

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6  
 JUNE 30, 2015

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STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6  
JUNE 30, 2015

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STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6  
JUNE 30, 2015

OFFICIAL ROSTER

GOVERNING BOARD

Jamie Widner	President
Colin Taylor	Vice President
Steve Barron	Secretary
Jim Daugherty	Member
Ted Trice	Member
Robert Brown	Member
Freda Daugherty	Member
Lecil Richards	Member
Dennis Roch	Member
Damon Terry	Member

CENTER OFFICIALS

Scott McMath	Director
Connie Jackson	Business Manager

# Woodard, Cowen & Co.

Certified Public Accountants

## Independent Auditor's Report

Mr. Tim Keller  
New Mexico State Auditor  
The Coordinating Council  
Regional Educational Center #6

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Regional Educational Center #6 (the Center), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Center's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Center's nonmajor governmental funds, fiduciary fund, and the budgetary comparisons for the nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the

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

Center, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Center as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB 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 Center's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Changes in Assets and Liabilities – Agency Fund, Schedule of Pledged Collateral, Bank Summary, and Bank Reconciliation are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Changes in Assets and Liabilities – Agency Fund, Schedule of Pledged Collateral, Bank Summary, and Bank Reconciliation are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Changes in Assets and Liabilities – Agency Fund, The Schedule of Expenditures of Federal Awards, Schedule of Pledged Collateral, Bank Summary, and Bank Reconciliation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



Portales, New Mexico  
September 30, 2015

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6  
 STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 128,223
Due from other governments	874,123
Non-current:	
Capital Assets-Net	<u>8,785</u>
Total Assets	<u>1,011,131</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows of resources related to pensions	<u>264,461</u>
<u>LIABILITIES</u>	
Current:	
Accounts Payable	247,976
Non-current:	
Net Pension Liability	1,390,479
Total Liabilities	<u>1,638,455</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unearned Revenue	33,231
Deferred Inflows of resources related to pensions	147,115
Total deferred inflows of resources	<u>180,346</u>
<u>NET POSITION</u>	
Invested in capital assets	8,785
Restricted	
Medicaid	133,145
Unrestricted	<u>(685,139)</u>
Total Net Position	<u>\$ (543,209)</u>

The accompanying footnotes are an integral part of these financial statements

STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6  
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue & Changes in Net Position
					Primary Governmental Activities
Primary government:					
Governmental activities:					
Instruction	\$ 1,084,063	\$ -	\$ 1,084,063	\$ -	\$ -
Support Services-Students	781,003	-	383,378	-	(397,625)
Support Services-Instruction	197,906	-	87,757	-	(110,149)
Support Services-School Administration	480,057	-	458,498	-	(21,559)
Support Services-General Administration	693,780	-	545,015	-	(148,765)
Central Services	462,504	-	389,585	-	(72,919)
Operation & Maintenance of plant	19,286	-	-	-	(19,286)
Student Transportation	19,522	-	19,522	-	-
Food Service Operations	-	-	-	-	-
Other Support Services	103,932	-	-	-	(103,932)
Community Services	10,000	-	10,000	-	-
Depreciation	4,113	-	-	-	(4,113)
Unallocated	-	-	43,036	-	43,036
Total governmental activities	<u>\$ 3,856,166</u>	<u>\$ -</u>	<u>\$ 3,020,854</u>	<u>\$ -</u>	<u>\$ (835,312)</u>

General revenues:

REC State Funding	\$ 961,694
Donations/Private Grants	-
Refunds	-
Total General Revenues	<u>961,694</u>

Change in Net Position	126,382
Net Position beginning	602,309
Restatement of net position	(1,271,900)
Net Position - beginning Restated	<u>(669,591)</u>
Net Position - ending	<u>\$ (543,209)</u>

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

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6

BALANCE SHEET-- GOVERNMENTAL FUNDS

June 30, 2015

	24119 21ST CENTURY COMMUNITY LEARNING	27149 PRE K INITIATIVE	27200 STATE DIRECTED ACTIVITIES
GENERAL FUND			
<b>ASSETS</b>			
Cash on Deposit	\$ -	\$ -	\$ -
Due from other Governments	-	268,293	301,700
Due From Other Funds	626,147	-	-
Total Assets	<u>\$ 626,147</u>	<u>\$ 268,293</u>	<u>\$ 301,700</u>
<b>LIABILITIES</b>			
Due to Other Funds	\$ 38,153	\$ 150,910	\$ 186,588
Accounts Payable	-	117,383	115,112
Total Liabilities	<u>38,153</u>	<u>268,293</u>	<u>301,700</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned Revenue	-	-	-
Deferred Inflows of Resources	-	-	-
<b>FUND BALANCE</b>			
Unassigned	587,994	-	-
Assigned to:			
Medicaid			
Total Fund Balance	<u>587,994</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 626,147</u>	<u>\$ 268,293</u>	<u>\$ 301,700</u>

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



28144

MEDICAID	OTHER GOVERNMENTAL FUNDS	Total GOVERNMENTAL FUNDS
\$ 94,992	\$ 33,231	\$ 128,223
-	94,592	874,123
38,153	-	664,300
<u>\$ 133,145</u>	<u>\$ 127,823</u>	<u>\$ 1,666,646</u>
\$ -	\$ 79,111	\$ 664,300
-	15,481	247,976
<u>-</u>	<u>94,592</u>	<u>912,276</u>
-	33,231	33,231
<u>-</u>	<u>33,231</u>	<u>33,231</u>
-	-	587,994
133,145	-	133,145
<u>133,145</u>	<u>-</u>	<u>721,139</u>
<u>\$ 133,145</u>	<u>\$ 127,823</u>	<u>\$ 1,666,646</u>

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

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

June 30, 2015

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

Fund Balance - total governmental funds	\$	721,139
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		8,785
Net Pension Liability not reported in the funds		(1,390,479)
Deferred Inflows of resources related to pensions not reported in the funds.		(147,115)
Deferred Outflows of resources related to pensions not reported in the funds		264,461
Net position of governmental activities	\$	<u>(543,209)</u>

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

STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6

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

Year Ended June 30, 2015

	GENERAL FUND	24119 21ST CENTURY COMMUNITY LEARNING	27149 PRE K INITIATIVE	27200 STATE DIRECTED ACTIVITIES
<b>REVENUE</b>				
Federal Program	\$ -	\$ 477,499	\$ -	\$ -
State Program	961,694	-	364,358	1,030,146
Intergovernmental	-	-	-	-
Donations	-	-	-	-
Refunds	-	-	-	-
<b>TOTAL REVENUES</b>	<b>961,694</b>	<b>477,499</b>	<b>364,358</b>	<b>1,030,146</b>
<b>EXPENDITURES</b>				
Current				
Instruction	-	359,175	310,525	414,363
Support Services-Students	386,627	11,890	34,888	-
Support Services-Instruction	105,108	-	-	-
Support Services-School Administration	4,146	-	-	251,930
Support Services-General Administration	142,350	-	3,690	127,985
Central Services	66,962	92,167	-	235,868
Operation & Maintenance of Plant	19,286	-	-	-
Student Transportation	-	4,267	15,255	-
Other Support Services	103,932	-	-	-
Food Services - Operations	-	-	-	-
Community Services - Operations	-	10,000	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>828,411</b>	<b>477,499</b>	<b>364,358</b>	<b>1,030,146</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>133,283</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers In/Out	(14,387)	-	-	-
<b>Net Change In Fund Balances</b>	<b>118,896</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>				
June 30, 2014	499,302	-	-	-
Restatement	(30,204)	-	-	-
Restated Fund Balance	469,098	-	-	-
<b>FUND BALANCE June 30, 2015</b>	<b>\$ 587,994</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

28144

MEDICAID	OTHER GOVERNMENTAL FUNDS	Total GOVERNMENTAL FUNDS
\$ -	\$ 19,737	\$ 497,236
554,991	574,123	3,485,312
-	-	-
-	-	-
-	-	-
<u>554,991</u>	<u>593,860</u>	<u>3,982,548</u>
-	-	1,084,063
336,600	-	770,005
87,757	-	192,865
-	206,568	462,644
26,048	387,292	687,365
61,550	-	456,547
-	-	19,286
-	-	19,522
-	-	103,932
-	-	-
-	-	10,000
-	-	-
<u>511,955</u>	<u>593,860</u>	<u>3,806,229</u>
<u>43,036</u>	<u>-</u>	<u>176,319</u>
-	14,387	-
43,036	14,387	176,319
90,109	-	589,411
-	(14,387)	(44,591)
<u>90,109</u>	<u>(14,387)</u>	<u>544,820</u>
<u>\$ 133,145</u>	<u>\$ -</u>	<u>\$ 721,139</u>

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

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

Year Ended June 30, 2015

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

Net change in fund balance - total governmental funds	\$ 176,319
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year	(4,113)
Pension related expense not reported in the funds	(45,824)
Change In Net Position	<u>\$ 126,382</u>

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

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
 AND ACTUAL--SPECIAL REVENUE FUND--21ST CENTURY LEARNING

Year Ended June 30, 2015

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 513,548	\$ 513,548	\$ 545,479	\$ 31,931
Forest Reserve				-
TOTAL REVENUE	<u>513,548</u>	<u>513,548</u>	<u>\$ 545,479</u>	<u>\$ 31,931</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 513,548</u>	<u>\$ 513,548</u>		
EXPENDITURES				
Current				
Instruction	\$ 371,655	\$ 385,470	\$ 359,175	\$ 26,295
Support Services				-
Support Services-Students	12,950	13,020	11,890	1,130
Central Services	111,643	96,943	92,167	4,776
Student Transportation	7,300	8,115	4,267	3,848
Community Services-operations	10,000	10,000	10,000	-
TOTAL EXPENDITURES	<u>\$ 513,548</u>	<u>\$ 513,548</u>	<u>\$ 477,499</u>	<u>\$ 36,049</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis)	\$ 545,479
Differences-Budget to GAAP	
Current Year Receivable	209,538
Prior Year Receivable	(277,518)
Total Revenues (GAAP Basis)	<u>\$ 477,499</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis)	\$ 477,499
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 477,499</u>

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

STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6

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

Year Ended June 30, 2015

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ 388,835	\$ 388,835	\$ 263,554	\$ (125,281)
TOTAL REVENUE	<u>388,835</u>	<u>388,835</u>	<u>\$ 263,554</u>	<u>\$ (125,281)</u>
Cash Balance Budgeted	-	-		
TOTAL REVENUE & CASH	<u>\$ 388,835</u>	<u>\$ 388,835</u>		
EXPENDITURES				
Current				
Instruction	\$ 332,913	\$ 328,331	\$ 310,525	\$ 17,806
Support Services				
Support Services-Students	32,397	40,884	34,888	5,996
Support Services-General Administration	3,690	3,690	3,690	-
Student Transportation	19,835	15,930	15,255	675
TOTAL EXPENDITURES	<u>\$ 388,835</u>	<u>\$ 388,835</u>	<u>\$ 364,358</u>	<u>\$ 24,477</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis)	\$ 263,554
Differences-Budget to GAAP	
Current Year Receivable	268,293
Prior Year Receivable	(167,489)
Total Revenues (GAAP Basis)	<u>\$ 364,358</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis)	\$ 364,358
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 364,358</u>

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

STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6

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

Year Ended June 30, 2015

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ 1,328,459	\$ 1,353,867	\$ 986,022	\$ (367,845)
TOTAL REVENUE	<u>1,328,459</u>	<u>1,353,867</u>	<u>\$ 986,022</u>	<u>\$ (367,845)</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 1,328,459</u>	<u>\$ 1,353,867</u>		
EXPENDITURES				
Current				
Instruction	\$ 424,618	\$ 424,618	\$ 414,363	\$ 10,255
Support Services				
Support Services-General Administration	391,360	391,360	127,985	263,375
Support Services-School Administration	250,000	251,978	251,930	48
Central Services	262,481	285,911	235,868	50,043
TOTAL EXPENDITURES	<u>\$ 1,328,459</u>	<u>\$ 1,353,867</u>	<u>\$ 1,030,146</u>	<u>\$ 323,721</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis)	\$ 986,022
Differences-Budget to GAAP	
Current Year Receivable	301,700
Prior Year Receivable	(257,576)
Total Revenues (GAAP Basis)	<u>\$ 1,030,146</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis)	\$ 1,030,146
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 1,030,146</u>

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



STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6

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

Year Ended June 30, 2015

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Fees - Educational	\$ 159,924	\$ 713,240	\$ 554,991	\$ (158,249)
Refunds			-	-
TOTAL REVENUE	<u>159,924</u>	<u>713,240</u>	<u>\$ 554,991</u>	<u>\$ (158,249)</u>
Cash Balance Budgeted	<u>205,000</u>	<u>205,000</u>		
TOTAL REVENUE & CASH	<u>\$ 364,924</u>	<u>\$ 918,240</u>		
EXPENDITURES				
Current				
Support Services-Students	\$ 179,213	\$ 631,313	\$ 336,600	\$ 294,713
Support Services-Instruction	72,452	114,409	87,757	26,652
Support Services-General Administration	35,129	61,847	26,048	35,799
Support Services-School Administration	-	-	-	-
Central Services	78,130	110,671	61,550	49,121
TOTAL EXPENDITURES	<u>\$ 364,924</u>	<u>\$ 918,240</u>	<u>\$ 511,955</u>	<u>\$ 406,285</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis)	\$ 554,991
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	<u>\$ 554,991</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis)	\$ 511,955
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 511,955</u>

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

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6

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

Year Ended June 30, 2015

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ 644,156	\$ 919,524	\$ 961,694	\$ 42,170
TOTAL REVENUE	<u>644,156</u>	<u>919,524</u>	<u>\$ 961,694</u>	<u>\$ 42,170</u>
Cash Balance Budgeted	-	-		
TOTAL REVENUE & CASH	<u>\$ 644,156</u>	<u>\$ 919,524</u>		
EXPENDITURES				
Current				
Support Services-Students	\$ 252,609	\$ 392,972	\$ 386,627	\$ 6,345
Support Services-Instruction	83,621	128,226	105,108	23,118
Support Services-General Administration	144,608	147,341	142,350	4,991
Support Services-School Administration	2,015	7,315	4,146	3,169
Central Services	75,975	75,975	66,962	9,013
Operation & Maintenance of Plant	39,328	39,328	19,286	20,042
Other Support Services	46,000	128,367	103,932	24,435
TOTAL EXPENDITURES	<u>\$ 644,156</u>	<u>\$ 919,524</u>	<u>\$ 828,411</u>	<u>\$ 91,113</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis)	\$ 961,694
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	<u>\$ 961,694</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis)	\$ 828,411
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 828,411</u>

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

STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	<u>AGENCY FUNDS</u>
ASSETS	
Cash in Bank	\$ 9,252
TOTAL ASSETS	<u>\$ 9,252</u>
Net Position	
Cash Held for other Entities	\$ 9,252
TOTAL NET POSITION	<u>\$ 9,252</u>

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

STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

The summary of significant accounting policies of the Center is presented to assist in the understanding of the Center's financial statements. The financial statements and notes are the representation of Regional Educational Center #6's management who is responsible for their integrity and objectivity. The financial statements of the Center conform to generally accept accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B. Government-wide and fund financial statements

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

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

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

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

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

STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

I. Summary of Significant Accounting Policies (continued)

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

The Center reports the following major governmental funds:

**General Fund** – The general fund is comprised of the State REC Funding fund. The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

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

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments.

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

STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

I. Summary of Significant Accounting Policies (continued)

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

1. Deposits and investments (continued)

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Center. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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

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

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Amounts shown as 'due from other Governments are amounts due from pass through agencies and are fully collectible.

3. Inventories

None

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life extending beyond a single reporting period. The Center is capitalizing qualifying software as required. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Center does not have a library.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

<u>Assets</u>	<u>Years</u>
Vehicles	5

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6  
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

I. Summary of Significant Accounting Policies (continued)

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

5. Long-Term obligations

Employees are not compensated for accumulated sick leave upon termination of employment. Unused vacation is accounted for in the fund from which the employee's salary was paid. As of June 30, 2015, there was no compensated absences liability to report.

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

6. Fund equity

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

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

7. Comparative data/reclassifications

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

8. Estimates

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

II. Reconciliation of government-wide and fund financial statements

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$3,685 difference are as follows:

Capital Outlay	\$	0
Depreciation expense		<u>4,113</u>
Net adjustment to decrease net changes in fund balances — total government funds to arrive at changes in net position of Governmental activities	\$	(4,113)

STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

III. Stewardship, Compliance, and accountability

A. Budgetary information

Budgets for the Special Revenue Funds are prepared by management and are approved by the Coordinating Council and the Public School Budget and Planning Unit of the Department of Education.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be reappropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a line item basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'function', this may be accomplished with only the Coordinating Council approval. If a transfer between 'function' or a budget increase is required, approval must also be obtained from Public School Finance Division.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures. The Center follows these procedures in establishing the budgetary data reflected in the financial statements:

In April or May, the director submits to the Coordinating Council a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.

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

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

The director is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the council and the State of New Mexico Department of Education.

Budgets for the Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.

The Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2015 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item.

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



STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6  
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

IV. Detailed Notes on all Funds

A. Cash and temporary investments

At June 30, 2015, the carrying amount of the Center's deposits was \$137,475 and the bank balance was \$178,261. This balance was covered by federal depository insurance. Any balance over \$250,000 is covered under the bank's deposit guarantee program which assigns securities as collateral to insure public funds.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Center for at least one half of the amount on deposit with the institution.

The collateral pledged is shown as listed in the table of contents of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools. Time deposits, savings deposits and interest bearing Now accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution

Custodial Credit Risk — Deposits.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, As of June 30, 2015, none of the government's bank balance was exposed to custodial credit risk as follows:

Uninsured	\$	0
Collateralized by bank, held in entity's name		0
Amount Exposed	\$	<u>0</u>

A. Deferred Revenue

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

	Unavailable Grant
Draw downs prior to meeting all eligibility requirements	\$ <u>33,231</u>
Total deferred/unearned revenue for governmental funds	\$ <u>33,231</u>

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6  
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

IV. Detailed Notes on all Funds

C. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

REGIONAL EDUCATIONAL CENTER #6

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, being depreciated				
Equipment	\$ 38,719	\$ -	\$ -	\$ 38,719
Total Capital Assets, being depreciated	<u>38,719</u>	<u>-</u>	<u>-</u>	<u>38,719</u>
Less: accumulated depreciation for				
Equipment	<u>25,821</u>	<u>4,113</u>	<u>-</u>	<u>29,934</u>
Total accumulated depreciation	<u>25,821</u>	<u>4,113</u>	<u>-</u>	<u>29,934</u>
Capital Assets, Net	<u>\$ 12,898</u>	<u>\$ (4,113)</u>	<u>\$ -</u>	<u>\$ 8,785</u>

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

D. Long-Term Debt

For the fiscal year ended June 30, 2015, the Center had neither long-term debt nor compensated absences.

V. Other information

A. Risk Management

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

B. Contingent liabilities

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

JUNE 30, 2015

V. Other information (continued)

C. Employee retirement plan

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

**General Information about the Pension Plan**

**Plan description** ERB was created by the state's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended to administer the New Mexico Educational Employee's Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer 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 agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at [www.nmerb.org](http://www.nmerb.org).

**Benefits provided.** A member's retirement benefit is determined by a formula which includes three component parts: The member's final average salary (FAS), the number of years of service credit, and 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. A brief summary of Plan coverage provisions follows.

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

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

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

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

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6  
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

V. Other information (continued)

C. Employee retirement plan

average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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

**Contributions.** The contribution requirements of defined benefit plan members and the (*names of employer*) are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the Center were \$105,603 for the year ended June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the Center's reported a liability of \$1,390,479 for its proportionate share of the net pension liability. The Center's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by section 22-11-21, NMSA 1978. At June 30, 2014, the Center's proportion was .02437percent, which was an increase of .00341% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Center recognized pension expense of \$45,824. At June 30, 2015, the Center reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 20,713
Changes of assumptions	-	126,402
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between Center contributions and proportionate share of contributions	158,868	-
Center's contributions subsequent to the measurement date	<u>105,593</u>	-
Total	<u>\$264,461</u>	<u>\$147,115</u>

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6  
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

V. Other information (continued)

C. Employee retirement plan

\$352,803 reported as deferred outflows of resources related to pensions resulting from the Center's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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:	
2016	\$16,371
2017	\$16,371
2018	\$10,614
2019	(\$31,599)
2020	-

**Actuarial assumptions.** As described above, the total ERB pension liability and net liability are based on an actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. Specifically, the liabilities measured as of June 20, 2014 incorporate the following assumption:

1. All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLA's for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service.
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

V. Other information (continued)

C. Employee retirement plan

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation from 2014 and 2013 for 30-year return assumptions are summarized in the following table:

<u>Asset Class</u>	2014 Long-Term Expected <u>Real Rate of Return</u>	2013 Long-Term Expected <u>Real Rate of Return</u>
Cash	1.50%	0.75%
Treasuries	2.00%	1.00%
IG Corp Credit	3.50%	3.00%
MBS	2.25%	2.50%
Core Bonds	2.53%	2.04%
TIPS	2.50%	1.50%
High Yield Bonds	4.50%	5.00%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	0.75%
Global Bonds (Hedged)	1.38%	0.93%
EMD External	5.00%	4.00%
EMD Local Currency	5.75%	5.00%
Large Cap Equities	6.25%	6.75%
Small/Mid Cap	6.25%	7.00%
International Equities (Unhedged)	7.25%	7.75%
International Equities (Hedged)	7.50%	8.00%
Emerging International Equities	9.50%	9.75%
Private Equity	8.75%	9.00%
Private Debt	8.00%	8.50%
Private Real Assets	7.75%	8.00%
Real Estate	6.25%	6.00%
Commodities	5.00%	5.00%
Hedge Fund Low Vol	5.50%	4.75%
Hedge Funds Mod Vol	5.50%	6.50%

**Discount rate:** A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2014 and June 30, 2013. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6  
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

V. Other information (continued)

C. Employee retirement plan

**Sensitivity of the Center's proportionate share of the net pension to changes in the discount rate.** The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2014. In particular, the table presents the Center's net pension liability under the current single rate assumption; as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75)	1% Increase (8.75%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Center's proportionate share of the net pension liability	<u>\$1,891,908</u>	<u>\$1,390,480</u>	<u>\$971,658</u>

**Pension plan fiduciary net position.** Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2014 and 2013 which are publicly available at [www.nmerb.org](http://www.nmerb.org).

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

D. Post-retirement health care benefits

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

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

STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

V. Other information (continued)

D. Post-retirement health care benefits (continued)

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Center's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$15,348, \$13,435 and \$5,761, respectively, which equal the required contributions for each year.



STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

V. Other information (continued)

E. Interfund Balances

Due to	Due from		
General Fund	21 <sup>st</sup> Century	\$	209,538
	Pre K Initiative		150,910
	State Directed Activities		186,588
	NM Reads to Lead		56,263
	Parents As Teachers		22,848
		\$	<u>626,147</u>
Medicaid	General Fund		<u>38,153</u>
Total Due to/from			<u><u>664,300</u></u>

The balance of \$664,300 resulted from loans made to establish working capital for the individual funds. All loans are considered to be repaid within one year.

F. Restatement of Beginning Net Position for Governmental Activities.

The restatement of net position is the result of the implementation of GASB 68 Accounting and Financial Reporting for Pensions and management's efforts to correct past accounting errors that as affected management's ability to accurately account for its cash balance. The restatements of (\$44,591) net, resulted from the correction of accounting errors are a reflection of management's efforts to correct Finding 2012-002.

The total restatement resulting from the implementation of GASB 68 is \$1,227,298 which represents the Net Pension Liability (NPL) as of June 30, 2013.

The restatement resulting from management's efforts to correct its cash balance is described below by fund.

	Governmental Activities
Net Position – Governmental Activities at June 30, 2014	\$ 602,309
Net Position affect from the implementation of GASB 68. This amount represents the NPL as of June 30, 2013.	(1,227,301)
Net Position affect of revenues incorrectly reported in the General Fund (27101) and the correct corresponding special revenue fund.	(30,204)
Net Position affect of receivable reported in Title I (24101) that was not receivable.	(6,316)
Net Position affect of receivable reported in Entitlement (24106) that was not receivable.	(606)
Net Position affect of revenue reported to Discretionary (24107) that was revenue of the General Fund.	22,757
Net Position affect of receivable reported in Preschool (24109) that was receivable.	(3,014)
Net Position affect of receivable reported in Teacher/Principal Training (24154) that was not receivable.	(39,253)
Net Position affect of receivable reported in Reading First (24167) that was not receivable.	(1,235)
Net Position affect of revenue reported to Carl Perkins Secondary (24174) that was revenue to the General Fund.	13,280
Restated Balance at July 1, 2014	\$ <u><u>(669,591)</u></u>

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6  
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

G. Restatement of beginning Fund Balance

The restatements scheduled below are a result of management's efforts to correct the Center's cash balances. The restatements are a result of the correction of errors in posting revenues to the correct funds made by prior accounting staff. These corrections are the result of management's efforts to correct Finding 2012-002.

	Governmental Funds
Net Position – Governmental Activities at June 30, 2014	\$ 589,411
Fund Balance affect of revenues incorrectly reported in the General Fund (27101) and the correct corresponding special revenue fund.	(30,204)
Fund Balance affect of receivable reported in Title I (24101) that was not receivable.	(6,316)
Fund Balance affect of receivable reported in Entitlement (24106) that was not receivable.	(606)
Fund Balance affect of revenue reported to Discretionary (24107) that was revenue of the General Fund.	22,757
Fund Balance affect of receivable reported in Preschool (24109) that was receivable.	(3,014)
Fund Balance affect of receivable reported in Teacher/Principal Training (24154) that was not receivable.	(39,253)
Fund Balance affect of receivable reported in Reading First (24167) that was not receivable.	(1,235)
Fund Balance affect of revenue reported to Carl Perkins Secondary (24174) that was revenue to the General Fund.	13,280
Restated Balance at July 1, 2014	\$ <u>544,820</u>

## SPECIAL REVENUE FUNDS

**Title I – IASA** – to provide supplemental educational opportunity for academically disadvantaged children in the area of residence. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the district through the New Mexico Public Education Department. Authority for creation of this fund is Part A of Title I of the Elementary and Secondary Education Act (ESEA) of 1965 as amended and was reauthorized by the Improving American Schools Act of 1994.

**Idea B-Entitlement** - P.L. 94-142, individuals with Disabilities Education Act—to account for a federal grant restricted to the operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public Laws 91-230,93-380,94-142,98-199,99-457,100-630 and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17.

**Idea B-Discretionary** - P.L. 94-142, individuals with Disabilities Education Act—to account for a federal grant restricted to the operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public Laws 91-230,93-380,94-142,98-199,99-457,100-630 and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17.

**Idea B Preschool** - P.L. 94-142, Individuals with Disabilities Education Act - to account for a federal grant restricted to the operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

**Teacher/Principal Training** – To provide grants to State Education Agencies on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

**Reading First** – To ensure that every student can read at grade level or above by the end of third grade. The Reading First program will provide assistance to States and districts in establishing reading programs for students in kindergarten through third grade that are based on scientifically based reading research. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965, as amended, Title I, Part B, Subpart 1.

**Carl Perkins Secondary** – This fund is funded through the Carl Perkins Secondary Redistribution program. The purpose is to develop more fully the academic, career, and technical skills of secondary and post-secondary students who elect to enroll in career and technical education programs. Authority for this fund comes from the Carl D. Perkins Career Technical Education Act of 2006, Title I.

**GEAR UP NM** – To increase the number of low-income students who graduate from high school who are prepared to succeed in college. Funding and authorization is provided through the US Department of Education and the New Mexico Higher Education Department.

**NEW MEXICO READS TO LEAD** – To account for the funding provided by the PED for the purchase of K-3 non-fiction books, K-3 non-fiction classroom libraries, and K-3 non-fiction text materials. Fund was created under the state-wide reading initiative authorized under NM Section 22-13-1.3.

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

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

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6

COMBINING BALANCE SHEET-SPECIAL REVENUE FUNDS  
 NON MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	24101	24106	24107	24109	24154
	TITLE I	ENTITLEMENT	IDEA-B DISCRETIONARY	PRESCHOOL	TEACHER/ PRINCIPAL TRAINING
<b>ASSETS</b>					
Cash on Deposit	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other Governments	-	-	-	-	-
Due from other Funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Revenues	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>					
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

24167	24174	25205	27152	28167	29130	TOTAL NON MAJOR SPECIAL REVENUE FUNDS
READING FIRST	CARL PERKINS SECONDARY	GEAR UP NM	NM READS TO LEAD	PARENTS AS TEACHERS	SCHOOL BASED HEALTH CENTER	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,231	\$ 33,231
-	-	-	56,263	38,329	-	94,592
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,263</u>	<u>\$ 38,329</u>	<u>\$ 33,231</u>	<u>\$ 127,823</u>
\$ -	\$ -	\$ -	\$ 56,263	\$ 22,848	\$ -	\$ 79,111
-	-	-	-	15,481	-	15,481
-	-	-	56,263	38,329	-	94,592
-	-	-	-	-	33,231	33,231
-	-	-	-	-	33,231	33,231
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,263</u>	<u>\$ 38,329</u>	<u>\$ 33,231</u>	<u>\$ 127,823</u>

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

STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCE-SPECIAL REVENUE FUNDS  
NON MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	24101	24106	24107	24109	24154
	TITLE I	ENTITLEMENT	IDEA-B DISCRETIONARY	PRESCHOOL	TEACHER/ PRINCIPAL TRAINING
<b>REVENUES</b>					
Federal Program	\$ -	\$ -	\$ -	\$ -	\$ -
State Program	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>					
Current					
Support Services-Students	-	-	-	-	-
Support Services-School Administration	-	-	-	-	-
Support Services-General Administration	-	-	-	-	-
Central Services	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Financing Sources					
Transfers In (Out)	6,316	606	(22,757)	3,014	39,253
<b>NET CHANGE IN FUND BALANCE</b>	<b>6,316</b>	<b>606</b>	<b>(22,757)</b>	<b>3,014</b>	<b>39,253</b>
<b>FUND BALANCE</b>					
June 30, 2014	-	-	-	-	-
Restatement	(6,316)	(606)	22,757	(3,014)	(39,253)
<b>FUND BALANCE June 30, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

24167	24174	25205	27152	28167	29130	TOTAL NON MAJOR SPECIAL REVENUE FUNDS
READING FIRST	CARL PERKINS SECONDARY	GEAR UP NM	NM READS TO LEAD	PARENTS AS TEACHERS	SCHOOL BASED HEALTH CENTER	
\$ -	\$ -	\$ 19,737	\$ -	\$ -	\$ -	\$ 19,737
-	-	-	206,568	295,967	71,588	574,123
-	-	19,737	206,568	295,967	71,588	593,860
-	-	-	-	-	-	-
-	-	-	206,568	-	-	206,568
-	-	19,737	-	295,967	71,588	387,292
-	-	-	-	-	-	-
-	-	19,737	206,568	295,967	71,588	593,860
-	-	-	-	-	-	-
1,235	(13,280)	-	-	-	-	14,387
1,235	(13,280)	-	-	-	-	14,387
-	-	-	-	-	-	-
(1,235)	13,280	-	-	-	-	(14,387)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,387

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

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
 AND ACTUAL--SPECIAL REVENUE FUND--GEAR UP - NM

Year Ended June 30, 2015

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Revenue	\$ 23,987	\$ 23,987	\$ 19,737	\$ (4,250)
TOTAL REVENUE	<u>23,987</u>	<u>23,987</u>	<u>\$ 19,737</u>	<u>\$ (4,250)</u>
Cash Balance Budgeted	-	-		
TOTAL REVENUE & CASH	<u>\$ 23,987</u>	<u>\$ 23,987</u>		
<b>EXPENDITURES</b>				
Current				
Support Services-General Administration	\$ 23,987	\$ 23,987	\$ 19,737	\$ 4,250
TOTAL EXPENDITURES	<u>\$ 23,987</u>	<u>\$ 23,987</u>	<u>\$ 19,737</u>	<u>\$ 4,250</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis)	\$ 19,737
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	<u>\$ 19,737</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis)	\$ 19,737
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 19,737</u>

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



STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL COOPERATIVE #6

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
AND ACTUAL--SPECIAL REVENUE FUND--NEW MEXICO READS TO LEAD

Year Ended June 30, 2015

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Revenue	\$ 204,682	\$ 206,702	\$ 150,305	\$ (56,397)
TOTAL REVENUE	<u>204,682</u>	<u>206,702</u>	<u>\$ 150,305</u>	<u>\$ (56,397)</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 204,682</u>	<u>\$ 206,702</u>		
<b>EXPENDITURES</b>				
Current				
Support Services-School Administration	\$ 204,682	\$ 206,702	\$ 206,568	\$ 134
TOTAL EXPENDITURES	<u>\$ 204,682</u>	<u>\$ 206,702</u>	<u>\$ 206,568</u>	<u>\$ 134</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis)	\$ 150,305
Differences-Budget to GAAP	
Current Year Receivable	56,263
Total Revenues (GAAP Basis)	<u>\$ 206,568</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis)	\$ 206,568
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 206,568</u>

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

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6

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

Year Ended June 30, 2015

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ 392,560	\$ 392,560	\$ 319,781	\$ (72,779)
TOTAL REVENUE	<u>392,560</u>	<u>392,560</u>	<u>\$ 319,781</u>	<u>\$ (72,779)</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 392,560</u>	<u>\$ 392,560</u>		
EXPENDITURES				
Current				
Support Services-General Administration	\$ 392,560	\$ 392,560	\$ 295,967	\$ 96,593
TOTAL EXPENDITURES	<u>\$ 392,560</u>	<u>\$ 392,560</u>	<u>\$ 295,967</u>	<u>\$ 96,593</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis)	\$ 319,781
Differences-Budget to GAAP	
Current Year Receivable	38,329
Prior Year Receivable	(62,143)
Total Revenues (GAAP Basis)	<u>\$ 295,967</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis)	\$ 295,967
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 295,967</u>

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

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6

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

Year Ended June 30, 2015

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Fees - Educational	\$ 86,976	\$ 98,730	\$ 74,102	\$ (24,628)
TOTAL REVENUE	<u>86,976</u>	<u>98,730</u>	<u>\$ 74,102</u>	<u>\$ (24,628)</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 86,976</u>	<u>\$ 98,730</u>		
EXPENDITURES				
Current				
Support Services-General Administration	\$ 86,976	\$ 98,730	\$ 71,588	\$ 27,142
TOTAL EXPENDITURES	<u>\$ 86,976</u>	<u>\$ 98,730</u>	<u>\$ 71,588</u>	<u>\$ 27,142</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis)	\$ 74,102
Differences-Budget to GAAP	
Current Year Deferral	(33,231)
Prior Year Deferral	30,717
Total Revenues (GAAP Basis)	<u>\$ 71,588</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis)	\$ 71,588
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 71,588</u>

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

STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6

Statement of Changes in Fiduciary Net Position - Agency Fund

Year Ended June 30, 2015

	<u>Balance 6/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2015</u>
EPAC	<u>\$ 8,945</u>	<u>\$ 22,592</u>	<u>\$ 22,285</u>	<u>\$ 9,252</u>
Total	<u>\$ 8,945</u>	<u>\$ 22,592</u>	<u>\$ 22,285</u>	<u>\$ 9,252</u>

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

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6

SCHEDULE OF PLEDGED COLLATERAL

JUNE 30, 2015

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED DEPOSITS	COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
Portales National Bank	\$ 178,261	\$ 250,000	\$ (71,739)	\$ -	\$ -	\$ -
<u>COLLATERAL</u>		<u>MATURES</u>				
N/A	\$ -	N/A				
	<u>\$ -</u>					

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

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6

BANK SUMMARY

JUNE 30, 2015

Bank	ACCT TYPE	FUND	BANK BALANCE	OUTSTANDING CHECKS	OUTSTANDING DEPOSITS	NET CASH BALANCE
PORTALES NATIONAL BANK	Checking	OPERATING	\$ 169,009	\$ 40,786	\$ -	\$ 128,223
PORTALES NATIONAL BANK	Checking	AGENCY	9,252	-	-	9,252
Total All Accounts			<u>\$ 178,261</u>	<u>\$ 40,786</u>	<u>\$ -</u>	<u>\$ 137,475</u>

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6

BANK RECONCILIATION

JUNE 30, 2015

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE</u>	<u>AGENCY</u>
Audited Net Cash JUNE 30, 2014	\$ (689,207)	\$ 719,048	\$ 8,945
TOTAL CASH BALANCE JUNE 30, 2014	<u>(689,207)</u>	<u>719,048</u>	<u>8,945</u>
Add:			
2014 - 2015 Revenue	961,694	2,950,011	22,592
Prior Year Interfund Loans	525,633	(525,633)	-
Prior Year Held Checks	(26,331)	(198,535)	-
Transfers In	<u>-</u>	<u>14,387</u>	<u>-</u>
TOTAL AVAILABLE CASH	771,789	2,959,278	31,537
2014 - 2015 Expenditures	828,411	2,977,818	22,285
Add: Held Checks	-	247,976	-
Transfers Out	14,387	-	-
Current Year Interfund Loans	(587,994)	587,994	-
Cash Adjustment	<u>(30,204)</u>	<u>-</u>	<u>-</u>
TOTAL CASH, JUNE 30, 2015	<u>\$ (689,207)</u>	<u>\$ 817,430</u>	<u>\$ 9,252</u>

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

JUNE 30, 2015

	<u>2015</u>
Proportion of the net pension liability	0.02437%
Proportionate share of the net pension liability	\$ 1,390,479
Covered Employee Payroll	\$ 671,728
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	207.00%
Plan fiduciary net position as a percentage of total pension liability	66.54%

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



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

JUNE 30, 2015

	<u>2015</u>
Contractually required contribution	\$ 105,603
Contributions in relation to the contractually required contribution	\$ 105,603
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 671,728
Contributions as a percentage of covered-employee payroll	15.72%

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

STATE OF NEW MEXICO  
 REGIONAL EDUCATIONAL CENTER #6  
 VENDOR SCHEDULE

JUNE 30, 2015

<b>RFB#/RFP#</b>	<b>Type of Procurement</b>	<b>Awarded Vendor</b>	<b>\$ Amount of Award Contract</b>	<b>\$ Amount of Amended Contract</b>	<b>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</b>	<b>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</b>
N/A	None	None	N/A	N/A	N/A	N/A

**Was the  
vendor in-  
state and  
chose  
Veteran's  
preference  
(Y or N) For  
federal  
funds  
answer N/A**

**Brief Description of the Scope  
of Work**

N/A

N/A

# Woodard, Cowen & Co.

Certified Public Accountants

**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* (*With Material Weaknesses and Significant Deficiencies Identified; and Reportable Instances of Noncompliance, and Other Matters Identified*)**

## Independent Auditor's Report

Mr. Tim Keller  
New Mexico State Auditor  
Coordinating Council  
Regional Educational Center #6

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of the Regional Educational Center #6 (the Center) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Center's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Center, presented as supplemental information, and have issued our report thereon dated September 30, 2015.

### 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify certain deficiencies in internal control. That we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2012-002

### Compliance and Other Matters

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

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 items 2012-002 – 2015-001.

### **The Center's Response to Findings**

The Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Woodard, Cowen & Co." The signature is written in dark ink and is positioned above the printed name of the firm.

Woodard, Cowen, & Company  
Portales, New Mexico  
September 30, 2015

STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2015

PRIOR YEAR AUDIT FINDINGS

**Cash Balances by fund did not agree to the reconciled bank balance 12-02 (revised and repeated)**  
**(compliance and control) (Significant Deficiency)**

Statement of Condition: The total cash balances in the individual funds did not reconcile to the bank balance. Center personnel worked to correct the balances which resulted in \$4,825 (net) in cash adjustments within funds. Two funds had adjustments that affected the financial statements. Those funds were Parents as Teachers for \$4,625 and Gear Up NM for \$200.

Recommendation: The Center should reset the beginning cash balances to audited and verified amounts which agree in total to the reconciled bank balance. When reconciled balance discrepancies appear, they should be investigated and corrected or adjusted within the month they occur.

Status: Revised and repeated.

STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6  
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2015

**Cash Balances by fund did not agree to the reconciled bank balance 2012-002 (revised and repeated) (compliance and control) (Significant Deficiency)**

Statement of Condition: The total cash balances in the individual funds did not reconcile to the bank balance. Center personnel worked to correct the balances which resulted in \$30,204 (net) in cash adjustments in the General Fund. Management has made progress by correcting the cash balances in other funds in the previous fiscal year. During the current fiscal year, management focused on the General Fund, but was unable to balance at year-end.

Criteria: Prudent accounting practice would have any variances investigated and corrected when the bank is reconciled. Center personnel were reconciling the bank statements, but could not correct variances.

Cause: Variances were caused by incorrect journal entries made many years ago where revenues were recorded in both the general fund and in the corresponding special revenue funds. Adjustments were made to the bank reconciliation module of the accounting software which gave the appearance of a correction, but were never applied to the general ledger. Once the current management and staff of the Center corrected or removed the adjustments, the restatement of \$30,204 was identified and made.

Effect: Management and staff of the Center are not able to accurately reconcile the cash balance across all funds. Any variances in the reconciled balance could not be identified and corrected.

Recommendation: The Center has reset the beginning cash balances to audited and verified amounts which agree in total to the reconciled bank balance. Now the management and staff of the Center should utilize either the bank reconciliation module of the accounting software or establish a reconciliation process. This will enable them to review and maintain an accurate reconciliation and react to any variances.

Response: Management will contact the accounting software support to reset the bank reconciliation module to eliminate the old data so they may start with the correct beginning balances. If that is not possible, management will manually reconcile the bank accounts.

**Late submission of the audit report 2015-001 (compliance and control)**

Statement of Condition: The audit report for the fiscal year ended was not delivered to the New Mexico Office of the State Auditor by the due date

Criteria: SAO Rule 2.2.2.9.A.1(a) establishes a due date of September 30, 2015 for submission of this audit report to the Office of the State Auditor.

Cause: There was difficulty in recording the appropriate adjustments and related footnotes for the Net Pension Liability for the Center.

Effect: The audit report was not delivered on time.

Recommendation: The audit firm and auditee staff should schedule more time to handle the effects of new accounting pronouncements.

Response: Management concurs with the recommendation. The business manager under the direction of the director will contract and schedule with the auditor so that the report may be submitted by the September 30 deadline.

STATE OF NEW MEXICO  
REGIONAL EDUCATIONAL CENTER #6

Year Ended JUNE 30, 2015

OTHER DISCLOSURES

AUDITOR PREPARED FINANCIAL STATEMENTS

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

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

EXIT CONFERENCE

An exit conference to discuss the contents of this report was held on September 30, 2015. Those in attendance were Scott McMath, Director for the Regional Educational Center #6; Connie Jackson, Finance Director; and Jamie Widner, Coordinating Council President. John McKinley, Jr., C.P.A. represented our firm.