

Southwest Regional Education Cooperative #10

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S**

REPORT THEREON

For The Fiscal Year Ended June 30, 2015

Southwest Regional Education Cooperative # 10
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Southwest Regional Education Cooperative #10
DIRECTORY OF OFFICIALS
June 30, 2015

School District Superintendents

Truth of Consequences	Craig Cummins
Deming	Dan Lere
Hatch	Linda Hale
Lordsburg	Randy Piper
Reserve	Bill Green
Animas	Betsy Ward
Cobre	Robert Mendoza

Regional Education Center Officials

Director	Vicki Chavez
Business Manager	Geralyn Bennett

MIKE STONE, C.P.A.
LINDA STONE McGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

Timothy Keller, State Auditor
And
Board of Superintendents
Southwest Regional Education Cooperative #10
Truth or Consequences, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregated remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Southwest Regional Education Cooperative #10, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Southwest Regional Education Cooperative #10's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Southwest Regional Education Cooperative #10's nonmajor governmental funds and the budgetary comparisons for the nonmajor special revenue funds presented as other supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including

the assessment of 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 Southwest Regional Education Cooperative #10, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Southwest Regional Education Cooperative #10 as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the nonmajor special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis on pages 5 through 10 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 consist 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the Southwest Regional Education Cooperative #10's financial statements that collectively comprise the Cooperative's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by the Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedules presented as other supplemental data as listed in the table of

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

The Schedule of Expenditures of Federal Awards and the other supplemental data are the responsibility of management and were derived from and related 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 other supplemental data are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2015, on our consideration of the Southwest Regional Education Cooperative #10's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement 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 Southwest Regional Education Cooperative #10's internal control over financial reporting and compliance.

Stone, McGee & Co., CPAs

Silver City, New Mexico
September 26, 2015

Stone, McGee & Co.
Certified Public Accountants

**STATE OF New Mexico SOUTHWEST REGIONAL
EDUCATION COOPERATIVE #10
MANAGEMENTS DISCUSSION AND
ANALYSIS JUNE 30, 2015**

The following is an overview of the financial condition for the Southwest Regional Education Cooperative #10 (Cooperative), for the fiscal year ended June 30, 2015. This narrative highlights the major aspects of the Cooperative's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

Financial Highlights

The overall fund cash budget balance was \$992,382 for the year ending June 30, 2015; with an overall \$6,225,725 budget for the fiscal year 2014/2015. This represents support funding for member districts in the federal funding programs of Title I, II, Migrant and for the IDEA-B funding of State Directed, Preschools and Entitlement. The SWREC has continued support in the Medicaid funding as the administrative time claims funding, continued another year. The SWREC continued to work in conjunction with the New Mexico Public Education Department with additional funding for Educational Technologies Bureau, IDEALNM, Reads to Lead, and STEM.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Cooperative's basic financial statements. The Cooperative's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Cooperative's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the Cooperative's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Cooperative is improving or deteriorating.

The statement of activities presents information showing how the Cooperative's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify the functions of the Cooperative that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Cooperative include direct instruction, instructional support, administrative, operation of plant, business support services, and community services. The government-wide financial statements can be found on pages ten and eleven of this report.

**STATE OF NEW MEXICO SOUTHWEST REGIONAL
EDUCATION COOPERATIVE #10
MANAGEMENT'S DISCUSSION AND
ANALYSIS JUNE 30, 2015**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Cooperative, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Cooperatives funds can be divided into governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as on balances of spend-able resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Cooperative's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

In addition to the general fund, the Cooperative maintains twenty-three other individual governmental funds of which all are classified as special revenue funds. Information for the general fund, Title I, Entitlement IDEA-B, State Directed IDEA-B, Title II, Reads to Lead, STEM, Priority Schools Bureau and Medicaid special revenue funds, which all are considered to be major funds is presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for each of the non-major governmental funds is provided in the form of combining statement following the notes to the financial statements.

The Cooperative adopts an annual appropriated budget for all of its funds. Budgetary comparison statements for the general and special revenue major funds are located on pages eighteen through twenty-four. Budgetary comparison statements for the special revenue non-major are located on pages forty-eight through sixty-nine. The basic governmental fund financial statements can be found on page twelve through seventeen of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages twenty-five through forty-three of this report.

**STATE OF NEW MEXICO SOUTHWEST REGIONAL
EDUCATION COOPERATIVE #10
MANAGEMENT'S DISCUSSION AND
ANALYSIS JUNE 30, 2015**

Other Information

The combining statements referred to earlier in connection with non-major are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages forty-four through forty-seven of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position, in the case of the Cooperative, assets exceeded liabilities by \$1,220,990 at the close of the most recent fiscal year. Ninety-five percent of the Cooperative's net assets are composed of unrestricted net assets. The Cooperative uses these assets to provide various services to the member school districts, while grant reimbursement forms are being processed and paid.

Overall, the Center has improved their financial condition, in comparison with the previous fiscal year. The Center has continued to closely monitor the expenditures in the general fund and all other funds.

FUND	BUDGET	ACTUAL- EXPENDITURES	VARIANCE
Operating	1,226,626.00	1,088,124.52	138,501.48
IDEALNM Technology	120,192.34	120,192.34	0.00
State Directed Activity	373,977.98	373,977.98	0.00
Medicaid	967,179.47	936,441.19	30,738.28
DUALe NM	924,054.00	874,443.15	49,610.85
IDEAL-e-teacher	708,124.29	708,124.29	0.00
Reads to Lead	204,681.60	204,681.60	0.00
STEM-Focus Group	92,020.00	92,020.00	0.00
STEM-State Training	155,364.00	155,364.00	0.00
Priority School	676,240.00	676,240.00	0.00
STEM-Symposium	216,889.00	216,889.00	0.00
STEM-Elementary PD	332,984.00	332,984.00	0.00
STEM-Initiative	227,393.00	227,393.00	0.00
TOTAL	6,225,725.68	6,006,875.07	218,850.61

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION
COOPERATIVE #10
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Financial Analysis of the Cooperative's Funds

Southwest Regional Education Cooperative's Net Assets

	Governmental Activities	
	06/30/15	06/30/14
Assets:		
Current and other assets	\$2,721,374	\$2,813,751
Capital assets, net of accumulated		
Depreciation	60,979	60,448
Deferred Outflow of resources	<u>543,687</u>	<u>0</u>
Total Assets	\$3,326,040	\$ 2,874,199
Liabilities:		
Current Liabilities	2,105,050	96,775
Deferred inflow of resources	<u>222,686</u>	<u>5,326</u>
Net Assets:		
Invested in capital assets	\$ 60,979	\$60,448
Restricted-Education	203,307	482,891
Restricted-Social Service	1,228,812	1,172,282
Unrestricted	<u>(494,794)</u>	<u>1,056,477</u>
Total Net Assets	\$ 998,304	\$2,772,098

Capital Asses and Debt Administration

Capital Assets

The Cooperative's investment in capital assets for the government as of June 30, 2015 amounts to \$60,979 (net of accumulated depreciation).

This investment in capital assets includes equipment and vehicles. During the fiscal year, the Cooperative did not purchase any capital assets items. The capital assets on hand will allow the Cooperative to provide more efficient services to the member's districts. Funding is provided by the federal and state grant revenues

	2015	2014
Equipment	\$60,979	\$60,448

Long-Term Debt

As of June 30, 2015, the Cooperative has \$2,054,625 of net pension long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

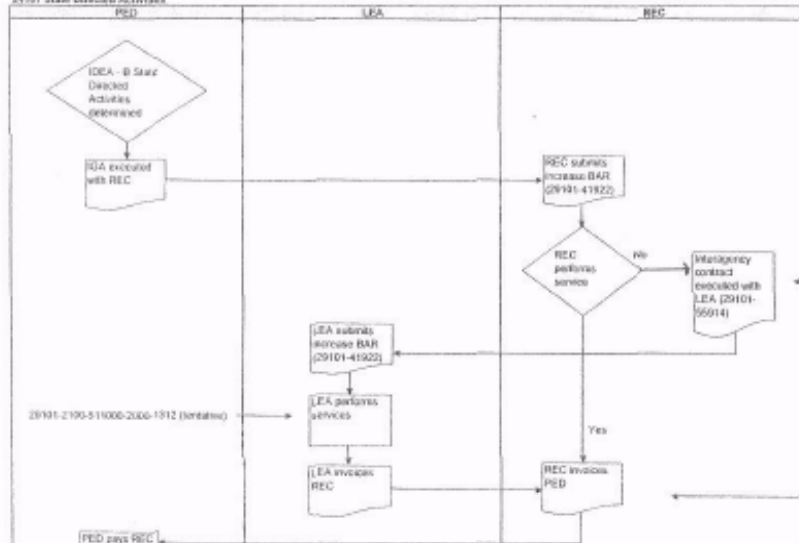
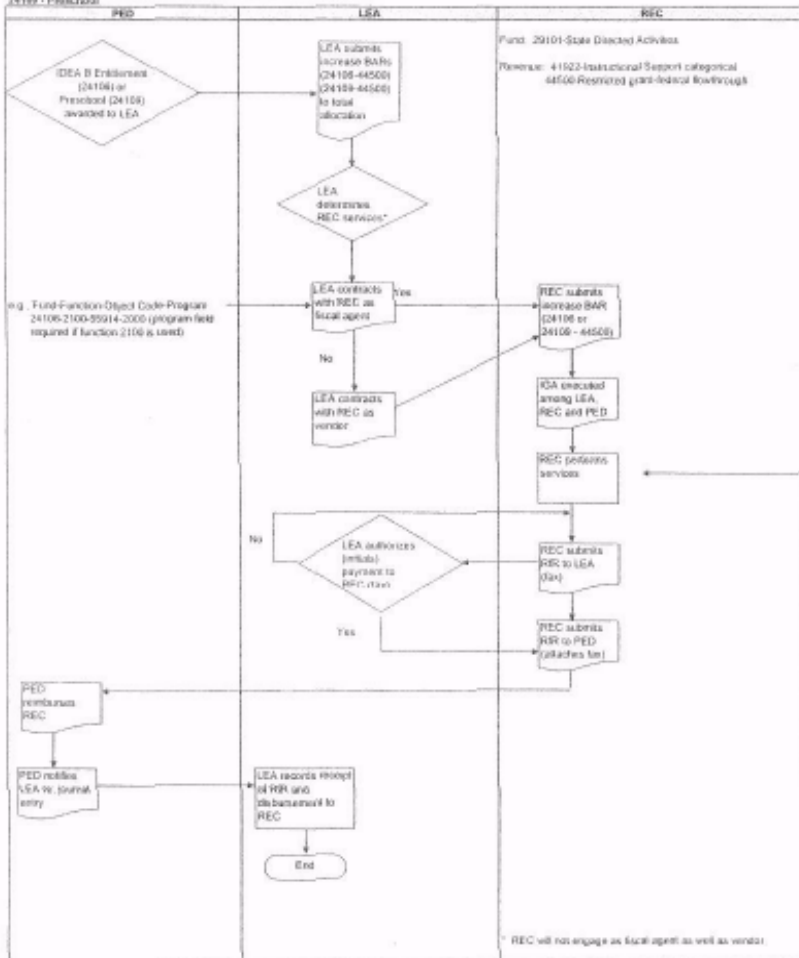
The Southwest Regional Educational Cooperative was established in 1984 under the SBE Regulation No. 84-6. The SWREC will assist member districts with compliance with IDEA-B. Since this time we have expanded to offer a variety of additional services to our districts including literacy training and teacher mentorship. The SWREC also serves as flow through for Federal Funds for most of our districts.

Our 2014-2015 operating budget was passed on an allocation from the State of New Mexico and indirect costs the SWREC received from various programs/grants we administer. Additional operating funding is based on \$19,000.00 membership fee from the seven districts to equal \$133,000.00, as well as the \$104,000.00 allocation from the State of New Mexico. Entrepreneurial activities with several Charter Schools and a variety of projects from PED also contribute to the operational funds of the SWREC

Decrease for Nonrenewable funding from the State of New Mexico will continue to be an issue and the Administration for the SWREC, in cooperation with the other Regional Education Cooperative in the state, will continue to advocate for continued support. .

The SWREC continues to look for entrepreneurial activities that can contribute to the REC's operating budget to help keep dues charged to member district as low as possible. In fact, membership fees have not increased over the last fourteen years. The staff of the SWREC will continue to research grant opportunities, provide professional development, after school tutoring and technology to the member districts at the lowest cost possible.

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Request for Information

This financial report is designed to provide a general overview of the SWREC finances and to show the SWREC's accountability for the revenue it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Business Manager, 405 N. Date Street Suite #8, Truth or Consequences, New Mexico 87901.

Southwest Regional Education Cooperative # 10
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,204,857
Interest receivable	23
Due from other governments	1,516,494
	\$ 2,721,374
Capital assets:	
Furniture and equipment	251,619
Less accumulated depreciation	(190,640)
Total capital assets, net of depreciation	\$ 60,979
Total assets	\$ 2,782,353
Deferred Outflows of Resources	
Related to pensions	\$ 543,687
Total deferred outflows of resources	\$ 543,687
Liabilities	
Accounts payable	\$ 12,848
Compensated absences	37,577
Net pension liability	2,054,625
Total liabilities	\$ 2,105,050
Deferred Inflows of Resources	
Unavailable revenue	\$ 5,326
Related to pensions	217,360
Total deferred inflows of resources	\$ 222,686
Net Position	
Net Investment in capital assets	\$ 60,979
Restricted for:	
Education	203,307
Social services	1,228,812
Unrestricted	(494,794)
Total net position	\$ 998,304

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative # 10
STATEMENT OF ACTIVITIES
For the Fical Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Governmental activities:		
Instruction	\$ 631,027	\$ -
Support services - Students	368,195	87,165
Support services - Instruction	1,489,394	408,988
General administration	3,081,511	207,964
School administration	15,606	
Central services	302,430	168,202
Operation of plant	59,328	93,447
Community services		
Other support services	139,767	150,568
	<u>\$ 6,087,258</u>	<u>\$ 1,116,334</u>
 Total governmental activities		
 General revenues:		
State aid - formula grant		
Unrestricted investment earnings		
 Total general revenues and special items		
 Change in net position		
 Net position, July 1, 2014 as originally reported		
 Restatement		
 Net position, July 1, 2014 as restated		
 Change in net position for the year ended June 30, 2015		
 Net position, June 30, 2015		

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

<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
\$ 653,924	\$ -	\$ 22,897
343,756		62,726
1,031,115		(49,291)
2,531,101		(342,446)
15,606		-
113,239		(20,989)
8,000		42,119
		-
		10,801
<u>\$ 4,696,741</u>	<u>\$ -</u>	<u>\$ (274,183)</u>
		\$ 103,956
		220
		<u>\$ 104,176</u>
		<u>\$ (170,007)</u>
		\$ 2,772,098
		<u>(1,603,787)</u>
		\$ 1,168,311
		<u>(170,007)</u>
		<u>\$ 998,304</u>

Southwest Regional Education Cooperative #10
BALANCE SHEET--GOVERNMENTAL FUNDS
 June 30, 2015

	General	Medicaid	Dual LENM	Ideal NM
Assets				
Cash and investments	\$ -	\$ 995,598	\$ 75,730	\$ 129,377
Interfund receivables	1,276,006	143,568		
Due from other governments		92,673		
Interest receivable	17	6		
Total assets	<u>\$ 1,276,023</u>	<u>\$ 1,231,845</u>	<u>\$ 75,730</u>	<u>\$ 129,377</u>
Liabilities				
Accounts payable	\$ 4,942	\$ 3,679	\$ -	\$ -
Interfund payables				1,800
Total liabilities	<u>\$ 4,942</u>	<u>\$ 3,679</u>	<u>\$ -</u>	<u>\$ 1,800</u>
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:				
Restricted for:				
Education	\$ -	\$ -	\$ 75,730	\$ 127,577
Social services		1,228,166		
Unassigned	1,271,081			
Total fund balances	<u>\$ 1,271,081</u>	<u>\$ 1,228,166</u>	<u>\$ 75,730</u>	<u>\$ 127,577</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,276,023</u>	<u>\$ 1,231,845</u>	<u>\$ 75,730</u>	<u>\$ 129,377</u>

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

<u>Priority Schools</u>	<u>Elementary Science</u>	<u>Other Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 4,152	\$ 1,204,857
		1,820	1,421,394
527,177	321,547	575,097	1,516,494
			23
<u>\$ 527,177</u>	<u>\$ 321,547</u>	<u>\$ 581,069</u>	<u>\$ 4,142,768</u>
\$ -	\$ 4,227	\$ -	\$ 12,848
527,177	317,320	575,097	1,421,394
<u>\$ 527,177</u>	<u>\$ 321,547</u>	<u>\$ 575,097</u>	<u>\$ 1,434,242</u>
\$ -	\$ -	\$ 5,326	\$ 5,326
\$ -	\$ -	\$ 5,326	\$ 5,326
\$ -	\$ -	\$ -	\$ 203,307
		646	1,228,812
			1,271,081
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 646</u>	<u>\$ 2,703,200</u>
<u>\$ 527,177</u>	<u>\$ 321,547</u>	<u>\$ 581,069</u>	<u>\$ 4,142,768</u>

Southwest Regional Education Cooperative # 10
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES**
June 30, 2015

Total governmental fund balances	\$ 2,703,200
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	60,979
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Compensated absences	(37,577)
Net pension liability	(2,054,625)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources related to pensions	543,687
Deferred inflows of resources related to pensions	(217,360)
	998,304
<i>Net position of governmental activities</i>	<u>\$ 998,304</u>

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

Southwest Regional Education Cooperative # 10
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**
For The Fiscal Year Ended June 30, 2015

	General Fund	Medicaid	Dual LENM	Ideal NM
Revenues:				
Federal sources	\$ -	\$ 996,589	\$ -	\$ -
State sources	103,956		893,400	407,669
Local sources	1,116,334			
Earnings on investments	163	57		
Total revenues	\$ 1,220,453	\$ 996,646	\$ 893,400	\$ 407,669
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services - Students	80,912	250,520		
Support services - Instruction	379,649		877,676	
General administration	193,046	568,357		706,725
School administration				
Central services	168,202	113,239		
Operation of plant	51,328	8,000		
Other support services	139,767			
Capital outlay	23,350			
Total expenditures	\$ 1,036,254	\$ 940,116	\$ 877,676	\$ 706,725
Revenues over (under) expenditures	\$ 184,199	\$ 56,530	\$ 15,724	\$ (299,056)
Other financing sources:				
Operating transfers in (out)				3,748
Net change in fund balance	\$ 184,199	\$ 56,530	\$ 15,724	\$ (295,308)
Fund balance, July 1, 2014	1,086,882	1,171,636	60,006	422,885
Fund balance, June 30, 2015	\$ 1,271,081	\$ 1,228,166	\$ 75,730	\$ 127,577

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

<u>Priority Schools</u>	<u>Elementary Science</u>	<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ -	\$ -	\$ -	\$ 996,589
675,320	321,547	1,402,216	3,804,108
			1,116,334
			220
<u>\$ 675,320</u>	<u>\$ 321,547</u>	<u>\$ 1,402,216</u>	<u>\$ 5,917,251</u>
\$ -	\$ 45,012	\$ 586,015	\$ 631,027
		36,763	368,195
		140,441	1,397,766
676,078	292,200	603,220	3,039,626
		15,606	15,606
			281,441
			59,328
			139,767
			23,350
<u>\$ 676,078</u>	<u>\$ 337,212</u>	<u>\$ 1,382,045</u>	<u>\$ 5,956,106</u>
\$ (758)	\$ (15,665)	\$ 20,171	\$ (38,855)
<u>758</u>	<u>15,665</u>	<u>(20,171)</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ (38,855)
		646	2,742,055
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 646</u>	<u>\$ 2,703,200</u>

Southwest Regional Education Cooperative # 10
**RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
For The Fiscal Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ (38,855)

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

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 as depreciation expense:

Capital outlay	23,350
Depreciation expense	(22,819)

Governmental funds report pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense

Pension contributions	153,262
Cost of benefits earned net of employee contributions	(277,773)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the net change for the year.

(7,172)

Change in Net Position of Governmental Activities

\$ (170,007)

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

Southwest Regional Education Cooperative #10
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 103,956	\$ 103,956	\$ 103,956	\$ -
Local sources	1,122,670	1,122,670	1,116,334	(6,336)
Interest income				-
 Total revenues	 <u>\$ 1,226,626</u>	 <u>\$ 1,226,626</u>	 <u>\$ 1,220,290</u>	 <u>\$ (6,336)</u>
Expenditures:				
Current:				
Support services - Instruction	\$ 459,545	\$ 375,093	\$ 375,083	\$ 10
Support services - Students	-	80,912	80,912	-
General administration	193,769	215,277	196,224	19,053
Central services	202,865	222,097	168,202	53,895
Operation of plant	84,447	88,823	51,289	37,534
Other support services	273,000	221,072	193,988	27,084
Capital outlay	13,000	23,350	23,350	-
 Total expenditures	 <u>\$ 1,226,626</u>	 <u>\$ 1,226,624</u>	 <u>\$ 1,089,048</u>	 <u>\$ 137,576</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 131,242</u>	<u>\$ 131,240</u>
Other financing sources (uses)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
Net change in fund balance	\$ -	\$ 2	\$ 131,242	\$ 131,240
Fund balance, July 1, 2014			<u>987,530</u>	<u>987,530</u>
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 1,118,772</u>	<u>\$ 1,118,770</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 184,199	
Revenue accruals (net)			(163)	
Expenditure accruals (net)			<u>(52,794)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 131,242</u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10
SPECIAL REVENUE FUND - MEDICAID
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 911,148	\$ 967,179	\$ 1,023,418	\$ 56,239
Interest income				-
Total revenues	<u>\$ 911,148</u>	<u>\$ 967,179</u>	<u>\$ 1,023,418</u>	<u>\$ 56,239</u>
Expenditures:				
Current:				
Support services - Students	\$ 289,888	\$ 280,871	\$ 250,520	\$ 30,351
General administration	464,500	564,681	564,678	3
Central services	148,760	113,627	113,239	388
Operation of plant	8,000	8,000	8,000	-
Capital outlay				-
Total expenditures	<u>\$ 911,148</u>	<u>\$ 967,179</u>	<u>\$ 936,437</u>	<u>\$ 30,742</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,981</u>	<u>\$ 86,981</u>
Other financing sources (uses)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ 86,981	\$ 86,981
Fund balance, July 1, 2014			<u>996,944</u>	<u>996,944</u>
Fund balance, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,083,925</u></u>	<u><u>\$ 1,083,925</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 56,530	
Revenue accruals (net)			26,772	
Expenditure accruals (net)			<u>3,679</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 86,981</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10
SPECIAL REVENUE FUND - PRIORITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 1,076,240	\$ 1,076,240	\$ 148,143	\$ (928,097)
Expenditures:				
Current:				
General administration	\$ 676,240	\$ 676,240	\$ 676,240	\$ -
Capital outlay	-	-	-	-
Total expenditures	\$ 676,240	\$ 676,240	\$ 676,240	\$ -
Revenues over (under) expenditures	\$ 400,000	\$ 400,000	\$ (528,097)	\$ (928,097)
Other financing sources (uses)				
Transfers in	\$ -	\$ -	-	\$ -
Net change in fund balance	\$ 400,000	\$ 400,000	\$ (528,097)	\$ (928,097)
Fund balance, July 1, 2014	-	-	-	-
Fund balance, June 30, 2015	\$ 400,000	\$ 400,000	\$ (528,097)	\$ (928,097)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(527,177)	
Other financing sources (net)			(758)	
Expenditure accruals (net)			(162)	
Net change in fund balance, NON-GAAP budgetary basis			\$ (528,097)	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10
SPECIAL REVENUE - DUAL LENM
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2015

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 924,054	\$ 924,054	\$ 893,400	\$ (30,654)
Expenditures:				
Current:				
Support services - Instruction	924,054	924,054	874,443	49,611
Net change in fund balance	\$ -	\$ -	\$ 18,957	\$ 18,957
Fund balance, July 1, 2014	-	-	60,006	60,006
Fund balance, June 30, 2015	\$ -	\$ -	\$ 78,963	\$ 78,963
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 15,724	
Revenue accruals (net)			-	
Expenditure accruals (net)			3,233	
Net change in fund balance, NON-GAAP budgetary basis			\$ 18,957	

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

Southwest Regional Education Cooperative #10
SPECIAL REVENUE FUND - IDEAL NM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ 708,124	\$ 708,124	\$ 407,669	\$ (300,455)
Expenditures:				
Current:				
General administration	\$ 708,124	\$ 708,124	\$ 708,124	\$ -
Capital outlay				-
Total expenditures	<u>\$ 708,124</u>	<u>\$ 708,124</u>	<u>\$ 708,124</u>	<u>\$ -</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (300,455)</u>	<u>\$ (300,455)</u>
Other financing sources (uses)				
Transfers out	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (300,455)	\$ (300,455)
Fund balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>424,685</u>	<u>424,685</u>
Fund balance, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 124,230</u></u>	<u><u>\$ 124,230</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (295,308)	
Revenue accruals (net)				
Other financing sources (net)			(3,748)	
Expenditure accruals (net)			<u>(1,399)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (300,455)</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10
SPECIAL REVENUE FUND - ELEMENTARY SCIENCE PD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 332,984	\$ 332,984	\$ -	\$ (332,984)
Expenditures:				
Current:				
Instruction	\$ -	\$ 45,012	\$ 45,012	\$ -
General administration	332,984	287,972	287,972	-
Total expenditures	\$ 332,984	\$ 332,984	\$ 332,984	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ (332,984)	\$ (332,984)
Other financing sources (uses)				
Transfers in	\$ -	\$ -		\$ -
Net change in fund balance	\$ -	\$ -	\$ (332,984)	\$ (332,984)
Fund balance, July 1, 2014	-	-		-
Fund balance, June 30, 2015	\$ -	\$ -	\$ (332,984)	\$ (332,984)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(321,547)	
Other financing sources (net)			4,228	
Expenditure accruals (net)			(15,665)	
Net change in fund balance, NON-GAAP budgetary basis			\$ (332,984)	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 **Summary of Significant Accounting Policies**

Regional Educational Cooperatives (REC's) are established by the Regional Cooperative Education Act, 22-2B-1 to 22-2B-6, NMSA 1978.

The purpose of a REC is to provide education-related services to students of participating education entities.

In 1984, the New Mexico State Board of Education (SBE) established ten Regional Cooperatives (RCC's) under SBE Regulation No. 84-6. The purpose of the Regional Cooperative's is to provide services for local education agencies and eligible state supported schools under Public Law 94-142, the Education of the Handicapped Act (IDEA-B). SBE Regulation No. 84.6 permits districts to submit consolidated applications to the State Department of Education (SDE) for certain entitlement and discretionary funds under IDEA-B. Since 1984, Regional Cooperatives have also established cooperative programs of education services with funds other than IDEA-B entitlement or discretionary funds, including Drug Free School and Communities Act of 1986, Title II-Critical Skills Improvement, Medicaid in the Schools, and the Carl D. Perkins Vocational and Applied Technology Education Act of 1990, as well as other direct federal and state/local funding sources.

The 41st Legislative Session authorized the establishment of Regional Education Cooperatives (REC's) and the State Board of Education adopted SBE Regulation 93-23, which establishes the minimum criteria for the establishment, operation, and oversight of Regional Education Cooperatives. Regional Education Cooperative's are state agencies administratively attached to the State Department of Education. The State Board of Education authorizes the existence and operation of Regional Education Cooperatives (REC's) formed by local school boards joining with other school boards or other state-supported education institutions. Regional education cooperatives are exempt from the provisions of the Personnel Act [10-9-1 to 10-9-25 NMSA 1978].

Effective July 1, 2013, the Cooperative changed its name from Southwest Regional Education Center #10 to Southwest Regional Education Cooperative #10.

The Regional Education Cooperative's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Regional Education Cooperative are discussed below.

A. REPORTING ENTITY

These financial statements present the Regional Education Cooperative (the primary government). As defined by GASBS No. 14 & 61, component units are legally separate entities that are included in the Regional Education Cooperative's reporting entity because of the significance of their operating or financial relationships with the Regional Education Cooperative. Based on the criterion in GASBS No. 14 & 61, the Regional Education Cooperative had no component units.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Regional Education Cooperative has no business-type activities, nor any fiduciary funds.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into one major category: governmental. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the Regional Education Cooperative or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Regional Education Cooperative and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Major-Fund Description

Special Revenue Funds:

Elementary Science PD – to account for state grant revenue to train and equip elementary science teachers.

IDEAL NM – to account for State grant revenue for innovative digital education and learning to New Mexico K-12 schools

Dual LENM – to account for the grant from the dual language of New Mexico to provide support to schools in implementing dual language education.

Priority Schools – to account for the State grant revenue used to train and equip teachers.

Medicaid – accounts for the federal revenues and expenditures to provide health related services to students receiving special education as well as for outreach and case coordination activities provided to all students at risk. The creation of this fund was authorized by the Social Security act Title XIX, as amended; Public Law 89-97, OP-248, 91-56 and (42 U.S.A. 1396, et. seq.).

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item “b” below.

In the fund financial statements, the “current financial resources” measurement focus is used.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflow of resources, liabilities and deferred inflow of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The government-wide financial statements utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflow of resources, liabilities and deferred inflow of resources (whether current or noncurrent) associated with their activities are reported.

Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with generally accepted accounting principles.

Basis of Accounting

1. Accrual:

The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as deferred outflows of resources by the provider and deferred inflow of resources by the recipient. Grant revenues not collected within 60 days of year end are recorded as receivables and deferred inflow of resources. Such amounts are recorded net of estimated uncollectible amounts.

In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Regional Education Cooperative's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Regional Education Cooperative first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Regional Education Cooperative's functions. The functions are also supported by general government revenues (certain intergovernmental revenues, and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function, and are typically charges for services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (intergovernmental revenues, interest income, etc.).

The Regional Education Cooperative does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Regional Education Cooperative as an entity and the change in the Regional Education Cooperative's net position resulting from the current year's activities.

D. Budgets

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

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 re-appropriated in the budget of the subsequent fiscal year.

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

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

The Southwest Regional Education Cooperative follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April or May, the Executive Director submits 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.
2. In May or June, the budget is approved by the Members.
3. The Executive 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 Members and the State of New Mexico Public Education Department.
4. Formal budgetary integration is employed as a management control device during the year for the Special Revenue Funds.
5. Budgets for the Special Revenues 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 Members may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2015 was properly amended by the Board through the year.

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest-bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Regional Education Cooperative. The pledged securities remain in the name of the financial institution.

F. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment	5-10 years
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The accounting treatment over property, plant and equipment depends on whether they are reported in the government-wide financial statements or fund financial statements. In the government-wide financial statements, fixed assets are accounted for as capital assets. In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

G. Compensated Absences

The Regional Education Cooperative's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is not estimable. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then. The Government has deferred outflows of resource related to pension funding, as discussed in Note 6.

In addition to liabilities, the statement of financial position and/or balance sheet 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 and so will not be recognized as an inflow of resources (revenue) until that time. The Government has one type of item which arises under both the full accrual and modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in both the statement of net position and the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Government reports unavailable revenue from the following sources:

	<u>21st Century Fund</u>
Advances received under expenditure driven grant	\$ 5,326

In addition, the Government has deferred inflows of resources related to pension funding, as discussed in Note 6.

I. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. 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.
- b. 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 regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - all other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Fund Statements

During the year ended June 30, 2011, the Cooperative implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”.

This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Board. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes). Expenditures eligible to be paid from committed, assigned or unassigned funds are charges first to committed, secondly to assigned, and finally to unassigned.

J. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

K. Use of Estimates

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

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the government's deposits may not be returned to it. The government does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2015, \$.00 of the Governments bank balance of \$2,015,695 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		<u>\$ -0-</u>
	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	\$ 250,000	\$ 250,000
Collateral held by the pledging bank agent in the Cooperative's name	<u>1,765,695</u>	<u>742,382</u>
	<u>\$ 2,015,695</u>	<u>\$ 992,382</u>

The Education Cooperative invests in the State Treasurer Local Governmental Investment Pool, a New Mexico sponsored investment alternative.

The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer, with the advice and consent of the State Board of Finance, is authorized to invest money held in the short-term investment fund in accordance with Sections 6-10-101 through 6-10-10P and Sections 6-10-10.1 A and E, NMSA 1978. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments;

The pool does not have unit shares. Per Section 6-10-10.IF, 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 amounts fund were invested.

Investments are valued at fair value based on quoted market prices as of the valuation date.

Participation in the pool is voluntary. The Cooperative has \$212,475 on deposit in the pool at June 30, 2015, which is AAAM rated with a weighted average maturity of 54.6 days, as of June 30, 2015.

Note 3 Intergovernmental Receivables

Amounts due from government at June 30, 2015 consisted of the following:

Medicaid	\$ 92,673
Priority School	527,177
Elementary Science	321,547
Other Funds	<u>575,097</u>
	<u>\$ 1,516,494</u>

No allowance for doubtful accounts has been recorded as the Southwest Regional Education Cooperative anticipates all receivables will be collected.

Note 4 Capital Assets

The following is summary of capital asset activity during the fiscal year:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
<u>Assets Being Depreciated</u>				
Furniture and equipment	\$ 228,269	\$ 23,350	\$ -0-	\$ 251,619
Less accumulated depreciation	<u>(167,821)</u>	<u>(22,819)</u>	<u>-0-</u>	<u>(190,640)</u>
Net capital assets	<u>\$ 60,448</u>	<u>\$ 531</u>	<u>\$ -0-</u>	<u>\$ 60,979</u>

Depreciation expense was charged to the governmental activities as follows:

Administration	<u>\$ 22,819</u>
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Note 5 Risk Management

Southwest Regional Education Cooperative #10 is a member of the New Mexico Public School Insurance authority (NMPSIA). The Authority was created to provide comprehensive care insurance program by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The Southwest Regional Education Cooperative #10 pays an annual premium to the NPSIA, and risk of loss is transferred. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under risk management program are Boiler, Machinery and Student Accident Insurance.

Note 6 **Pension Plan**

Summary of Significant Accounting Policies

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 Board (ERB) and additions to/deductions from ERB’s fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description – ERB was created by the State’s Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees’ Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the State’s public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico Legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

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

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

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

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

monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

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

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

Contributions – The contribution requirements of defined benefit plan members and the Southwest Regional Education Cooperative #10 are established in state statute under Chapter 10, Article 11, NMSA, 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the Southwest Regional Education Cooperative #10 were \$153,262 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

At June 30, 2015, the Southwest Regional Education Cooperative #10 reported a liability of \$2,054,625 for its proportionate share of the net pension liability. The Southwest Regional Education Cooperative #10's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the Southwest Regional Education Center #10's proportion was .03601 percent, which was an increase of .00838 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Southwest Regional Education Cooperative #10 recognized pension expense of \$277,853. At the June 30, 2015, the Southwest Regional Education Cooperative #10 reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ -	\$ 30,604
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	186,756
Changes in proportion and differences between the Cooperative's contributions and proportionate share of contributions	390,425	-
Southwest Regional Education Cooperative #10 contributions subsequent to the measurement date	<u>153,262</u>	<u>-</u>
Total	<u>\$ 543,687</u>	<u>\$ 217,360</u>

\$153,262 reported as deferred outflows of resources related to pensions resulting from Southwest Regional Education Cooperative #10 contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ 78,243
2017	78,243
2018	63,251
2019	(46,672)

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

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

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

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

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) Rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) Application of key economic projections (inflation, real growth, dividends, etc.), and 3)

Structural themes (supply and demand imbalances, capital flows, etc). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2014 and 2013 for 30 year return assumptions are summarized in the following table:

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

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

Sensitivity of the Southwest Regional Education Cooperative #10 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end

2014. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Southwest Regional Education Cooperative #10 proportionate share of the net pension liability	\$2,795,556	\$2,054,625	\$1,435,605

Pension Plan Fiduciary Net Position – Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2014 and 2013 which are publicly available at www.nmerb.org.

Note 7 Retiree Health Care Plan

Plan Description

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

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

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

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based

subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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

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

The Southwest Regional Education Cooperative #10's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$22,053, \$20,028 and \$15,272, respectively, which equal the required contributions for each year.

Note 8 Contingencies

The Southwest Regional Education Cooperative #10 participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Southwest Regional Education Cooperative #10 may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Southwest Regional Education Cooperative #10.

Note 9 Joint Powers Agreement

The Regional Education Cooperative #10 does not participate in any joint powers agreements.

Note 10 Interfund Transactions

<u>Interfund Payables</u>	<u>Interfund Receivable</u>			
	<u>Medicaid</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Priority Schools	\$	\$ 527,177	\$	\$ 527,177
IDEAL NM		1,800		1,800
Elementary Science		317,320		317,320
Other Funds	<u>143,568</u>	<u>429,709</u>	<u>1,820</u>	<u>575,097</u>
	<u>\$ 143,568</u>	<u>\$1,276,006</u>	<u>\$ 1,820</u>	<u>\$1,421,394</u>

All interfund balances are expected to be repaid within one year. The purpose of these loans was to provide cash for operating purposes, while reimbursements are collected.

Interfund transfers were as follows during the year ended June 30, 2015:

<u>Transfers From</u>	<u>Transfers In</u>				
	<u>Ideal New Mexico</u>	<u>Priority Schools</u>	<u>Elementary Science</u>	<u>Other Funds</u>	<u>Total</u>
Other funds	<u>\$ 3,748</u>	<u>\$ 758</u>	<u>\$ 15,665</u>	<u>\$ 2,726</u>	<u>\$ 22,897</u>

Note 11 Compensated Absences

Compensated absence activity was as follows for the year ended June 30, 2015.

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>
Compensated absences	<u>\$ 30,405</u>	<u>\$ 10,679</u>	<u>\$ 3,507</u>	<u>\$ 37,577</u>

The amount of compensated absences due within the next year are not estimable. The liabilities will be paid from the fund which is charged with the employee as a direct cost, and will be paid from available funds. Typically, the general fund bears the majority of compensated absences cost.

Note 12 Restricted Net Position

Net Position restricted for other purposes consist of Special Revenue Fund balances which are restricted by enabling legislation, as listed in the fund descriptions elsewhere in this report. Restrictions are as follows:

Social Services:	
Medicaid	\$1,228,166
Other	<u> 646</u>
Total Social Services	<u>\$1,228,812</u>
Education:	
Dual LENM	\$ 75,730
IDEAL NM	<u> 127,577</u>
Total Education	<u>\$ 203,307</u>
Total Restricted Net Position	<u>\$1,432,119</u>

Note 13 Evaluation of Subsequent Events

The Cooperative has evaluated subsequent events through September 26, 2015, the date which the financial statements were available to be issued.

Note 14 Restatement

During the year ended June 30, 2015, the Southwest Regional Education Center #10 adopted Governmental Accounting Standards Board Statements No 67 and 68. These statements require the recognition of a net pension liability for the unfunded pension liabilities as currently measured by the Educational Retirement Board.

As a part of this measurement, the Cooperative is required to restate its net position for the estimated liability at June 30 2014, in the amount of \$1,603,787.

SPECIAL REVENUE FUNDS

21st Century – To account for federal resources administered by the State Department of Education to enable public schools to plan, implement or expand projects that benefit the community. Authority for creation of this fund is P.L. 103-382.

Public Health Services Health Education – To account for local source revenue to improve student’s awareness in the areas of health education. Authorization is the governing board.

Technology for Education – Used to assist the District with State funding to develop and implement strategic long-term plan for utilizing educational technology in the school system. Authority is NMSA 22-15A-1 to 22-1.5A-10.

Reads to Leads – To provide reading coaches to provide technical assistance and professional development to staff in districts served by the Southwest Regional Education Center.

State Level Discretionary – to account for the state grant from the New Mexico Public Education Department to support students with disabilities. Authorization is the New Mexico Public Education Department.

STEM Projects/State Teachers – To account for the state grants from the New Mexico Public Education Department to train teachers to more effectively educate students in science technology and math. Authorization is the New Mexico Public Education Department.

Southwest Regional Education Cooperative #10
COMBINING BALANCE SHEET-
NONMAJOR FUNDS
June 30, 2015

	21st Century	Public Health Services	STEM Initiative	DOH TUPAC
Assets				
Cash and investments	\$ 3,526	\$ 626	\$ -	\$ -
Interfund receivables	1,800			20
Due from other governments			109,365	
Interest receivable				
Total assets	\$ 5,326	\$ 626	\$ 109,365	\$ 20
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interfund payables			109,365	
Total liabilities	\$ -	\$ -	\$ 109,365	\$ -
Deferred Inflows of Resources				
Unavailable revenue	\$ 5,326	\$ -	\$ -	\$ -
Total deferred inflows of resources	\$ 5,326	\$ -	\$ -	\$ -
Fund balance:				
Restricted for:				
Education	\$ -	\$ -	\$ -	\$ -
Social services		626		20
Unassigned				
Total fund balances	\$ -	\$ 626	\$ -	\$ 20
Total liabilities, deferred inflows of resources and fund balances	\$ 5,326	\$ 626	\$ 109,365	\$ 20

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

<u>WIA Sierra</u>	<u>PED Tech for Ed</u>	<u>State Level Discretionary</u>	<u>STEM PED Department</u>	<u>STEM State Teacher</u>	<u>Reads to Leads</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	99,318	96,990	24,052	40,889	93,009
<u>\$ 20</u>	<u>\$ 99,318</u>	<u>\$ 96,990</u>	<u>\$ 24,052</u>	<u>\$ 40,889</u>	<u>\$ 93,009</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	99,318	96,990	24,052	40,889	93,009
<u>\$ 20</u>	<u>\$ 99,318</u>	<u>\$ 96,990</u>	<u>\$ 24,052</u>	<u>\$ 40,889</u>	<u>\$ 93,009</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 20</u>	<u>\$ 99,318</u>	<u>\$ 96,990</u>	<u>\$ 24,052</u>	<u>\$ 40,889</u>	<u>\$ 93,009</u>

Southwest Regional Education Cooperative #10
COMBINING BALANCE SHEET-
NONMAJOR FUNDS (concluded)
 June 30, 2015

	STEM Symposium	Total
Assets		
Cash and investments	\$ -	\$ 4,152
Interfund receivables		1,820
Due from other governments	111,454	575,097
Interest receivable		-
	<u>\$ 111,454</u>	<u>\$ 581,069</u>
Liabilities		
Accounts payable	\$ -	\$ -
Interfund payables	111,454	575,097
	<u>\$ 111,454</u>	<u>\$ 575,097</u>
Deferred Inflows of Resources		
Unavailable revenue	\$ -	\$ 5,326
	<u>\$ -</u>	<u>\$ 5,326</u>
Fund balance:		
Restricted for:		
Education	\$ -	\$ -
Social services		646
Unassigned		-
	<u>\$ -</u>	<u>\$ 646</u>
Total fund balances	<u>\$ -</u>	<u>\$ 646</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 111,454</u>	<u>\$ 581,069</u>

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

Southwest Regional Education Cooperative # 10
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2015

	<u>Public Health Services</u>	<u>STEM Inititive</u>	<u>DOH TUPAC</u>	<u>PED Tech for Ed</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
State sources		243,058		120,192
Local sources				
Earnings on investments				
Total revenues	<u>\$ -</u>	<u>\$ 243,058</u>	<u>\$ -</u>	<u>\$ 120,192</u>
Expenditures:				
Current:				
Instruction	\$ -	\$ 140,599	\$ -	\$ -
Support services - Students				
Support services - Instruction				
General administration		86,794		120,192
School administration				
Central services				
Operation of plant				
Other support services				
Community services				
Total expenditures	<u>\$ -</u>	<u>\$ 227,393</u>	<u>\$ -</u>	<u>\$ 120,192</u>
Revenues over (under) expenditures	\$ -	\$ 15,665	\$ -	\$ -
Other financing sources:				
Operating transfers in (out)		<u>(15,665)</u>		
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2014	<u>626</u>		<u>20</u>	
Fund balance, June 30, 2015	<u>\$ 626</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ -</u>

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

<u>State Level Discretionary</u>	<u>STEM PED Department</u>	<u>STEM State Teacher</u>	<u>Reads to Leads</u>	<u>STEM Symposium</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
381,210	90,019	155,526	193,322	218,889	1,402,216
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 381,210	\$ 90,019	\$ 155,526	\$ 193,322	\$ 218,889	\$ 1,402,216
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 180,999	\$ -	\$ 155,526	\$ -	\$ 108,891	\$ 586,015
36,763					36,763
38			140,403		140,441
140,572	90,019		55,645	109,998	603,220
15,606					15,606
					-
					-
					-
					-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 373,978	\$ 90,019	\$ 155,526	\$ 196,048	\$ 218,889	\$ 1,382,045
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 7,232	\$ -	\$ -	\$ (2,726)	\$ -	\$ 20,171
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(7,232)			2,726		(20,171)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
					646
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 646
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Southwest Regional Education Cooperative #10
SPECIAL REVENUE -21ST CENTURY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
General administration	\$ -	\$ -	\$ -	\$ -
Community services	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>3,526</u>	<u>3,526</u>
Fund balance, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,526</u></u>	<u><u>\$ 3,526</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)				
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ -</u></u>	

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

Southwest Regional Education Cooperative #10
SPECIAL REVENUE FUND - TECHNOLOGY FOR EDUCATION PED
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 163,257	\$ 120,192	\$ 120,501	\$ 309
Expenditures:				
Current:				
Support services - Instruction	\$ -	\$ -	\$ -	\$ -
General administration	163,257	120,192	120,192	-
Total expenditures	<u>\$ 163,257</u>	<u>\$ 120,192</u>	<u>\$ 120,192</u>	<u>\$ -</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309</u>	<u>\$ 309</u>
Other financing sources (uses)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ 309	\$ 309
Fund balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>(99,627)</u>	<u>(99,627)</u>
Fund balance, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (99,318)</u></u>	<u><u>\$ (99,318)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			309	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 309</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10
SPECIAL REVENUE -PUBLIC HEALTH SERVICES HEALTH EDUCATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Support services - Instruction	\$ -	\$ -	\$ -	\$ -
Community services	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2014	-	-	626	626
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 626</u>	<u>\$ 626</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)				
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ -</u>	

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

Southwest Regional Education Cooperative #10
SPECIAL REVENUE -STEM INITIATIVE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2015

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 146,590	\$ 227,393	\$ 133,693	\$ (93,700)
Expenditures:				
Current:				
Instruction	\$ 137,000	\$ 140,599	\$ 140,599	\$ -
General administration	9,590	86,794	86,794	-
Total expenditures	\$ 146,590	\$ 227,393	\$ 227,393	\$ -
Net change in fund balance	\$ -	\$ -	\$ (93,700)	\$ (93,700)
Fund balance, July 1, 2014	-	-	-	-
Fund balance, June 30, 2015	\$ -	\$ -	\$ (93,700)	\$ (93,700)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(109,365)	
Other financing sources (net)			15,665	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (93,700)	

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

Southwest Regional Education Cooperative #10
SPECIAL REVENUE FUND - STEM SYMPOSIUM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 216,889	\$ 215,884	\$ 107,435	\$ (108,449)
Expenditures:				
Current:				
Instruction	\$ 120,000	\$ 108,891	\$ 108,891	\$ -
General administration	96,889	106,993	106,993	-
Total expenditures	\$ 216,889	\$ 215,884	\$ 215,884	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ (108,449)	\$ (108,449)
Other financing sources (uses)				
Transfers in	\$ -	\$ -		\$ -
Net change in fund balance	\$ -	\$ -	\$ (108,449)	\$ (108,449)
Fund balance, July 1, 2014	-	-		-
Fund balance, June 30, 2015	\$ -	\$ -	\$ (108,449)	\$ (108,449)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(111,454)	
Expenditure accruals (net)			3,005	
Net change in fund balance, NON-GAAP budgetary basis			\$ (108,449)	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10
SPECIAL REVENUE FUND - STEM PED DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 92,020	\$ 92,020	\$ 183,442	\$ 91,422
Expenditures:				
Current:				
General administration	\$ 92,020	\$ 93,025	\$ 93,025	\$ -
Capital outlay				-
Total expenditures	<u>\$ 92,020</u>	<u>\$ 93,025</u>	<u>\$ 93,025</u>	<u>\$ -</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (1,005)</u>	<u>\$ 90,417</u>	<u>\$ 91,422</u>
Other financing sources (uses)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
Net change in fund balance	\$ -	\$ (1,005)	\$ 90,417	\$ 91,422
Fund balance, July 1, 2014	<u>-</u>	<u>1,005</u>	<u>(117,475)</u>	<u>(118,480)</u>
Fund balance, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (27,058)</u></u>	<u><u>\$ (27,058)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			93,423	
Other financing uses (net)				
Expenditure accruals (net)			<u>(3,006)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 90,417</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10
SPECIAL REVENUE FUND - STATE LEVEL DISCRETIONARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 373,978	\$ 373,978	\$ 441,387	\$ 67,409
Expenditures:				
Current:				
Instruction	\$ 167,860	\$ 180,999	\$ 180,999	\$ -
Support services - Students	34,703	36,763	36,763	-
Support services - Instruction	-	38	38	-
General administration	143,918	140,572	140,572	-
School administration	27,497	15,606	15,606	-
Total expenditures	\$ 373,978	\$ 373,978	\$ 373,978	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ 67,409	\$ 67,409
Other financing sources (uses)				
Transfers out	\$ -	\$ -		\$ -
Net change in fund balance	\$ -	\$ -	\$ 67,409	\$ 67,409
Fund balance, July 1, 2014			(157,167)	(157,167)
Fund balance, June 30, 2015	\$ -	\$ -	\$ (89,758)	\$ (89,758)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			60,177	
Other financing uses (net)			7,232	
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			\$ 67,409	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10
SPECIAL REVENUE FUND - STEM STATE TEACHER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 155,364	\$ 155,526	\$ 496,137	\$ 340,611
Expenditures:				
Current:				
General administration	\$ 155,364	\$ 155,526	\$ 155,526	\$ -
Capital outlay				-
Total expenditures	\$ 155,364	\$ 155,526	\$ 155,526	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ 340,611	\$ 340,611
Other financing sources (uses)				
Transfers in	\$ -	\$ -		\$ -
Net change in fund balance	\$ -	\$ -	\$ 340,611	\$ 340,611
Fund balance, July 1, 2014	-	-	-	-
Fund balance, June 30, 2015	\$ -	\$ -	\$ 340,611	\$ 340,611
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			340,611	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 340,611	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10
SPECIAL REVENUE FUND - READS TO LEADS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 204,682	\$ 204,682	\$ 155,061	\$ (49,621)
Expenditures:				
Current:				
Support services - Instruction	\$ 134,703	\$ 140,403	\$ 140,403	\$ -
General administration	69,979	64,279	64,279	-
Total expenditures	<u>\$ 204,682</u>	<u>\$ 204,682</u>	<u>\$ 204,682</u>	<u>\$ -</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (49,621)</u>	<u>\$ (49,621)</u>
Other financing sources (uses)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (49,621)	\$ (49,621)
Fund balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>(46,114)</u>	<u>(46,114)</u>
Fund balance, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (95,735)</u></u>	<u><u>\$ (95,735)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(38,261)	
Other financing sources (net)			(2,726)	
Expenditure accruals (net)			<u>(8,634)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (49,621)</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
 THE EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
 LAST 10 FISCAL YEARS***

	2015
Southwest Regional Education Cooperative #10's proportion of the net pension liability	.03601%
Southwest Regional Education Cooperative #10's proportionate share of the net pension liability	\$ 2,054,625
Southwest Regional Education Cooperative #10's covered employee payroll	\$ 992,466
Southwest Regional Education Cooperative #10's proportionate share of the net pension liability as a percentage of its covered-employee payroll	207%
Plan fiduciary net position as a percentage of the total pension liability	66.54%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, The Southwest Regional Education Cooperative #10 will present information for those years for which information is available.

Southwest Regional Education Cooperative #10
SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
***LAST 10 FISCAL YEARS**

	2015
Contractually required contributions	\$ 153,262
Contributions in relation to contractually required contribution	(153,262)
Contribution deficiency (excess)	\$ -
Southwest Regional Education Center #10's covered-employee payroll	\$ 1,103,897
Contributions as a percentage of covered-employee payroll	13.88%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Southwest Regional Education Cooperative #10 will present information for those years for which information is available.

Southwest Regional Education Cooperative #10
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015

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

Changes of Assumptions

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on April 26, 2013, ERB implemented the following changes in assumptions for the fiscal years 2014 and 2013:

1. Fiscal year 2014 and 2013 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 4.75% to 4.25%
 - b. Lower payroll growth from 3.75% to 3.5%
 - c. Minor changes in demographic assumptions
 - d. Population growth per year from 075% to .50%

2. Assumptions that were not changed:
 - a. Investment return will remain at 7.75%
 - b. Inflation will remain at 3.00%

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

Southwest Regional Education Cooperative #10
SCHEDULE OF DEPOSITORY COLLATERAL
 June 30, 2015

	<u>Compass Bank</u>
Total Deposits	\$ 2,015,695
Less: FDIC insurance	<u>(250,000)</u>
 Total uninsured public funds	 <u><u>\$ 1,765,695</u></u>
 50% collateralization requirement (Section 6-10-17 NMSA)	 <u>\$ 882,848</u>
Pledged Securities:	
FHLB Letter of credit 61980 12/23/14	<u>\$ 2,500,000</u>
 Total pledged securities	 <u>\$ 2,500,000</u>
 Pledged securities over (under) requirement	 <u><u>\$ 1,617,153</u></u>

* These securities are pledged to Southwest Regional Education Center, and are held at the Federal Home Loan Bank in Atlanta, GA. The securities remain in the name of the financial institution, with safekeeping receipts held by the Cooperative.

Southwest Regional Education Cooperative #10
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2015

	<u>Account Type</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Compass Bank</u>			
SW Regional Education Cooperative	Checking	\$ 2,015,680	\$ 992,367
SW Regional Education Cooperative	Checking	<u>15</u>	<u>15</u>
Total State National Bank		<u>\$ 2,015,695</u>	<u>\$ 992,382</u>
<u>NM LGIP</u>			
SW Regional Education Cooperative	Investment	\$ 212,475	\$ 212,475
SW Regional Education Cooperative	Investment	<u>-</u>	<u>-</u>
Total NM LGIP		<u>\$ 212,475</u>	<u>\$ 212,475</u>
Total cash and investments		<u><u>\$ 2,228,170</u></u>	<u><u>\$ 1,204,857</u></u>

Southwest Regional Education Cooperative #10
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS BY PUBLIC EDUCATION DEPARTMENT CLASSIFICATION
For The Fiscal Year Ended June 30, 2015

	<u>Federal Flowthrough</u>	<u>Federal Direct</u>	<u>State Flowthrough</u>
Total cash as of July 1, 2014	\$ 3,526	\$ 626	\$ 670,323
Add: Current year receipts			4,351,844
Prior year warrants voided			
Less: Current year expenditures			(5,117,877)
Chargebacks/(Overdrafts)			
Abatements			
Transfers			
Total cash as of June 30, 2015 per cash report	\$ 3,526	\$ 626	\$ (95,710)
Investments			212,475
Cash and investments per audit report	<u>\$ 3,526</u>	<u>\$ 626</u>	<u>\$ 116,765</u>

<u>State Direct</u>	<u>Local or State Fund</u>	<u>Total</u>
\$ 996,944	\$ -	\$ 1,671,419
1,094,136		5,445,980
		-
(1,007,140)		(6,125,017)
		-
		-
		-
<u>\$ 1,083,940</u>	<u>\$ -</u>	<u>\$ 992,382</u>
		<u>212,475</u>
<u><u>\$ 1,083,940</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,204,857</u></u>

Southwest Regional Education Cooperative #10
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2015

<u>Federal Grantor/Pass-through grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through N.M. Department of Human Services:			
Medicaid	93.778	N/A	<u>\$ 940,116</u>
Total U.S. Department of Health and Human Services			<u>\$ 940,116</u>
Total expenditures of federal awards			<u><u>\$ 940,116</u></u>

See the accompanying notes to Schedule of Expenditures of Federal Awards.

Southwest Regional Education Cooperative #10
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Fiscal Year Ended June 30, 2015

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southwest Regional Education Cooperative #10 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 Insurance

The Cooperative is a member of the New Mexico Public School Insurance Authority to which it pays an annual premium in exchange for insurance in varying amounts based on the type of risk, as follows:

General liability	\$ 10,000,000
Medical malpractice	1,050,000
Boiler and machinery	100,000,000
Property	550,000,000
Workman's compensation	Statutory limit
Crime	5,000,000
Fine arts	200,000,000

Note 3 Sub-Recipients

The Cooperative is a conduit of federal funds from the New Mexico Department of Education to the member school districts. Substantially all federal expenditures were passed-through to the member school districts.

Southwest Regional Education Cooperative #10
SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
 For The Fiscal Year Ended June 30, 2015

RFB#/RFP#/ State-Wide Pricing Agreement #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of All Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition	Was the vendor in- state and chose Veteran's Preference (Y or N)	Brief Description of the Scope of Work
15-01 15-01	Psychological Services	Barry T. Christian	\$85,000	\$85,000	Barry Christian PO Box 4023 Silver City, NM	N	N	Psychological Services
					Ardor Health 5830 Coral Ridge Drive Suite 120 Coal Spring, FL		N	

Prepared by Geri Bennett, Finance Director, 8/25/2015

Southwest Regional Education Cooperative #10
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2015

Findings - Financial Statement Audit

None.

Findings - Major Federal Awards Programs Audit

None.

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LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Timothy Keller, State Auditor
And
Board of Superintendents
Southwest Regional Education Cooperative #10
Truth or Consequences, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Southwest Regional Education Cooperative #10 as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Southwest Regional Education Cooperative #10's basic financial statements, and the combining and individual fund financial statements and related budgetary comparisons of the Cooperative presented as other supplementary information, and have issued our report thereon dated September 26, 2015.

Internal Control Over financial Reporting

In planning and performing our audit of the financial statements, we considered Southwest Regional Education Cooperative #10'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 Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southwest Regional Education Cooperative #10'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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southwest Regional Education Cooperative #10's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Stone, McGee & Co., CPAs

Silver City, New Mexico
September 26, 2015

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

Timothy Keller, State Auditor
And
Board of Superintendents
Southwest Regional Education Cooperative #10
Truth or Consequences, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the Southwest Regional Education Cooperative #10's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Southwest Regional Education Cooperative #10's major federal programs for the year ended June 30, 2015. The Southwest Regional Education Cooperative #10'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Southwest Regional Education Cooperative #10'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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Southwest Regional Education Cooperative #10'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 Southwest Regional Education Cooperative #10's compliance.

Opinion on Each Major Federal Program

In our opinion, the Southwest Regional Education Cooperative #10 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, 2015.

Report on Internal Control over Compliance

Management of the Southwest Regional Education Cooperative #10 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 Southwest Regional Education Cooperative #10'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 OMB Circular A-133, 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 Southwest Regional Education Cooperative #10'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 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 have not been 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Stone, McGee & Co., CPAs

Silver City, New Mexico
September 26, 2015

Stone, McGee & Co.
Certified Public Accountants

Southwest Regional Education Cooperative #10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2015

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Southwest Regional Education Cooperative #10.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Southwest Regional Education Cooperative #10, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133*.
5. The auditors' report on compliance for the major federal awards programs for the Southwest Regional Education Cooperative #10 expresses an unmodified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 were noted during the audit.
7. The programs tested as major programs included: Medicaid, CFDA No. 93.778
8. The threshold for distinguishing types A and B programs was \$300,000.
9. The Southwest Regional Education Cooperative #10 was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS

None

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s with substantial assistance and approval from Cooperative personnel, who has taken responsibility for the financial statements.

EXIT CONFERENCE

The contents of this report were discussed August 25, 2015. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Linda Hale	Board Chairman	SW Regional Education Cooperative #10
Vicki Chavez	Director	SW Regional Education Cooperative #10
Geralyn Bennett	Business Manager	SW Regional Education Cooperative #10
Mike Stone	Shareholder	Stone, McGee & Co., CPAs