STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
JUNE 30, 2017

Woodard, Cowen & Co.

Certified Public Accountants

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
JUNE 30, 2017

TABLE OF CONTENTS

TABLE OF CONTENTS – Continued

COMPLIANCE AND OTHER DISCLOSURES

OFFICIAL ROSTER

GOVERNING BOARD

Colin Taylor	President
Damon Terry	Vice President
Robert Brown	Secretary
Brandon Hays	Interim Member
Tandee Delk	Member
Matt Moyer	Member
Elnabeth Grau	Member
Bonnie Lightfoot	Member
Dennis Roch	Member
Jamie Widner	Member

CENTER OFFICIALS

Scott McMath	Director
Connie Jackson	Business Manager

Woodard, Cowen & Co.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller
New Mexico State Auditor
Coordinating Council
Regional Education Cooperative #6
Portales, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and major special revenue funds of the Regional Education Cooperative #6 (the Center), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents. We also have audited the financial statements of the Center's agency fund 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Portales: PO Box 445, 118 E. 2nd Street Portales NM, 88130 Phone: 575-356-8564 Fax: 575-356-2453
Clovis: PO Box 1874, 116 E. Grand Avenue Clovis NM, 88101 Phone: 575-762-3811 Fax: 575-762-3866

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 the Center, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability on page 35, the Schedule of Contributions on page 36, with the notes to the required supplementary information on page 37 be presented 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 this required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the Center's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Changes in Assets and Liabilities – Agency Fund, Schedule of Pledged Collateral, Bank Summary, and Bank Reconciliation are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Changes in Assets and Liabilities – Agency Fund, Schedule of Pledged Collateral, Bank Summary, and Bank Reconciliation, and the additional schedules listed as "required supplemental information" in the table of contents 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 Changes in Assets and Liabilities – Agency Fund, Schedule of Pledged Collateral, Bank Summary, and Bank Reconciliation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017, on our consideration of the Center'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 the Center's internal control over financial reporting and compliance.

Woodard, Cowen & Company

Woodard, Cowen & Co.

Portales, New Mexico
September 29, 2017

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
STATEMENT OF NET POSITION

June 30, 2017

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	580,997
Due from other governments		155,996
Non-current:		
Capital Assets-Net		27,012
Total Assets		764,005
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions		314,468
LIABILITIES		
Current:		
Accounts Payable		-
Non-current:		
Net Pension Liability		1,557,308
Total Liabilities		1,557,308
DEFERRED INFLOWS OF RESOURCES		
Unearned Revenue		23,377
Deferred Inflows of resources related to pensions		252,891
Total deferred inflows of resources		276,268
NET POSITION		
Invested in capital assets		27,012
Restricted		
Medicaid		324,641
Unrestricted		(1,106,756)
Total Net Position	$	(755,103)

The accompanying footnotes are an integral part of these financial statements

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue & Changes in Net Position: Primary Governmental Activities
Primary government:					
Governmental activities:					
Instruction	$ 845,201	$ -	$ 845,201	$ -	$ -
Support Services-Students	949,461	-	986,074	-	36,613
Support Services-Instruction	169,299	-	186,677	-	17,378
Support Services-School Administration	180,105	-	180,105	-	-
Support Services-General Administration	515,237	-	505,241	-	(9,996)
Central Services	288,713	-	300,627	-	11,914
Operation & Maintenance of plant	39,496	-	39,496	-	-
Student Transportation	14,341	-	14,341	-	-
Food Service Operations	-	-	-	-	-
Other Support Services	-	-	-	-	-
Community Services	25,680	-	25,680	-	-
Depreciation	5,109	-	5,109	-	-
Unallocated	-	-	32,255	-	32,255
Total governmental activities	$ 3,032,642	$ -	$ 3,120,806	$ -	$ 88,164

General revenues:	
REC State Funding	$ 103,955
Donations/Private Grants	-
Refunds	-
Total General Revenues	103,955
Change in Net Position	192,119
Net Position beginning	(947,222)
Restatement of net position	-
Net Position - beginning Restated	(947,222)
Net Position - ending	$ (755,103)

The accompanying footnotes are an integral part of these financial statements.

BALANCE SHEET-- GOVERNMENTAL FUNDS

June 30, 2017

	27101 GENERAL FUND	27149 PRE K INITIATIVE	27200 STATE DIRECTED ACTIVITIES	28144 MEDICAID
ASSETS				
Cash on Deposit	$ 232,979	$ -	$ -	$ 324,641
Due from other Governments	-	-	133,518	-
Due From Other Funds	169,596	-	-	-
Total Assets	$ 402,575	$ -	$ 133,518	$ 324,641
LIABILITIES				
Due to Other Funds	$ -	$ -	$ 147,118	$ -
Accounts Payable	-	-	-	-
Total Liabilities	-	-	147,118	-
DEFERRED INFLOWS OF RESOURCES				
Unearned Revenue	-	-	-	-
Deferred Inflows of Resources	-	-	-	-
FUND BALANCE				
Unassigned	402,575	-	(13,600)	-
Assigned to:				
Medicaid				324,641
Total Fund Balance	402,575	-	(13,600)	324,641
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ 402,575	$ -	$ 133,518	$ 324,641

The accompanying footnotes are an integral part of these financial statements.

28167 PARENTS AS TEACHERS		29130 SCHOOL BASED HEALTH CENTER		Total GOVERNMENTAL FUNDS	
$	-	$	23,377	$	580,997
	22,478		-		155,996
	-		-		169,596
$	22,478	$	23,377	$	906,589
$	22,478	$	-	$	169,596
	-		-		-
	22,478		-		169,596
	-		23,377		23,377
	-		23,377		23,377
	-		-		388,975
					324,641
	-		-		713,616
$	22,478	$	-	$	906,589

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
RECONCILIATION OF THE BALANCE SHEET
ALL GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

June 30, 2017

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

Fund Balance - total governmental funds	$	713,616
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		27,012
Net Pension Liability not reported in the funds		(1,557,308)
Deferred Inflows of resources related to pensions not reported in the funds.		(252,891)
Deferred Outflows of resources related to pensions not reported in the funds		314,468
Net position of governmental activities	$	(755,103)

The accompanying financial statements are an integral part of these financial statements.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	27101 GENERAL FUND	27149 PRE K INITIATIVE	27200 STATE DIRECTED ACTIVITIES	28144 MEDICAID
REVENUE				
Federal Program	$ -	$ -	$ -	$ -
State Program	850,604	475,207	837,638	724,939
Intergovernmental	-	-	-	-
Donations	-	-	-	-
Refunds	-	-	-	-
TOTAL REVENUES	850,604	475,207	837,638	724,939
EXPENDITURES				
Current				
Instruction	-	455,773	389,428	-
Support Services-Students	300,437	-	118,907	524,728
Support Services-Instruction	46,100	-	-	107,782
Support Services-School Administration	17,457	-	162,648	-
Support Services-General Administration	87,823	5,093	2,152	66,050
Central Services	51,540	-	152,423	74,181
Operation & Maintenance of Plant	30,913	-	-	8,583
Student Transportation	-	14,341	-	-
Other Support Services	-	-	-	-
Food Services - Operations	-	-	-	-
Community Services - Operations	-	-	25,680	-
Capital Outlay	-			
TOTAL EXPENDITURES	534,270	475,207	851,238	781,324
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	316,334	-	(13,600)	(56,385)
OTHER FINANCING SOURCES				
Transfers In/Out	(309,686)	-	-	309,686
Net Change In Fund Balances	6,648	-	(13,600)	253,301
FUND BALANCE June 30, 2016	395,927	-	-	71,340
Restatement	-	-	-	-
Restated Fund Balance	395,927	-	-	71,340
FUND BALANCE June 30, 2017	$ 402,575	$ -	$ (13,600)	$ 324,641

The accompanying footnotes are an integral part of these financial statements.

28167 PARENTS AS TEACHERS	29130 SCHOOL BASED HEALTH CENTER	Total GOVERNMENTAL FUNDS
$ -	$ -	$ -
249,108	87,266	3,224,762
-	-	-
-	-	-
-	-	-
249,108	87,266	3,224,762
-	-	845,201
-	-	944,072
-	-	153,882
-	-	180,105
249,108	87,266	497,492
-	-	278,144
-	-	39,496
-	-	14,341
-	-	-
-	-	-
-	-	25,680
-	-	-
249,108	87,266	2,978,413
-	-	246,349
-	-	-
-	-	246,349
-	-	467,267
-	-	-
-	-	467,267
$ -	$ -	$ 713,616

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE -
ALL GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

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

Net change in fund balance - total governmental funds	$	246,349
Add additions of capital assets recorded as expenditures in the funds.		27,090
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 depreciation exceeded capital outlay in the current year		(5,109)
Pension related expense not reported in the funds		(76,211)
Change In Net Position	$	192,119

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--SPECIAL REVENUE FUND--PRE-K INITIATIVE

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	$ -	$ 509,366	$ 544,626	$ 35,260
TOTAL REVENUE	-	509,366	$ 544,626	$ 35,260
Cash Balance Budgeted	-	-		
TOTAL REVENUE & CASH	$ -	$ 509,366		
EXPENDITURES				
Current				
Instruction	$ -	$ 486,789	$ 455,773	$ 31,016
Support Services				
Support Services-Students	-	5,093	5,093	-
Student Transportation	-	17,484	14,341	3,143
TOTAL EXPENDITURES	$ -	$ 509,366	$ 475,207	$ 34,159

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources	
Actual amounts (budgetary basis)	$ 544,626
Differences-Budget to GAAP	
Prior Year Receivable	(69,419)
Total Revenues (GAAP Basis)	$ 475,207
Uses/outflows of resources	
Actual amounts (budgetary basis)	$ 475,207
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	$ 475,207

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--SPECIAL REVENUE FUND--STATE DIRECTED ACTIVITIES

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	$ -	$ 1,468,176	$ 968,637	$ (499,539)
TOTAL REVENUE	-	1,468,176	$ 968,637	$ (499,539)
Cash Balance Budgeted	-	-		
TOTAL REVENUE & CASH	$ -	$ 1,468,176		
EXPENDITURES				
Current				
Instruction	$ -	$ 426,952	$ 389,428	$ 37,524
Support Services				
Support Services-Students	-	175,000	118,907	56,093
Support Services-Instruction	-	30,000	2,152	27,848
Support Services-General Administration	-	427,552	162,648	264,904
Central Services	-	333,672	152,423	181,249
Community Services-operations	-	75,000	25,680	49,320
TOTAL EXPENDITURES	$ -	$ 1,468,176	$ 851,238	$ 616,938

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources	
Actual amounts (budgetary basis)	$ 968,637
Differences-Budget to GAAP	
Current Year Receivable	133,518
Prior Year Receivable	(264,517)
Total Revenues (GAAP Basis)	$ 837,638
Uses/outflows of resources	
Actual amounts (budgetary basis)	$ 851,238
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	$ 851,238

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--SPECIAL REVENUE FUND--MEDICAID HSD

Year Ended June 30, 2017

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Fees - Educational	$ 277,642	$ 1,238,183	$ 862,603	$ (375,580)
Refunds	-	-	-	-
TOTAL REVENUE	277,642	1,238,183	$ 862,603	$ (375,580)
Cash Balance Budgeted	-	-		
TOTAL REVENUE & CASH	$ 277,642	$ 1,238,183		
EXPENDITURES				
Current				
Support Services-Students	$ 68,269	$ 896,026	$ 524,728	$ 371,298
Support Services-Instruction	77,088	119,256	107,782	11,474
Support Services-General Administration	59,321	98,799	66,050	32,749
Central Services	60,464	104,664	74,181	30,483
Operation & Maintenance of Plant	12,500	19,438	8,582	10,856
TOTAL EXPENDITURES	$ 277,642	$ 1,238,183	$ 781,323	$ 456,860

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources	
Actual amounts (budgetary basis)	$ 862,603
Differences-Budget to GAAP	
Current Year Receivable	-
Prior Year Receivable	(137,664)
Total Revenues (GAAP Basis)	$ 724,939
Uses/outflows of resources	
Actual amounts (budgetary basis)	$ 781,323
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	$ 781,323

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--SPECIAL REVENUE FUND--PARENTS AS TEACHERS

Year Ended June 30, 2017

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	$ -	$ 250,000	$ 266,312	$ 16,312
TOTAL REVENUE	-	250,000	$ 266,312	$ 16,312
Cash Balance Budgeted	-	-		
TOTAL REVENUE & CASH	$ -	$ 250,000		
EXPENDITURES				
Current				
Support Services-General Administration	$ -	$ 250,000	$ 249,108	$ 892
TOTAL EXPENDITURES	$ -	$ 250,000	$ 249,108	$ 892

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources	
Actual amounts (budgetary basis)	$ 266,312
Differences-Budget to GAAP	
Current Year Receivable	22,478
Prior Year Receivable	(39,682)
Total Revenues (GAAP Basis)	$ 249,108
Uses/outflows of resources	
Actual amounts (budgetary basis)	$ 249,108
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	$ 249,108

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--SPECIAL REVENUE FUND--SCHOOL BASED HEALTH CENTER

Year Ended June 30, 2017

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Fees - Educational	$ 84,379	$ 100,918	$ 77,382	$ (23,536)
TOTAL REVENUE	84,379	100,918	$ 77,382	$ (23,536)
Cash Balance Budgeted	-	-		
TOTAL REVENUE & CASH	$ 84,379	$ 100,918		
EXPENDITURES				
Current				
Support Services-General Administration	$ 84,379	$ 100,918	$ 87,266	$ 13,652
TOTAL EXPENDITURES	$ 84,379	$ 100,918	$ 87,266	$ 13,652

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources	
Actual amounts (budgetary basis)	$ 77,382
Differences-Budget to GAAP	
Current Year Deferral	(23,377)
Prior Year Deferral	33,261
Total Revenues (GAAP Basis)	$ 87,266
Uses/outflows of resources	
Actual amounts (budgetary basis)	$ 87,266
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	$ 87,266

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--GENERAL FUND--REC STATE FUNDING

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	$ 620,549	$ 648,701	$ 850,604	$ 201,903
TOTAL REVENUE	620,549	648,701	$ 850,604	$ 201,903
Cash Balance Budgeted	-	-		
TOTAL REVENUE & CASH	$ 620,549	$ 648,701		
EXPENDITURES				
Current				
Support Services-Students	$ 320,712	$ 320,712	$ 300,437	$ 20,275
Support Services-Instruction	51,360	59,510	46,100	13,410
Support Services-General Administration	124,691	124,691	87,823	36,868
Support Services-School Administration	-	20,002	17,457	2,545
Central Services	64,886	64,886	51,540	13,346
Operation & Maintenance of Plant	58,900	58,900	30,913	27,987
Other Support Services	-	-	-	-
TOTAL EXPENDITURES	$ 620,549	$ 648,701	$ 534,270	$ 114,431

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources	
Actual amounts (budgetary basis)	$ 850,604
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	$ 850,604
Uses/outflows of resources	
Actual amounts (budgetary basis)	$ 534,270
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	$ 534,270

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6

STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUN

June 30, 2017

	AGENCY FUNDS
ASSETS	
Cash in Bank	$ 11,761
TOTAL ASSETS	$ 11,761
Net Position	
Cash Held for other Entities	$ 11,761
TOTAL NET POSITION	$ 11,761

The accompanying footnotes are an integral part of these financial statements.

I. Summary of Significant Accounting Policies

A. Reporting Entity

The ten Regional Education Cooperatives established throughout New Mexico in 1984 were originally organized to provide supplementary special education services to local education agencies utilizing federal PL 94-142 funds. The role of the Centers has expanded under the authorization of the regional Coordinating Councils to include a variety of other projects, both federally funded and funded from other sources. Regional Education Cooperative #6 (the Center), through the governing council, has established as its purpose the delivery to local districts and communities those services deemed critical to the ongoing success of regular and special education programs provided by the local agencies. For financial reporting purposes, the Center includes all funds and account groups that are controlled by or dependent on the Center for financial support. The Center has no component units.

The summary of significant accounting policies of the Center is presented to assist in the understanding of the Center's financial statements. The financial statements and notes are the representation of Regional Education Cooperative #6's management who is responsible for their integrity and objectivity. The financial statements of the Center conform to generally accept accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (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 changes in net position) report information on all of the non-fiduciary activities of the Center. For the most part, the effect of interfund activity has been removed from these statements.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. No property tax revenue is available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Grant revenues and deferrals are recognized in accordance with GASB 33. Deferred inflows of resources and deferred outflows of resources are accounted for in accordance with GASB 63.

I. Summary of Significant Accounting Policies (continued)

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

The Center reports the following major governmental funds:

General Fund – The general fund is comprised of the State REC Funding 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.

Twenty-First Century Community Learning Centers – To account for state funds used to establish or expand community learning centers that provide academic enrichment opportunities for children, particularly those attending high-poverty and low-performing schools, to meet state and local standards in core academic subjects. This fund is funded by the State of New Mexico through the Title I program.

PRE K INITIATIVE — To account for state program used to provide center-based education services to four-year-olds within the district. This state fund initiative was established in 2005.

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

Medicaid HSD – The purpose of this fund is to account for reimbursement of health-related services of Medicaid eligible students receiving related services, for administrative time study, and for a statement of service costs study. Authorized by the Social Security Act.

Parents as Teachers – This fund is used to account for the program designed to provide evidence-based home visits to at-risk families. Funding and authorization comes from the Affordable Care Act.

School Based Health Center – To account for monies received for School Based Health Clinics in the member districts. The fund was created by the authority of the grant provisions.

Similar to private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Program revenues reported as operating grants and contributions consist of federal and state grant program revenues used to administer federal and state directed programs. Fees charged to participating school districts are for technical assistance, professional development, and/or direct services provided by the Center.

D. Assets, Liabilities, and Net Assets 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.

State statutes authorize the investment of the Center's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The Center is also allowed to invest in United States Government obligations. All funds of the Center 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 Center. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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

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

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 to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Amounts shown as due from other Governments are amounts due from pass through agencies and are fully collectible.

3. Inventories

None

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life extending beyond a single reporting period. The Center is capitalizing qualifying software as required. 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 Center does not have a library.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Vehicles	5

I. Summary of Significant Accounting Policies (continued)

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

5. Long-Term obligations

Employees are not compensated for accumulated sick leave upon termination of employment. Unused vacation is accounted for in the fund from which the employee's salary was paid. As of June 30, 2017, there was no compensated absences liability to report.

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. The Center has no bonded debt.

6. Pensions

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

7. Fund equity

In the fund financial statements, fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned upon the use of the resources in the government funds. Designations of fund balance represent tentative management plans that are subject to change.

Net position on the statement of net position includes the following: Investments in Capital Assets, the component of net assets that reports the difference between capital assets less the accumulated depreciation. These funds are restricted for use of the related fund.

8. Comparative data/reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

9. 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.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net positon of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this $21,981 difference are as follows:

Capital Outlay	$27,090
Depreciation expense	(5,109)
Net adjustment to decrease net changes in fund balances – total government funds to arrive at changes in net position of Governmental activities	$ 21,981

III. Stewardship, Compliance, and accountability

A. Budgetary information

Budgets for the Special Revenue Funds are prepared by management and are approved by the Coordinating 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 reappropriated 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 'function', this may be accomplished with only the Coordinating Council approval. If a transfer between 'function' 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 Center follows these procedures in establishing the budgetary data reflected in the financial statements:

In April or May, the director submits to the Coordinating 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.

In May or June, the budget is approved by the Coordinating Council.

The council meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.

The 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 council and the State of New Mexico Department of Education.

Budgets for the 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.

The Board 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, 2017 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item.

Budget comparison statements have been omitted on those funds that had no cash (receipts or expense) activity during the fiscal year.

IV. Detailed Notes on all Funds

A. Cash and temporary investments

At June 30, 2017, the carrying amount of the Center's deposits was $580,977 and the bank balance was $641,295. This balance was covered by federal depository insurance. Any balance over $250,000 is covered under the bank's deposit guarantee program which assigns securities as collateral to insure public funds.

NM 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 Center for at least one half of the amount on deposit with the institution.

The collateral pledged is shown as listed in the table of contents 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 schools. 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

Custodial Credit Risk — Deposits.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, As of June 30, 2017, none of the government's bank balance was exposed to custodial credit risk as follows:

Uninsured	$ 391,295
Collateralized by bank, held in entity's name	246,472
Amount Exposed	$ 144,823

A. Deferred Revenue

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 Grant
Draw downs prior to meeting all eligibility requirements	$ 23,377
Total deferred/unearned revenue for governmental funds	$ 23,377

IV. Detailed Notes on all Funds

C. Capital Assets

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

REGIONAL EDUCATION COOPERATIVE #6

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, being depreciated				
Equipment	$ 38,719	$ 27,090	$ 19,950	$ 45,859
Total Capital Assets, being depreciated	38,719	27,090	19,950	45,859
Less: accumulated depreciation for				
Equipment	33,688	5,109	19,950	18,847
Total accumulated depreciation	33,688	5,109	19,950	18,847
Capital Assets, Net	$ 5,031	$ 21,981	$ -	$ 27,012

Depreciation is attributed to the General Fund Support Services – General Administration.

D. Long-Term Debt

For the fiscal year ended June 30, 2017, the Center had neither long-term debt nor compensated absences.

V. Other information

A. Risk Management

It is the policy of Regional Education Cooperative #6 to purchase insurance for the risks of losses to which it is exposed through the General Services Administration risk management insurance. Risk management insurance includes coverage for general liability, property, casualty and employee health and accident.

B. 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.

V. Other information (continued)

C. Employee retirement plan

General Information about the Pension Plan

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

The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

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

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

Benefits – A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

Summary of Plan Provisions for Retirement Eligibility – For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

- The member's age and earned service credit add up to the sum of 80 or more,
- The member is at least sixty-seven years of age and has five or more years of earned service credit, or
- The member has service credit totaling 30 years or more.

V. Other information (continued)

C. Employee retirement plan (continued)

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

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.

- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits

- The member's age is 67, and has earned 5 or more years of service credit.

Forms of Payment – The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

Benefit Options – The Plan has three benefit options available.

- Option A – Straight Life Benefit – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.

- Option B – Joint 100% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

- Option C – Joint 50% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010

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

- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

V. Other information (continued)

C. Employee retirement plan (continued)

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%.

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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

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

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

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the Center paid employee and employer contributions of $110,615 and $152,041, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the Center reported a liability of $1,557,308 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the Center's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The Center's proportion of the net pension liability was based on a projection of the Center's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the Center's proportion was 0.02164%, which was a decrease of 0.00506% from its proportion measured as of June 30, 2015.

V. Other information (continued)

C. Employee retirement plan (continued)

For the year ended June 30, 2017, the Center recognized pension expense of $147,566. At June 30, 2017, Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 6,756	$ 14,812
Changes of assumptions	31,701	
Net difference between projected and actual earnings on pension plan investments	92,958	
Changes in proportion and differences between contributions and proportionate share of contributions	120,551	238,079
Employer contributions subsequent to the measurement date	62,502	
Total	$314,468	$252,891

$62,502 reported as deferred outflows of resources related to pensions resulting from the Center's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 22,717
2019	$(24,144)
2020	$(22,166)
2021	$ 22,669

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

Inflation	3.0%
Salary increases	Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment rate of return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.

V. Other information (continued)

C. Employee retirement plan (continued)

Mortality	Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012. Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	2% per year, compounded annually.
Payroll growth	3.5% per year (with no allowance for membership growth).
Contribution accumulation	5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	35%	
Fixed Income	28%	
Alternatives	36%	
Cash	1%	
Total	100%	7.75%

V. Other information (continued)

C. Employee retirement plan (continued)

Discount rate. A single discount rate of 7.75% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.75%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.75%)	**Current Discount Rate (7.75%)**	**1% Increase (8.75%)**
Center's proportionate share of the net pension liability	$2,062,619	$1,557,308	$1,138,043

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

Payable to the pension plan. The Center has no payables to the pension plan.

D. Post-retirement health care benefits

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the 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.

V. Other information (continued)

D. Post-retirement health care benefits (continued)

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, 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, 2015, 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 Center's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were $8,993, $12,361 and $15,348, respectively, which equal the required contributions for each year.

V. Other information (continued)

E. Interfund Balances

Due to	Due from		
General Fund	State Directed Activities	$	147,118
	Parents As Teachers		22,478
		$	169,596

The balance of $169,596 resulted from loans made to establish working capital for the individual funds. All loans are considered to be repaid within one year.

F. Deficit Fund Balance

The Center reported a deficit fund balance of $13,600 in the State Directed Activities fund. The deficit was the result of disallowed expenditures not reimbursed from PED. Management of the Center will transfer the $13,600 from the General Fund to cover the deficit.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6

Statement of Changes in Fiduciary Net Position - Agency Fund

Year Ended June 30, 2017

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
EPAC	$ 7,408	$ 41,490	$ 37,137	$ 11,761
Total	$ 7,408	$ 41,490	$ 37,137	$ 11,761

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6

SCHEDULE OF PLEDGED COLLATERAL

JUNE 30, 2017

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED DEPOSITS	COLLATERAL REQUIRED	COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
Portales National Bank	$ 641,295	$ 250,000	$ 391,295	$ 195,648	$ 246,472	$ -	$ 144,823

COLLATERAL		MATURES
FHLB Qtrly Call STP 3130A8F65	$ 98,223	06/30/31
FHLB Qtrly Call STP 3130AADF2	99,055	12/30/26
FNMA Qtrly Call Step 3136G2ZC4	49,194	02/24/31
	$ 246,472	

Account balances are covered by the bank's deposit guarantee program when account balances exceed $250,000.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6

BANK SUMMARY

JUNE 30, 2017

Bank	ACCT TYPE	FUND	BANK BALANCE	OUTSTANDING CHECKS	OUTSTANDING DEPOSITS	NET CASH BALANCE
PORTALES NATIONAL BANK	Checking	OPERATING	$ 641,295	$ 60,297	$ -	$ 580,998
PORTALES NATIONAL BANK	Checking	AGENCY	12,561	800	-	11,761
Total All Accounts			$ 653,856	$ 61,097	$ -	$ 592,759

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6

BANK RECONCILIATION

JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE	AGENCY
Audited Net Cash			
JUNE 30, 2016	$ 56,262	$ (53,893)	$ 7,408
TOTAL CASH BALANCE			
JUNE 30, 2016	56,262	(53,893)	7,408
Add:			
2016 - 2017 Revenue	850,604	2,706,436	41,490
Prior Year Interfund Loans	627,724	(627,724)	-
Prior Year Held Checks	-	-	-
Transfers In	-	597,745	-
TOTAL AVAILABLE CASH	1,534,590	2,622,564	48,898
2016 - 2017 Expenditures	534,270	2,444,142	37,137
Add: Held Checks	-	-	-
Transfers Out	597,745	-	-
Current Year Interfund Loans	(169,596)	169,596	-
Cash Adjustment	-	-	-
TOTAL CASH, JUNE 30, 2017	$ 232,979	$ 348,018	$ 11,761

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY
Educational Retirement Board (ERB) Pension Plan

JUNE 30, 2017

	2017	2016	2015
Proportion of the net pension liability	0.02164%	0.02670%	0.02437%
Proportionate share of the net pension liability	$ 1,557,308	$ 1,729,430	$ 1,390,479
Covered Employee Payroll	$ 449,653	$ 728,996	$ 671,728
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	346.34%	237.23%	207.00%
Plan fiduciary net position as a percentage of total pension liability	61.58%	63.97%	66.54%

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
SCHEDULE OF CONTRIBUTIONS Educational Retirement Board (ERB) Pension Plan

JUNE 30, 2017

	2017	2016	2015
Contractually required contribution	$ 62,502	$ 85,909	$ 105,603
Contributions in relation to the contractually required contribution	$ 62,502	$ 85,909	$ 105,603
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 449,653	$ 728,996	$ 671,728
Contributions as a percentage of covered-employee payroll	13.90%	11.78%	15.72%

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

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

Woodard, Cowen & Co.

Certified Public Accountants

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

Independent Auditor's Report

Mr. Tim Keller
New Mexico State Auditor
Coordinating Council
Regional Education Cooperative #6
Portales, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds of the Regional Education Cooperative #6 (Center), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated September 29, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center'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 the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-001.

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Clovis: PO Box 1874, 116 E. Grand Avenue Clovis NM, 88101 Phone: 575-762-3811 Fax: 575-762-3866

The Center's Response to Finding

The Center's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. The Center's response was 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Woodard, Cowen & Co.

Portales, New Mexico
September 29, 2017

JUNE 30, 2017

PRIOR YEAR AUDIT FINDINGS

ADVANCE PER DIEM PAID GREATER THAN 80% 2016-001 (compliance)

Statement of Condition:	During the testing of per diem and travel expenditure disbursements, the auditor noted three of the nine per diem disbursements tested were paid in advance of the travel at greater than 80%. The dollar amount of the three were $457 of the
Recommendation:	Center management should only pay out 80% of projected allowable travel cost in advance of travel.
Status:	Resolved.

None

INVOICE DATE PRECEEDED PURCHASE ORDER DATE 2017-001 (compliance)

Statement of Condition:	During the testing of expenditure disbursements, the auditor noted one disbursment where the invoice date preceeded the purchase order date. The expenditure was for a hotel stay in the amount of $156. This invoice was one of 20 tested. The travel was not for a Center employee, but an employee of a member district.
Criteria:	6.20.2.14.E NMSA states the Center (and school districts) shall verify that there is sufficient cash and budget available prior to disbursement of cash.
Cause:	The purchase order and travel request were not completed until after the expenditure occurred. The hotel invoice and date of stay were 4 days prior to the purchase order and travel request.
Effect:	Approving spending without adhering to the purchase order process can lead to overspent budgets or even cash shortages.
Recommendation:	The Center's management should communicate to its member districts the necessity of following the proper purchase order process. This will help insure that funds are available to pay expenditures and maintain budgetary compliance.
Response:	Management concurs. The director and business manager will make this discussion an agenda item at the next coordinating council meeting. The superintendents on the coordinating council will be encouraged to communicate this matter to their district personnel.

OTHER DISCLOSURES

AUDITOR PREPARED FINANCIAL STATEMENTS

These financial statements and related footnotes and supplemental information were prepared by the auditor. The auditor cannot be a part of the Center's internal control; thus the preparation of the report is not a substitute for managements internal control and is not considered in the auditor’s evaluation of the severity of the internal control deficiency.

We prepared the draft financial statements based on management's chart of accounts and trial balances and any adjusting, correcting, and closing entries have been approved by management. We also have prepared the draft footnotes based on the information determined and approved by management. These services are allowable under SAS 115.

EXIT CONFERENCE

An exit conference to discuss the contents of this report was held on September 29, 2017. Those in attendance were Scott McMath, Director for the REGIONAL EDUCATION COOPERATIVE #6; Connie Jackson, Finance Director; and Damon Terry, Coordinating Council Member. John McKinley, Jr., C.P.A. represented our firm.