

**STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6**

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
JUNE 30, 2016**

Woodard, Cowen & Co.

Certified Public Accountants

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6
 JUNE 30, 2016

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STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6
JUNE 30, 2016

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STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6
JUNE 30, 2016

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, 2016, 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, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 Center, as of June 30, 2016, 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, 2016, 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

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability on page 37, the Schedule of Contributions on page 38, with the notes to the required supplementary information on page 39 be presented supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

The Schedule of Changes in Assets and Liabilities – Agency Fund, Schedule of Pledged Collateral, Bank Summary, and Bank Reconciliation, and the additional schedules listed as "required supplemental information" in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Vendor Schedule on pages 39 & 40 of this report, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Changes in Assets and Liabilities – Agency Fund, Schedule of Pledged Collateral, Bank Summary, and Bank Reconciliation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information schedule on pages 39 & 40 of this report has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016 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.

Woodard, Lawer & Co.

Portales, New Mexico
September 28, 2016

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

June 30, 2016

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 2,369
Due from other governments	498,160
Non-current:	
Capital Assets-Net	<u>5,031</u>
Total Assets	<u>505,560</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows of resources related to pensions	<u>349,755</u>
<u>LIABILITIES</u>	
Current:	
Accounts Payable	-
Non-current:	
Net Pension Liability	1,729,430
Total Liabilities	<u>1,729,430</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unearned Revenue	33,261
Deferred Inflows of resources related to pensions	39,846
Total deferred inflows of resources	<u>73,107</u>
<u>NET POSITION</u>	
Invested in capital assets	5,031
Restricted	
Medicaid	71,340
Unrestricted	<u>(1,023,593)</u>
Total Net Position	<u>\$ (947,222)</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, 2016

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	\$ 1,153,079	\$ -	\$ 1,153,079	\$ -	\$ -
Support Services-Students	1,142,650	-	658,393	-	(484,257)
Support Services-Instruction	209,924	-	122,019	-	(87,905)
Support Services-School Administration	267,297	-	261,811	-	(5,486)
Support Services-General Administration	502,611	-	377,048	-	(125,563)
Central Services	272,318	-	193,773	-	(78,545)
Operation & Maintenance of plant	28,037	-	9,428	-	(18,609)
Student Transportation	33,327	-	33,327	-	-
Food Service Operations	-	-	-	-	-
Other Support Services	271,405	-	-	-	(271,405)
Community Services	10,000	-	10,000	-	-
Depreciation	3,754	-	-	-	(3,754)
Unallocated	-	-	(61,805)	-	(61,805)
Total governmental activities	<u>\$ 3,894,402</u>	<u>\$ -</u>	<u>\$ 2,757,073</u>	<u>\$ -</u>	<u>\$ (1,137,329)</u>

General revenues:

REC State Funding	\$ 1,021,375
Donations/Private Grants	-
Refunds	-
Total General Revenues	<u>1,021,375</u>

Change in Net Position	(115,954)
Net Position beginning	(543,209)
Restatement of net position	<u>(288,059)</u>
Net Position - beginning Restated	<u>(831,268)</u>
Net Position - ending	<u>\$ (947,222)</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, 2016

	24119 21ST CENTURY COMMUNITY LEARNING	27149 PRE K INITIATIVE	27200 STATE DIRECTED ACTIVITIES
GENERAL FUND			
ASSETS			
Cash on Deposit	-	-	-
Due from other Governments	-	69,419	264,517
Due From Other Funds	658,616	142,640	54,499
Total Assets	<u>\$ 658,616</u>	<u>\$ 212,059</u>	<u>\$ 319,016</u>
LIABILITIES			
Due to Other Funds	262,688	-	-
Accounts Payable	-	-	-
Total Liabilities	<u>262,688</u>	<u>212,059</u>	<u>319,016</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
Deferred Inflows of Resources	-	-	-
FUND BALANCE			
Unassigned	395,927	-	-
Assigned to:			
Medicaid	-	-	-
Total Fund Balance	<u>395,927</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 658,615</u>	<u>\$ 212,059</u>	<u>\$ 319,016</u>

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

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<u>MEDICAID</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>Total GOVERNMENTAL FUNDS</u>
\$ -	\$ 2,369	\$ 2,369
137,664	14,046	498,160
-	56,528	921,304
<u>\$ 137,664</u>	<u>\$ 72,943</u>	<u>\$ 1,421,833</u>
\$ 66,324	\$ 39,682	\$ 921,304
-	-	-
<u>66,324</u>	<u>39,682</u>	<u>921,304</u>
-	33,261	33,261
-	33,261	33,261
-	-	395,927
71,340		71,340
<u>71,340</u>	<u>-</u>	<u>467,267</u>
<u>\$ 137,664</u>	<u>\$ 72,943</u>	<u>\$ 1,421,832</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, 2016

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

Fund Balance - total governmental funds	\$	467,267
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		5,031
Net Pension Liability not reported in the funds		(1,729,430)
Deferred Inflows of resources related to pensions not reported in the funds.		(39,846)
Deferred Outflows of resources related to pensions not reported in the funds		349,755
Net position of governmental activities	\$	<u>(947,223)</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, 2016

	GENERAL FUND	24119 21ST CENTURY COMMUNITY LEARNING	27149 PRE K INITIATIVE	27200 STATE DIRECTED ACTIVITIES
REVENUE				
Federal Program	\$ -	\$ 469,363	\$ -	\$ -
State Program	1,021,375	-	482,777	849,389
Intergovernmental	-	-	-	-
Donations	-	-	-	-
Refunds	-	-	-	-
TOTAL REVENUES	1,021,375	469,363	482,777	849,389
EXPENDITURES				
Current				
Instruction	-	349,076	397,644	406,359
Support Services-Students	444,601	4,750	50,978	137,247
Support Services-Instruction	64,281	-	-	21,999
Support Services-School Administration	5,486	-	-	261,811
Support Services-General Administration	101,300	-	4,819	2,222
Central Services	53,090	101,546	-	19,751
Operation & Maintenance of Plant	18,609	-	-	-
Student Transportation	-	3,991	29,336	-
Other Support Services	238,016	-	-	-
Food Services - Operations	-	-	-	-
Community Services - Operations	-	10,000	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	925,383	469,363	482,777	849,389
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	95,992	-	-	-
OTHER FINANCING SOURCES				
Transfers In/Out	-	-	-	-
Net Change In Fund Balances	95,992	-	-	-
FUND BALANCE				
June 30, 2015	587,994	-	-	-
Restatement	(288,059)	-	-	-
Restated Fund Balance	299,935	-	-	-
FUND BALANCE June 30, 2016	\$ 395,927	\$ -	\$ -	\$ -

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

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MEDICAID	OTHER GOVERNMENTAL FUNDS	Total GOVERNMENTAL FUNDS
\$ -	\$ -	\$ 469,363
627,323	328,221	3,309,085
-	-	-
-	-	-
-	-	-
<u>627,323</u>	<u>328,221</u>	<u>3,778,448</u>
-	-	1,153,079
465,418	-	1,102,994
100,020	-	186,300
-	-	267,297
41,786	328,221	478,348
72,476	-	246,863
9,428	-	28,037
-	-	33,327
-	-	238,016
-	-	-
-	-	10,000
-	-	-
<u>689,128</u>	<u>328,221</u>	<u>3,744,261</u>
<u>(61,805)</u>	<u>-</u>	<u>34,187</u>
-	-	-
<u>(61,805)</u>	<u>-</u>	<u>34,187</u>
<u>133,145</u>	<u>-</u>	<u>721,139</u>
<u>-</u>	<u>-</u>	<u>(288,059)</u>
<u>133,145</u>	<u>-</u>	<u>433,080</u>
<u>\$ 71,340</u>	<u>\$ -</u>	<u>\$ 467,267</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, 2016

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

Net change in fund balance - total governmental funds	\$ 34,187
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	(3,754)
Pension related expense not reported in the funds	(146,388)
Change In Net Position	<u>\$ (115,955)</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--SPECIAL REVENUE FUND--21ST CENTURY LEARNING

Year Ended June 30, 2016

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 513,548	\$ 513,548	\$ 657,366	\$ 143,818
TOTAL REVENUE	<u>513,548</u>	<u>513,548</u>	<u>\$ 657,366</u>	<u>\$ 143,818</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 513,548</u>	<u>\$ 513,548</u>		
EXPENDITURES				
Current				
Instruction	\$ 389,300	\$ 388,900	\$ 349,076	\$ 39,824
Support Services				-
Support Services-Students	4,750	4,750	4,750	-
Central Services	104,178	104,178	101,546	2,632
Student Transportation	5,320	5,720	3,991	1,729
Community Services-operations	10,000	10,000	10,000	-
TOTAL EXPENDITURES	<u>\$ 513,548</u>	<u>\$ 513,548</u>	<u>\$ 469,363</u>	<u>\$ 44,185</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 657,366
Differences-Budget to GAAP	
Current Year Receivable	21,535
Prior Year Receivable	(209,538)
Total Revenues (GAAP Basis)	<u>\$ 469,363</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 469,363
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 469,363</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, 2016

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ 513,249	\$ 513,249	\$ 539,011	\$ 25,762
TOTAL REVENUE	<u>513,249</u>	<u>513,249</u>	<u>\$ 539,011</u>	<u>\$ 25,762</u>
Cash Balance Budgeted	-	-		
TOTAL REVENUE & CASH	<u>\$ 513,249</u>	<u>\$ 513,249</u>		
EXPENDITURES				
Current				
Instruction	\$ 411,006	\$ 412,651	\$ 397,644	\$ 15,007
Support Services				
Support Services-Students	65,106	63,469	50,978	12,491
Support Services-General Administration	4,819	4,819	4,819	-
Student Transportation	32,318	32,318	29,336	2,982
TOTAL EXPENDITURES	<u>\$ 513,249</u>	<u>\$ 513,257</u>	<u>\$ 482,777</u>	<u>\$ 30,480</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 539,011
Differences-Budget to GAAP	
Current Year Receivable	212,059
Prior Year Receivable	(268,293)
Total Revenues (GAAP Basis)	<u>\$ 482,777</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 482,777
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 482,777</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, 2016

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ 1,112,690	\$ 1,116,082	\$ 832,073	\$ (284,009)
TOTAL REVENUE	<u>1,112,690</u>	<u>1,116,082</u>	<u>\$ 832,073</u>	<u>\$ (284,009)</u>
 Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 1,112,690</u>	<u>\$ 1,116,082</u>		
EXPENDITURES				
Current				
Instruction	\$ 411,371	\$ 414,763	\$ 406,359	\$ 8,404
Support Services				
Support Services-Students	260,860	260,860	137,247	123,613
Support Services-Instruction	21,599	21,999	21,999	-
Support Services-General Administration	30,000	30,000	2,222	27,778
Support Services-School Administration	288,360	287,960	261,811	26,149
Central Services	100,500	100,500	19,751	80,749
TOTAL EXPENDITURES	<u>\$ 1,112,690</u>	<u>\$ 1,116,082</u>	<u>\$ 849,389</u>	<u>\$ 266,693</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 832,073
Differences-Budget to GAAP	
Current Year Receivable	319,016
Prior Year Receivable	(301,700)
Total Revenues (GAAP Basis)	<u>\$ 849,389</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 849,389
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 849,389</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, 2016

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Fees - Educational	\$ 500,179	\$ 881,392	\$ 489,659	\$ (391,733)
Refunds	-	-	-	-
TOTAL REVENUE	<u>500,179</u>	<u>881,392</u>	<u>\$ 489,659</u>	<u>\$ (391,733)</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 500,179</u>	<u>\$ 881,392</u>		
EXPENDITURES				
Current				
Support Services-Students	\$ 306,945	\$ 591,357	\$ 465,418	\$ 125,939
Support Services-Instruction	70,324	111,891	100,020	11,871
Support Services-General Administration	45,079	56,703	41,786	14,917
Central Services	63,831	107,981	72,476	35,505
Operation & Maintenance of Plant	14,000	14,000	9,429	4,572
TOTAL EXPENDITURES	<u>\$ 500,179</u>	<u>\$ 881,932</u>	<u>\$ 689,129</u>	<u>\$ 192,804</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 489,659
Differences-Budget to GAAP	
Current Year Receivable	137,664
Total Revenues (GAAP Basis)	<u>\$ 627,323</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 689,129
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 689,129</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, 2016

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ 592,379	\$ 804,847	\$ 1,021,375	\$ 216,528
TOTAL REVENUE	<u>592,379</u>	<u>804,847</u>	<u>\$ 1,021,375</u>	<u>\$ 216,528</u>
Cash Balance Budgeted	-	-		
TOTAL REVENUE & CASH	<u>\$ 592,379</u>	<u>\$ 804,847</u>		
EXPENDITURES				
Current				
Support Services-Students	\$ 307,243	\$ 445,853	\$ 444,601	\$ 1,252
Support Services-Instruction	71,356	71,356	64,281	7,075
Support Services-General Administration	141,566	141,566	101,300	40,266
Support Services-School Administration	4,500	4,500	5,486	(986)
Central Services	42,580	47,057	53,090	(6,033)
Operation & Maintenance of Plant	25,134	25,134	18,609	6,525
Other Support Services	-	244,358	238,016	6,342
TOTAL EXPENDITURES	<u>\$ 592,379</u>	<u>\$ 979,824</u>	<u>\$ 925,383</u>	<u>\$ 54,441</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 1,021,375
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	<u>\$ 1,021,375</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 925,383
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 925,383</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, 2016

	<u>AGENCY FUNDS</u>
ASSETS	
Cash in Bank	\$ 7,408
TOTAL ASSETS	<u>\$ 7,408</u>
 Net Position	
Cash Held for other Entities	\$ 7,408
TOTAL NET POSITION	<u>\$ 7,408</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, 2016

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, 2016

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, 2016

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, 2016

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, 2016, 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>3,754</u>
Net adjustment to decrease net changes in fund balances — total government funds to arrive at changes in net position of Governmental activities	\$	(3,754)

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

JUNE 30, 2016

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, 2016 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, 2016

IV. Detailed Notes on all Funds

A. Cash and temporary investments

At June 30, 2016, the carrying amount of the Center's deposits was \$9,777 and the bank balance was \$439,704. 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, 2016, none of the government's bank balance was exposed to custodial credit risk as follows:

Uninsured	\$ 189,704
Collateralized by bank, held in entity's name	150,047
Amount Exposed	\$ <u>36,657</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>33,261</u>
Total deferred/unearned revenue for governmental funds	\$ <u>33,261</u>

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

JUNE 30, 2016

IV. Detailed Notes on all Funds

C. Capital Assets

Capital asset activity for the year ended June 30, 2016, 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>29,934</u>	<u>3,754</u>	<u>-</u>	<u>33,688</u>
Total accumulated depreciation	<u>29,934</u>	<u>3,754</u>	<u>-</u>	<u>33,688</u>
Capital Assets, Net	<u>\$ 8,785</u>	<u>\$ (3,754)</u>	<u>\$ -</u>	<u>\$ 5,031</u>

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

D. Long-Term Debt

For the fiscal year ended June 30, 2016, 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, 2016

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.

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, 2016

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 \$105,515 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, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. At June 30, 2015, the Center's reported a liability of \$1,729,415 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, 2015. The contribution amounts were defined by section 22-11-21, NMSA 1978. At June 30, 2015, the Center's proportion was .02670 percent, which was an increase of .00233% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the Center recognized pension expense of \$77,652. At June 30, 2016, 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
Beginning balance	\$ 264,461	\$ 147,115
Changes of assumptions	59,484	-
Net difference between projected and actual earnings on pension plan investments	-	(96,081)
Changes in proportion	108,914	14,066
2015 Actual Employer Contributions	(105,593)	-
2016 Actual Employer Contributions	77,652	-
Differences between expected and actuarial experience	-	17,248
Proportionate change in deferred outflow	-	-
Net amortization of deferred amounts from changes in proportion	<u>(55,163)</u>	<u>(42,502)</u>
Total	<u>\$349,755</u>	<u>\$ 39,846</u>

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

JUNE 30, 2016

V. Other information (continued)

C. Employee retirement plan

\$254,600 reported as deferred outflows of resources related to pensions resulting from the Center's contributions subsequent to the measurement date June 30, 2016 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:	
2017	\$88,444
2018	\$82,771
2019	\$37,021
2020	\$24,020

Actuarial assumptions. As described above, the total ERB pension liability and net liability are based on an actuarial valuation performed as of June 30, 2015. The liabilities reflect the impact of Senate Bill 115, signed into law on March 29, 2013 and new assumptions adopted by the Board of Trustees on June 12, 2015. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their 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 June 30, 2015 in conjunction with the six-year experience study period ending June 30, 2014.
5. 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, 2016

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.).

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 2015. 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>\$2,327,064</u>	<u>\$1,729,430</u>	<u>\$1,227,356</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, 2015 and 2014 which are publicly available at 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, 2016

V. Other information (continued)

D. Post-retirement health care benefits (continued)

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

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

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

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

The Center's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$12,361, \$15,348 and \$13,435, respectively, which equal the required contributions for each year.

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

JUNE 30, 2016

V. Other information (continued)

E. Interfund Balances

Due to	Due from		
General Fund	21 st Century	\$	21,535
	Pre K Initiative		212,059
	State Directed Activities		319,016
	Medicaid		66,324
	Parents As Teachers		39,682
		\$	<u>658,616</u>
School Based Health Center	General Fund	\$	<u>30,892</u>
Total Due to/from		\$	<u>689,508</u>
21 st Century	General Fund	\$	9,021
Pre-K Initiative	General Fund		142,640
State Directed Activities	General Fund		54,499
Parents as Teachers	General Fund		25,636
		\$	<u>231,796</u>

The balance of \$658,616 resulted from loans made to establish working capital for the individual funds. All loans are considered to be repaid within one year. The balance of \$231,796 represent amounts the General Fund owes to individual funds to cover restated receivables either recorded as General Fund revenues or will not be realized by the individual funds in the next fiscal year.

F. Restatement of Beginning Net Position for Governmental Activities.

The restatement of net position is the result of correcting prior due from other governments that will not be realized in the next fiscal year the restatement includes the \$231,796 of receivables corrected in the individual funds and \$56,263 from New Mexico Reads to Lead which was collapsed into the General fund.

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, 2015	\$ (543,209)
Net Position affect from the restatement of prior year receivables in the individual funds.	(231,796)
Net Position affect of the special revenue fund New Mexico Reads to Lead being collapsed and reported in the General Fund.	<u>(56,263)</u>
Restated Balance at July 1, 2015	\$ <u><u>(831,268)</u></u>

SPECIAL REVENUE FUNDS

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, 2016

	28167	29130	TOTAL NON MAJOR SPECIAL REVENUE FUNDS
	PARENTS AS TEACHERS	SCHOOL BASED HEALTH CENTER	
ASSETS			
Cash on Deposit	\$ -	\$ 2,369	\$ 2,369
Due from other Governments	14,046	-	14,046
Due from other Funds	25,636	30,892	56,528
TOTAL ASSETS	<u>\$ 39,682</u>	<u>\$ 33,261</u>	<u>\$ 72,943</u>
LIABILITIES			
Due to Other Funds	\$ 39,682	\$ -	\$ 39,682
Accounts Payable	-	-	-
Total Liabilities	<u>39,682</u>	<u>-</u>	<u>39,682</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenues	-	33,261	33,261
Total Deferred Inflows of Resources	<u>-</u>	<u>33,261</u>	<u>33,261</u>
FUND BALANCE			
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 39,682</u>	<u>\$ 33,261</u>	<u>\$ 72,943</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, 2016

	28167	29130	TOTAL NON MAJOR SPECIAL REVENUE FUNDS
	PARENTS AS TEACHERS	SCHOOL BASED HEALTH CENTER	
REVENUES			
Federal Program	\$ -	\$ -	\$ -
State Program	250,000	78,221	328,221
TOTAL REVENUES	<u>250,000</u>	<u>78,221</u>	<u>328,221</u>
EXPENDITURES			
Current			
Support Services-Students	-	-	-
Support Services-School Administration	-	-	-
Support Services-General Administration	250,000	78,221	328,221
Central Services	-	-	-
TOTAL EXPENDITURES	<u>250,000</u>	<u>78,221</u>	<u>328,221</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-
Other Financing Sources			
Transfers In (Out)	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE			
June 30, 2015	-	-	-
Restatement	-	-	-
FUND BALANCE June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2016

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ -	\$ 250,000	\$ 248,647	\$ (1,353)
TOTAL REVENUE	<u>-</u>	<u>250,000</u>	<u>\$ 248,647</u>	<u>\$ (1,353)</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ -</u>	<u>\$ 250,000</u>		
EXPENDITURES				
Current				
Support Services-General Administration	\$ -	\$ 250,000	\$ 250,000	\$ -
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ -</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 248,647
Differences-Budget to GAAP	
Current Year Receivable	39,682
Prior Year Receivable	(38,329)
Total Revenues (GAAP Basis)	<u>\$ 250,000</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 250,000
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 250,000</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, 2016

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Fees - Educational	\$ 84,584	\$ 84,584	\$ 78,251	\$ (6,333)
TOTAL REVENUE	<u>84,584</u>	<u>84,584</u>	<u>\$ 78,251</u>	<u>\$ (6,333)</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 84,584</u>	<u>\$ 84,584</u>		
EXPENDITURES				
Current				
Support Services-General Administration	\$ 84,584	\$ 84,584	\$ 78,221	\$ 6,363
TOTAL EXPENDITURES	<u>\$ 84,584</u>	<u>\$ 84,584</u>	<u>\$ 78,221</u>	<u>\$ 6,363</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 78,251
Differences-Budget to GAAP	
Current Year Deferral	(33,261)
Prior Year Deferral	33,231
Total Revenues (GAAP Basis)	<u>\$ 78,221</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 78,221
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 78,221</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, 2016

	<u>Balance 6/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
EPAC	<u>\$ 9,252</u>	<u>\$ 24,292</u>	<u>\$ 26,136</u>	<u>\$ 7,408</u>
Total	<u>\$ 9,252</u>	<u>\$ 24,292</u>	<u>\$ 26,136</u>	<u>\$ 7,408</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, 2016

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED DEPOSITS	COLLATERAL REQUIRED	COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
Portales National Bank	\$ 439,704	\$ 250,000	\$ 189,704	\$ 94,852	\$ 150,047	\$ -	\$ 39,657
<u>COLLATERAL</u>							
Santa Fe County NM 801889LN4	\$ 150,047						
	<u>\$ 150,047</u>						
			<u>MATURES</u>				
			5/14/2019				

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, 2016

Bank	ACCT TYPE	FUND	BANK BALANCE	OUTSTANDING CHECKS	OUTSTANDING DEPOSITS	NET CASH BALANCE
PORTALES NATIONAL BANK	Checking	OPERATING	\$ 432,296	\$ 429,927	\$ -	\$ 2,369
PORTALES NATIONAL BANK	Checking	AGENCY	7,408	-	-	7,408
Total All Accounts			<u>\$ 439,704</u>	<u>\$ 429,927</u>	<u>\$ -</u>	<u>\$ 9,777</u>

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6

BANK RECONCILIATION

JUNE 30, 2016

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE</u>	<u>AGENCY</u>
Audited Net Cash JUNE 30, 2015	\$ -	\$ 128,223	\$ 9,252
TOTAL CASH BALANCE JUNE 30, 2015	-	128,223	9,252
Add:			
2015 - 2016 Revenue	1,021,375	2,845,008	24,292
Prior Year Interfund Loans	587,994	(587,994)	-
Prior Year Held Checks	-	(247,976)	-
Transfers In	-	-	-
TOTAL AVAILABLE CASH	1,609,369	2,137,261	33,544
2015 - 2016 Expenditures	925,383	2,818,878	26,136
Add: Held Checks	-	-	-
Transfers Out	-	-	-
Current Year Interfund Loans	(627,724)	627,724	-
Cash Adjustment	-	-	-
TOTAL CASH, JUNE 30, 2016	<u>\$ 56,262</u>	<u>\$ (53,893)</u>	<u>\$ 7,408</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, 2016

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.02670%	0.02437%
Proportionate share of the net pension liability	\$ 1,729,430	\$ 1,390,479
Covered Employee Payroll	\$ 728,996	\$ 671,728
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	237.23%	207.00%
Plan fiduciary net position as a percentage of total pension liability	63.97%	66.54%

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

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

JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 85,909	\$ 105,603
Contributions in relation to the contractually required contribution	\$ 85,909	\$ 105,603
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 728,996	\$ 671,728
Contributions as a percentage of covered-employee payroll	11.78%	15.72%

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

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION: SCHEDULE OF THE PROPORTIONATE
SHARE OF NET PENSION LIABILITY and SCHEDULE OF CONTRIBUTIONS Educational
Retirement Board (ERB) Pension Plan

JUNE 30, 2016

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

Changes of assumptions.

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 12 2015, ERB implemented the following changes in assumptions for fiscal years 2015 and 2014.

1. Fiscal year 2015 and 2014 valuation assumptions that changed based on this study:

- a. Lower wage inflation from 4.25% to 3.75%
- b. Lower payroll growth from 3.75% to 3.50%
- c. Update demographic assumptions to use currently published tables
- d. Population growth per year from 0.50% to 0.00%

2. Assumptions that were not changed:

- a. Investment return will remain at 7.75%
- b. Inflation will remain at 3.00%
- c. COLA assumption 2.00% per year
- d. Payroll growth remain at 3.50%

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6
 VENDOR SCHEDULE

JUNE 30, 2016

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Award Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)
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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds of the Regional Educational Center #6 (Center), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated September 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2016-001.

The Center's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Woodward, Lewen & Co.".

Portales, New Mexico
September 28, 2016

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

JUNE 30, 2016

PRIOR YEAR AUDIT FINDINGS

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.

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.

Status: Resolved

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

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

Status: Resolved

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6
SCHEDULE OF FINDINGS AND RESPONSES under AAG-GAS

JUNE 30, 2016

None

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6
SECTION 12-6-5 NMSA 1978 FINDINGS AND RESPONSES

JUNE 30, 2016

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

Statement of Condition: During the testing of per diem and travel expenditure disbursements, the auditor noted three of the nine per diem disbursements tested were paid in advance of the travel at greater than 80%. The dollar amount of the three were \$457 of the \$1,213 tested.

Criteria: According to 2.42.2.10 NMAC regarding travel advances, upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals.

Effect: The Center is in violation of state statute regarding travel advances. It also puts the Center at risk of paying out more than what is allowable for travel cost.

Recommendation: Center management should only pay out 80% of projected allowable travel cost in advance of travel.

Response: Management concurs. The business manager immediately changed procedures when notified of the finding during fieldwork.

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6

Year Ended JUNE 30, 2016

OTHER DISCLOSURES

AUDITOR PREPARED FINANCIAL STATEMENTS

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

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

EXIT CONFERENCE

An exit conference to discuss the contents of this report was held on September 28, 2016. Those in attendance were Scott McMath, Director for the Regional Educational Center #6; Connie Jackson, Finance Director; and Damon Terry, Coordinating Council Member. John McKinley, Jr., C.P.A. represented our firm.