STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6

Audited Financial Statements and Other Financial Information

June 30, 2018

PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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REGIONAL EDUCATION COOPERATIVE #6
OFFICIAL ROSTER

GOVERNING BOARD

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

CENTER OFFICIALS

Scott McMath	Director
Connie Jackson	Business Manager

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BASIC FINANCIAL STATEMENTS

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

Independent Auditors' Report

To Wayne Johnson
New Mexico State Auditor

Coordinating Council
Regional Education Cooperative #6

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and major special revenue funds, and the aggregate remaining fund information of the Regional Education Cooperative #6 (Center), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Schedules of the District's Proportionate Share of the Net Pension Liability and Net OPEB Liability*, and *Schedules of District Contributions* on pages 56-59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements, the combining and individual fund financial statements, and the budgetary comparison. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the schedules required by 2.2.2 NMAC 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 25, 2018 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
September 25, 2018

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
STATEMENT OF NET POSITION
June 30, 2018

		GOVERNMENTAL ACTIVITIES
ASSETS		
Current Assets		
Cash and cash equivalents	$	622,594
Due from other governments		440,070
Total current assets		1,062,664
Noncurrent Assets		
Capital assets, net of accumulated depreciation		
Equipment		45,859
Less: accumulated depreciation		(25,542)
Total capital assets, net of accumulated depreciation		20,317
Total noncurrent assets		20,317
Total assets		1,082,981
DEFERRED OUTFLOWS		
Pension related		625,223
OPEB related		10,851
Total deferred outflows		636,074

See Notes to Financial Statements

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
STATEMENT OF NET POSITION
June 30, 2018

		GOVERNMENTAL ACTIVITIES
LIABILITIES		
Current liabilities		
Accounts payable		9,956
Compensated leave		25,012
Total current liabilities		34,968
Noncurrent Liabilities		
Compensated leave		8,337
Net pension liability		1,754,817
Net OPEB liability		474,466
Total noncurrent liabilities		2,237,620
Total liabilities		2,272,588
DEFERRED INFLOWS		
Unearned revenue		13,630
Pension related		462,167
OPEB related		107,987
Total deferred inflows		583,784
NET POSITION		
Investment in capital assets		20,317
Restricted for:		
Medicaid		317,841
Unrestricted		(1,475,475)
Total net position	$	(1,137,317)

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STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

			Program Revenues		Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Primary government					
Governmental activities					
Instruction	$ 809,863	-	1,002,312	-	192,449
Support services					
Students	1,192,528	-	1,169,519	-	(23,009)
Instruction	108,385	-	108,385	-	-
General administration	523,148	-	465,839	-	(57,309)
School administration	341,388	-	321,380	-	(20,008)
Central services	130,763	-	116,193	-	(14,570)
Operation & maintenance of plant	147,284	-	147,284	-	-
Student transportation	23,103	-	23,103	-	-
Community services-operations	42,452	-	42,452	-	-
Total governmental activities	$ 3,318,914	-	3,396,467	-	77,553

General Revenues	
REC state funding	103,820
Total general revenues	103,820
Change in net position	181,373
Net position - beginning as previously stated	(755,103)
Prior period restatement (Note 14)	(563,587)
Net position - beginning as restated	(1,318,690)
Net position - ending	$ (1,137,317)

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

		GENERAL 27101	PRE K INITIATIVE 27149
ASSETS			
Current assets			
Cash	$	368,572	-
Accounts receivable			
Due from other governments		3,798	137,967
Interfund receivables		355,709	-
Total assets	$	728,079	137,967
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Current liabilities			
Accounts payable	$	6,842	-
Interfund payables		-	137,967
Total liabilities		6,842	137,967
Deferred Inflows			
Unavailable revenue		-	-
Total deferred inflows		-	-
Fund balances (deficit)			
Assigned to			
Medicaid		-	-
Unassigned		721,237	-
Total fund balance (deficit)		721,237	-
Total liabilities, deferred inflows, and fund balance (deficit)	$	728,079	137,967

STATE DIRECTED ACTIVITIES 27200	MEDICAID 28144	PARENTS AS TEACHERS 28167	SCHOOL BASED HEALTH CENTER 29130	TOTAL GOVERNMENTAL FUNDS
-	240,392	-	13,630	622,594
217,742	80,563	-	-	440,070
-	-	-	-	355,709
217,742	320,955	-	13,630	1,418,373
-	3,114	-	-	9,956
217,742	-	-	-	355,709
217,742	3,114	-	-	365,665
-	-	-	13,630	13,630
-	-	-	13,630	13,630
-	317,841	-	-	317,841
-	-	-	-	721,237
-	317,841	-	-	1,039,078
217,742	320,955	-	13,630	1,418,373

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STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2018

		GOVERNMENTAL FUNDS
Amounts reported for governmental activities in the statement of net position are different because:		
Fund balances - total governmental funds	$	1,039,078
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		20,317
Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds.		625,223
OPEB plan deferred outflows are not financial resources and, therefore, are not reported in the funds.		10,851
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Compensated absences		(33,349)
Net pension liability		(1,754,817)
Net OPEB liability		(474,466)
Defined benefit pension plan deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds		(462,167)
OPEB plan deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds		(107,987)
Net position of governmental activities	$	(1,137,317)

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	GENERAL 27101	PRE K INITIATIVE 27149
Revenues		
State grants	$ 1,096,618	453,649
Federal grants	-	-
Total revenues	1,096,618	453,649
Expenditures		
Current		
Instruction	-	425,457
Support services		
Students	328,455	-
Instruction	-	-
General administration	245,481	5,089
School administration	37,129	-
Central services	48,255	-
Operations & maintenance of plant	104,928	-
Student transportation	-	23,103
Community services-operations	-	-
Total expenditures	764,248	453,649
Excess (deficiency) of revenues over (under) expenditures	332,370	-
Other financing sources (uses)		
Operating transfers	(13,708)	-
Total other financing sources (uses)	(13,708)	-
Net change in fund balances	318,662	-
Fund balances, beginning of year	402,575	-
Fund balances, end of year	$ 721,237	-

STATE DIRECTED ACTIVITIES 27200	MEDICAID 28144	PARENTS AS TEACHERS 28167	SCHOOL BASED HEALTH CENTER 29130	TOTAL GOVERNMENTAL FUNDS
-	1,042,912	-	84,419	2,677,598
822,689	-	-	-	822,689
822,689	1,042,912	-	84,419	3,500,287
355,213	-	-	-	780,670
139,172	701,892	-	-	1,169,519
108,385	-	-	-	108,385
1,805	129,045	-	84,419	465,839
169,742	114,509	-	-	321,380
6,028	61,910	-	-	116,193
-	42,356	-	-	147,284
-	-	-	-	23,103
42,452	-	-	-	42,452
822,797	1,049,712	-	84,419	3,174,825
(108)	(6,800)	-	-	325,462
13,708	-	-	-	-
13,708	-	-	-	-
13,600	(6,800)	-	-	325,462
(13,600)	324,641	-	-	713,616
-	317,841	-	-	1,039,078

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STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

		GOVERNMENTAL FUNDS
Amounts reported for governmental activities in the statements of activities are different because:		
Net change in fund balances - total governmental funds	$	325,462
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		(6,695)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:		
Change in accrued compensated absences		(33,349)
Change in net pension liability		(96,030)
Change in OPEB liability		(8,015)
Change in net position	$	181,373

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STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
June 30, 2018

		AGENCY FUNDS
ASSETS		
Current assets		
Cash	$	17,374
Total assets	$	17,374
LIABILITIES		
Current liabilities		
Deposits held in trust for others	$	17,374
Total liabilities	$	17,374

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Regional Education Cooperatives (Centers) established throughout New Mexico in 1984 were originally organized to provide supplementary special education services to local education agencies utilizing federal PL 94-142 funds. The role of the Centers has expanded under the authorization of the regional Coordinating Councils to include a variety of other projects, both federally funded and funded from other sources. Regional Education Cooperative #6 (the Center), through the governing council, has established as its purpose the delivery to local Centers and communities those services deemed critical to the ongoing success of regular and special education programs provided by the local agencies. For financial reporting purposes, the Center includes all funds and account groups that are controlled by or dependent on the Center for financial support.

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the Center.

For the most part, the effect of interfund activity has been removed from these statements. The Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities which rely, to a significant extent, on fees and charges for support.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

General Fund (27101) - To account for State REC Funding. The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

Medicaid HSD (28144) **-** To account for reimbursement of health-related services of Medicaid eligible students receiving related services, for administrative time study, and for a statement of service costs study. Authorized by the Social Security Act.

Parents as Teachers (28167) **–** 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 (29130) **-** 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Center’s taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Center’s general revenues. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

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

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

Assets, Liabilities, and Net Position or Equity

Deposits and Investments: The Center's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 State Board of Finance shall set the rate of interest on non-demand interest-bearing accounts, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the date of deposit.

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

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

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or “advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-wide financial statements. The Center defines capital assets as assets with an initial, individual cost of more than $5,000 per Section 12-6-10 NMSA 1978, and an estimated useful life extending beyond a single reporting period. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Net Investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

The Government-wide Statement of Net Position reports $317,841 of restricted net position of which $317,841 is restricted by enabling legislation.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The detail of this $(6,695) difference is as follows:

Capital Outlay	$ -
Depreciation Expense	(6,695)
Net adjustments to increase net changes in fund balances – total government funds to arrive at changes in net position of governmental activities	$ (6,695)

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

The Center follows these procedures in establishing the budgetary data reflected in the financial statements:

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

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

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

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

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

- The Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2018 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item.

NOTE 4. CASH AND TEMPORARY INVESTMENTS

At June 30, 2018, the carrying amount of the Center's deposits was $622,594 and the bank balance was $678,231. Of this balance $250,000 was covered by federal depository insurance and $428,231 was uninsured but covered by collateral held in joint safekeeping by a third party in the entity's name.

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

NOTE 4. CASH AND TEMPORARY INVESTMENTS (CONTINUED)

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.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Center for at least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

Type		**James Polk Stone Community Bank**
Total Deposits	$	678,231
Less: FDIC Coverage		(250,000)
Total uninsured public funds	$	428,231
Collateral requirement (50%)	$	214,116
Pledged securities		475,111
(Over) under collateralized	$	(260,995)

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

NOTE 5. CUSTODIAL CREDIT RISK - DEPOSITS

Custodial risk is the risk that in the event of bank failure, the Center's deposits may not be returned to it. The Center does not have a deposit policy for custodial credit risk. As of June 30, 2018, none of the Center's deposits totaling $678,231 were exposed to custodial credit risk.

NOTE 5. CUSTODIAL CREDIT RISK – DEPOSITS (CONTINUED)

Custodial Credit Risk Deposits		
Account balance	$	678,231
FDIC insurance	$	250,000
Collateral held by pledging bank's trust department not in the Center's name		475,111
(Over) under collateralized		(46,880)
Total	$	678,231

NOTE 6. DEFERRED REVENUE

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

		Unavailable Grant
Draw downs prior to meeting all eligibility requirements	$	13,630
Total deferred/unearned revenue for governmental funds	$	13,630

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

		Balance 6/30/2017	Increases	Decreases	Transfers	Balance 6/30/2018
Capital assets, depreciated						
Equipment	$	45,859	-	-	-	45,859
Total depreciated		45,859	-	-	-	45,859
Accumulated depreciation for						
Equipment		18,847	6,695	-	-	25,542
Total accumulated depreciation		18,847	6,695	-	-	25,542
Total capital assets, depreciated net	$	**27,012**	**6,695**	**-**	**-**	**20,317**

NOTE 7. CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2018 was charged to governmental activities as follows:

Instruction	$	6,695
Total depreciation expense	$	**6,695**

NOTE 8. COMPENSATED ABSENCES

During the year ended June 30, 2018, the following changes occurred in accrued compensated absences:

Balance June 30, 2017	Leave Used	Leave Accrued	Balance June 30, 2018	Amount Due in One Year
$ -	19,319	52,668	33,349	25,012

NOTE 9. RISK MANAGEMENT

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

NOTE 10. CONTINGENT LIABILITIES

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

NOTE 11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Option B** – **Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C** – **Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

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

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

- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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

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

Contributions – For the fiscal year ended June 30, 2018 and 2017 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase over Prior Year
2018	7/1/17 to 6/30/18	Over $20K	10.70%	13.90%	24.60%	0.00%
2018	7/1/17 to 6/30/18	$20K or less	7.90%	13.90%	21.80%	0.00%
2017	7/1/16 to 6/30/17	Over $20K	10.70%	13.90%	24.60%	0.00%
2017	7/1/16 to 6/30/17	$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, Regional Education Cooperative #6 paid employee and employer contributions of $133,246 and $110,615, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the Regional Education Cooperative #6 reported a liability of $1,754,817 for its proportionate share of the net pension liability. The net pension liability

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

was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. The Center's proportion of the net pension liability was based on a projection of the Center's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the Center's proportion was 0.01579%, which was a decrease of 0.00585% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Center recognized pension expense of $96,030. At June 30, 2018, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	3,150	27,035
Changes in assumptions		512,265	-
Net difference between projected and actual earnings on pension plan investments		-	241
Changes in proportion and differences between contributions and proportionate share of contributions		34,502	434,891
Employer contributions subsequent to the measurement date		75,306	-
Total	$	**625,223**	**462,167**

$75,306 reported as deferred outflows of resources related to pensions resulting from the Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:		
2018	$	27,455
2019		24,920
2020		49,825
2021		(14,450)
2022		-
Thereafter		-

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation — 2.50%

Salary increases — 3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.

Investment rate of return — 7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.

Average of Expected Remaining Service Lives

Fiscal year	2017	2016	2015	2014
Service life in years	3.35	3.77	3.92	3.88

Mortality

Healthy males: Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.
Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.
Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.
Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.
Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.

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

Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	1.90% per year, compounded annually.
Payroll growth	3.00% per year (with no allowance for membership growth).
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.
Disability incidence	Approved rates are applied to eligible members with at least 10 years of service.

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

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

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

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

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

Discount rate. A single discount rate of 5.9% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.56%, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

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

Sensitivity of the Center's proportionate share of the net pension liability to changes in the discount rate. The following presents the Center's proportionate share of the net pension liability calculated using the discount rate of 5.90 percent, as well as what the Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.90 percent) or 1-percentage-point higher (6.90 percent) than the current rate:

	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
Regional Education Cooperative #6's proportionate share of the net pension liability	$ 2,284,335	1,754,817	1,321,979

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

Payables to the pension plan. The Center did not accrue any payables for the pension plan at June 30, 2018. All 10-month teacher contracts for the school year are paid by fiscal year end.

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

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

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

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

the State of New Mexico.

Benefits provided – The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms – At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
	160,035
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	97,349

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statue and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Center were $10,851 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2018, the Center reported a liability of $474,466 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of the date. The Center's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the Center's proportion was 0.01047 percent.

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

For the year ended June 30, 2018, the Center recognized OPEB expense of $18,866. At June 30, 2018 the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	-	18,207
Changes in assumptions		-	82,954
Net difference between projected and actual earnings on OPEB plan investments		-	6,826
Employer contributions subsequent to the measurement date		10,851	-
Total	$	**10,851**	**107,987**

Deferred outflows of resources totaling $10,851 represent Center contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:		
2019	$	(22,959)
2020		(22,959)
2021		(22,959)
2022		(22,959)
2023		(16,151)
Total	$	(107,987)

Valuation Date	June 30,2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%

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

Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

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

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

Asset Class	Long-Term Rate of Return
U.S. core fixed income	4.1%
U.S. equity – large cap	9.1
Non U.S. – emerging markets	12.2
Non U.S. – developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity – small/mid cap	9.1

Discount Rate – The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the Center, as well as what the Center's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-pont higher (4.81 percent) than the current discount rate; percent) than the current rate:

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
$	575,520	474,466	395,180

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

	1% Decrease	Current Trend Rates	1% Increase
$	403,566	474,466	529,751

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

Payables changes in the net OPEB liability. At June 30, 2018, the Center did not accrue any payables for OPEB. All 10-month teacher contracts for the school year are paid by fiscal year end.

NOTE 13. FUND BALANCES, GOVERNMENTAL FUNDS

On the Balance Sheets – Governmental Funds, the fund balances are reported in the aggregate using the classifications defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances by classification for the year ended June 30, 2018 were as follows:

Fund Balance	Medicaid
Restricted	
Medicaid	$ 317,841
Unassigned	721,237
	$ **1,039,078**

NOTE 14. PRIOR YEAR RESTATEMENT

Beginning net position at June 30, 2018 was restated in the amount of $563,587. This restatement was due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

NOTE 15. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans,* for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. GASB Statement No. 75 was effective for periods after June 15, 2017. The Center has adopted this statement for the year ending June 30, 2018.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interest. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. GASB Statement No. 81 was effective for periods beginning after December 15, 2016. The Center adopted this statement; however, there are no irrevocable split-interest agreements and the implementation of this statement had no effect on the Center's financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* This statement addresses practice issues that have been identified during the implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, good will, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 was effective for periods beginning after June 15, 2017. The adoption of GASB Statement No. 85 did not have a significant impact of the Center's Financial Statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment issues.* This statement establishes essentially the same requirements as GASB Statement No.7, for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of defeasance. Governments that defease

NOTE 15. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

debt using only existing resources should provide a general description of the transaction in the notes to the financial statements in the period of defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains at period-end should be disclosed. GASB Statement No. 86 was effective for periods beginning after June 15, 2017. The Center adopted this statement; however, there were no debt extinguishments and the implementation of this statement had no effect on the Center's financial statements.

NOTE 16. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

GASB Statement No. 84, *Fiduciary Assets*

GASB Statement No. 87, *Leases*

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*

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

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

NOTE 17. INTERFUND RECEIVALBE AND PAYABLES

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

Due to	Due from		
General Fund	Pre K Initiative (27149)	$	137,967
	State Directed Activities (27200)		217,742
		$	355,709

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
REGIONAL EDUCATION COOPERATIVE #6
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2018

New Mexico Educational Retirement Board Pension Plan
For Last 10 Fiscal Years*
(Dollars in Thousands)

		30-Jun			
	Fiscal Year	**2018**	**2017**	**2016**	**2015**
	Measurement Date	**2017**	**2016**	**2015**	**2014**
Center's Proportion of the Net Pension Liability (Asset)		0.02%	0.02%	0.03%	0.02%
Center's Proportionate Share of Net Pension Liability (Asset)	$	1,755	1,557	1,729	1,390
Center's Covered-Employee Payroll	$	543	450	729	672
Center's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll		323.20%	346.00%	237.17%	206.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		52.95%	61.58%	63.97%	66.54%

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
SCHEDULE OF CENTER CONTRIBUTIONS
June 30, 2018

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

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

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

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
REGIONAL EDUCATION COOPERATIVE #6
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
June 30, 2018

New Mexico Retiree Health Care Authority
For Last 10 Fiscal Years*
(Dollars in Thousands)

		30-Jun
Fiscal Year		**2018**
Measurement Date		**2017**
Center's Proportion of the Net OPEB liability (Asset)		0.10%
Center's Proportionate Share of Net OPEB Liability (Asset)	$	474
Center's Covered-Employee Payroll	$	543
Center's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Its Covered-Employee Payroll		87.29%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		11.34%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Center will present information for available years.*

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
SCHEDULE OF CENTER CONTRIBUTIONS
June 30, 2018

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

	2018
Contractually Required Contribution	$ 11
Contributions in Relation to the Contractually Required Contribution	11
Contribution Deficiency (Excess)	$ -
Employer's covered-employee payroll	$ 543
Contributions as a percentage of covered-employee payroll	2.03%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Center will present information for available years.*

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in ERB benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
GENERAL FUND - 27101
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
State grant	$ 472,178	771,249	1,184,898	413,649
Total revenues	472,178	771,249	1,184,898	413,649
Expenditures				
Current				
Support services				
Students	208,017	291,118	323,994	(32,876)
General administration	135,548	234,906	244,923	(10,017)
School administration	31,799	63,599	37,129	26,470
Central services	50,314	69,029	48,255	20,774
Operations & maintenance of plant	46,500	112,597	103,105	9,492
Total expenditures	472,178	771,249	757,406	13,843
Excess (deficiency) of revenues over (under) expenditures	-	-	427,492	427,492
Other financing sources (uses)				
Operating transfers	-	-	(13,708)	(13,708)
Total other financing sources (uses)	-	-	(13,708)	**(13,708)**
Net change in fund balances	-	-	413,784	413,784
Reconciliation to GAAP Basis:				
Adjustments to revenues			(88,280)	
Adjustments to expenditures			(6,842)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			$ 318,662	

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
PRE K INITIATIVE - 27149
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
State grant	$ 509,366	509,366	315,682	(193,684)
Total revenues	509,366	509,366	315,682	(193,684)
Expenditures				
Current				
Instruction	475,841	475,841	425,457	50,384
Support services				
General administration	5,089	5,089	5,089	-
Student transportation	28,436	28,436	23,103	5,333
Total expenditures	509,366	509,366	453,649	55,717
Excess (deficiency) of revenues over (under) expenditures	-	-	(137,967)	(137,967)
Net change in fund balances	-	-	(137,967)	(137,967)

Reconciliation to GAAP Basis:	
Adjustments to revenues	137,967
Adjustments to expenditures	-
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)	$ -

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
STATE DIRECTED ACTIVITIES - 27200
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
Federal grant	$ -	1,200,729	738,465	(462,264)
Total revenues	-	1,200,729	738,465	(462,264)
Expenditures				
Current				
Instruction	-	402,511	355,213	47,298
Support services				
Students	-	168,619	139,172	29,447
Instruction	-	145,000	108,385	36,615
General administration	-	38,244	1,805	36,439
School administration	-	264,521	169,742	94,779
Central services	-	96,834	6,028	90,806
Community services-operations	-	85,000	42,452	42,548
Total expenditures	-	1,200,729	822,797	377,932
Excess (deficiency) of revenues over (under) expenditures	-	-	(84,332)	(84,332)
Other financing sources (uses)				
Operating transfers	-	-	13,708	13,708
Total other financing sources (uses)	-	-	13,708	**13,708**
Net change in fund balances	-	-	(70,624)	(70,624)

Reconciliation to GAAP Basis:	
Adjustments to revenues	$ 84,224
Adjustments to expenditures	-
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)	$ 13,600

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
MEDICAID HSD - 28144
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
State grant	$ 324,641	1,347,425	962,349	(385,076)
Total revenues	324,641	1,347,425	962,349	(385,076)
Expenditures				
Current				
Support services				
Students	50,740	730,399	698,778	31,621
General administration	118,593	137,349	129,045	8,304
School administration	81,594	338,809	114,509	224,300
Central services	54,214	80,118	61,910	18,208
Operations & maintenance of plant	19,500	60,750	42,356	18,394
Total expenditures	324,641	1,347,425	1,046,598	300,827
Excess (deficiency) of revenues over (under) expenditures	-	-	(84,249)	(84,249)
Net change in fund balances	-	-	(84,249)	(84,249)
Reconciliation to GAAP Basis:				
Adjustments to revenues			80,563	
Adjustments to expenditures			(3,114)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			$ (6,800)	

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
SCHOOL BASED HEALTH CENTER - 29130
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2018

		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues					
State grant	$	69,811	88,882	74,672	(14,210)
Total revenues		69,811	88,882	74,672	(14,210)
Expenditures					
Current					
Support services					
General administration		69,811	88,882	84,419	4,463
Total expenditures		69,811	88,882	84,419	4,463
Excess (deficiency) of revenues over (under) expenditures		-	-	(9,747)	(9,747)
Net change in fund balances		-	-	(9,747)	(9,747)

Reconciliation to GAAP Basis:		
Adjustments to revenues	$	9,747
Adjustments to expenditures		-
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)	$	-

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES-- AGENCY FUNDS
For the Year Ended June 30, 2018

		BALANCE 6/30/2017	ADDITIONS	DEDUCTIONS	BALANCE 6/30/2018
EPAC	$	11,761	42,241	36,628	17,374
Total	$	11,761	42,241	36,628	17,374

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
SCHEDULE OF PLEDGED COLLATERAL
For the Year Ended June 30, 2018

		James Polk Stone Community Bank
FUNDS ON DEPOSIT		
Non-interest bearing deposits	$	678,231
Total on deposit		678,231
Less: FDIC insurance		(250,000)
Total uninsured public funds	$	428,231
PLEDGED COLLATERAL REQUIRED		
50% on deposits	$	214,116
Pledged collateral required		214,116
Pledged collateral at June 30, 2018		475,111
Total over (under) collateralized:	$	260,995
SECURITY TYPE, MATURITY DATE, IDENTIFIER		
FHLB QTRLY CALL STEP CUSIP# 3130A8F65, 6/30/2031	$	93,749
FHLB QTRLY CALL STEP CUSIP# 3130A9SA0, 11/10/2031		235,152
FHLB QTRLY CALL STEP CUSIP# 3130AADF2, 12/30/2026		98,817
FNMA QTRLY CALL STEP CUSIP# 3136G2ZC4, 2/24/2031		47,393
	$	475,111

Securities Held by the Independent Banker's Bank

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
SCHEDULE OF DEPOSITS
Year Ended June 30, 2018

Bank	ACCT TYPE	FUND	BANK BALANCE	OUTSTANDING CHECKS	OUTSTANDING DEPOSITS	NET CASH BALANCE
James Polk Stone Community Bank	Checking	Operational	$ 660,857	38,263	-	622,594
James Polk Stone Community Bank	Checking	Agency	17,374	-	-	17,374
					-	-
Total			$ 678,231	38,263	-	639,968
					Less Agency Funds:	17,374
					Total Cash	622,594

See Notes to Financial Statements

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
CASH RECONCILIATION
JUNE 30, 2018

		STATE FLOWTHROUGH FUND 27000	STATE DIRECT FUND 28000	LOCAL OR STATE FUND 29000	TOTAL
Cash, June 30, 2017	$	232,979	324,641	23,377	580,997
Add:					
2017-18 revenues		2,169,445	962,349	74,672	3,206,466
Less:					
Prior Year Warrants Voided		-	-	-	-
Total cash available		2,402,424	1,286,990	98,049	3,787,463
Less:					
2017-18 expenditures		(2,033,852)	(1,046,598)	(84,419)	(3,164,869)
Transfers to/from other funds		-	-	-	-
Outstanding Loans		-	-	-	-
Cash, June 30, 2018	$	368,572	240,392	13,630	622,594
Fund Balance Reconciliations to GAAP Basis:					
Audit reclassifications to cash	$	-	-	-	-
Cash per Books		368,572	240,392	13,630	622,594
Fund Balance Reconciliation to GAAP Basis:					
Modified Accrual Adjustments		352,665	77,449	(13,630)	-
Fund Balance , Modified Accrual Basis	$	721,237	317,841	-	622,594

COMPLIANCE SECTION

PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

To Wayne Johnson
New Mexico State Auditor

Coordinating Council
Regional Education Cooperative #6

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of the Regional Education Cooperative #6 (Center) as of and for the year ended June 30, 2018, 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 25, 2018

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards,* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

The Center's Response to Findings

The Center's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. 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 it.

Purpose of this Report

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

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
September 25, 2018

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FEDERAL FINANCIAL ASSISTANCE

PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Wayne Johnson
New Mexico State Auditor

Coordinating Council
Regional Education Cooperative #6

Report on Compliance for Each Major Federal Program

We have audited Regional Education Cooperative #6's (Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2018. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pattillo, Brown & Hill, LLP

Pattillo, Brown, & Hill, L.L.P.
Albuquerque, New Mexico
September 25, 2018

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor or Pass-Through Grantor/Program Title	Pass-through Grant Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passthrough State of New Mexico Department of Education			
Entitlement IDEA B	24106	84.027	$ 822,689
Total - Passthrough State of New Mexico Department of Education			$ 822,689

Notes to Schedule of Expenditures of Federal Awards

1. **Basis of Presentation**

   The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Regional Education Cooperative #6 (Center) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States and Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts present in, or used in the preparation of the financial statements.

2. **Subrecipients**

   The District did not provide any federal awards to subrecipients during the year.

3. **Other**

   The Center opted not to use the 10% de minimus rate for charging indirect costs to the federal program.

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's report issued:	Unmodified
Internal control over financial reporting: Material Weakness reported?	No
Significant deficiencies reported not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weaknesses reported?	No
Significant deficiencies reported not considered to be material weaknesses?	None
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
Identification of major programs: Entitlement IDEA B – CFDA #84.027	
Dollar threshold used to distinguish Between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

None

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SECTION IV – SECTION 12-6-5 NMSA 1978 FINDINGS

2018-001 Lack of Controls over Payroll (Other Non-Compliance)

CONDITION: During our testing of payroll it was noted that the Center pays its employees prior to the pay period ending for each pay period. This results in employees being paid wages prior to the services being rendered.

CRITERIA: NMAC 30.23.02 requires that New Mexico governmental entities shall not pay wages prior to services rendered.

EFFECT: The Center is not in compliance with New Mexico State Statutes which could cause misuse of public funds.

CAUSE: The Centers payroll calendar was created with pay dates occurring prior to the services being rendered as the Center was unaware of the state statute.

RECOMMENDATION: The Center should change the payroll calendar to ensure employees are not being paid prior to services being rendered.

MANAGEMENT RESPONSE: The Business Manger adjusted the payroll calendar in the Center's Staff Handbook which was approved by the Board in August 2018. The new payroll calendar ensures that employees are paid after the services have been rendered. Beginning in September 2018, the payroll dates were adjusted to comply with the new approved calendar.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #6
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION V – PRIOR YEAR AUDIT FINDINGS

2017-001	Controls Surrounding Cash Disbursements	Resolved

EXIT CONFERENCE

JUNE 30, 2018

An exit conference was conducted on September 25, 2018 with the following individuals:

Regional Education Cooperative #6:

Damon Terry, President
Scott McMath, Director
Connie Jackson, Business Manager

Pattillo, Brown & Hill, LLP:

Chris Garner, CPA

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