2,085,855
General Administration	152,945	931,928	488,040	443,888
School Administration	-	365,773	208,275	157,498
Central Services	155,479	997,331	528,358	468,973
Operation & Maintenance of Plant	60,956	60,981	48,121	12,860
Other Support services	2,670	5,252	5,252	-
Total expenditures	4,063,014	7,130,314	3,961,240	3,169,074
Excess (deficiency) of revenues over expenditures	-	(40,814)	160,825	201,639
Beginning cash balance budgeted	-	40,814	-	(40,814)
Fund balance at beginning of the year	-	-	428,315	428,315
Fund balance at end of the year	$ -	$ -	589,140	$ 589,140
RECONCILIATION TO GAAP BASIS:				
Change in payables			295	
Fund balance at end of the year (GAAP basis)			$ 589,435	

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

INSTRUCTIONAL MATERIALS FUND - NO. 14000

Statement of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Intergovernmental - state grants	$ 11,752	$ 8,629	$ 11,532	$ 2,903
Expenditures:				
Current:				
Instruction	24,859	23,750	5,244	18,506
Excess (deficiency) of revenues over expenditures	(13,107)	(15,121)	6,288	21,409
Beginning cash balance budgeted	13,107	15,121	-	(15,121)
Fund balance at beginning of the year	-	-	12,486	12,486
Fund balance at end of the year	$ -	$ -	18,774	$ 18,774
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
Fund balance at end of the year (GAAP basis)			$ 18,774	

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Nonmajor Special Revenue Funds

Special revenue funds are operating funds used to account for the proceeds of specific revenue sources that are intended for specific purposes other than special assessments or major capital projects.

Javits Gifted & Talented Students (Fund No. 24102) Minimum Balance: None
Used to provide financial assistance to State and local educational agencies, institutions of higher education, and other public and private agencies and organizations, to stimulate research, development, training, and similar activities designed to build a nationwide capability in elementary and secondary schools to meet the special educational needs of gifted and talented students. Authority for this fund is the Elementary and Secondary Education Act of 1965, as amended, Title V, Part D, Subpart 61, 108 Stat. 3820: 20 U.S.C. 8031.

Entitlement IDEA-B (Fund No. 24106) Minimum Balance: None
Program is to provide grants to states that flow-through to schools, to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Section 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.

Preschool IDEA-B (Fund No. 24109) Minimum Balance: None
The Preschool program is for the purpose of enhancing Special Education for handicapped children from ages 3 to 5. The program is funded by the United States government, under the Individuals With Disabilities Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, and 101-476.

21st Century (Fund No. 24119) Minimum Balance: None
After school adolescence care, providing the community with responsible Child Care, while providing the children and their families with referral services, drug prevention education, academic help, and character building (social skill) activities. Funding is provided by the Department of Education under the Elementary and Secondary Education Act of 1965, Title X, part I Section 10901, Public Law 103-382 Stat. 3844, 20 U.S.C. 8241.

Enhancing Education (Fund No. 24133) Minimum Balance: None
The technology fund provides financing to purchase computers and software for a District-wide student information system and software licensing for computer labs within the District. The program is funded through the Office of Technology for the State of New Mexico. Authorization: IASA Improving America School Act PL 103-382.

School Based Health Center (Fund No. 29130) Minimum Balance: None
To enhance school based health centers infrastructure, develop and implement billing protocols, improve communication with school personnel, families, and outside agencies, and improve behavioral health programs.

Library Books (Fund No. 27549) Minimum Balance: None
To support the purchase of library books. Authorized through New Mexico Senate Bill 471.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds				
	Javits Gifted & Talented Fund #24102	Entitlement IDEA-B Fund #24106	Discretionary IDEA-B Fund #24107	Preschool IDEA-B Fund #24109	21st Century Fund #24119
Assets					
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -
Receivables:					
Grant	-	29,596	-	-	-
Due from other funds	-	-	-	-	-
Total assets	$ -	$ 29,596	$ -	$ -	$ -
Liabilities, deferred inflows and fund balance					
Liabilities:					
Due to other funds	$ -	$ 29,596	$ -	$ -	$ -
Fund balance:					
Restricted for:					
Special revenue funds	-	-	-	-	-
Total liabilities and fund balance	$ -	$ 29,596	$ -	$ -	$ -

(cont'd; 1 of 2)

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds				
	Enhancing Education Fund #24133	Library Books Fund #27549	BP America Production Fund #29102	School Based Health Center Fund #29130	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	$ -	$ -	$ 3,815	$ 112,467	$ 116,282
Receivables:					
Grant	-	-	-	-	29,596
Due from other funds	-	-	45,009	-	45,009
Total assets	$ -	$ -	$ 48,824	$ 112,467	$ 190,887
Liabilities, deferred inflows and fund balance					
Liabilities:					
Due to other funds	$ -	$ -	$ -	$ -	$ 29,596
Fund balance:					
Restricted for:					
Special revenue funds	-	-	48,824	112,467	161,291
Total liabilities and fund balance	$ -	$ -	$ 48,824	$ 112,467	$ 190,887

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2017

	Special Revenue Funds				
	Javits Gifted & Talented Fund #24102	Entitlement IDEA-B Fund #24106	Discretionary IDEA-B Fund #24107	Preschool IDEA-B Fund #24109	21st Century Fund #24119
Revenues:					
Intergovernmental - federal grants	$ -	$ 133,913	$ -	$ -	$ 434,140
Intergovernmental - state grants	-	-	-	-	-
Total revenues	-	133,913	-	-	434,140
Expenditures:					
Current:					
Instruction	-	11,386	-	-	-
Support services:					
Students	-	110,469	-	-	-
Instruction	-	-	-	-	-
General Administration	-	300	-	-	30,876
Central Services	-	11,758	-	-	-
Community services	-	-	-	-	403,264
Total expenditures	-	133,913	-	-	434,140
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Fund balance at beginning of the year	-	-	-	-	-
Fund balance at end of the year	$ -	$ -	$ -	$ -	$ -

(cont'd; 1 of 2)

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

NON-MAJOR GOVERNMENTAL FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2017

	Special Revenue Funds				
	Enhancing Education Fund #24133	Library Books Fund #27549	BP America Production Fund #29102	School Based Health Center Fund #29130	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental - federal grants	$ -	$ -	$ -	$ -	$ 568,053
Intergovernmental - state grants	-	-	50,000	524	50,524
Total revenues	-	-	50,000	524	618,577
Expenditures:					
Current:					
Instruction	-	-	-	-	11,386
Support services:					
Students	-	-	1,176	-	111,645
Instruction	-	-	-	1	1
General Administration	-	-	-	25,331	56,507
Central Services	-	-	-	87,562	99,320
Community services	-	-	-	-	403,264
Total expenditures	-	-	1,176	112,894	682,123
Excess (deficiency) of revenues over expenditures	-	-	48,824	(112,370)	(63,546)
Fund balance at beginning of the year	-	-	-	224,837	224,837
Fund balance at end of the year	$ -	$ -	$ 48,824	$ 112,467	$ 161,291

(2 of 2)

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NONMAJOR GOVERNMENTAL FUNDS
BUDGETARY PRESENTATION

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

JAVITS GIFTED & TALENTED FUND - NO. 24102

Schedule of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Intergovernmental - federal grants	$ -	$ -	$ -	$ -
Expenditures:				
Current:				
Instruction	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other financing uses:				
Transfers out	-	-	(3,807)	(3,807)
Net change in fund balance	-	-	(3,807)	(3,807)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	$ -	$ -	(3,807)	$ (3,807)
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			3,807	
Fund balance at end of the year (GAAP basis)			$ -	

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

ENTITLEMENT IDEA-B FUND - NO. 24106

Schedule of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Intergovernmental - federal grants	$ -	$ 185,378	$ 133,913	$ (51,465)
Expenditures:				
Current:				
Instruction	-	23,086	11,386	11,700
Support services:				
Students	-	146,530	110,469	36,061
General Administration	-	1,266	300	966
Student transportation	-	14,496	11,758	2,738
Total expenditures	-	185,378	133,913	51,465
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	$ -	$ -	-	$ -
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
Fund balance at end of the year (GAAP basis)			$ -	

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

DISCRETIONARY IDEA-B FUND - NO. 24107

Schedule of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Intergovernmental - federal grants	$ -	$ -	$ -	$ -
Expenditures:				
Current:				
Instruction	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other financing uses:				
Transfers out	-	-	(21,137)	(21,137)
Net change in fund balance	-	-	(21,137)	(21,137)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	$ -	$ -	(21,137)	$ (21,137)
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			21,137	
Fund balance at end of the year (GAAP basis)			$ -	

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

PRESCHOOL IDEA-B FUND - NO. 24109

Schedule of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Intergovernmental - federal grants	$ -	$ -	$ -	$ -
Expenditures:				
Current:				
Instruction	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other financing uses:				
Transfers out	-	-	(4,415)	(4,415)
Net change in fund balance	-	-	(4,415)	(4,415)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	$ -	$ -	(4,415)	$ (4,415)
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			4,415	
Fund balance at end of the year (GAAP basis)			$ -	

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

21ST CENTURY FUND - NO. 24119

Schedule of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Intergovernmental - federal grants	$ -	$ 803,288	$ 648,391	$ (154,897)
Expenditures:				
Current:				
Support services:				
General Administration	-	38,252	30,876	7,376
Excess of revenues over expenditures	-	765,036	617,515	(147,521)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	$ -	$ 765,036	617,515	$ (147,521)
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
Fund balance at end of the year (GAAP basis)			$ 617,515	

ENHANCING EDUCATION FUND - NO. 24133

Schedule of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Intergovernmental - federal grants	$ -	$ -	$ -	$ -
Expenditures:				
Current:				
Instruction	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other financing uses:				
Transfers out	-	-	(1,875)	(1,875)
Net change in fund balance	-	-	(1,875)	(1,875)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	$ -	$ -	(1,875)	$ (1,875)
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			1,875	
Fund balance at end of the year (GAAP basis)			$ -	

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

LIBRARY BOOKS FUND - NO. 27549

Schedule of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Intergovernmental - state grants	$ -	$ -	$ -	$ -
Expenditures:				
Current:				
Instruction	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other financing uses:				
Transfers out	-	-	(220)	(220)
Net change in fund balance	-	-	(220)	(220)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	$ -	$ -	(220)	$ (220)
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			220	
Fund balance at end of the year (GAAP basis)			$ -	

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

BP AMERICA PRODUCTION FUND - NO. 29102

Schedule of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Contributions - private grants	$ -	$ 50,000	$ 50,000	$ -
Expenditures:				
Current:				
Support services:				
Students	-	46,890	1,176	45,714
General Administration	-	3,110	-	3,110
Total expenditures	-	50,000	1,176	48,824
Excess of revenues over expenditures	-	-	48,824	48,824
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	$ -	$ -	48,824	$ 48,824
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
Fund balance at end of the year (GAAP basis)			$ 48,824	

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

SCHOOL BASED HEALTH CENTER FUND - NO. 29130

Schedule of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues:				
Intergovernmental - state grants	$ -	$ -	$ 524	$ 524
Expenditures:				
Current:				
Support services:				
General Administration	23,252	25,341	25,332	9
Central Services	113,357	111,268	87,562	23,706
Total expenditures	136,609	136,609	112,894	23,715
Excess (deficiency) of revenues over expenditures	(136,609)	(136,609)	(112,370)	24,239
Beginning cash balance budgeted	136,609	136,609	-	(136,609)
Fund balance at beginning of the year	-	-	224,837	224,837
Fund balance at end of the year	$ -	$ -	112,467	$ 112,467
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
Fund balance at end of the year (GAAP basis)			$ 112,467	

STATE REQUIRED DISCLOSURES

Supplemental schedules required by the State of New Mexico to provide additional analysis.

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2017

	Bank of America
Cash on deposit at June 30, 2017:	
Checking and savings	$ 912,298
Less: FDIC coverage	(250,000)
Uninsured funds	$ 662,298
Amount requiring pledged collateral:	
50% collateral requirement	$ 331,149
Pledged collateral	450,243
Excess (deficiency) of pledged collateral	$ 119,094

Pledged collateral of financial institutions consists of the following at June 30, 2017

Bank of America:	Maturity	CUSIP #	Market Value
FMAC	11/1/2041	3128MAC72	$ 110,311
FMAC	2/1/2042	3128MJQ72	398
FMAC	2/1/2042	3132GRHL8	37,613
FNMA	2/1/2038	3138EGJZ8	173,558
FNMA	2/1/2042	3138EHXR2	128,363
			$ 450,243

The above securities are held at Bank of New York Mellon, New York City, NY.

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

CASH RECONCILIATION

Year Ended June 30, 2017

	Beginning Cash	Receipts	Distributions	Other	Net Cash End of Period	Adjustments to the report	Total Cash on Report
Instructional Materials	$ 12,486	$ 11,532	$ 5,244	$ -	$ 18,774	$ -	$ 18,774
Federal Flowthrough Funds	(211,705)	1,067,862	1,067,862	134,396	(77,309)	77,309	-
Federal Direct Funds	138,395	893,920	733,071	-	299,244	-	299,244
State Flowthrough Funds	(201,585)	4,692,647	4,563,274	104,512	32,300	(32,300)	-
Local/State	221,126	50,524	114,069	3,710	161,291	(45,009)	116,282
Total	$ (41,283)	$ 6,716,485	$ 6,483,520	$ 242,618	$ 434,300	$ -	$ 434,300

Account Name	Account Type	Bank Name	Bank Amount
Operational	Checking - Interest	International Bank	$ 912,298

Adjustments to cash:	
Bank Balance	$ 912,298
Cash on hand	-
Outstanding deposits	-
Outstanding checks	(477,998)
Errors	-
Total adjusted cash	$ 434,300

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COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

§

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of
Federal Awards Required By Uniform Guidance

§

Schedule of Expenditures of Federal Awards
Notes to the Schedule of Expenditures of Federal Awards

§

Schedule of Findings and Questioned Costs:
Summary of Auditor's Results
Financial Statement Findings
Federal Award Findings

§

Summary Schedule of Prior Year Audit Findings

§

Required Disclosure

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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 AUDITORS' REPORT

Tim Keller, State Auditor
The Council and Audit Committee of
Central Region Educational Cooperative No. 5

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, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Central Region Educational Cooperative No. 5 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Central Region Educational Cooperative No. 5's basic financial statements and have issued our report thereon dated September 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Central Region Educational Cooperative No. 5's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Region Educational Cooperative No. 5's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Region Educational Cooperative No. 5's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Central Region Educational Cooperative No. 5's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether Central Region Educational Cooperative No. 5'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. We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding 2017-001.

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Tim Keller, State Auditor
The Council and Audit Committee of
Central Region Educational Cooperative No. 5

Central Region Educational Cooperative No. 5's Response to Findings

Central Region Educational Cooperative No. 5 responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Central Region Educational Cooperative No. 5's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Central Region Educational Cooperative No. 5's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting & Financial Solutions, LLC

Farmington, New Mexico
September 11, 2017

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Tim Keller, State Auditor,
The Council and Audit Committee of
Central Region Educational Cooperative No. 5

Report on Compliance for Each Major Federal Program

We have audited Central Region Educational Cooperative No. 5's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Central Region Educational Cooperative No. 5's major federal programs for the year ended June 30, 2017. Central Region Educational Cooperative No. 5's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Central Region Educational Cooperative No. 5's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Region Educational Cooperative No. 5's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Central Region Educational Cooperative No. 5's compliance.

Opinion on Each Major Federal Program

In our opinion, Central Region Educational Cooperative No. 5 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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Tim Keller, State Auditor,
The Council and Audit Committee of
Central Region Educational Cooperative No. 5

Report on Internal Control Over Compliance

Management of Central Region Educational Cooperative No. 5 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Central Region Educational Cooperative No. 5's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Region Educational Cooperative No. 5's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
September 11, 2017

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

STATE OF NEW MEXICO

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed To Subrecipients	Cluster Programs	Federal Expenditures
U.S. Department of Education:					
Pass-Through Programs From:					
New Mexico Department of Education:					
Special Education (IDEA) Cluster:					
Entitlement IDEA-B	84.027	24106	-	$ 133,913	
State Discretionary IDEA-B	84.027	27200	-	570,582	
Total Special Education (IDEA) Cluster					704,495
Negligent, Delinquent or At-Risk	84.013	24123	-		286,364
21st Century	84.287	24119	-		434,140
Total U.S. Department of Education					1,424,999
U.S. Department of Health and Human Services:					
Pass-Through Program From:					
New Mexico Department of Health:					
Title XIX Medicaid	93.778	25153	-		733,071
Total Expenditures of Federal Awards			$ -		$ 2,158,070

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

1. Scope of audit pursuant to OMB Uniform Grant Guidance

All federal grant operations of Central Region Educational Cooperative No. 5 (the "Cooperative") are included in the scope of the Office of management and Budget ("OMB") Uniform Grant Guidance audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement (Revised August 2017 the "Compliance Supplement"). Compliance testing of all requirements are described in the Compliance Supplement, was performed for the grants programs noted below. These programs represent all federal award programs and other grants with fiscal 2017 cash and non-cash expenditures to ensure coverage of at least 20% (LOW risk auditee) of federally granted funds. Actual coverage is approximately 46% of total cash and non-cash federal award program expenditures. Total cash expenditures were in the amount of $2,158,070 and there were not any non-cash expenditures.

MAJOR FEDERAL AWARD PROGRAM DESCRIPTION	EXPENDITURE
Cash Assistance:	
Special Education (IDEA) Cluster	$ 704,495
Negligent, Delinquent, or At-Risk	286,364
Total	$ 990,859

The Cooperative did not have any Type A federal programs.

The U.S. Department of Education is the Cooperative's oversight agency for single audit.

2. Summary of significant accounting policies

Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Cooperative under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Audits of States, Local Governments and Non-Profit Organizations, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Cooperative, it is not intended to and does not present the financial position and changes in net position of the Cooperative. All federal programs considered active during the year ended June 30, 2017, are reflected on the Schedule. An active federal program is defined as a federal program for which there were receipts or disbursements of funds or accrued (deferred) grant revenue adjustments during the fiscal year or a federal program considered as not completed or closed out at the beginning of the fiscal year. The Schedule is prepared using the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Cooperative has met the qualifications for the respective grant. In addition, there is no federal insurance in effect during the year and loan or loan guarantee outstanding at year end.

Accrued and deferred reimbursements

Various reimbursement procedures are used for federal awards received by the Cooperative. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year end represent an excess of reimbursable expenditures over receipts to date. Deferred balance at year-end represent an excess of cash receipts over reimbursable expenditure to date. Generally, accrued or deferred balances covered by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period.

3. Reconciliation of Federal Awards to Expenditure of Federal Awards

The differences between the federal awards received (Intergovernmental sources – federal) during the year ended June 30, 2017 and the federal awards expended during the year are as follows:

Federal Sources	$ 2,318,920
Indirect costs from federal programs	-
Unexpended federal sources from current year	(299,244)
Prior year federal sources expended	138,394
Total Expenditures of Federal Awards	$ 2,158,070

4. Federal Awards Receivable

There are federal programs that have not received reimbursement for expenditures made within those programs. The Cooperative expects to receive all reimbursement of federal awards in the following year. The following programs reported a receivable for the expenditures that had not been reimbursed as of June 30, 2017.

	CFDA #	Fund #		
Entitlement IDEA-B	84.027	24106	$	29,596
21st Century	84.287	24119		-
Negligent, Delinquent or At-Risk	84.013	24123		48,518
State Discretionary IDEA-B	84.027	27200		297,884
			$	375,998

5. Indirect Costs

The Cooperative has not elected to use the 10% de minis indirect cost.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

I. SUMMARY OF AUDIT RESULTS

	Yes	No	Occurrences
FINANCIAL STATEMENTS:			
Type of auditor's report issued: Unmodified			
Internal control over financial reporting:			
Material weakness(es) identified?		✓	-
Significant Deficiency(ies) identified?		✓	-
Noncompliance material to financial statements noted?		✓	-
FEDERAL AWARDS:			
Internal control over major programs:			
Material weakness(es) identified?		✓	-
Significant Deficiency(ies) identified?		✓	-
Type of auditor's report issued on compliance with major programs: Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?		✓	-

The programs treated as major programs include:

Name of Federal Program or Cluster	CFDA Number
Special Education (IDEA) Cluster	84.027
Negligent, Delinquent, or At-Risk	84.013

The threshold for distinguishing types A and B programs: $750,000

	Yes	No
Auditee qualified as low-risk auditee?	✓	

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

2017 – 001 UNAUTHORIZED TRANSFERS
Other Matter

Condition: During the year ended June 30, 2017, the Cooperative had funds with cash balances that could not be budgeted and spent. Those balances were transferred to the REC Operational Fund as follows:

	Transfer In	Transfer Out
Major Funds:		
REC Operational	$ 31,454	$ -
Javits Gifted & Talented	-	3,807
Discretionary IDEA-B	-	21,137
Preschool IDEA-B	-	4,415
Enhancing Education		1,875
Library Books	-	220
Total	$ 31,454	$ 31,454

Criteria: PSAB Supplement 7 states "Permanent inter-fund transfers are transfers of cash from one fund/subfund to another that will not be returned to the fund/subfund that provided the cash. Permanent inter-fund transfers require local school board and PED approval. The transfer request shall be submitted on Form PED 994 and be reflected on line 9 of the Cash Report."

Cause: The Cooperative had funds with cash balances being carried forward from year to year without being utilized. The transfers were made in an effort to resolve the recurring "Dormant Funds" finding from prior years.

Effect of condition: The District did not follow the procedures of PASB Supplement 7.

Recommendation: Management should develop a plan to monitor cash receipts and balances to ensure that the amounts properly reflect the activities of the Cooperative and that cash balances are not held without being utilized within the bounds of the applicable program. A year to year analysis, or other comparative report, should be used to determine if cash balances show a trend of unchanging balances. Any trends identified need to be investigated to determine the appropriate and timely course of action such as budgeting/spending, refunding, or correction of receipting.

Management's response:. Executive Director had previously made several attempts within six years to inquire how to resolve the dormant funds finding with the Deputy Secretary of Finance, with no resolution. The repeated finding was brought before the Council and a motion was made on September 21, 2016 to make a onetime permanent cash transfer of these funds into the Cooperative's Operational Account. The permanent cash transfer was made on January 1, 2017 in the amount of $31,453.73 into the 27200 budget under the Operational Account. Because the money originally belonged to the Cooperative's six traditional school districts, the $31,453.73 will be disbursed to them equally to use toward educational programs within their districts. Each of the school districts have been asked to invoice the Cooperative during the first quarter of the 17-18 school year, so that by the end of the fiscal year, we will no longer have a hanging balance to carry forward.

Responsible party(ies) for corrective action(s): Executive Director and Business Manager.

Corrective action(s) timeline: Immediately.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No audit findings to report relating to federal awards.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

I. <u>RESOLVED</u>

2014 – 003 DORMANT FUNDS
Current Status: Resolved. Not repeated in the current year.

II. <u>NOT RESOLVED</u>

There were no findings to be reported from the prior year.

REQUIRED DISCLOSURES

YEAR ENDED JUNE 30, 2017

The financial statements were prepared by the independent public accountants.

An exit conference was held September 11, 2017, during which the audit findings were discussed. The exit conference was attended by the following individuals:

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

Jeremy Abshire	Council Member / Audit Committee
Maria Jaramillo	Executive Director; Member, Audit Committee
Jessica Orona	Business Manager; Member, Audit Committee

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner