

**STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6**

**Audited Financial Statements
and Other Financial Information**

June 30, 2019



PATTILLO, BROWN & HILL, LLP

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**REGIONAL EDUCATION COOPERATIVE #6
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**REGIONAL EDUCATION COOPERATIVE #6
OFFICIAL ROSTER**

GOVERNING BOARD

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

CENTER OFFICIALS

Scott McMath	Director
Tammy Gates	Business Manager

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BASIC FINANCIAL STATEMENTS



Independent Auditors' Report

To Brian S. Colòn, Esq.
New Mexico State Auditor

Coordinating Council
Regional Education Cooperative #6

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 the major special revenue funds of the Regional Education Cooperative #6 (Center), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Center's 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque



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 and each major fund of the Center, as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Schedules of the Center's Proportionate Share of the Net Pension Liability and Net OPEB Liability*, and *Schedules of Center Contributions* on pages 54 - 57 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.

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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements, the combining and individual fund financial statements, and the budgetary comparisons that collectively comprise the Center's basic financial statements. The other schedules required by 2.2.2 NMAC as noted in the table of

contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC as noted 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 auditing standards generally accepted in the United States of America. In our opinion, the schedules required by 2.2.2 NMAC as noted in the table of contents, 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 26, 2019 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.



Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
September 26, 2019

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STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
STATEMENT OF NET POSITION
June 30, 2019

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 484,693
Due from other governments	392,188
	<hr/>
<i>Total current assets</i>	<i>876,881</i>
	<hr/>
Noncurrent Assets	
Capital assets, net of accumulated depreciation	
Equipment	58,811
Less: accumulated depreciation	(18,535)
	<hr/>
<i>Total capital assets, net of accumulated depreciation</i>	<i>40,276</i>
	<hr/>
<i>Total noncurrent assets</i>	<i>40,276</i>
	<hr/>
<i>Total assets</i>	<i>917,157</i>
	<hr/>
DEFERRED OUTFLOWS	
Pension related	761,165
OPEB related	112,883
	<hr/>
<i>Total deferred outflows</i>	<i>874,048</i>
	<hr/>

**STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
STATEMENT OF NET POSITION
June 30, 2019**

	GOVERNMENTAL ACTIVITIES
	<hr/>
LIABILITIES	
Current liabilities	
Accounts payable	3,511
Compensated leave	21,970
	<hr/>
<i>Total current liabilities</i>	25,481
	<hr/>
Noncurrent Liabilities	
Compensated leave	7,323
Net pension liability	2,308,107
Net OPEB liability	552,676
	<hr/>
<i>Total noncurrent liabilities</i>	2,868,106
	<hr/>
<i>Total liabilities</i>	2,893,587
	<hr/>
DEFERRED INFLOWS	
Unearned revenue	11,274
Pension related	286,164
OPEB related	142,801
	<hr/>
<i>Total deferred inflows</i>	440,239
	<hr/>
NET POSITION	
Investment in capital assets	40,276
Restricted for:	
Medicaid	65,127
Unrestricted	(1,648,024)
	<hr/>
<i>Total net position</i>	\$ (1,542,621)
	<hr/> <hr/>

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STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total Governmental Activities
Primary government					
Governmental activities					
Instruction	\$ 702,997	-	446,230	-	(256,767)
Support services					
Students	875,752	-	812,416	-	(63,336)
Instruction	285,864	-	285,864	-	-
General administration	504,168	-	413,471	-	(90,697)
School administration	213,443	-	165,310	-	(48,133)
Central services	220,285	-	170,114	-	(50,171)
Operation & maintenance of plant	158,392	-	158,392	-	-
Student transportation	20,057	-	20,057	-	-
Total governmental activities	\$ 2,980,958	-	2,471,854	-	(509,104)
		General Revenues			
					REC state funding
					103,800
					Total general revenues
					103,800
					Change in net position
					(405,304)
					Net position - beginning
					(1,137,317)
					Net position - ending
					\$ (1,542,621)

**STATE OF NEW MEXICO
 REGIONAL EDUCATION COOPERATIVE #6
 BALANCE SHEETS - GOVERNMENTAL FUNDS
 June 30, 2018**

	GENERAL 27101	PRE K INITIATIVE 27149
	<u> </u>	<u> </u>
ASSETS		
<i>Current assets</i>		
Cash	\$ 473,419	-
Accounts receivable		
Due from other governments	51,290	215,451
Interfund receivables	<u>259,187</u>	<u>-</u>
<i>Total assets</i>	<u>\$ 783,896</u>	<u>215,451</u>
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES		
<i>Current liabilities</i>		
Accounts payable	\$ 1,087	-
Interfund payables	<u>-</u>	<u>215,451</u>
<i>Total liabilities</i>	<u>1,087</u>	<u>215,451</u>
 <i>Deferred Inflows</i>		
Unavailable revenue	<u>-</u>	<u>-</u>
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>
 <i>Fund balances (deficit)</i>		
Assigned to		
Medicaid	-	-
Unassigned	<u>782,809</u>	<u>-</u>
<i>Total fund balance (deficit)</i>	<u>782,809</u>	<u>-</u>
 <i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 783,896</u>	<u>215,451</u>

STATE DIRECTED ACTIVITIES 27200	MEDICAID 28144	SCHOOL BASED HEALTH CENTER 29130	TOTAL GOVERNMENTAL FUNDS
-	-	11,274	484,693
28,676	82,521	14,250	392,188
-	-	-	259,187
<u>28,676</u>	<u>82,521</u>	<u>25,524</u>	<u>1,136,068</u>
-	2,334	90	3,511
<u>28,676</u>	<u>15,060</u>	<u>-</u>	<u>259,187</u>
<u>28,676</u>	<u>17,394</u>	<u>90</u>	<u>262,698</u>
-	-	11,274	11,274
-	-	11,274	11,274
-	65,127	-	65,127
-	-	14,160	796,969
-	65,127	14,160	862,096
<u>28,676</u>	<u>82,521</u>	<u>25,524</u>	<u>1,136,068</u>

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STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2019

	<u>GOVERNMENTAL FUNDS</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 862,096
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	40,276
Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds.	761,165
OPEB plan deferred outflows are not financial resources and, therefore, are not reported in the funds.	112,883
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Compensated absences	(29,293)
Net pension liability	(2,308,107)
Net OPEB liability	(552,676)
Defined benefit pension plan deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds	(286,164)
OPEB plan deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds	<u>(142,801)</u>
Net position of governmental activities	\$ <u><u>(1,542,621)</u></u>

**STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	GENERAL 27101	PRE K INITIATIVE 27149
Revenues		
State grants	\$ 541,436	457,368
Federal grants	-	-
<i>Total revenues</i>	<u>541,436</u>	<u>457,368</u>
Expenditures		
Current		
Instruction	-	432,524
Support services		
Students	92,087	-
Instruction	-	-
General administration	158,362	4,787
School administration	38,044	-
Central services	79,183	-
Operations & maintenance of plant	96,328	-
Student transportation	-	20,057
Capital outlay	15,860	-
<i>Total expenditures</i>	<u>479,864</u>	<u>457,368</u>
Excess (deficiency) of revenues over (under) expenditures	<u>61,572</u>	-
Other financing sources (uses)		
Operating transfers	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>
Net change in fund balances	61,572	-
Fund balances, beginning of year	<u>721,237</u>	-
Fund balances, end of year	<u>\$ 782,809</u>	<u>-</u>

STATE DIRECTED ACTIVITIES 27200	MEDICAID 28144	SCHOOL BASED HEALTH CENTER 29130	TOTAL GOVERNMENTAL FUNDS
-	821,237	78,156	1,898,197
677,457	-	-	677,457
677,457	821,237	78,156	2,575,654
262,767	-	-	695,291
94,180	626,149	-	812,416
285,864	-	-	285,864
3,990	182,336	63,996	413,471
7,807	119,459	-	165,310
7,838	83,093	-	170,114
15,011	47,053	-	158,392
-	-	-	20,057
-	15,861	-	31,721
677,457	1,073,951	63,996	2,752,636
-	(252,714)	14,160	(176,982)
-	-	-	-
-	-	-	-
-	(252,714)	14,160	(176,982)
-	317,841	-	1,039,078
-	65,127	14,160	862,096

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**STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019**

	<u>GOVERNMENTAL FUNDS</u>
Amounts reported for governmental activities in the statements of activities are different because:	
Net change in fund balances - total governmental funds	\$ (176,982)
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.	19,959
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:	
Change in accrued compensated absences	4,056
Change in net pension liability	(241,345)
Change in OPEB liability	<u>(10,992)</u>
Change in net position	\$ <u><u>(405,304)</u></u>

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
GENERAL FUND - 27101
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
State grant	\$ -	-	493,944	493,944
<i>Total revenues</i>	-	-	493,944	493,944
Expenditures				
Current				
Support services				
Students	202,148	202,148	112,010	90,138
General administration	88,177	88,177	158,786	(70,609)
School administration	41,726	41,726	37,935	3,791
Central services	51,801	51,801	79,117	(27,316)
Operations & maintenance of plant	25,500	25,500	97,771	(72,271)
<i>Total expenditures</i>	409,352	409,352	485,619	(76,267)
Excess (deficiency) of revenues over (under) expenditures	(409,352)	(409,352)	8,325	417,677
Designated cash	368,572	368,572	-	(368,572)
Net change in fund balances	<u>(40,780)</u>	<u>(40,780)</u>	8,325	<u>49,105</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			47,492	
Adjustments to expenditures			5,755	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ <u>61,572</u>	

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
PRE K INITIATIVE - 27149
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
State grant	\$ 478,715	478,715	379,884	(98,831)
<i>Total revenues</i>	<u>478,715</u>	<u>478,715</u>	<u>379,884</u>	<u>(98,831)</u>
Expenditures				
Current				
Instruction	450,493	450,493	432,524	17,969
Support services				
General administration	4,787	4,787	4,787	-
Student transportation	23,435	23,435	20,057	3,378
<i>Total expenditures</i>	<u>478,715</u>	<u>478,715</u>	<u>457,368</u>	<u>21,347</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(77,484)	(77,484)
Designated cash	-	-	-	-
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(77,484)</u>	<u>(77,484)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			77,484	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ -	

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
STATE DIRECTED ACTIVITIES - 27200
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
Federal grant	\$ -	1,119,763	866,523	(253,240)
<i>Total revenues</i>	<u>-</u>	<u>1,119,763</u>	<u>866,523</u>	<u>(253,240)</u>
Expenditures				
Current				
Instruction	-	405,993	262,767	143,226
Support services				
Students	-	170,077	94,180	75,897
Instruction	-	448,000	285,864	162,136
General administration	-	31,488	3,990	27,498
School administration	-	22,221	7,807	14,414
Central services	-	41,984	7,838	34,146
Operations & maintenance of plant	-	-	15,011	(15,011)
<i>Total expenditures</i>	<u>-</u>	<u>1,119,763</u>	<u>677,457</u>	<u>442,306</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	189,066	189,066
Designated cash	-	-	-	-
Net change in fund balances	<u>-</u>	<u>-</u>	<u>189,066</u>	<u>189,066</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			\$ (189,066)	
Adjustments to expenditures			<u>-</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
MEDICAID HSD - 28144
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
State grant	\$ 324,641	1,347,425	819,279	(528,146)
<i>Total revenues</i>	<u>324,641</u>	<u>1,347,425</u>	<u>819,279</u>	<u>(528,146)</u>
Expenditures				
Current				
Support services				
Students	50,650	697,213	627,446	69,767
General administration	181,158	192,705	182,336	10,369
School administration	88,207	150,523	127,169	23,354
Central services	51,984	85,858	91,110	(5,252)
Operations & maintenance of plant	18,500	45,578	46,670	(1,092)
<i>Total expenditures</i>	<u>390,499</u>	<u>1,171,877</u>	<u>1,074,731</u>	<u>97,146</u>
Excess (deficiency) of revenues over (under) expenditures	(65,858)	175,548	(255,452)	(431,000)
Designated cash	<u>240,392</u>	<u>240,392</u>	<u>-</u>	<u>(240,392)</u>
Net change in fund balances	<u>174,534</u>	<u>415,940</u>	(255,452)	<u>(671,392)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			1,958	
Adjustments to expenditures			<u>780</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ <u>(252,714)</u>	

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
SCHOOL BASED HEALTH CENTER - 29130
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
State grant	\$ 73,451	92,522	61,550	(30,972)
<i>Total revenues</i>	<u>73,451</u>	<u>92,522</u>	<u>61,550</u>	<u>(30,972)</u>
Expenditures				
Current				
Support services				
General administration	73,451	77,500	63,906	13,594
<i>Total expenditures</i>	<u>73,451</u>	<u>77,500</u>	<u>63,906</u>	<u>13,594</u>
Excess (deficiency) of revenues over (under) expenditures	-	15,022	(2,356)	(17,378)
Designated cash	<u>13,630</u>	<u>13,630</u>	-	<u>(13,630)</u>
Net change in fund balances	<u>13,630</u>	<u>15,022</u>	(2,356)	<u>(17,378)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			\$ 16,606	
Adjustments to expenditures			(90)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ <u>14,160</u>	

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
June 30, 2019

	<u>AGENCY FUNDS</u>
ASSETS	
<i>Current assets</i>	
Cash	\$ <u>20,977</u>
<i>Total assets</i>	\$ <u><u>20,977</u></u>
 LIABILITIES	
<i>Current liabilities</i>	
Deposits held in trust for others	\$ <u>20,977</u>
<i>Total liabilities</i>	\$ <u><u>20,977</u></u>

**STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Regional Education Cooperatives (Centers) established throughout New Mexico in 1984 were originally organized to provide supplementary special education services to local education agencies utilizing federal PL 94-142 funds. The role of the 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 Centers 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.

In evaluating how to define the Center, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, No. 39, *Determining Whether Certain Organizations Are Component Units*, and No. 80, *Blending Requirements for Certain Component Units*. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The additional criteria of GASB Statement No. 80 also requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Center has no component units, and is not a component unit of another governmental agency.

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 accepted 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.

**STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The more significant of the government's accounting policies are described below.

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 Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities which rely, to a significant extent, on fees and charges for support.

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

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

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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**STATE OF NEW MEXICO
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Center holds for others in an agency capacity.

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

General Fund (27101) - To account for State REC Funding. 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.

PRE K INITIATIVE (27149) - To account for monies received from the State of New Mexico to be used to provide direct services to 4 year old children in Pre-Kindergarten programs.

State Directed Activities (27200) – To account for a program funded by a state grant to assist in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act.

Medicaid HSD (28144) - 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.

School Based Health Center (29130) - To account for monies received for School Based Health Clinics in the member Centers. The fund was created by the authority of the grant provisions.

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

**STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Center's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Center's general revenues. 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.

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 Centers are for technical assistance, professional development, and/or direct services provided by the Center.

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

The Center reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Center does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function.

Assets, Liabilities, and Net Position or Equity

Deposits and Investments: The Center'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 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 State Board of Finance shall set the rate of interest on non-demand interest-bearing accounts, 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 date 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.

**STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year 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."

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

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-wide financial statements. The Center defines capital assets as assets with an initial, individual cost of more than \$5,000 per Section 12-6-10 NMSA 1978, and an estimated useful life extending beyond a single reporting period. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Construction expenditures paid by the New Mexico Public Facilities Authority are included in the Center's disclosures and financial statements when appropriate.

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

Buildings & Improvements	25-75 years
Equipment & Vehicles	5-50 years

Unearned Revenue: The Center recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the funds are shown as unearned revenues.

Compensated Absences: Sick time is paid out to retiring employees. The amount paid out is 5 days for each year worked. Unused vacation is accounted for in the fund from which the employee's salary was paid.

**STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Salaries and Wages: The Center pays all salaries and wages due to teachers on or before June 30th of each year.

Net Position or Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. These designations are established to earmark resources for specific future use and to indicate that the fund equity does not represent available spendable resources.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

Net Investment in capital assets: 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.

Restricted Net Position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position are restricted for “debt service or capital projects”.

Unrestricted Net Position: All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The Government-wide Statement of Net Position reports \$65,127 of restricted net position of which \$65,127 is restricted by enabling legislation.

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

Fund Balance – the difference between assets and liabilities in the governmental fund financial statements. Fund balance is among the most widely and frequently used information in state and local government financial reports. GASB developed Statement No. 54 to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standards establish a hierarchy of fund balance classifications based primarily on the extent to which a government is bound to observe spending constraints imposed upon how resources reported in governmental funds may be used.

Statement No. 54 distinguishes fund balances based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

**STATE OF NEW MEXICO
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable – portion of net resources that cannot be spent because of their form or because they must remain intact.

Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation.

Committed – amounts constrained by a government using its highest level of decision-making authority. The Board of Education is the highest level of decision making authority.

Assigned – amounts a government intends to use for a particular purpose.

Unassigned – amounts that are not constrained at all will be reported in the general fund.

Statement No. 54 also clarifies the definitions of individual governmental fund types. It interprets certain terms within the definition of special revenue fund types, while further clarifying the debt service and capital projects fund type definitions. The final standard also specifies how economic stabilization or “rainy-day” amounts should be reported.

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

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

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

**STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA’s fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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 position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "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 detail of this \$19,959 difference is as follows:

Capital Outlay	\$ 31,721
Depreciation Expense	<u>(11,762)</u>
Net adjustments to increase net changes in fund balances – total government funds to arrive at changes in net position of governmental activities	<u>\$ 19,959</u>

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets for the General and 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 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 function basis, i.e., each budgeted expenditure function must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series', this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

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.
- 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, 2019 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item.

NOTE 4. CASH AND TEMPORARY INVESTMENTS

At June 30, 2019, the carrying amount of the Center's deposits was \$505,670 and the bank balance was \$595,059. Of this balance \$250,000 was covered by federal depository insurance and \$345,059 was uninsured but covered by collateral held in joint safekeeping by a third party in the entity's name.

The collateral pledged is shown as listed in the table of contents of this report and as listed below. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, Center 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.

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NOTE 4. CASH AND TEMPORARY INVESTMENTS (CONTINUED)

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 schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

Type	James Polk Stone Community Bank
Total Deposits	\$ 595,059
Less: FDIC Coverage	(250,000)
Total uninsured public funds	<u>\$ 345,059</u>
Collateral requirement (50%)	\$ 172,530
Pledged securities	494,112
(Over) under collateralized	<u><u>\$ (321,582)</u></u>

Investments held by the New Mexico State Treasurer are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Sections 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary.

NOTE 5. CUSTODIAL CREDIT RISK - DEPOSITS

Custodial risk is the risk that in the event of bank failure, the Center's deposits may not be returned to it. The Center does not have a deposit policy for custodial credit risk. As of June 30, 2019, none of the Center's deposits totaling \$595,059 were exposed to custodial credit risk.

Custodial Credit Risk Deposits	
Account balance	\$ <u>595,059</u>
FDIC insurance	\$ 250,000
Collateral held by pledging bank's trust department not in the Center's name	494,112
(Over) under collateralized	<u>(149,053)</u>
Total	<u><u>\$ 595,059</u></u>

**STATE OF NEW MEXICO
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NOTE 6. 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	\$ <u>11,274</u>
Total deferred/unearned revenue for governmental funds	\$ <u><u>11,274</u></u>

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance 6/30/2018	Increases	Decreases	Transfers	Balance 6/30/2019
Capital assets, depreciated					
Equipment	\$ <u>45,859</u>	<u>31,721</u>	<u>18,769</u>	<u>-</u>	<u>58,811</u>
Total depreciated	<u>45,859</u>	<u>31,721</u>	<u>18,796</u>	<u>-</u>	<u>58,784</u>
Accumulated depreciation for					
Equipment	<u>25,542</u>	<u>11,762</u>	<u>18,769</u>	<u>-</u>	<u>18,535</u>
Total accumulated depreciation	<u>18,847</u>	<u>11,762</u>	<u>18,796</u>	<u>-</u>	<u>18,508</u>
Total capital assets, depreciated, net	\$ <u><u>20,317</u></u>	<u>19,959</u>	<u>-</u>	<u>-</u>	<u>40,276</u>

Depreciation expense for the year ended June 30, 2019 was charged to governmental activities as follows:

Instruction	\$ <u>11,762</u>
Total depreciation expense	\$ <u><u>11,762</u></u>

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NOTE 8. COMPENSATED ABSENCES

During the year ended June 30, 2019, the following changes occurred in accrued compensated absences:

	Balance June 30, 2018	Leave Used	Leave Accrued	Balance June 30, 2019	Amount Due in One Year
\$	<u>33,349</u>	<u>60,809</u>	<u>56,753</u>	<u>29,293</u>	<u>21,970</u>

NOTE 9. 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.

NOTE 10. 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 Center expects such amounts, if any, to be immaterial.

NOTE 11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

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

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 a pension trust fund of the State of New Mexico. 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. 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 in 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

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JUNE 30, 2019**

NOTE 11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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.

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

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

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

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

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

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

- 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

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NOTE 11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

- 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

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 **NOTE**

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REGIONAL EDUCATION COOPERATIVE #6
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JUNE 30, 2019**

11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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 1.5%. 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 1.7%.

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, 2019 and 2018 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
2019	7/1/18 to 6/30/19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7/1/18 to 6/30/19	\$20K or less	7.90%	13.90%	21.80%	0.00%
2018	7/1/17 to 6/30/18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7/1/17 to 6/30/18	\$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, 2019 and 2018, the Center paid employee and employer contributions of \$104,259 and \$133,246, 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, 2019, the Center reported a liability of \$2,308,107 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the employer's portion was established as of the

**STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

measurement date of June 30, 2018. 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 at June 30, 2018, actuarially determined. At June 30, 2018, the Center’s proportion was 0.01941%, which was an increase of 0.00362% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Center recognized pension expense of \$241,457. At June 30, 2019, the 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
Differences between expected and actual experience	\$ 1,685	43,927
Changes in assumptions	475,690	-
Net difference between projected and actual earnings on pension plan investments	5,110	-
Changes in proportion and differences between contributions and proportionate share of contributions	208,798	242,237
Employer contributions subsequent to the measurement date	69,882	-
Total	\$ 761,165	286,164

\$69,882 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, 2020. 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:	
2019	\$ 177,837
2020	184,714
2021	42,501
2022	67
2023	-
Thereafter	-

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was

**STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%										
Salary increases	3.25% composed of 2.50% 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	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average of Expected Remaining Service Lives	<table> <tr> <td>Fiscal year</td> <td><u>2017</u></td> <td><u>2016</u></td> <td><u>2015</u></td> <td><u>2014</u></td> </tr> <tr> <td>Service life in years</td> <td>3.35</td> <td>3.77</td> <td>3.92</td> <td>3.88</td> </tr> </table>	Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.35	3.77	3.92	3.88
Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p>Healthy males: Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, no set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.</p> <p>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.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>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.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the NMERB Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.										
Cost-of-living increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.										
Payroll growth	3.00% per year (with no allowance for membership growth).										

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JUNE 30, 2019**

NOTE 11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Contribution accumulation The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.

Disability incidence Approved rates are applied to eligible members with at least 10 years of service.

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 April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

The long-term expected rate of return on pension plan investments was determined using a building-block approach that includes the following:

- Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	33%	
Fixed income	26%	
Alternatives	40%	
Cash	1%	
Total	100%	7.25%

Discount rate. A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is .21% less than the 5.90% discount rate used for June 30, 2017.

The June 30, 2018 single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.62%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were

**STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine the June 30, 2018 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 5.69 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 (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
Regional Education Cooperative #6’s proportionate share of the net pension liability	\$ <u>2,999,656</u>	<u>2,308,107</u>	<u>1,743,847</u>

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

Payables to the pension plan. The Center did not accrue any payables for the pension plan at June 30, 2019. All 10-month teacher contracts for the school year are paid by fiscal year end.

NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description - Employees for the Center are provided with OPEB through the Retiree Health Care Fund (the Fund) - a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

Benefits provided – The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not

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**NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms – At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>93,349</u>

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Center were \$10,055 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2019, the Center reported a liability of \$552,676 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The Center’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the Center’s proportion was 0.01271 percent.

For the year ended June 30, 2019, the Center recognized OPEB expense of \$10,992. At June 30, 2019 the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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**NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	32,722
Changes in assumptions	-	103,182
Changes in proportion	102,828	-
Net difference between projected and actual earnings on OPEB plan investments	-	6,897
Employer contributions subsequent to the measurement date	10,055	-
Total	\$ 112,883	142,801

Deferred outflows of resources totaling \$10,055 represent the Center’s contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:		
2019	\$	(14,497)
2020		(14,497)
2021		(14,497)
2022		(6,233)
2023		9,751
Total	\$	<u>(39,973)</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30,2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Inflation	2.50% for ERB members; 2.25% for PERA members

**STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

**NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	ERB member: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females). PERA members: RP-2000 Combined Healthy Mortality.

Rate of Return – The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	2.1%
U.S. equity – large cap	7.1
Non U.S. – emerging markets	10.2
Non U.S. – developed equities	7.8
Private equity	11.8
Credit and structured finance	5.3
Real estate	4.9
Absolute return	4.1
U.S. equity – small/mid cap	7.1

Discount Rate – The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the

**STATE OF NEW MEXICO
 REGIONAL EDUCATION COOPERATIVE #6
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

**NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
 (CONTINUED)**

Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following presents the net OPEB liability of the Center, as well as what the Center’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
\$	<u>668,868</u>	<u>552,676</u>	<u>461,091</u>

The following presents the net OPEB liability of the Center, as well as what the Center’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rates	1% Increase
\$	<u>467,205</u>	<u>552,676</u>	<u>619,687</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2018.

Payables changes in the net OPEB liability. At June 30, 2019, the Center did not accrue any payables for OPEB. All 10-month teacher contracts for the school year are paid by fiscal year end.

**STATE OF NEW MEXICO
 REGIONAL EDUCATION COOPERATIVE #6
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 13. FUND BALANCES, GOVERNMENTAL FUNDS

On the Balance Sheets – Governmental Funds, the fund balances are reported in the aggregate using the classifications defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances by classification for the year ended June 30, 2019 were as follows:

<u>Fund Balance</u>	<u>Medicaid</u>
Restricted	
Medicaid	\$ 65,127
Unassigned	<u>796,969</u>
	<u>\$ 862,096</u>

NOTE 14. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of tangible capital assets. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Note disclosure about AROs are also addressed. GASB Statement No. 83 was effective for periods beginning after June 15, 2018. The Center has adopted this statement for the year ending June 30, 2019; however, there were no AROs and the implementation of this statement had no effect on the Center’s financial statements.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement’s primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB Statement No. 88 was effective for periods beginning after June 15, 2018. The Center adopted this statement; however, the Center has no debt and the implementation of this statement had no effect on the Center’s financial statements.

NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2019.

GASB Statement No. 84, *Fiduciary Assets*

GASB Statement No. 87, *Leases*

**STATE OF NEW MEXICO
 REGIONAL EDUCATION COOPERATIVE #6
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.

GASB Statement No. 90, Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61.

GASB Statement No. 91, Conduit Debt Obligations.

The Center will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The Center believes that the above listed new GASB pronouncements will not have a significant financial impact to the Center or in issuing its financial statements

NOTE 16. INTERFUND RECEIVABLE AND PAYABLES

All interfund balances are intended to be repaid within one year.

<u>Due to</u>	<u>Due from</u>		
General Fund	Pre K Initiative (27149)	\$	215,451
	Medicaid (28144)		15,060
	State Directed Activities (27200)		<u>28,676</u>
		\$	<u><u>259,187</u></u>

NOTE 17. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2019, the date of the most recent statement of net position, has been evaluated for possible adjustment to the financial statements or disclosures is September 26, 2019 which is the date on which the financial statements were issued.

NOTE 18. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principals require disclosures as part of the Combined Statements of certain information concerning individual funds including:

A. The following fund exceeded approved budgetary authority for the year ended June 30, 2018:

<u>Fund - Function</u>	<u>Excess over Budget</u>
General Fund - 27101	\$76,267

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
REGIONAL EDUCATION COOPERATIVE #6
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2019**

		New Mexico Educational Retirement Board Pension Plan									
		For Last 10 Fiscal Years*									
		(Dollars in Thousands)									
		30-Jun									
Fiscal Year	Measurement Date	2019	2018	2017	2016	2015	2014	2017	2016	2015	2014
Center's Proportion of the Net Pension Liability (Asset)		0.02%		0.02%		0.02%		0.02%		0.03%	0.02%
Center's Proportionate Share of Net Pension Liability (Asset)	\$	2,308		1,755		1,557		1,729		1,390	
Center's Covered-Employee Payroll	\$	503		543		450		729		672	
Center's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll		458.85%		323.20%		346.00%		237.17%		206.85%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		52.17%		52.95%		61.58%		63.97%		66.54%	

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

**STATE OF NEW MEXICO
 REGIONAL EDUCATION COOPERATIVE #6
 SCHEDULE OF CENTER CONTRIBUTIONS
 June 30, 2019**

**New Mexico Educational Retirement Board Pension Plan
 Last Ten Fiscal Years*
 (Dollars in Thousands)**

	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 59	75	63	86	106
Contributions in Relation to the Contractually Required Contribution	69	75	63	86	106
Contribution Deficiency (Excess)	\$ (10)	\$ -	-	-	-

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

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
REGIONAL EDUCATION COOPERATIVE #6
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
June 30, 2019**

**New Mexico Retiree Health Care Authority
For Last 10 Fiscal Years***

	30-Jun	
	2019	2018
	Fiscal Year	Fiscal Year
	Measurement Date	Measurement Date
Center's Proportion of the Net OPEB liability (Asset)	0.01%	0.01%
Center's Proportionate Share of Net OPEB Liability (Asset)	\$ 553	\$ 474
Center's Covered-Employee Payroll	\$ 503	\$ 436
Center's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Its Covered-Employee Payroll	109.94%	108.72%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.14%	11.34%

**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 available years.*

**STATE OF NEW MEXICO
 REGIONAL EDUCATION COOPERATIVE #6
 SCHEDULE OF CENTER CONTRIBUTIONS
 June 30, 2019**

**New Mexico Retiree Health Care Authority
 Last Ten Fiscal Years*
 (Dollars in Thousands)**

	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 10	11
Contributions in Relation to the Contractually Required Contribution	<u>10</u>	<u>11</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>
Employer's covered-employee payroll	\$ 502	543
Contributions as a percentage of covered- employee payroll	1.99%	2.03%

**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 available years.*

**STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in ERB benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

Changes in ERB assumptions and methods. Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

Changes of benefit terms. The Retiree Health Care Authority (RHCA) COLA and age eligibility benefits changes in recent years are described in the Notes to the RHCA FY19 audit available at <http://saonm.org/> using the Audit Search function for agency 11118.

Changes of assumptions. The Retiree Health Care Authority (RHCA) of New Mexico Biennial Actuarial Valuation as of June 30, 2018 report is available at <http://saonm.org/> using the Audit Search function for agency 11118.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES-- AGENCY FUNDS
For the Year Ended June 30, 2019

	BALANCE <u>6/30/2018</u>	ADDITIONS <u> </u>	DEDUCTIONS <u> </u>	BALANCE <u>6/30/2019</u>
EPAC	\$ 17,374	36,705	33,102	20,977
<i>Total</i>	\$ <u>17,374</u>	<u>36,705</u>	<u>33,102</u>	<u>20,977</u>

SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
SCHEDULE OF PLEDGED COLLATERAL
For the Year Ended June 30, 2019**

	James Polk Stone Community Bank
FUNDS ON DEPOSIT	
Non-interest bearing deposits	\$ 595,059
<i>Total on deposit</i>	595,059
Less: FDIC insurance	(250,000)
<i>Total uninsured public funds</i>	\$ 345,059
PLEDGED COLLATERAL REQUIRED	
50% on deposits	\$ 172,530
<i>Pledged collateral required</i>	172,530
Pledged collateral at June 30, 2019	494,112
<i>Total over (under) collateralized:</i>	\$ 321,582
SECURITY TYPE, MATURITY DATE, IDENTIFIER	
FHLB QTRLY CALL STEP	
CUSIP# 3130A8F65, 6/30/2031	\$ 98,778
FHLB QTRLY CALL STEP	
CUSIP# 3130A9SA0, 11/10/2031	245,637
FHLB QTRLY CALL STEP	
CUSIP# 3130AADF2, 12/30/2026	100,001
FNMA QTRLY CALL STEP	
CUSIP# 3136G2ZC4, 2/24/2031	49,696
	\$ 494,112

Securities Held by the Independent Banker's Bank

STATE OF NEW MEXICO
 REGIONAL EDUCATION COOPERATIVE #6
 SCHEDULE OF DEPOSITS
 Year Ended June 30, 2019

Bank	ACCT TYPE	FUND	BANK BALANCE	OUTSTANDING CHECKS	OUTSTANDING DEPOSITS	NET CASH BALANCE
James Polk Stone Community Bank	Checking	Operational	\$ 573,942	102,539	13,290	484,693
James Polk Stone Community Bank	Checking	Agency	21,117	140	-	20,977
Total			<u>\$ 595,059</u>	<u>102,679</u>	<u>13,290</u>	<u>505,670</u>
					Less Agency Funds:	<u>20,977</u>
					Total Cash	<u><u>484,693</u></u>

**STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
CASH RECONCILIATION
JUNE 30, 2019**

	STATE FLOWTHROUGH FUND 27000	STATE DIRECT FUND 28000	LOCAL OR STATE FUND 29000	TOTAL
Cash, June 30, 2018	\$ 368,572	240,392	13,630	622,594
Add:				
2018-19 revenues	1,740,351	819,279	80,250	2,639,880
Less:				
Prior Year Warrants Voided	-	-	-	-
Total cash available	2,108,923	1,059,671	93,880	3,262,474
Less:				
2018-19 expenditures	(1,620,444)	(1,074,731)	(82,606)	(2,777,781)
Transfers to/from other funds	-	-	-	-
Outstanding Loans	-	-	-	-
Cash, June 30, 2019	<u>\$ 488,479</u>	<u>(15,060)</u>	<u>11,274</u>	<u>484,693</u>
Fund Balance Reconciliations to GAAP Basis:				
Audit reclassifications to cash	\$ (15,060)	15,060	-	-
Cash per Books	<u>473,419</u>	<u>-</u>	<u>11,274</u>	<u>484,693</u>
Fund Balance Reconciliation to GAAP Basis:				
Modified Accrual Adjustments	<u>309,390</u>	<u>65,127</u>	<u>2,886</u>	<u>377,403</u>
Fund Balance , Modified Accrual Basis	<u>\$ 782,809</u>	<u>65,127</u>	<u>14,160</u>	<u>862,096</u>

COMPLIANCE SECTION

INDEPENDENT AUDITORS' 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*

To Brian S. Colòn, Esq.
New Mexico State Auditor

Coordinating Council
Regional Education Cooperative #6

We have audited, 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, the financial statements of the governmental activities, each major fund, 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, 2019, 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 26, 2019.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as item 2019-001.

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.



Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
September 26, 2019

**STATE OF NEW MEXICO
 REGIONAL EDUCATION COOPERATIVE #6
 SCHEDULE OF FINDINGS AND RESPONSES
 JUNE 30, 2019**

SUMMARY OF AUDIT RESULTS

Type of auditor’s report issued **Unmodified**

Internal control over financial reporting:

- **Material weakness identified?** **No**
- **Significant deficiency identified that are not considered to be material weaknesses?** **No**
- **Noncompliance material to financial statements noted?** **No**

A. FINANCIAL STATEMENT FINDINGS

NONE

B. OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE, SECTION 12-6-5, NMSA 1978

2019-001 Exceeded Budgetary Authority (Other Non-Compliance)

CONDITION: The Center exceeded budgetary authority at the function level for the following funds:

<u>Fund</u>	<u>Function</u>	<u>Excess over Budget</u>
27101	General Fund	\$ 76,267

CRITERIA: Section 6-6-6 NMSA 1978 restricts local governmental entities from expending above the approved budget.

EFFECT: The Center could be expending funds for unauthorized or unbudgeted purposes and potentially putting the fund balance into a deficit.

CAUSE: Expenditures were charged to functions that did not have amounts budgeted to them. Certain functions were not monitored closely to identify budget overages.

RECOMMENDATION: We recommend the final review of the budget for the fiscal year be performed to accommodate any potential year-end adjustments that might cause the budget to be exceeded, or, other procedures on an ongoing basis to prevent non-compliance.

**STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

**B. OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE, SECTION 12-6-5,
NMSA 1978 (Continued)**

MANAGEMENT RESPONSE: The Center will work on a more regular basis to review budgets for the fiscal year to accommodate for potential year-end adjustments. A quarterly, if not monthly review is being recommended and should be able to be implemented during the current fiscal year.

RESPONSIBLE PARTY / TIMELINE TO CORRECT: The Director and Business Manager; Our estimated timeline to resolve this finding is in FY 2019-20.

**STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2019**

STATUS OF PRIOR YEAR FINDINGS

2017-001	Controls Surrounding Cash Disbursements	Resolved
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**STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
EXIT CONFERENCE
JUNE 30, 2018**

An exit conference was conducted on September 26, 2019 with the following individuals:

Regional Education Cooperative #6:

Robert Brown, Vice President
Scott McMath, Director
Connie Jackson, Former Business Manager
Tammy Gates, Business Manager

Pattillo, Brown & Hill, LLP:

Chris Garner, CPA

Pattillo, Brown & Hill, LLP prepared the GAAP-basis financial statements and footnotes of Regional Education Cooperative #6 from the original books and records provided to them by the management of the Center. The responsibility for the financial statements remains with the Center.