

STATE OF NEW MEXICO  
**CENTRAL REGION**  
**EDUCATIONAL COOPERATIVE NO. 5**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT  
AND  
SUPPLEMENTAL INFORMATION  
YEAR ENDED JUNE 30, 2016  
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, 2016

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COUNCIL

|                       |                |
|-----------------------|----------------|
| Ron Hendrix           | President      |
| Jeremy Abshire        | Vice President |
| Audie Brown           | Secretary      |
| Susan Wilkinson-Davis | Member         |
| Jack Props            | Member         |
| David Lackey          | Member         |
| David Atencio         | Member         |
| Vannetta Perry        | Member         |
| Lisa Salazar          | Member         |
| James Moya            | Member         |
| Carmela Sandoval      | Member         |

ADMINISTRATION

|                 |                    |
|-----------------|--------------------|
| Maria Jaramillo | Executive Director |
| Jessica Orona   | Business Manager   |

AUDIT COMMITTEE

|                 |                    |
|-----------------|--------------------|
| Ron Hendrix     | Council Member     |
| Jeremy Abshire  | Council Member     |
| Maria Jaramillo | Executive Director |
| Jessica Orona   | Business Manager   |

FINANCE COMMITTEE

|                       |                    |
|-----------------------|--------------------|
| Ron Hendrix           | President          |
| Jeremy Abshire        | Vice President     |
| Audie Brown           | Secretary          |
| Susan Wilkinson-Davis | Member             |
| Jack Props            | Member             |
| David Lackey          | Member             |
| David Atencio         | Member             |
| Vannetta Perry        | Member             |
| Lisa Salazar          | Member             |
| James Moya            | Member             |
| Carmela Sandoval      | Member             |
| Maria Jaramillo       | Executive Director |
| Jessica Orona         | Business Manager   |

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FINANCIAL SECTION  
FISCAL YEAR 2016  
JULY 1, 2015 THROUGH JUNE 30, 2016

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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, 2016, 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. We also have audited the financial statements of each of Central Region Educational Cooperative No. 5's nonmajor governmental and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

### ***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, 2016, 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. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental of Central Region Educational Cooperative No. 5 as of June 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 49 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 Central Region Educational Cooperative No. 5's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. 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* and the other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other schedules required by 2.2.2 NMAC 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 other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2016 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 17, 2016

## BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

STATEMENT OF NET POSITION  
**June 30, 2016**

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>Assets</b>   |                                    |
| Cash and cash equivalents   | \$ 558,811                         |
| Receivables:  |                                    |
| Grant   | 1,093,736                          |
| Non-current:  |                                    |
| Depreciable capital assets, net   | <u>5,525</u>                       |
| <b>Total Assets</b>   | <u>1,658,072</u>                   |
| <br><b>Deferred Outflows of Resources:</b>  |                                    |
| Contributions to pension subsequent to the measurement date                         | 403,654                            |
| Net change in pension assumptions   | 212,384                            |
| Net change in proportionate share of pension liability                              | <u>439,451</u>                     |
| <b>Total Deferred Outflows of Resources</b>   | <u>1,055,489</u>                   |
| <br><b>Liabilities</b>  |                                    |
| Accounts payable  | 817,061                            |
| Compensated absences  | 29,147                             |
| Aggregate net pension liability   | <u>6,174,778</u>                   |
| <b>Total Liabilities</b>  | <u>7,020,986</u>                   |
| <br><b>Deferred Inflows of Resources</b>  |                                    |
| Advances of federal, state, and local grants  | 31,454                             |
| Difference between expected and actual experience                                   | 111,972                            |
| Net difference between projected and actual investment earnings on plan investments | <u>30,297</u>                      |
| <b>Total Deferred Inflows of Resources</b>  | <u>173,723</u>                     |
| <br><b>Net Position</b>   |                                    |
| Net investment in capital assets  | 5,525                              |
| Restricted for:   |                                    |
| Special revenue funds   | 363,231                            |
| Unrestricted  | <u>(4,849,904)</u>                 |
| <b>Total Net Position</b>   | <u>\$ (4,481,148)</u>              |

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, 2016

| <u>Functions/Programs</u>                 | <u>Expenses</u>            | <u>Program Revenues</u>         |   |   | <u>Net (Expense) Revenue and<br/>Changes in Net Position</u> |
|---|----------------------------|---------------------------------|---|---|--|
|   |                            | <u>Charges for<br/>Services</u> | <u>Operating Grants<br/>and Contributions</u> | <u>Capital Grants<br/>and Contributions</u> | <u>Primary Government<br/>Governmental<br/>Activities</u>    |
| <b>Primary government:</b>                |                            |                                 |   |   |  |
| <b>Governmental activities:</b>           |                            |                                 |   |   |  |
| Instruction                               | \$ 290,801                 | \$ 44                           | \$ 162,356                                    | \$ -  | \$ (128,401)   |
| Support Services - Students               | 5,456,611                  | -                               | 3,046,461                                     | -   | (2,410,150)  |
| Support Services - Instruction            | 4,553                      | -                               | 2,542   | -   | (2,011)  |
| Support Services - General Administration | 339,552                    | -                               | 189,574                                       | -   | (149,978)  |
| Support Services - School Administration  | 155,679                    | -                               | 86,917  | -   | (68,762)   |
| Central Services                          | 362,318                    | -                               | 202,284                                       | -   | (160,034)  |
| Operations & Maintenance of Plant         | 49,981                     | -                               | 27,905  | -   | (22,076)   |
| Other Support Services                    | 4,086                      | -                               | 2,281   | -   | (1,805)  |
| Community Services                        | <u>1,784,307</u>           | <u>-</u>                        | <u>996,190</u>                                | <u>-</u>                                    | <u>(788,117)</u>   |
| <b>Total governmental activities</b>      | <b><u>\$ 8,447,888</u></b> | <b><u>\$ 44</u></b>             | <b><u>\$ 4,716,510</u></b>                    | <b><u>\$ -</u></b>                          | <b><u>(3,731,334)</u></b>                                    |
|   |                            |                                 | General revenues:                             |   |  |
|   |                            |                                 | Grants and contributions not restricted       |   | <u>3,762,314</u>   |
|   |                            |                                 | <i>Change in net position</i>                 |   | 30,980   |
|   |                            |                                 | <b>Net position - beginning</b>               |   | <u>(4,512,128)</u>   |
|   |                            |                                 | <b>Net position - ending</b>                  |   | <b><u>\$ (4,481,148)</u></b>                                 |

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, 2016**

|   | <u>General</u><br><u>Fund</u> | <u>Javits Gifted &amp;<br/>Talented</u><br><u>Fund #24102</u> | <u>Discretionary</u><br><u>IDEA-B</u><br><u>Fund #24107</u> | <u>Preschool</u><br><u>IDEA-B</u><br><u>Fund #24109</u> | <u>21st Century</u><br><u>Fund #24119</u> |
|---|-------------------------------|---|---|---|---|
| <b>Assets</b>   |                               |   |   |   |   |
| Cash and cash equivalents   | \$ 82,938                     | \$ 3,807  | \$ 21,137   | \$ 4,415  | \$ -                                      |
| Receivables:  |                               |   |   |   |   |
| Grant   | 515,586                       | -   | -   | -   | 343,164                                   |
| Due from other funds  | <u>181,532</u>                | <u>-</u>  | <u>-</u>  | <u>-</u>  | <u>-</u>                                  |
| <b>Total assets</b>   | <u>\$ 780,056</u>             | <u>\$ 3,807</u>   | <u>\$ 21,137</u>  | <u>\$ 4,415</u>   | <u>\$ 343,164</u>                         |
| <br><b>Liabilities, deferred inflows, and fund balance</b>                    |                               |   |   |   |   |
| Liabilities:  |                               |   |   |   |   |
| Accounts payable  | \$ 339,255                    | \$ -  | \$ -  | \$ -  | \$ 337,025                                |
| Due to other funds  | <u>-</u>                      | <u>-</u>  | <u>-</u>  | <u>-</u>  | <u>6,139</u>                              |
| Total liabilities   | <u>339,255</u>                | <u>-</u>  | <u>-</u>  | <u>-</u>  | <u>343,164</u>                            |
| Deferred inflows of resources:  |                               |   |   |   |   |
| Advances of federal, state, and local grants                                  | <u>-</u>                      | <u>3,807</u>  | <u>21,137</u>   | <u>4,415</u>  | <u>-</u>                                  |
| Fund balance:   |                               |   |   |   |   |
| Restricted for:   |                               |   |   |   |   |
| Special revenue funds   | -                             | -   | -   | -   | -   |
| Unassigned  | <u>440,801</u>                | <u>-</u>  | <u>-</u>  | <u>-</u>  | <u>-</u>                                  |
| Total fund balance  | <u>440,801</u>                | <u>-</u>  | <u>-</u>  | <u>-</u>  | <u>-</u>                                  |
| <b>Total liabilities, deferred inflows<br/>of resources, and fund balance</b> | <u>\$ 780,056</u>             | <u>\$ 3,807</u>   | <u>\$ 21,137</u>  | <u>\$ 4,415</u>   | <u>\$ 343,164</u>                         |

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STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

GOVERNMENTAL FUNDS

**Balance Sheet**

**June 30, 2016**

|   | Title XIX<br>Medicaid<br><u>Fund #25153</u> | State<br>Discretionary<br>IDEA-B<br><u>Fund #27200</u> | School Based<br>Health Center<br><u>Fund #29130</u> | Other<br>Governmental<br><u>Funds</u> | Total<br>Governmental<br><u>Funds</u> |
|---|---|--|---|---------------------------------------|---------------------------------------|
| <b>Assets</b>   |   |  |   |                                       |                                       |
| Cash and cash equivalents   | \$ 218,842                                  | \$ -   | \$ 225,577  | \$ 2,095                              | \$ 558,811                            |
| Receivables:  |   |  |   |                                       |                                       |
| Grant   | -   | 117,250  | 3,710   | 114,026                               | 1,093,736                             |
| Due from other funds  | <u>-</u>                                    | <u>-</u>   | <u>-</u>  | <u>-</u>                              | <u>181,532</u>                        |
| <b>Total assets</b>   | <u>\$ 218,842</u>                           | <u>\$ 117,250</u>                                      | <u>\$ 229,287</u>                                   | <u>\$ 116,121</u>                     | <u>\$ 1,834,079</u>                   |
| <br><b>Liabilities, deferred inflows, and fund balance</b>                    |   |  |   |                                       |                                       |
| Liabilities:  |   |  |   |                                       |                                       |
| Accounts payable  | \$ 80,448                                   | \$ 4,600   | \$ 4,450  | \$ 51,283                             | \$ 817,061                            |
| Due to other funds  | <u>-</u>                                    | <u>112,650</u>   | <u>-</u>  | <u>62,743</u>                         | <u>181,532</u>                        |
| Total liabilities   | <u>80,448</u>                               | <u>117,250</u>   | <u>4,450</u>  | <u>114,026</u>                        | <u>998,593</u>                        |
| Deferred inflows of resources:  |   |  |   |                                       |                                       |
| Advances of federal, state, and local grants                                  | <u>-</u>                                    | <u>-</u>   | <u>-</u>  | <u>2,095</u>                          | <u>31,454</u>                         |
| Fund balance:   |   |  |   |                                       |                                       |
| Restricted for:   |   |  |   |                                       |                                       |
| Special revenue funds   | 138,394                                     | -  | 224,837   | -                                     | 363,231                               |
| Unassigned  | <u>-</u>                                    | <u>-</u>   | <u>-</u>  | <u>-</u>                              | <u>440,801</u>                        |
| Total fund balance  | <u>138,394</u>                              | <u>-</u>   | <u>224,837</u>                                      | <u>-</u>                              | <u>804,032</u>                        |
| <b>Total liabilities, deferred inflows<br/>of resources, and fund balance</b> | <u>\$ 218,842</u>                           | <u>\$ 117,250</u>                                      | <u>\$ 229,287</u>                                   | <u>\$ 116,121</u>                     | <u>\$ 1,834,079</u>                   |

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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, 2016**

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

|   |    |                           |
|---|----|---------------------------|
| Fund balances - total governmental funds  | \$ | 804,032                   |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                   |    |                           |
| Capital assets  |    | 82,376                    |
| Accumulated depreciation  |    | (76,851)                  |
| 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   |    | 403,654                   |
| Net change in pension assumptions   |    | 212,384                   |
| Net change in proportionate share of pension liability  |    | 439,451                   |
| 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  |    | (29,147)                  |
| Net pension liability   |    | (6,174,778)               |
| Deferred outflow of resources are not financial resources, and therefore are not reported in the funds and include:                       |    |                           |
| Difference between expected and actual experience   |    | (111,972)                 |
| Net difference between projected and actual investment earnings on plan investments   |    | <u>(30,297)</u>           |
| Net position of governmental activities   | \$ | <u><u>(4,481,148)</u></u> |

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, 2016

|  | General<br>Fund   | Javits Gifted<br>& Talented<br>Fund #24102 | Discretionary<br>IDEA-B<br>Fund #24107 | Preschool<br>IDEA-B<br>Fund #24109 | 21st Century<br>Fund #24119 |
|--|-------------------|--|--|------------------------------------|-----------------------------|
| <b>Revenues:</b>   |                   |  |  |                                    |                             |
| Intergovernmental - federal grants                           | -                 | -  | -                                      | -                                  | 1,861,227                   |
| Intergovernmental - state grants                             | 5,224,023         | -  | -                                      | -                                  | -                           |
| Charges for services   | <u>44</u>         | <u>-</u>                                   | <u>-</u>                               | <u>-</u>                           | <u>-</u>                    |
| <b>Total revenues</b>  | <u>5,224,067</u>  | <u>-</u>                                   | <u>-</u>                               | <u>-</u>                           | <u>1,861,227</u>            |
| <b>Expenditures:</b>   |                   |  |  |                                    |                             |
| Current:   |                   |  |  |                                    |                             |
| Instruction  | 12,396            | -  | -                                      | -                                  | -                           |
| Support services:  |                   |  |  |                                    |                             |
| Students   | 4,233,366         | -  | -                                      | -                                  | -                           |
| General Administration                                       | 206,113           | -  | -                                      | -                                  | 78,428                      |
| School Administration  | 116,000           | -  | -                                      | -                                  | -                           |
| Central Services   | 315,770           | -  | -                                      | -                                  | -                           |
| Operation & Maintenance of Plant                             | 49,939            | -  | -                                      | -                                  | -                           |
| Other Support services                                       | 4,083             | -  | -                                      | -                                  | -                           |
| Community services   | -                 | -  | -                                      | -                                  | 1,782,799                   |
| Capital outlay   | <u>5,950</u>      | <u>-</u>                                   | <u>-</u>                               | <u>-</u>                           | <u>-</u>                    |
| <b>Total expenditures</b>                                    | <u>4,943,617</u>  | <u>-</u>                                   | <u>-</u>                               | <u>-</u>                           | <u>1,861,227</u>            |
| <i>Excess (deficiency) of revenues<br/>over expenditures</i> | 280,450           | -  | -                                      | -                                  | -                           |
| <b>Fund balance at beginning of the year</b>                 | <u>160,351</u>    | <u>-</u>                                   | <u>-</u>                               | <u>-</u>                           | <u>-</u>                    |
| <b>Fund balance at end of the year</b>                       | <u>\$ 440,801</u> | <u>\$ -</u>                                | <u>\$ -</u>                            | <u>\$ -</u>                        | <u>\$ -</u>                 |

( 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

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Year Ended June 30, 2016

|  | Title XIX<br>Medicaid<br><u>Fund #25153</u> | State<br>Discretionary<br>IDEA-B<br><u>Fund #27200</u> | School Based<br>Health Center<br><u>Fund #29130</u> | Other<br>Governmental<br><u>Funds</u> | Total<br>Governmental<br><u>Funds</u> |
|--|---|--|---|---------------------------------------|---------------------------------------|
| <b>Revenues:</b>   |   |  |   |                                       |                                       |
| Intergovernmental - federal grants                           | 291,648                                     | 424,650  | -   | 395,959                               | 2,973,484                             |
| Intergovernmental - state grants                             | -   | -  | 281,317   | -                                     | 5,505,340                             |
| Charges for services   | -   | -  | -   | -                                     | 44                                    |
| <b>Total revenues</b>  | <u>291,648</u>                              | <u>424,650</u>   | <u>281,317</u>                                      | <u>395,959</u>                        | <u>8,478,868</u>                      |
| <b>Expenditures:</b>   |   |  |   |                                       |                                       |
| Current:   |   |  |   |                                       |                                       |
| Instruction  | -   | -  | -   | 18,364                                | 30,760                                |
| Support services:  |   |  |   |                                       |                                       |
| Students   | 320,066                                     | 393,194  | 173,726   | 331,647                               | 5,451,999                             |
| General Administration                                       | -   | 31,456   | 23,268  | -                                     | 339,265                               |
| School Administration  | -   | -  | 39,547  | -                                     | 155,547                               |
| Central Services   | 294   | -  | -   | 45,948                                | 362,012                               |
| Operation & Maintenance of Plant                             | -   | -  | -   | -                                     | 49,939                                |
| Other Support services                                       | -   | -  | -   | -                                     | 4,083                                 |
| Community services   | -   | -  | -   | -                                     | 1,782,799                             |
| Capital outlay   | -   | -  | -   | -                                     | 5,950                                 |
| <b>Total expenditures</b>                                    | <u>320,360</u>                              | <u>424,650</u>   | <u>236,541</u>                                      | <u>395,959</u>                        | <u>8,182,354</u>                      |
| <i>Excess (deficiency) of revenues<br/>over expenditures</i> | (28,712)                                    | -  | 44,776  | -                                     | 296,514                               |
| <b>Fund balance at beginning of the year</b>                 | <u>167,106</u>                              | <u>-</u>   | <u>180,061</u>                                      | <u>-</u>                              | <u>507,518</u>                        |
| <b>Fund balance at end of the year</b>                       | <u>\$ 138,394</u>                           | <u>\$ -</u>  | <u>\$ 224,837</u>                                   | <u>\$ -</u>                           | <u>\$ 804,032</u>                     |

( 2 of 2 )

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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, 2016**

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

|   |    |                  |
|---|----|------------------|
| Net change in fund balance - total governmental funds   | \$ | 296,514          |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year</p> |    |                  |
| Capital outlay  |    | 5,950            |
| Depreciation  |    | (7,141)          |
| <p>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.</p>  |    |                  |
| Compensated absences at:  |    |                  |
| June 30, 2015   |    | 24,598           |
| June 30, 2016   |    | (29,147)         |
| Deferred contributions to pension plan  |    | 403,654          |
| Pension expense   |    | <u>(663,448)</u> |
| Change in net position of governmental activities   | \$ | <u>30,980</u>    |

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, 2016

|  | Budgeted Amounts |                  | Actual Amounts    | Variance with<br>Final Budget |
|--|------------------|------------------|-------------------|-------------------------------|
|  | Original         | Final            | (Budgetary Basis) | Positive<br>(Negative)        |
| <b>Revenues:</b>   |                  |                  |                   |                               |
| Intergovernmental - state grants                             | \$ 4,901,013     | \$ 5,584,755     | \$ 5,224,023      | \$ (360,732)                  |
| Charges for services   | -                | -                | 44                | 44                            |
| <b>Total revenues</b>  | <u>4,901,013</u> | <u>5,584,755</u> | <u>5,224,067</u>  | <u>(360,688)</u>              |
| <b>Expenditures:</b>   |                  |                  |                   |                               |
| Current:   |                  |                  |                   |                               |
| Instruction  | 24,112           | 25,763           | 12,396            | 13,367                        |
| Support services:  |                  |                  |                   |                               |
| Students   | 4,015,182        | 4,580,967        | 4,232,451         | 348,516                       |
| General Administration                                       | 249,942          | 276,711          | 206,113           | 70,598                        |
| School Administration  | 148,000          | 169,000          | 116,000           | 53,000                        |
| Central Services   | 380,104          | 487,770          | 315,770           | 172,000                       |
| Operation & Maintenance of Plant                             | 56,215           | 56,215           | 50,333            | 5,882                         |
| Other Support services                                       | 35,000           | 35,000           | 11,269            | 23,731                        |
| Capital outlay:  |                  |                  |                   |                               |
| Equipment  | 5,000            | 6,000            | 5,950             | 50                            |
| <b>Total expenditures</b>                                    | <u>4,913,555</u> | <u>5,637,426</u> | <u>4,950,282</u>  | <u>687,144</u>                |
| <i>Excess (deficiency) of revenues<br/>over expenditures</i> | (12,542)         | (52,671)         | 273,785           | 326,456                       |
| <i>Beginning cash balance budgeted</i>                       | 12,542           | 52,671           | -                 | (52,671)                      |
| <b>Fund balance at beginning of the year</b>                 | -                | -                | 160,351           | 160,351                       |
| <b>Fund balance at end of the year</b>                       | \$ -             | \$ -             | 434,136           | \$ 434,136                    |
| RECONCILIATION TO GAAP BASIS:                                |                  |                  |                   |                               |
| Change in grant receivable                                   |                  |                  | (217)             |                               |
| Change in payables   |                  |                  | 6,882             |                               |
| <b>Fund balance at end of the year (GAAP basis)</b>          |                  |                  | \$ 440,801        |                               |

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



STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

JAVITS GIFTED & TALENTED FUND - NO. 24102  
**Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2016**

|   | Budgeted Amounts |       | Actual Amounts    | Variance with          |
|---|------------------|-------|-------------------|------------------------|
|   | Original         | Final | (Budgetary Basis) | Final Budget           |
|   |                  |       |                   | Positive<br>(Negative) |
| <b>Revenues:</b>                                    |                  |       |                   |                        |
| Intergovernmental - federal grants                  | \$ -             | \$ -  | \$ -              | \$ -                   |
| <b>Expenditures:</b>                                |                  |       |                   |                        |
| Current:  |                  |       |                   |                        |
| Instruction   | -                | -     | -                 | -                      |
| <i>Excess of revenues over expenditures</i>         | -                | -     | -                 | -                      |
| <b>Fund balance at beginning of the year</b>        | -                | -     | -                 | -                      |
| <b>Fund balance at end of the year</b>              | \$ -             | \$ -  | -                 | \$ -                   |
| <b>RECONCILIATION TO GAAP BASIS:</b>                |                  |       |                   |                        |
| Change in payables                                  |                  |       | -                 |                        |
| <b>Fund balance at end of the year (GAAP basis)</b> |                  |       | \$ -              |                        |

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

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

DISCRETIONARY IDEA-B FUND - NO. 24107  
**Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2016**

|   | Budgeted Amounts |       | Actual Amounts    | Variance with          |
|---|------------------|-------|-------------------|------------------------|
|   | Original         | Final | (Budgetary Basis) | Final Budget           |
|   |                  |       |                   | Positive<br>(Negative) |
| <b>Revenues:</b>                                    |                  |       |                   |                        |
| Intergovernmental - federal grants                  | \$ -             | \$ -  | \$ -              | \$ -                   |
| <b>Expenditures:</b>                                |                  |       |                   |                        |
| Current:  |                  |       |                   |                        |
| Instruction   | -                | -     | -                 | -                      |
| <i>Excess of revenues over expenditures</i>         | -                | -     | -                 | -                      |
| <b>Fund balance at beginning of the year</b>        | -                | -     | -                 | -                      |
| <b>Fund balance at end of the year</b>              | \$ -             | \$ -  | -                 | \$ -                   |
| <b>RECONCILIATION TO GAAP BASIS:</b>                |                  |       |                   |                        |
| Change in payables                                  |                  |       | -                 |                        |
| <b>Fund balance at end of the year (GAAP basis)</b> |                  |       | \$ -              |                        |

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

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

PRESCHOOL IDEA-B FUND - NO. 24109  
**Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2016**

|   | Budgeted Amounts |       | Actual Amounts    | Variance with          |
|---|------------------|-------|-------------------|------------------------|
|   | Original         | Final | (Budgetary Basis) | Final Budget           |
|   |                  |       |                   | Positive<br>(Negative) |
| <b>Revenues:</b>                                    |                  |       |                   |                        |
| Intergovernmental - federal grants                  | \$ -             | \$ -  | \$ -              | \$ -                   |
| <b>Expenditures:</b>                                |                  |       |                   |                        |
| Current:  |                  |       |                   |                        |
| Instruction   | -                | -     | -                 | -                      |
| <i>Excess of revenues over expenditures</i>         | -                | -     | -                 | -                      |
| <b>Fund balance at beginning of the year</b>        | -                | -     | -                 | -                      |
| <b>Fund balance at end of the year</b>              | \$ -             | \$ -  | -                 | \$ -                   |
| <b>RECONCILIATION TO GAAP BASIS:</b>                |                  |       |                   |                        |
| Change in payables                                  |                  |       | -                 |                        |
| <b>Fund balance at end of the year (GAAP basis)</b> |                  |       | \$ -              |                        |

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

STATE OF NEW MEXICO  
CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

21ST CENTURY FUND - NO. 24119  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

|   | Budgeted Amounts |              | Actual Amounts    | Variance with          |
|---|------------------|--------------|-------------------|------------------------|
|   | Original         | Final        | (Budgetary Basis) | Final Budget           |
|   |                  |              |                   | Positive<br>(Negative) |
| <b>Revenues:</b>                                    |                  |              |                   |                        |
| Intergovernmental - federal grants                  | \$ -             | \$ 2,450,263 | \$ 1,646,976      | \$ (803,287)           |
| <b>Expenditures:</b>                                |                  |              |                   |                        |
| Current:  |                  |              |                   |                        |
| Support services:                                   |                  |              |                   |                        |
| General Administration                              | -                | 116,679      | 78,428            | 38,251                 |
| Community Services Operations                       | -                | 2,333,584    | 1,568,548         | 765,036                |
| <b>Total expenditures</b>                           | -                | 2,450,263    | 1,646,976         | 803,287                |
| <i>Excess of revenues over expenditures</i>         | -                | -            | -                 | -                      |
| <b>Fund balance at beginning of the year</b>        | -                | -            | -                 | -                      |
| <b>Fund balance at end of the year</b>              | \$ -             | \$ -         | -                 | \$ -                   |
| <b>RECONCILIATION TO GAAP BASIS:</b>                |                  |              |                   |                        |
| Change in grant receivable                          |                  |              | 214,251           |                        |
| Change in payables                                  |                  |              | (214,251)         |                        |
| <b>Fund balance at end of the year (GAAP basis)</b> |                  |              | \$ -              |                        |

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, 2016

|  | Budgeted Amounts |                | Actual Amounts    | Variance with     |
|--|------------------|----------------|-------------------|-------------------|
|  | Original         | Final          | (Budgetary Basis) | Final Budget      |
|  |                  |                |                   | Positive          |
|  |                  |                |                   | (Negative)        |
| <b>Revenues:</b>   |                  |                |                   |                   |
| Intergovernmental - federal grants                           | \$ 282,337       | \$ 282,337     | \$ 291,648        | \$ 9,311          |
| <b>Expenditures:</b>   |                  |                |                   |                   |
| Current:   |                  |                |                   |                   |
| Support services:  |                  |                |                   |                   |
| Students   | 457,146          | 461,477        | 320,065           | 141,412           |
| Central Services   | 4,626            | 295            | 295               | -                 |
| <b>Total expenditures</b>                                    | <u>461,772</u>   | <u>461,772</u> | <u>320,360</u>    | <u>141,412</u>    |
| <i>Excess (deficiency) of revenues<br/>over expenditures</i> | (179,435)        | (179,435)      | (28,712)          | 150,723           |
| <i>Beginning cash balance budgeted</i>                       | 179,435          | 179,435        | -                 | (179,435)         |
| <b>Fund balance at beginning of the year</b>                 | -                | -              | 167,106           | 167,106           |
| <b>Fund balance at end of the year</b>                       | <u>\$ -</u>      | <u>\$ -</u>    | <u>138,394</u>    | <u>\$ 138,394</u> |
| <b>RECONCILIATION TO GAAP BASIS:</b>                         |                  |                |                   |                   |
| Change in payables   |                  |                | -                 |                   |
| <b>Fund balance at end of the year (GAAP basis)</b>          |                  |                | <u>\$ 138,394</u> |                   |

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, 2016

|   | Budgeted Amounts |            | Actual Amounts    | Variance with          |
|---|------------------|------------|-------------------|------------------------|
|   | Original         | Final      | (Budgetary Basis) | Final Budget           |
|   |                  |            |                   | Positive<br>(Negative) |
| <b>Revenues:</b>                                    |                  |            |                   |                        |
| Intergovernmental - federal grants                  | \$ 322,754       | \$ 426,274 | \$ 424,650        | \$ (1,624)             |
| <b>Expenditures:</b>                                |                  |            |                   |                        |
| Current:  |                  |            |                   |                        |
| Support services:                                   |                  |            |                   |                        |
| Students  | 322,754          | 394,698    | 393,194           | 1,504                  |
| General Administration                              | -                | 31,576     | 31,456            | 120                    |
| <b>Total expenditures</b>                           | 322,754          | 426,274    | 424,650           | 1,624                  |
| <i>Excess of revenues over expenditures</i>         | -                | -          | -                 | -                      |
| <b>Fund balance at beginning of the year</b>        | -                | -          | -                 | -                      |
| <b>Fund balance at end of the year</b>              | \$ -             | \$ -       | -                 | \$ -                   |
| <b>RECONCILIATION TO GAAP BASIS:</b>                |                  |            |                   |                        |
| Change in payables                                  |                  |            | -                 |                        |
| <b>Fund balance at end of the year (GAAP basis)</b> |                  |            | \$ -              |                        |

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

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

SCHOOL BASED HEALTH CENTER FUND - NO. 29130  
**Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2016**

|  | Budgeted Amounts |                | Actual Amounts    | Variance with          |
|--|------------------|----------------|-------------------|------------------------|
|  | Original         | Final          | (Budgetary Basis) | Final Budget           |
|  |                  |                |                   | Positive<br>(Negative) |
| <b>Revenues:</b>   |                  |                |                   |                        |
| Intergovernmental - state grants                             | \$ 281,664       | \$ 281,664     | \$ 281,317        | \$ (347)               |
| <b>Expenditures:</b>   |                  |                |                   |                        |
| Current:   |                  |                |                   |                        |
| Support services:  |                  |                |                   |                        |
| Students   | 244,763          | 262,953        | 173,726           | 89,227                 |
| General Administration                                       | 23,142           | 23,275         | 23,268            | 7                      |
| Central Services   | 31,904           | 39,555         | 39,547            | 8                      |
| <b>Total expenditures</b>                                    | <b>299,809</b>   | <b>325,783</b> | <b>236,541</b>    | <b>89,242</b>          |
| <i>Excess (deficiency) of revenues<br/>over expenditures</i> | (18,145)         | (44,119)       | 44,776            | 88,895                 |
| <i>Beginning cash balance budgeted</i>                       | 18,145           | 44,119         | -                 | (44,119)               |
| <b>Fund balance at beginning of the year</b>                 | -                | -              | 180,061           | 180,061                |
| <b>Fund balance at end of the year</b>                       | <b>\$ -</b>      | <b>\$ -</b>    | <b>224,837</b>    | <b>\$ 224,837</b>      |
| <b>RECONCILIATION TO GAAP BASIS:</b>                         |                  |                |                   |                        |
| Change in payables   |                  |                | -                 |                        |
| <b>Fund balance at end of the year (GAAP basis)</b>          |                  |                | <b>\$ 224,837</b> |                        |

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# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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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 a ten-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. 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 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 financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

During fiscal year 2016, the Cooperative adopted the following GASB Statements:

- GASB 72, *Fair Value Measurement and Application*, This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ended June 30, 2016.
- GASB 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*, this Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. This Statement will be effective for the year ended June 30, 2016.
- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ended June 30, 2016.
- GASB 79, *Certain External Investment Pools and Pool Participants*, this Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool’s participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool’s participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2015 (FYE June 30, 2016), except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015 (FYE June 30, 2017). Earlier application is encouraged.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

- GASB 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 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 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.

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

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.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015 (FYE June 30, 2017). Earlier application is encouraged.

- GASB 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.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015 (FYE June 30, 2017). Earlier application is encouraged.

- GASB 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.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016 (FYE June 30, 2017). Earlier application is encouraged.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

- GASB 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 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, the 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.

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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.

➤ Javits Gifted & Talented Students Special Revenue Fund (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.

➤ Preschool IDEA-B Special Revenue Fund (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.

➤ 21<sup>st</sup> Century Special Revenue Fund (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.

➤ Title XIX Medicaid Special Revenue Fund (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 Special Revenue Fund (Fund No. 27200) Minimum Balance: None

To support the improvement of educational results and functional outcomes for all children with disabilities.

➤ School Based Health Center Special Revenue Fund (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.

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

### D. 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 percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

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

#### 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:

| <u>Assets</u> | <u>Years</u> |
|---------------|--------------|
| Vehicles      | 5            |
| Equipment     | 3-7          |



# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

#### 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.

#### 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. *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, 2016.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

### D. 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, 2016.

#### 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.

### 8. *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.

### 9. *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.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

#### 10. *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.

#### 11. *Revenues*

The REC receives revenues from various Federal Departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

## 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:

|                      | <u>Original Budget</u> | <u>Final Budget</u> |
|----------------------|------------------------|---------------------|
| General Fund         | \$ 4,913,555           | \$ 5,637,426        |
| Special Revenue Fund | 1,570,129              | 4,321,252           |
| Totals               | \$ 6,483,684           | \$ 9,958,678        |

### B. Budgetary Violations

The Cooperative did not have any budgetary violations during the year ended June 30, 2016.

### C. Deficit Fund Equity

The Cooperative did not have any deficit fund balance at June 30, 2016.

## III. DETAILED NOTES ON ALL FUNDS

### A. Cash and Temporary Investments

At June 30, 2016, the carrying amount of the Cooperative's deposits was \$558,811 and the bank balance was \$768,060 with the difference consisting of outstanding checks. Of this balance \$250,000 was covered by federal depository insurance and \$385,325 was covered by collateral held in joint safekeeping by a third party.

#### 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, 2016, \$132,735 of the Cooperative's bank balance of \$768,060 was exposed to custodial risk as follows:

|  |                            |
|--|----------------------------|
|  | <u>Bank of<br/>America</u> |
| Uninsured and uncollateralized   | \$ 132,735                 |
| Uninsured and collateral held by pledging<br>bank's trust dept not in the Cooperative's name | 385,325                    |
| Total uninsured  | 518,060                    |
| Insured (FDIC)   | 250,000                    |
| Total deposits   | \$ 768,060                 |
| State of New Mexico collateral requirement:  |                            |
| 50% of uninsured public fund bank deposits   | \$ 259,030                 |
| Pledged security   | 385,325                    |
| Under collateralization  | \$ 126,295                 |

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

#### A. Cash and Temporary Investments (cont'd)

The collateral pledged is listed on Page 68 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.

#### 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 Fund               | \$ 515,586   | \$ -  | \$ -           | \$ 181,532 |
| 21st Century               | 343,164      | -     | -              | -          |
| State Discretionary IDEA-B | 117,250      | -     | -              | -          |
| School Based Health Center | 3,710        | -     | -              | -          |
| Other Governmental Funds   | 114,026      | -     | -              | -          |
| Total                      | \$ 1,093,736 | \$ -  | \$ -           | \$ 181,532 |

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

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

|   | Unavailable | Unearned  |
|---|-------------|-----------|
| Grant drawdowns prior to meeting all eligibility requirements |             |           |
| General Fund  | \$ -        | \$ -      |
| Javits Gifted & Talented                                      | -           | 3,807     |
| Discretionary IDEA-B  | -           | 21,137    |
| Preschool IDEA-B  | -           | 4,415     |
| Other Governmental Funds                                      | -           | 2,095     |
| Total deferred/unearned revenue for governmental funds        | \$ -        | \$ 31,454 |

#### C. Inter-Fund Receivables and Payables

The inter-fund receivables and payables at June 30, 2016 were:

|                            | Receivables | Payables   |
|----------------------------|-------------|------------|
| General Fund               | \$ 181,532  | \$ -       |
| 21st Century               | -           | 6,139      |
| State Discretionary IDEA-B | -           | 112,650    |
| Other Governmental Funds   | -           | 62,743     |
| Total                      | \$ 181,532  | \$ 181,532 |

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.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

#### D. Inter-Fund Transfers

There were not any inter-fund transfers during the year ended June 30, 2016.

#### E. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

|                                    | <u>Beginning</u><br><u>Balance</u> | <u>Increases</u>  | <u>Decreases</u> | <u>Ending</u><br><u>Balance</u> |
|------------------------------------|------------------------------------|-------------------|------------------|---------------------------------|
| Governmental activities:           |                                    |                   |                  |                                 |
| Capital assets being depreciated:  |                                    |                   |                  |                                 |
| Furniture, fixtures, and equipment | \$ 76,426                          | \$ 5,950          | \$ -             | \$ 82,376                       |
| Less accumulated depreciation for: |                                    |                   |                  |                                 |
| Furniture, fixtures, and equipment | <u>(69,710)</u>                    | <u>(7,141)</u>    | <u>-</u>         | <u>(76,851)</u>                 |
| Total capital assets, net          | <u>\$ 6,716</u>                    | <u>\$ (1,191)</u> | <u>\$ -</u>      | <u>\$ 5,525</u>                 |

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

| <u>Depreciation Allocation to Functions</u> |                 |
|---|-----------------|
| Instruction                                 | \$ 149          |
| Support Services - Students                 | 4,677           |
| Support Services - Instruction              | 4               |
| Support Services - General Administration   | 291             |
| Support Services - School Administration    | 133             |
| Central Services                            | 311             |
| Operations & Maintenance of Plant           | 43              |
| Other Support Services                      | 4               |
| Community Services                          | <u>1,529</u>    |
| Total Depreciation Expense                  | <u>\$ 7,141</u> |

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 term debt – During the year ended June 30, 2016 the following changes occurred in liabilities reported in the general obligation bonds account group:

|                       | <u>Beginning</u><br><u>Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending</u><br><u>Balance</u> | <u>Amount Due</u><br><u>Within One Year</u> |
|-----------------------|------------------------------------|------------------|--------------------|---------------------------------|---|
| Compensated absences: |                                    |                  |                    |                                 |   |
| Compensated vacation  | <u>\$ 24,598</u>                   | <u>\$ 42,287</u> | <u>\$ 37,738</u>   | <u>\$ 29,147</u>                | <u>\$ 29,147</u>                            |

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

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

## 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, 2016 was \$21,661. The annual lease requirements are as follows:

| Year Ending     | Total               |
|-----------------|---------------------|
| <u>June 30,</u> | <u>Requirements</u> |
| 2017            | \$ 21,661           |
| 2018            | 21,661              |
| 2019            | <u>22,311</u>       |
| Total           | <u>\$ 65,633</u>    |

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, 2016 were \$5,806 under the previous contract. The annual lease requirements are as follows:

| Year Ending     | Total               |
|-----------------|---------------------|
| <u>June 30,</u> | <u>Requirements</u> |
| 2017            | \$ 3,972            |
| 2018            | 3,972               |
| 2019            | 3,972               |
| 2020            | 3,972               |
| 2021            | <u>3,972</u>        |
| Total           | <u>\$ 19,860</u>    |

## 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](http://www.nmerb.org), [www.saonm.org](http://www.saonm.org), or by writing to:

ERB  
P.O. Box 26129  
Santa Fe, New Mexico 87502-6129  
[www.nmerb.org](http://www.nmerb.org)

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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## IV. OTHER INFORMATION (cont'd)

### B. Employee Retirement Plan (cont'd)

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 146,089 active, retired, and inactive members in fiscal year 2015; there were 140,008 active, retired, and inactive members in fiscal year 2014.

*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 of 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. 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 member, upon retirement, has three options as to how to receive the benefit.

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.



# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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## 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 2016.

Employer Contributions – In fiscal year 2015, 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, 2016, 2015, and 2014, were \$403,654, \$376,667, and \$329,185, 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 216 contributing employers in fiscal year 2015; there were 217 contributing employers in fiscal year 2014.

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

At June 30, 2016, the Cooperative reported a liability of \$6,174,778 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the Cooperative’s proportion was 0.0533 percent, which was a increase of 0.00451 percent from its proportion measured as of June 30, 2014.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

### IV. OTHER INFORMATION (cont'd)

#### B. Employee Retirement Plan (cont'd)

For the year ended June 30, 2016, the Cooperative recognized pension expense of \$663,448.

| <b>Pension Expense Calculation</b> |  |                   |
|------------------------------------|--|-------------------|
| Add:                               | Net pension liability - end of the year                              | \$ 6,174,778      |
| Deduct:                            | Net pension liability - beginning of the year                        | (5,181,936)       |
| Deduct:                            | Deferred outflows of resources during the year                       | (839,993)         |
| Add:                               | First year of amortization of deferred outflows of resources         | 22,531            |
| Add:                               | Deferred inflows of resources during the year                        | 61,583            |
| Deduct:                            | First year of amortization of deferred inflows of resources          | -                 |
| Add:                               | Layered amortization of prior year(s) deferred outflows of resources | 174,335           |
| Deduct:                            | Layered amortization of prior year(s) deferred inflows of resources  | (124,517)         |
|                                    | Reductions to ending net pension liability due contributions paid    | 376,667           |
|                                    | <b>Total Pension Expense</b>   | <b>\$ 663,448</b> |

At June 30, 2016, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience  | \$ -                              | \$ 111,972                       |
| Change of assumptions  | 212,384                           | -                                |
| Net difference between projected and actual earnings on pension plan investments                                 | -                                 | 30,297                           |
| Changes in proportion and differences between Cooperative contributions and proportionate share of contributions | 439,451                           | -                                |
| District contributions subsequent to the measurement date  | 403,654                           | -                                |
| <b>Total</b>   | <b>\$ 1,055,489</b>               | <b>\$ 142,269</b>                |

Deferred outflows of resources related to pensions in the amount of \$403,654 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, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending<br><u>June 30,</u> |           |                  |
|--------------------------------|-----------|------------------|
| 2017                           | \$        | (179,656)        |
| 2018                           |           | (168,375)        |
| 2019                           |           | (75,773)         |
| 2020                           |           | (85,762)         |
| 2021                           |           | -                |
| Thereafter                     |           | -                |
| <b>Total</b>                   | <b>\$</b> | <b>(509,566)</b> |

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

- 1) All members with an annual salary of more than \$20,000 will contribute 10.7% 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 age and service rates   |
| Mortality:                       | 90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2015 using Scale AA (one year setback for females)                  |

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

## 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:

| <u>Asset Class</u>                | 2015  | 2014  |
|-----------------------------------|---|---|
|                                   | <u>Long-Term Expected<br/>Real Rate of Return</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
| Cash                              | 3.25%   | 1.50%   |
| Treasuries                        | 3.50%   | 2.00%   |
| IG Corp Credit                    | 4.75%   | 3.50%   |
| MBS                               | 3.75%   | 2.25%   |
| Core Bonds                        | 3.98%   | 2.53%   |
| TIPS                              | 4.00%   | 2.50%   |
| High Yield Bonds                  | 5.75%   | 4.50%   |
| Bank Loans                        | 6.00%   | 5.00%   |
| Global Bonds (Unhedged)           | 2.25%   | 1.25%   |
| Global Bonds (Hedged)             | 2.41%   | 1.38%   |
| EMD External                      | 6.00%   | 5.00%   |
| EMD Local Currency                | 6.75%   | 5.75%   |
| Large Cap Equities                | 7.50%   | 6.25%   |
| Small/Mid Cap                     | 7.75%   | 6.25%   |
| International Equities (Unhedged) | 8.00%   | 7.25%   |
| International Equities (Hedged)   | 8.47%   | 7.50%   |
| Emerging International Equities   | 9.25%   | 9.50%   |
| Private Equity                    | 9.50%   | 8.75%   |
| Private Debt                      | 8.00%   | 8.00%   |
| Private Real Assets               | 7.75%   | 7.75%   |
| Real Estate                       | 6.50%   | 6.25%   |
| Commodities                       | 5.75%   | 5.00%   |
| Hedge Funds                       | 6.75%   | 5.50%   |

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

## 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 2014. 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.

|   |    | 1% Decrease<br>6.75% |    | Current Single Rate<br>Assumption<br>7.75% |    | 1% Increase<br>8.75% |
|---|----|----------------------|----|--|----|----------------------|
| <b>ERB (All Employers)</b>                    |    |                      |    |  |    |                      |
| 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        |
| <b>Central Region Educational Cooperative</b> |    |                      |    |  |    |                      |
| 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

*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](http://www.nmrhca.state.nm.us).

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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## IV. OTHER INFORMATION (cont'd)

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

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, 2016, 2015 and 2014 were \$58,962, \$55,074, and \$50,993, 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 13, 2016, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

JUNE 30, 2016

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

|  | <u>2016</u>  | <u>2015</u>  |
|--|--------------|--------------|
| Cooperative's proportion of the net pension liability  | 0.095330%    | 0.000908%    |
| Cooperative's proportionate share of the net pension liability   | \$ 6,174,778 | \$ 5,181,936 |
| Cooperative's covered-employee payroll   | \$ 2,710,761 | \$ 2,504,469 |
| Cooperative's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 227.79%      | 206.91%      |
| Plan fiduciary net position as a percentage of the total pension liability                                     | 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\*

|  | <u>2016</u>      | <u>2015</u>      |
|--|------------------|------------------|
| Contractually required contribution                      | \$ 376,795       | \$ 329,185       |
| Contributions in relation to the contractually required  | <u>(376,666)</u> | <u>(329,185)</u> |
| Contribution deficiency (excess)                         | <u>\$ 129</u>    | <u>\$ -</u>      |
| Cooperative's covered-employee payroll                   | \$ 2,710,761     | \$ 2,504,469     |
| Contribution as a percentage of covered-employee payroll | 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, 2016

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

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

- 1) Fiscal year 2015 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.

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**GENERAL FUNDS**  
YEAR ENDED JUNE 30, 2016

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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, 2016**

|   | REC<br>Operational<br><u>Fund #27101</u> | Instructional<br>Materials<br><u>Fund #14000</u> | Total General<br>Funds |
|---|--|--|------------------------|
| <b>Assets</b>   |  |  |                        |
| Cash and cash equivalents                                 | \$ 70,452                                | \$ 12,486  | \$ 82,938              |
| Receivables:  |  |  |                        |
| Grant   | 515,586                                  | -  | 515,586                |
| Due from other funds                                      | <u>181,532</u>                           | <u>-</u>   | <u>181,532</u>         |
| <b>Total assets</b>                                       | <u>\$ 767,570</u>                        | <u>\$ 12,486</u>                                 | <u>\$ 780,056</u>      |
| <br><b>Liabilities, deferred inflows and fund balance</b> |  |  |                        |
| Liabilities:  |  |  |                        |
| Accounts payable  | \$ 339,255                               | \$ -   | \$ 339,255             |
| Fund balance:   |  |  |                        |
| Unassigned  | <u>428,315</u>                           | <u>12,486</u>                                    | <u>440,801</u>         |
| <b>Total liabilities and fund balance</b>                 | <u>\$ 767,570</u>                        | <u>\$ 12,486</u>                                 | <u>\$ 780,056</u>      |

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, 2016**

|  | General Funds                     |   | Total General<br>Fund |
|--|-----------------------------------|---|-----------------------|
|  | REC<br>Operational<br>Fund #27101 | Instructional<br>Materials<br>Fund #14000 |                       |
| <b>Revenues:</b>                             |                                   |   |                       |
| Intergovernmental - state grants             | 5,208,400                         | 15,623                                    | 5,224,023             |
| Charges for services                         | 44                                | -   | 44                    |
| <b>Total revenue</b>                         | <b>5,208,444</b>                  | <b>15,623</b>                             | <b>5,224,067</b>      |
| <b>Expenditures:</b>                         |                                   |   |                       |
| Current:                                     |                                   |   |                       |
| Instruction                                  | -                                 | 12,396                                    | 12,396                |
| Support services:                            |                                   |   |                       |
| Students                                     | 4,233,366                         | -   | 4,233,366             |
| General Administration                       | 206,113                           | -   | 206,113               |
| School Administration                        | 116,000                           | -   | 116,000               |
| Central Services                             | 315,770                           | -   | 315,770               |
| Operation & Maintenance of Plant             | 49,939                            | -   | 49,939                |
| Other Support services                       | 4,083                             | -   | 4,083                 |
| Capital outlay                               | 5,950                             | -   | 5,950                 |
| <b>Total expenditures</b>                    | <b>4,931,221</b>                  | <b>12,396</b>                             | <b>4,943,617</b>      |
| <i>Excess of revenues over expenditures</i>  | 277,223                           | 3,227                                     | 280,450               |
| <b>Fund balance at beginning of the year</b> | <b>151,092</b>                    | <b>9,259</b>                              | <b>160,351</b>        |
| <b>Fund balance at end of the year</b>       | <b>\$ 428,315</b>                 | <b>\$ 12,486</b>                          | <b>\$ 440,801</b>     |

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, 2016**

|  | Budgeted Amounts |                  | Actual Amounts<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|-------------------------------------|---|
|  | Original         | Final            |                                     | (Negative)  |
| <b>Revenues:</b>   |                  |                  |                                     |   |
| Intergovernmental - state grants                             | \$ 4,889,443     | \$ 5,571,534     | \$ 5,208,400                        | \$ (363,134)  |
| Charges for services   | <u>-</u>         | <u>-</u>         | <u>44</u>                           | <u>44</u>   |
| <b>Total revenues</b>  | <u>4,889,443</u> | <u>5,571,534</u> | <u>5,208,444</u>                    | <u>(363,090)</u>  |
| <b>Expenditures:</b>   |                  |                  |                                     |   |
| Current:   |                  |                  |                                     |   |
| Support services:  |                  |                  |                                     |   |
| Students   | 4,015,182        | 4,580,967        | 4,232,451                           | 348,516   |
| General Administration                                       | 249,942          | 276,711          | 206,113                             | 70,598  |
| School Administration  | 148,000          | 169,000          | 116,000                             | 53,000  |
| Central Services   | 380,104          | 487,770          | 315,770                             | 172,000   |
| Operation & Maintenance of Plant                             | 56,215           | 56,215           | 50,333                              | 5,882   |
| Other Support services                                       | 35,000           | 35,000           | 11,269                              | 23,731  |
| Capital outlay:  |                  |                  |                                     |   |
| Equipment  | <u>5,000</u>     | <u>6,000</u>     | <u>5,950</u>                        | <u>50</u>   |
| <b>Total expenditures</b>                                    | <u>4,889,443</u> | <u>5,611,663</u> | <u>4,937,886</u>                    | <u>673,777</u>  |
| <i>Excess (deficiency) of revenues<br/>over expenditures</i> | -                | (40,129)         | 270,558                             | 310,687   |
| <i>Beginning cash balance budgeted</i>                       | -                | 40,129           | -                                   | (40,129)  |
| <b>Fund balance at beginning of the year</b>                 | <u>-</u>         | <u>-</u>         | <u>151,092</u>                      | <u>151,092</u>  |
| <b>Fund balance at end of the year</b>                       | <u>\$ -</u>      | <u>\$ -</u>      | <u>421,650</u>                      | <u>\$ 421,650</u>                                       |
| <b>RECONCILIATION TO GAAP BASIS:</b>                         |                  |                  |                                     |   |
| Change in grant receivable                                   |                  |                  | (217)                               |   |
| Change in payables   |                  |                  | <u>6,882</u>                        |   |
| <b>Fund balance at end of the year (GAAP basis)</b>          |                  |                  | <u>\$ 428,315</u>                   |   |

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, 2016**

|  | Budgeted Amounts |           | Actual Amounts<br>(Budgetary Basis) | Variance with<br>Final Budget |
|--|------------------|-----------|-------------------------------------|-------------------------------|
|  | Original         | Final     |                                     | Positive<br>(Negative)        |
| <b>Revenues:</b>   |                  |           |                                     |                               |
| Intergovernmental - state grants                                 | \$ 11,570        | \$ 13,221 | \$ 15,623                           | \$ 2,402                      |
| <b>Expenditures:</b>   |                  |           |                                     |                               |
| Current:   |                  |           |                                     |                               |
| Instruction  | 24,112           | 25,763    | 12,396                              | 13,367                        |
| <i>Excess (deficiency) of revenues<br/>    over expenditures</i> | (12,542)         | (12,542)  | 3,227                               | 15,769                        |
| <i>Beginning cash balance budgeted</i>                           | 12,542           | 12,542    | -                                   | (12,542)                      |
| <b>Fund balance at beginning of the year</b>                     | -                | -         | 9,259                               | 9,259                         |
| <b>Fund balance at end of the year</b>                           | \$ -             | \$ -      | 12,486                              | \$ 12,486                     |
| <b>RECONCILIATION TO GAAP BASIS:</b>                             |                  |           |                                     |                               |
| Change in payables   |                  |           | -                                   |                               |
| <b>Fund balance at end of the year (GAAP basis)</b>              |                  |           | \$ 12,486                           |                               |

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**NONMAJOR GOVERNMENTAL FUNDS**  
YEAR ENDED JUNE 30, 2016

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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.

- 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.
  
- 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. Minimum balance: None.
  
- 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.
  
- 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, 2016**

|   | <b>Special Revenue Funds</b>         |   |                                       |                              |   |
|---|--------------------------------------|---|---------------------------------------|------------------------------|---|
|   | Entitlement<br>IDEA-B<br>Fund #24106 | Negligent,<br>Delinquent or<br>At-Risk<br>Fund #24123 | Enhancing<br>Education<br>Fund #24133 | Library Books<br>Fund #27549 | Total Nonmajor<br>Governmental<br>Funds |
| <b>Assets</b>   |                                      |   |                                       |                              |   |
| Cash and cash equivalents   | \$ -                                 | \$ -  | \$ 1,875                              | \$ 220                       | \$ 2,095                                |
| Receivables:  |                                      |   |                                       |                              |   |
| Grant   | 27,246                               | 86,780  | -                                     | -                            | 114,026                                 |
| <b>Total assets</b>   | <b>\$ 27,246</b>                     | <b>\$ 86,780</b>                                      | <b>\$ 1,875</b>                       | <b>\$ 220</b>                | <b>\$ 116,121</b>                       |
| <br><b>Liabilities, deferred inflows and fund balance</b>                     |                                      |   |                                       |                              |   |
| Liabilities:  |                                      |   |                                       |                              |   |
| Accounts payable  | \$ 1,252                             | \$ 50,031   | \$ -                                  | \$ -                         | \$ 51,283                               |
| Due to other funds  | 25,994                               | 36,749  | -                                     | -                            | 62,743                                  |
| Total liabilities   | 27,246                               | 86,780  | -                                     | -                            | 114,026                                 |
| Deferred inflows of resources:  |                                      |   |                                       |                              |   |
| Advances of federal, state, and local grants                                  | -                                    | -   | 1,875                                 | 220                          | 2,095                                   |
| Fund balance:   |                                      |   |                                       |                              |   |
| Restricted for:   |                                      |   |                                       |                              |   |
| Special revenue funds   | -                                    | -   | -                                     | -                            | -                                       |
| <b>Total liabilities, deferred inflows<br/>of resources, and fund balance</b> | <b>\$ 27,246</b>                     | <b>\$ 86,780</b>                                      | <b>\$ 1,875</b>                       | <b>\$ 220</b>                | <b>\$ 116,121</b>                       |



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, 2016**

|  | <b>Special Revenue Funds</b>                  |   |  |                                      | <b>Total Nonmajor<br/>Governmental<br/>Funds</b> |
|--|---|---|--|--------------------------------------|--|
|  | <b>Entitlement<br/>IDEA-B<br/>Fund #24106</b> | <b>Negligent,<br/>Delinquent or<br/>At-Risk<br/>Fund #24123</b> | <b>Enhancing<br/>Education<br/>Fund #24133</b> | <b>Library Books<br/>Fund #27549</b> |  |
| <b>Revenues:</b>                             |   |   |  |                                      |  |
| Intergovernmental - federal grants           | \$ 145,560                                    | \$ 250,399  | \$ -   | \$ -                                 | \$ 395,959                                       |
| <b>Expenditures:</b>                         |   |   |  |                                      |  |
| Current:                                     |   |   |  |                                      |  |
| Instruction                                  | 6,384   | 11,980  | -  | -                                    | 18,364   |
| Support services:                            |   |   |  |                                      |  |
| Students                                     | 124,702                                       | 206,945   | -  | -                                    | 331,647  |
| Central Services                             | 14,474  | 31,474  | -  | -                                    | 45,948   |
| <b>Total expenditures</b>                    | <b>145,560</b>                                | <b>250,399</b>  | <b>-</b>                                       | <b>-</b>                             | <b>395,959</b>                                   |
| <i>Excess of revenues over expenditures</i>  | -   | -   | -  | -                                    | -  |
| <b>Fund balance at beginning of the year</b> | -   | -   | -  | -                                    | -  |
| <b>Fund balance at end of the year</b>       | \$ -  | \$ -  | \$ -   | \$ -                                 | \$ -   |

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NONMAJOR GOVERNMENTAL FUNDS  
BUDGETARY PRESENTATION

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, 2016**

|   | Budgeted Amounts |                | Actual Amounts    | Variance with          |
|---|------------------|----------------|-------------------|------------------------|
|   | Original         | Final          | (Budgetary Basis) | Final Budget           |
|   |                  |                |                   | Positive<br>(Negative) |
| <b>Revenues:</b>                                    |                  |                |                   |                        |
| Intergovernmental - federal grants                  | \$ 179,231       | \$ 240,589     | \$ 145,675        | \$ (94,914)            |
| <b>Expenditures:</b>                                |                  |                |                   |                        |
| Current:  |                  |                |                   |                        |
| Instruction   | 15,622           | 16,622         | 6,492             | 10,130                 |
| Support services:                                   |                  |                |                   |                        |
| Students  | 146,724          | 157,582        | 124,702           | 32,880                 |
| School Administration                               | 2,400            | 1,900          | -                 | 1,900                  |
| Central Services                                    | 14,485           | 14,485         | 14,473            | 12                     |
| Capital outlay:                                     |                  |                |                   |                        |
| Equipment   | -                | 50,000         | -                 | 50,000                 |
| <b>Total expenditures</b>                           | <u>179,231</u>   | <u>240,589</u> | <u>145,667</u>    | <u>94,922</u>          |
| <i>Excess of revenues over expenditures</i>         | -                | -              | 8                 | 8                      |
| <b>Fund balance at beginning of the year</b>        | -                | -              | -                 | -                      |
| <b>Fund balance at end of the year</b>              | <u>\$ -</u>      | <u>\$ -</u>    | <u>8</u>          | <u>\$ 8</u>            |
| <b>RECONCILIATION TO GAAP BASIS:</b>                |                  |                |                   |                        |
| Change in grant receivable                          |                  |                | (115)             |                        |
| Change in payables                                  |                  |                | 107               |                        |
| <b>Fund balance at end of the year (GAAP basis)</b> |                  |                | <u>\$ -</u>       |                        |

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

NEGLIGENT, DELINQUENT OR AT-RISK FUND - NO. 24123  
**Schedule of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2016**

|   | Budgeted Amounts |                | Actual Amounts    | Variance with          |
|---|------------------|----------------|-------------------|------------------------|
|   | Original         | Final          | (Budgetary Basis) | Final Budget           |
|   |                  |                |                   | Positive<br>(Negative) |
| <b>Revenues:</b>                                    |                  |                |                   |                        |
| Intergovernmental - federal grants                  | \$ 306,563       | \$ 416,571     | \$ 250,399        | \$ (166,172)           |
| <b>Expenditures:</b>                                |                  |                |                   |                        |
| Current:  |                  |                |                   |                        |
| Instruction   | 35,112           | 32,112         | 11,980            | 20,132                 |
| Support services:                                   |                  |                |                   |                        |
| Students  | 239,958          | 352,965        | 206,945           | 146,020                |
| Central Services                                    | 31,493           | 31,494         | 31,474            | 20                     |
| <b>Total expenditures</b>                           | <b>306,563</b>   | <b>416,571</b> | <b>250,399</b>    | <b>166,172</b>         |
| <i>Excess of revenues over expenditures</i>         | -                | -              | -                 | -                      |
| <b>Fund balance at beginning of the year</b>        | -                | -              | -                 | -                      |
| <b>Fund balance at end of the year</b>              | \$ -             | \$ -           | -                 | \$ -                   |
| <b>RECONCILIATION TO GAAP BASIS:</b>                |                  |                |                   |                        |
| Change in payables                                  |                  |                | -                 |                        |
| <b>Fund balance at end of the year (GAAP basis)</b> |                  |                | <b>\$ -</b>       |                        |

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

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, 2016**

|   | Budgeted Amounts |             | Actual Amounts<br>(Budgetary Basis) | Variance with<br>Final Budget |
|---|------------------|-------------|-------------------------------------|-------------------------------|
|   | Original         | Final       |                                     | Positive<br>(Negative)        |
| <b>Revenues:</b>                                    |                  |             |                                     |                               |
| Intergovernmental - federal grants                  | \$ -             | \$ -        | \$ -                                | \$ -                          |
| <b>Expenditures:</b>                                |                  |             |                                     |                               |
| Current:  |                  |             |                                     |                               |
| Instruction   | -                | -           | -                                   | -                             |
| <i>Excess of revenues over expenditures</i>         | -                | -           | -                                   | -                             |
| <b>Fund balance at beginning of the year</b>        | -                | -           | -                                   | -                             |
| <b>Fund balance at end of the year</b>              | <u>\$ -</u>      | <u>\$ -</u> | -                                   | <u>\$ -</u>                   |
| <b>RECONCILIATION TO GAAP BASIS:</b>                |                  |             |                                     |                               |
| Change in payables                                  |                  |             | -                                   |                               |
| <b>Fund balance at end of the year (GAAP basis)</b> |                  |             | <u>\$ -</u>                         |                               |

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, 2016**

|   | Budgeted Amounts |       | Actual Amounts    | Variance with          |
|---|------------------|-------|-------------------|------------------------|
|   | Original         | Final | (Budgetary Basis) | Final Budget           |
|   |                  |       |                   | Positive<br>(Negative) |
| <b>Revenues:</b>                                    |                  |       |                   |                        |
| Intergovernmental - state grants                    | \$ -             | \$ -  | \$ -              | \$ -                   |
| <b>Expenditures:</b>                                |                  |       |                   |                        |
| Current:  |                  |       |                   |                        |
| Instruction   | -                | -     | -                 | -                      |
| <i>Excess of revenues over expenditures</i>         | -                | -     | -                 | -                      |
| <b>Fund balance at beginning of the year</b>        | -                | -     | -                 | -                      |
| <b>Fund balance at end of the year</b>              | \$ -             | \$ -  | -                 | \$ -                   |
| <b>RECONCILIATION TO GAAP BASIS:</b>                |                  |       |                   |                        |
| Change in payables                                  |                  |       | -                 |                        |
| <b>Fund balance at end of the year (GAAP basis)</b> |                  |       | \$ -              |                        |

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## OTHER SUPPLEMENTAL INFORMATION

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, 2016**

|  | <u>Bank of<br/>America</u> |
|--|----------------------------|
| <b>Cash on deposit at June 30, 2015:</b> |                            |
| Checking and savings                     | \$ 768,060                 |
| Less: FDIC coverage                      | (250,000)                  |
| Uninsured funds                          | <u>\$ 518,060</u>          |

|   |                   |
|---|-------------------|
| <b>Amount requiring pledged collateral:</b> |                   |
| 50% collateral requirement                  | \$ 259,030        |
| Pledged collateral                          | <u>385,325</u>    |
| Excess (deficiency) of pledged collateral   | <u>\$ 126,295</u> |

Pledged collateral of financial institutions consists of the following at June 30, 2016

| <u>Bank of America:</u> | <u>Maturity</u> | <u>CUSIP #</u> | <u>Market Value</u> |
|-------------------------|-----------------|----------------|---------------------|
| FGPC                    | 2/1/2042        | 3132GRHL8      | \$ 28,901           |
| FNMS                    | 10/1/2038       | 3138EGJZ8      | 24,211              |
| FNMS                    | 2/1/2042        | 3138EHXR8      | 16,503              |
| FNMS                    | 2/1/2045        | 3138WD6Q9      | 314,093             |
| FNMS                    | 6/1/2042        | 31417B6D4      | 1,617               |
|                         |                 |                | <u>\$ 385,325</u>   |

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, 2016

|                           | <u>Beginning Cash</u> | <u>Receipts</u>     | <u>Distributions</u> | <u>Other</u>        | <u>Net Cash End of Period</u> | <u>Adjustments to the report</u> | <u>Total Cash on Report</u> |
|---------------------------|-----------------------|---------------------|----------------------|---------------------|-------------------------------|----------------------------------|-----------------------------|
| Instructional Materials   | \$ 9,259              | \$ 15,623           | \$ 12,396            | \$ -                | \$ 12,486                     | \$ -                             | \$ 12,486                   |
| Federal Flowthrough Funds | (52,402)              | 2,043,048           | 2,043,041            | (159,310)           | (211,705)                     | 242,939                          | 31,234                      |
| Federal Direct Funds      | 167,106               | 291,648             | 320,359              | -                   | 138,395                       | 80,447                           | 218,842                     |
| State Flowthrough Funds   | (133,007)             | 5,635,941           | 5,362,536            | (341,983)           | (201,585)                     | 272,256                          | 70,671                      |
| Local/State               | <u>178,868</u>        | <u>281,316</u>      | <u>236,541</u>       | <u>(2,517)</u>      | <u>221,126</u>                | <u>4,451</u>                     | <u>225,577</u>              |
| Total                     | <u>\$ 169,824</u>     | <u>\$ 8,267,576</u> | <u>\$ 7,974,873</u>  | <u>\$ (503,810)</u> | <u>\$ (41,283)</u>            | <u>\$ 600,093</u>                | <u>\$ 558,810</u>           |

| <u>Account Name</u> | <u>Account Type</u> | <u>Bank Name</u> | <u>Bank Amount</u> |                                |                   |
|---------------------|---------------------|------------------|--------------------|--------------------------------|-------------------|
| Operational         | Checking - Interest | Bank of America  | <u>\$ 768,060</u>  | Adjustments to report:         |                   |
|                     |                     |                  |                    | Interfund loans - pooled cash  | \$ 181,532        |
|                     |                     |                  |                    | Interfund loans - pooled cash  | (181,532)         |
|                     |                     |                  |                    | Unmailed checks at year-end    | <u>600,093</u>    |
|                     |                     |                  |                    | Total adjustment to the report | <u>\$ 600,093</u> |
|                     |                     |                  |                    | Adjustments to cash:           |                   |
|                     |                     |                  |                    | Bank Balance                   | \$ 768,060        |
|                     |                     |                  |                    | Cash on hand                   | -                 |
|                     |                     |                  |                    | Outstanding deposits           | -                 |
|                     |                     |                  |                    | Outstanding checks             | (809,343)         |
|                     |                     |                  |                    | Unmailed checks at year-end    | <u>600,093</u>    |
|                     |                     |                  |                    | Total adjustment to cash       | <u>\$ 558,810</u> |

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

SCHEDULE OF VENDOR INFORMATION  
 (Individual Purchases in Exceeding \$60,000, Excluding Gross Receipts Tax)  
**Year Ended June 30, 2016**

Prepared by (Agency Staff Name): Brinda Swann Title: Purchasing Specialist Date: September 9, 2016

| <u>RFB/RFP #</u> | <u>Type of Procurement</u> | <u>Awarded To</u> | <u>Amount of Awarded Contract</u> | <u>Amount of Amended Contract</u> | <u>Name and Physical Address of All Respondents</u> | <u>In-State / Out-of-State Vendor</u> | <u>Veteran's Preference N/A for Federal Funds</u> | <u>Scope of Work</u> |
|------------------|----------------------------|-------------------|-----------------------------------|-----------------------------------|---|---------------------------------------|---|----------------------|
|------------------|----------------------------|-------------------|-----------------------------------|-----------------------------------|---|---------------------------------------|---|----------------------|

No procurements over \$60,000 during the year.

## **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  
The 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, 2016, and the related notes to the financial statements, which collectively comprise Central Region Educational Cooperative No. 5's basic financial statements, and the combining and individual funds and related budgetary comparisons of Central Region Educational Cooperative No. 5, presented as supplemental information, and have issued our report thereon dated September 17, 2016.

**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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Finding 2014-003.

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

### Compliance and other matters

As part of obtaining reasonable assurance about whether Central Region Educational Cooperative No. 5's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### 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 17, 2016



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, 2016. 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, 2016.

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.

  
Farmington, New Mexico  
September 17, 2016

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, 2016**

| <u>Federal Grantor/Pass - Through<br/>Grantor/Program or Cluster Title</u> | <u>Federal<br/>CFDA<br/>Number</u> | Pass-Through<br>Entity<br><u>Identifying<br/>Number</u> | Passed<br>Passed To<br><u>Subrecipients</u> | <u>Cluster<br/>Programs</u> | <u>Federal<br/>Expenditures</u> |
|--|------------------------------------|---|---|-----------------------------|---------------------------------|
| <b>U.S. Department of Education:</b>                                       |                                    |   |   |                             |                                 |
| Pass-Through Programs From:  |                                    |   |   |                             |                                 |
| New Mexico Department of Education:  |                                    |   |   |                             |                                 |
| <u>Special Education (IDEA) Cluster:</u>                                   |                                    |   |   |                             |                                 |
| Entitlement IDEA-B   | 84.027                             | 24106   | \$ -  | \$ 145,560                  |                                 |
| Discretionary IDEA-B   | 84.027                             | 24107   | -   | -                           |                                 |
| State Discretionary IDEA-B   | 84.027                             | 27200   | -   | <u>424,650</u>              |                                 |
| Total Special Education (IDEA) Cluster                                     |                                    |   |   |                             | \$ 570,210                      |
| Javits Gifted & Talented   | 84.009                             | 24102   | -   |                             | -                               |
| 21st Century   | 84.287                             | 24119   | -   |                             | 1,861,227                       |
| Negligent, Delinquent or At-Risk   | 84.013                             | 24123   | -   |                             | 250,399                         |
| Enhancing Education  | 84.318X                            | 24133   | -   |                             | <u>-</u>                        |
| <i>Total U.S. Department of Education</i>                                  |                                    |   |   |                             | 2,681,836                       |
| <b>U.S. Department of Health and Human Services:</b>                       |                                    |   |   |                             |                                 |
| Pass-Through Program From:   |                                    |   |   |                             |                                 |
| New Mexico Department of Health:   |                                    |   |   |                             |                                 |
| Title XIX Medicaid   | 93.778                             | 25153   | <u>-</u>                                    |                             | <u>320,360</u>                  |
| Total Expenditures of Federal Awards                                       |                                    |   | <u>\$ -</u>                                 |                             | <u>\$ 3,002,196</u>             |

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, 2016**

**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 2016 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 2016 cash and non-cash expenditures to ensure coverage of at least 40% (HIGH risk auditee) of federally granted funds. Actual coverage is approximately 62% of total cash and non-cash federal award program expenditures. Total cash expenditures were in the amount of \$3,002,196 and there were not any non-cash expenditures amounted.

| <u>Major Federal Award Program Description</u> | <u>Fiscal 2016<br/>Expenditure</u> |
|--|------------------------------------|
| Cash assistance:                               |                                    |
| 21st Century Grant                             | <u>\$ 1,861,227</u>                |

The federal program that was considered a high risk Type A program for the 2016 audit was 21<sup>st</sup> Century Grant.

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, 2016. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *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, 2016, 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, 2016 and the federal awards expended during the year are as follows:

|  |                     |
|--|---------------------|
| Federal sources                              | \$ 2,973,484        |
| Indirect costs from federal programs         | -                   |
| Unexpended federal sources from current year | (138,394)           |
| Prior year federal sources expended          | 167,106             |
| Total expenditures of federal awards         | <u>\$ 3,002,196</u> |

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 YEAR ENDED JUNE 30, 2016

**4. Unexpended Federal Awards**

There were federal awards received during the year ended June 30, 2016 that were not expended during the year. These awards will be reported in subsequent years when they have been expended. Those amounts are as follows:

|                          | <u>CFDA #</u> | <u>Fund #</u> | PY Federal Sources |                  | Unexpended Awards |                   | <u>Total</u> |
|--------------------------|---------------|---------------|--------------------|------------------|-------------------|-------------------|--------------|
|                          |               |               | Carryover          | Expended         | Carryover         | 2016              |              |
|                          |               |               | <u>During 2015</u> | <u>From PY</u>   | <u>Awards</u>     |                   |              |
| Javits Gifted & Talented | 84.009        | 24102         | \$ -               | \$ 3,807         | \$ -              | \$ 3,807          |              |
| Discretionary IDEA-B     | 84.027        | 24107         | -                  | 21,137           | -                 | 21,137            |              |
| Preschool IDEA-B         | 84.173        | 24109         | -                  | 4,415            | -                 | 4,415             |              |
| Enhancing Education      | 84.318X       | 24133         | -                  | 1,875            | -                 | 1,875             |              |
| Title XIX Medicaid       | 93.778        | 25153         | 167,106            | -                | 138,394           | 138,394           |              |
|                          |               |               | <u>\$ 167,106</u>  | <u>\$ 31,234</u> | <u>\$ 138,394</u> | <u>\$ 169,628</u> |              |

**5. 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, 2016.

|                                  | <u>CFDA#</u> | <u>Fund#</u> |                   |
|----------------------------------|--------------|--------------|-------------------|
| 21st Century                     | 84.287       | 24119        | \$ 343,164        |
| Negligent, Delinquent or At-Risk | 84.013       | 24123        | 86,780            |
| State Discretionary IDEA-B       | 84.027       | 27200        | 117,250           |
|                                  |              |              | <u>\$ 547,194</u> |

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 YEAR ENDED JUNE 30, 2016

I. SUMMARY OF AUDIT RESULTS

|   | <u>Yes</u> | <u>No</u> | <u>Occurrences</u> |
|---|------------|-----------|--------------------|
| <b>FINANCIAL STATEMENTS:</b>  |            |           |                    |
| Type of auditor's report issued: <u>Unmodified</u>  |            |           |                    |
| Internal control over financial reporting:  |            |           |                    |
| Material weakness(es) identified?   | —          | ✓         | —                  |
| Significant Deficiency(ies) identified?   | ✓          | —         | 1                  |
| Noncompliance material to financial statements noted?   | —          | ✓         | —                  |
| <b>FEDERAL AWARDS:</b>  |            |           |                    |
| Internal control over major programs:   |            |           |                    |
| Material weakness(es) identified?   | —          | ✓         | —                  |
| Significant Deficiency(ies) identified?   | —          | ✓         | —                  |
| Type of auditor's report issued on compliance with major programs: <u>Unmodified</u>                                      |            |           |                    |
| 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:   |            |           |                    |
| <u><b>Name of Federal Program or Cluster</b></u>  |            |           |                    |
| 21 <sup>st</sup> Century  |            |           |                    |
| <u><b>CFDA Number</b></u>   |            |           |                    |
| 84.287  |            |           |                    |
| The threshold for distinguishing types A and B programs: <u>\$750,000</u>   |            |           |                    |
| Auditee qualified as low-risk auditee?  | —          | ✓         |                    |

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
YEAR ENDED JUNE 30, 2016

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II. FINDINGS RELATED TO FINANCIAL STATEMENTS

2014 – 003 DORMANT FUNDS  
*Significant Deficiency in Internal Control*

(Repeat of prior year finding; updated and revised)

Condition: The Cooperative has special revenue funds in the general ledger that are carrying balances forward from year to year but are not being utilized. There has been no change in this condition from the previous year. These funds are as follows:

|                          |          |
|--------------------------|----------|
| Javits Gifted & Talented | \$ 3,807 |
| Discretionary IDEA-B     | 21,137   |
| Preschool IDEA-B         | 4,415    |
| Enhancing Education      | 1,875    |
| Library Books            | 220      |

Criteria: Good accounting policy necessitates the review of the general ledger to ensure that all existing funds are being utilized and that any funds that are not being used yet are carrying balances are appropriately adjusted.

Cause: Management is not following procedures to review the general ledger to ensure that the Cooperative gets the benefit of all funds available to the Cooperative and minimize the work required to maintain the general ledger.

Effect of condition: The extra funds that are not being utilized, but are carrying balances, create additional work for the Cooperative during the preparation of reports and the reviewing of the general ledger.

Recommendation: Management should implement procedures to review the general ledger to identify funds that are not being utilized so that cash balances can be used, covered, or reverted back to the originator.

Management's Response: Maria Jaramillo has made several attempts to inquire how to resolve the dormant funds finding with the Deputy Secretary of Finance, Paul Aguilar with no resolution. The repeated finding has been brought before the Council and a motion was made on September 21, 2016 to make a onetime permanent cash transfer of these funds into our Operational Account under 27200 budget. These funds will be used in the future on purchases that will benefit the Cooperatives school districts.

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, 2016

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### I. RESOLVED

FS 2012-02 – Non-compliance with Purchasing Policies (significant deficiency)

*Current Status:* Resolved. Not repeated in the current year.

2014 – 001 UNAUTHORIZED LOAN FROM RESTRICTED FUNDS

*Current Status:* Resolved. Not repeated in the current year.

### II. NOT RESOLVED

2014 – 003 DORMANT FUNDS

*Current Status:* Not resolved. Repeated in the current year.

## REQUIRED DISCLOSURES

YEAR ENDED JUNE 30, 2016

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The financial statements were prepared by the independent public accountants.

An exit conference was held September 26, 2016, during which the audit findings were discussed. The exit conference was attended by the following individuals:

### CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

|                 |   |
|-----------------|---|
| Ron Hendrix     | Council Member / Audit Committee            |
| 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 |
|-----------------|---------|