

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
ANNUAL FINANCIAL REPORT
JUNE 30, 2017

(This page intentionally left blank)

INTRODUCTORY SECTION

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10

OFFICIAL ROSTER
June 30, 2017

<u>Name</u>	<u>School District Superintendents</u>	<u>Title</u>
Craig Cummins		Truth or Consequences
Dan Lere		Deming
Linda Hale		Hatch
Randy Piper		Lordsburg
Bill Green		Reserve
Loren Cushman		Animas
Robert Mendoza		Cobre

REC Officials

Vicki Chavez	Executive Director
Geralyn Bennett	Business Manager

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED June 30, 2017
TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Official Roster		1
Table of Contents		3
FINANCIAL SECTION		
Independent Auditor’s Report		9
Management’s Discussion and Analysis		13
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	A-1	21
Statement of Activities	A-2	23
Fund Financial Statements:		
Balance Sheet – Governmental Funds	B-1	24
Reconciliation of the Balance Sheet to the Statement Of Net Position		29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	B-2	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		35
Fund Balances- Budget (Non-GAAP Budgetary Basis) and Actual Total REC Operating Fund		37
Medicaid State Fund		39
Notes to the Financial Statements		41
SUPPLEMENTARY INFORMATION		
	<u>Statement/ Schedule</u>	
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	69

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10

	<u>Statement/ Schedule</u>	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION		
Pension Liability		
Schedule of the REC's Proportionate Share of the Net Pension Liability		73
Schedule of Contributions		75
Notes to the Required Supplementary Information		77
SUPPORTING SCHEDULES		
Schedule of Collateral Pledged by Depository	I	81
Schedule of Deposit and Investment Accounts	II	83
Cash Reconciliation	III	85
COMPLIANCE SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		89
SCHEDULE OF FINDINGS & RESPONSES		93
OTHER DISCLOSURES		99

(This page intentionally left blank)

FINANCIAL SECTION

(This page intentionally left blank)



INDEPENDENT AUDITOR'S REPORT

Timothy M. Keller
New Mexico State Auditor
The Office of Management and Budget and
The Governing Council
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, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and the major special revenue funds of Southwest Regional Education Cooperative No. 10 (the "REC") as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise Southwest Regional Education Cooperative No. 10's basic financial statements as listed in the table of contents. We did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Educational Retirement Board (ERB), the administrator of the cost sharing pension plan for REC. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the REC, is based solely on the report of the other auditors.

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 of material misstatement. An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Southwest Regional Education Cooperative No. 10'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 Southwest Regional Education Cooperative No. 10'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.

(This page intentionally left blank)

Opinions

In our opinion, based on our report and the report of the other auditors, 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 Southwest Regional Education Cooperative No. 10, as of June 30, 2017, and the respective changes in financial position where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13-18, the Schedule of Proportionate Share of the Net Pension Liability on page 73, the Schedule of Contributions on page 75, and the notes to the required supplementary information on page 79 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 the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on Southwest Regional Education Cooperative No. 10's financial statements and the budgetary comparisons. The other schedules as required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 2.2.2 NMAC are the responsibility of management and was derived from and relates 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 statement 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 other schedules as required by 2.2.2 NMAC is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2017 on our consideration of the Southwest Regional Education Cooperative No. 10's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southwest Regional Education Cooperative No. 10's internal control over financial reporting and compliance.

Precision Accounting, LLC

Precision Accounting, LLC

Albuquerque, New Mexico

August 3, 2017

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
MANAGEMENTS DISCUSSION AND ANALYSIS
JUNE 30, 2017

The following is an overview of the financial condition for the Southwest Regional Education Cooperative #10 (Cooperative), for the fiscal year ended June 30, 2017. 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 \$1,875,797 for the year ending June 30, 2017; with an overall \$6,180,961.29 budget for the fiscal year 2016/2017. 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, Priority School Bureau, 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, 2017**

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.

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.

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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 \$1,218,619 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	EXPENDITURES	VARIANCE
Operating	1,415,753.00	913,884.70	501,868.30
Pay for Performance	82,080.00	82,080.00	0.00
Charter Conference	160,758.00	142,910.85	17,847.15
CSD APP Review	15,487.20	9,363.81	6,123.39
SDA IT Hardware	30,618.00	68,526.00	0.00
Options for Parents	11,340.00	10,765.56	574.44
State Directed Activity	337,474.00	337,474.00	0.00
Medicaid	694,127.00	839,993.39	354,133.61
DUALe NM	1,167,787.05	1,167,787.05	0.00
IDEAL NM Sub Account	600,000.00	383,058.60	216,941.40
NMSU	18,725.00	13,494.28	5,230.72
IDEALNM Coursework	120,760.20	120,079.05	681.15
Strategic Outreach B8	263,628.00	256,570.44	6,757.56
Strategic Outreach B9	99,900.00	93,279.70	6,620.30
Priority Schools	550,800.00	550,800.00	0.00
STEM Symposium	267,500.00	267,500.00	0.00
Strategic Outreach B10	394,200.00	389,684.98	4,514.34
STEM Initiative	83,460.00	80,156.82	3,303.18
Title I-IASA	79,920.00	32,399.35	47,520.65
Strategic Outreach B11	93,204.00	93,204.00	0.00
Technology for Education	50,000.00	50,000.00	0.00
TOTAL	\$6,537,521.45	5,903,313.26	1,175,116.19

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Financial Analysis of the Cooperative's Funds

Southwest Regional Education Cooperative's Net Assets

	Governmental Activities	
	06/30/17	06/30/16
Assets:		
Current and other assets	\$3,202,134	\$3,089,047
Capital assets, net of accumulated		
Depreciation	255,158	223,597
Deferred Outflow of resources	<u>633,951</u>	<u>701,975</u>
Total Assets	4,019,243	\$4,014,619
Liabilities:		
Current Liabilities	2,828,659	2,557,286
Deferred inflow of resources	41,879	102,713
Net Assets:		
Invested in capital assets	\$225,158	\$223,597
Restricted-Education	1,739,532	1,591,600
Restricted-Social Service		
Unrestricted	<u>(746,071)</u>	<u>(524,016)</u>
Total Net Assets	\$1,218,619	\$1,291,181

Capital Assets and Debt Administration

Capital Assets

The Cooperative's investment in capital assets for the government as of June 30, 2017 amounts to \$255,158 (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.

	2017	2016
Equipment	\$255,158	\$223,597

Long-Term Debt

As of June 30, 2017, the Cooperative did not have any long-term debt.

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

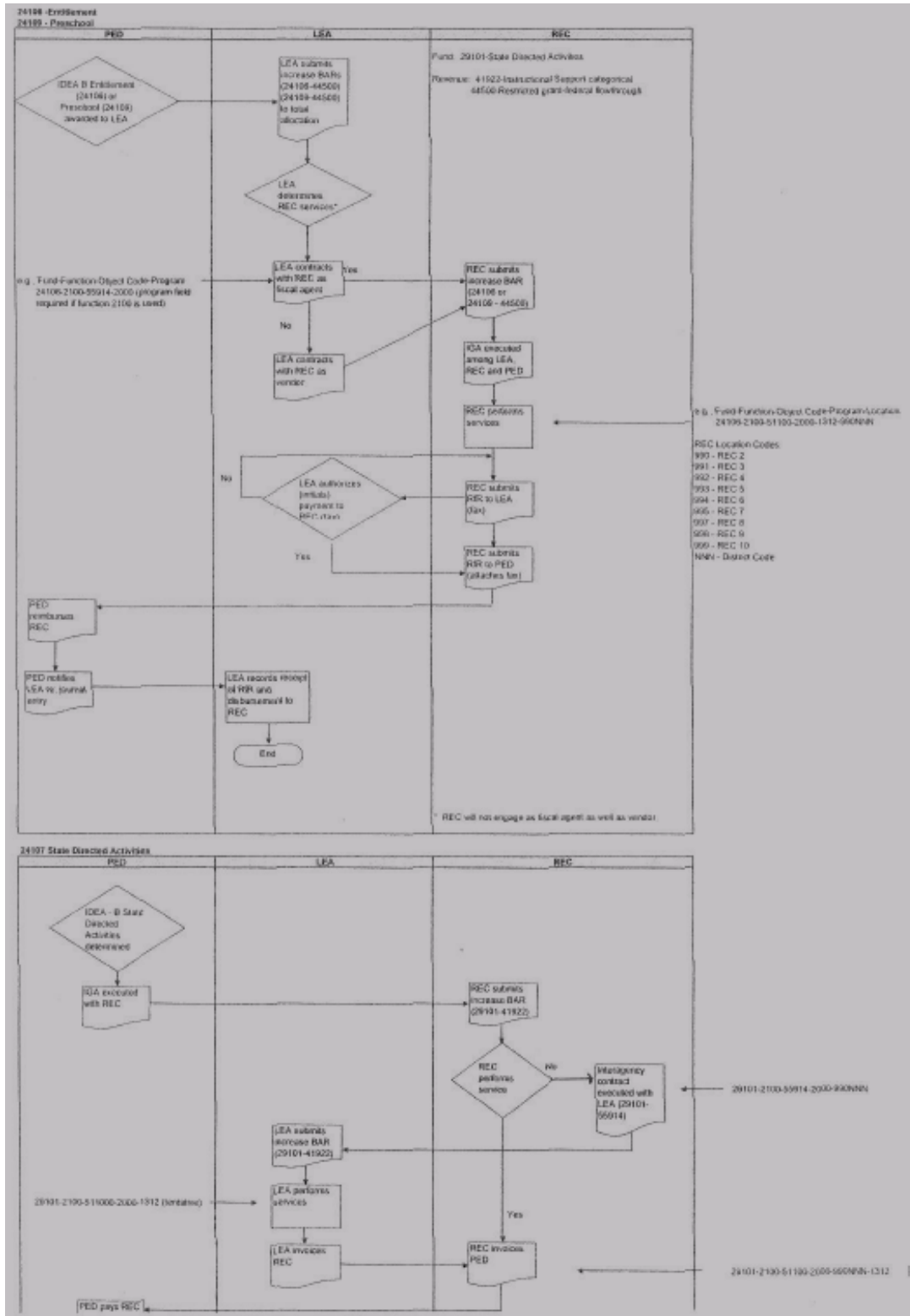
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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 2016-2017 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.



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.

**BASIC
FINANCIAL STATEMENTS**

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
STATEMENT OF NET POSITION
June 30, 2017

Exhibit A-1

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,491,957
Intergovernmental Receivables	1,710,177
Total current assets	3,202,134
Capital assets:	
Buildings	176,543
Equipment & Furnitures	304,321
Less accumulated depreciation	(225,706)
Net capital assets	255,158
Deferred Outflows of Resources	
Deferred Outflows related to Net Pension Liability	633,951
Total deferred outflows of resources	633,951
<i>Total assets and deferred outflows of resources</i>	4,091,243
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Current Liabilities:	
Accounts payable	\$ 2,086
Total current liabilities	2,086
Non-current Liabilities:	
Accrued Compensated Absences	58,032
Net Pension Liability	2,770,627
Total long-term liabilities	2,828,659
Deferred Inflows of Resources	
Deferred Inflows related to Net Pension Liability	41,879
Total deferred inflows of resources	41,879
Total liabilities and deferred inflows of resources	2,872,624
Net Position:	
Net investments in capital assets	225,158
Restricted	1,739,532
Unrestricted	(746,071)
Total net position	1,218,619
<i>Total liabilities, deferred inflows of resources, and net position</i>	\$ 4,091,243

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Exhibit A-2

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
Instruction:					
Direct instruction	\$ -	\$ -	\$ -	\$ -	\$ -
Support services:					
Students	657,729	-	6,045,613	-	5,387,884
Instruction	2,795,079	-	-	-	(2,795,079)
General Administration	2,017,825	-	-	-	(2,017,825)
School Administration	315,462	-	-	-	(315,462)
Central Services	243,380	-	-	-	(243,380)
Operation & Maintenance of Plant	58,824	-	-	-	(58,824)
Student Transportation	-	-	-	-	-
Other Support Services	-	-	-	-	-
Non-instructional support	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total primary government	\$ 6,088,299	\$ -	\$ 6,045,613	\$ -	\$ (42,686)
					Interest Income
					1,038
					Change in net position
					(41,648)
					Net position - beginning
					1,260,267
					Net position - ending
					<u>\$ 1,218,619</u>

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	REC Operational	Ideal NM Technology for Ed	Dual LENM	Ideal NM
ASSETS				
<i>Current Assets</i>				
Cash and cash equivalents	\$ (115,717)	\$ -	\$ 20,168	\$ 129,185
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	55,962	16,188		10,800
Internal balances	1,516,174			
Prepaid Assets	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 1,456,419</u>	<u>\$ 16,188</u>	<u>\$ 20,168</u>	<u>\$ 139,985</u>
LIABILITIES AND FUND BALANCES				
<i>Current Liabilities</i>				
Accounts payable	\$ 1,607	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-
Accrued Compensated Absences				
Internal Balances	-	16,188	-	-
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>1,607</u>	<u>16,188</u>	<u>-</u>	<u>-</u>
<i>Fund Balances</i>				
Fund Balances				
Restricted for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Committed for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Assigned for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Unassigned for:				
General Fund	1,454,812	-	20,168	139,985
<i>Total fund balances</i>	<u>1,454,812</u>	<u>-</u>	<u>20,168</u>	<u>139,985</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,456,419</u>	<u>\$ 16,188</u>	<u>\$ 20,168</u>	<u>\$ 139,985</u>

Sub Accounts for Total REC Operational

NMSU Professional	Ideal NM Coursework	Reads to Lead	STEM Training	STEM Instate Facilitators	Priority Schools
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	120,079	-	-	-	40,797
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 120,079</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,797</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	120,079	-	-	-	-
-	-	-	-	31,209	37,695
-	-	-	-	-	-
<u>-</u>	<u>120,079</u>	<u>-</u>	<u>-</u>	<u>31,209</u>	<u>37,695</u>
-	-	-	-	-	-
-	-	-	18,041	-	3,102
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(31,209)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>18,041</u>	<u>(31,209)</u>	<u>3,102</u>
<u>\$ -</u>	<u>\$ 120,079</u>	<u>\$ -</u>	<u>\$ 18,041</u>	<u>\$ -</u>	<u>\$ 40,797</u>

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

Sub Accounts for Total REC Operati						
STEM Symposium	STEM Elementary Training	STEM Initiative	Strategic Outreach B8	Strategic Outreach B9	Strategic Outreach B10	Strategic Outreach B11
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
267,500	-	2,669	155,371	92,839	351,845	90,267
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 267,500</u>	<u>\$ -</u>	<u>\$ 2,669</u>	<u>\$ 155,371</u>	<u>\$ 92,839</u>	<u>\$ 351,845</u>	<u>\$ 90,267</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
267,051	(15,664)	4,325	155,416	92,485	348,645	90,267
-	-	-	-	-	-	-
<u>267,051</u>	<u>(15,664)</u>	<u>4,325</u>	<u>155,416</u>	<u>92,485</u>	<u>348,645</u>	<u>90,267</u>
-	-	-	-	-	-	-
449	15,664	-	-	354	3,200	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(1,656)	(45)	-	-	-
<u>449</u>	<u>15,664</u>	<u>(1,656)</u>	<u>(45)</u>	<u>354</u>	<u>3,200</u>	<u>-</u>
<u>\$ 267,500</u>	<u>\$ -</u>	<u>\$ 2,669</u>	<u>\$ 155,371</u>	<u>\$ 92,839</u>	<u>\$ 351,845</u>	<u>\$ 90,267</u>

onal

Pay for Performance	Charter Conferences	CSD App Review	Options for Parents	SDA IT Hardware
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	142,911	9,364	10,766	68,526
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 142,911</u>	<u>\$ 9,364</u>	<u>\$ 10,766</u>	<u>\$ 68,526</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	142,907	-	10,769	68,526
-	-	-	-	-
-	-	9,364	-	-
-	-	-	-	-
<u>-</u>	<u>142,907</u>	<u>9,364</u>	<u>10,769</u>	<u>68,526</u>
-	-	-	-	-
-	4	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	(3)	-
<u>-</u>	<u>4</u>	<u>-</u>	<u>(3)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 142,911</u>	<u>\$ 9,364</u>	<u>\$ 10,766</u>	<u>\$ 68,526</u>

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2017

Total REC Operational Funds	Medicaid HSD Funds	Total Non major Funds	Total Governmental Funds
\$ 33,636	\$ 1,458,301	\$ 20	\$ 1,491,957
-	-	-	-
1,435,884	127,221	147,072	1,710,177
154,953	-	-	154,953
-	-	-	-
-	-	-	-
<u>\$ 1,624,473</u>	<u>\$ 1,585,522</u>	<u>\$ 147,092</u>	<u>\$ 3,357,087</u>
\$ 1,607	\$ 479	\$ -	\$ 2,086
-	-	-	-
-	-	-	-
-	-	154,953	154,953
-	-	-	-
<u>1,607</u>	<u>479</u>	<u>154,953</u>	<u>157,039</u>
-	-	-	-
-	1,585,043	20	1,585,063
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,622,866	-	(7,881)	1,614,975
<u>1,622,866</u>	<u>1,585,043</u>	<u>(7,861)</u>	<u>3,200,048</u>
<u>\$ 1,624,473</u>	<u>\$ 1,585,522</u>	<u>\$ 147,092</u>	<u>\$ 3,357,087</u>

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10

Exhibit B-1
Page 2 of 2

GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2017

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

Net position - total governmental funds	\$	3,200,048
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		255,158
Certain liabilities are not reported as liabilities in the funds. These liabilities at year end consist of :		
Compensated Absences		(58,032)
Net Pension Liability		<u>(2,178,555)</u>
Net position of governmental activities	\$	<u>1,218,619</u>

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	REC Operational	IGA Ideal NM Technology for Ed	IGA Dual LENM	IGA Ideal NM
<i>Revenues:</i>				
<i>Taxes</i>				
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -
<i>Local sources</i>				
Tuition	-	-	-	-
Investment Income	1,038	-	-	-
Food services	-	-	-	-
District activities	-	-	-	-
Other Revenue	-	-	-	-
<i>State sources</i>				
Unrestricted Grants	-	-	-	-
Restricted Grants	905,467	50,000	1,110,000	338,561
<i>Federal sources</i>				
Unrestricted Grants	-	-	-	-
Unrestricted -state passthrough	-	-	-	-
Restricted Grants	-	-	-	3,888
Restricted -state passthrough	-	-	-	-
Department of Interior	-	-	-	-
Other items	-	-	-	-
<i>Total revenues</i>	<u>\$ 906,505</u>	<u>\$ 50,000</u>	<u>\$ 1,110,000</u>	<u>\$ 342,449</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	\$ -	\$ -	\$ -	\$ -
<i>Support Services</i>				
Students	-	-	-	-
Instruction	295,859	-	1,167,787	-
General Administration	367,686	50,000	-	381,257
School Administration	-	-	-	-
Central Services	173,881	-	-	-
Operation & Maintenance of Plant	48,275	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional services:	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
<i>Total expenditures</i>	<u>885,701</u>	<u>50,000</u>	<u>1,167,787</u>	<u>381,257</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>20,804</u>	<u>-</u>	<u>(57,787)</u>	<u>(38,808)</u>
<i>Other financing sources (uses)</i>				
Transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in Fund Balances</i>	20,804	-	(57,787)	(38,808)
<i>Fund Balances - beginning of year</i>	<u>1,434,008</u>	<u>-</u>	<u>77,955</u>	<u>178,793</u>
<i>Fund Balances - end of year</i>	<u>\$ 1,454,812</u>	<u>\$ -</u>	<u>\$ 20,168</u>	<u>\$ 139,985</u>

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

IGA STEM Symposium	IGA STEM Elementary Training	IGA STEM Initiative	IGA Strategic Outreach B8	Sub Accounts for Total REC Operational		
				IGA Strategic Outreach B9	IGA Strategic Outreach B10	IGA Strategic Outreach B11
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
267,500	15,664	78,501	256,826	93,279	392,885	93,205
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>267,500</u>	<u>15,664</u>	<u>78,501</u>	<u>256,826</u>	<u>93,279</u>	<u>392,885</u>	<u>93,205</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
267,051	-	80,157	237,843	86,015	360,905	86,301
-	-	-	19,028	6,910	28,780	6,904
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>267,051</u>	<u>-</u>	<u>80,157</u>	<u>256,871</u>	<u>92,925</u>	<u>389,685</u>	<u>93,205</u>
449	15,664	(1,656)	(45)	354	3,200	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
449	15,664	(1,656)	(45)	354	3,200	-
-	-	-	-	-	-	-
<u>449</u>	<u>15,664</u>	<u>(1,656)</u>	<u>(45)</u>	<u>354</u>	<u>3,200</u>	<u>-</u>

IGA Pay for Performance	IGA Charter Conferences	IGA CSD App Review	IGA Options for Parents	IGA SDA IT Hardware
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
82,080	142,911	9,364	10,766	68,526
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>82,080</u>	<u>142,911</u>	<u>9,364</u>	<u>10,766</u>	<u>68,526</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
76,000	133,084	8,670	9,972	63,226
6,080	9,823	694	797	5,300
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>82,080</u>	<u>142,907</u>	<u>9,364</u>	<u>10,769</u>	<u>68,526</u>
-	4	-	(3)	-
-	-	-	-	-
-	-	-	-	-
-	4	-	(3)	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ -</u>

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Total REC Operational Funds	Medicaid HSD Funds	Total Non major Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -
-	-	-	-
1,038	-	-	1,038
-	-	-	-
-	-	-	-
(29,050)	-	-	(29,050)
-	-	-	-
4,617,472	1,091,310	361,993	6,070,775
-	-	-	-
-	-	-	-
3,888	-	-	3,888
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 4,593,348</u>	<u>\$ 1,091,310</u>	<u>\$ 361,993</u>	<u>\$ 6,046,651</u>
\$ -	\$ -	\$ -	\$ -
-	657,729	-	657,729
2,525,662	-	626	2,526,288
1,913,420	102,695	54,412	2,070,527
-	-	315,462	315,462
173,881	69,499	-	243,380
48,275	10,549	-	58,824
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>4,661,238</u>	<u>840,472</u>	<u>370,500</u>	<u>5,872,210</u>
<u>(67,890)</u>	<u>250,838</u>	<u>(8,507)</u>	<u>174,441</u>
-	-	-	-
-	-	-	-
<u>(67,890)</u>	<u>250,838</u>	<u>(8,507)</u>	<u>174,441</u>
<u>1,690,756</u>	<u>1,334,205</u>	<u>646</u>	<u>3,025,607</u>
<u>\$ 1,622,866</u>	<u>\$ 1,585,043</u>	<u>\$ (7,861)</u>	<u>\$ 3,200,048</u>

STATE OF NEW MEXICO
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 YEAR ENDED JUNE 30, 2017

Exhibit B-2
Page 2 of 2

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

Net change in fund balances - total governmental funds	\$	174,441
--	----	---------

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense:

Capital expenditures:

Current year capital expenditures		52,702
Depreciation expense		(21,162)

Certain operating expenses, such as compensated absences payable are
measured by the amounts incurred during the year. In the fund financial
statements, however, expenditures are measured by the amount of financial
resources used. The (increase)/decrease in the liabilities for the year were:

Change in deferred inflows/outflows of resources		(231,760)
Compensated absences payable		<u>(15,869)</u>

Change in Net Position of governmental activities	\$	<u>(41,648)</u>
---	----	-----------------

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
REC OPERATIONAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

Exhibit C-1

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	4,104,384	4,104,384
Federal sources	-	-	3,888	3,888
Interest	-	-	1,038	1,038
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>4,109,310</u>	<u>4,109,310</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	2,910,216	2,886,767	2,539,548	347,219
General Administration	2,109,640	2,170,816	1,944,111	226,705
School Administration	-	-	-	-
Central Services	-	231,689	173,881	57,808
Operation & maintenance of plant	174,576	174,637	63,279	111,358
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>5,194,432</u>	<u>5,463,909</u>	<u>4,720,819</u>	<u>743,090</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(5,194,432)</u>	<u>(5,463,909)</u>	<u>(611,509)</u>	<u>4,852,400</u>
<i>Other financing sources (uses):</i>				
Transfers	-	-	-	-
Designated Cash	5,194,432	5,463,909	-	(5,463,909)
<i>Total other financing sources (uses)</i>	<u>5,194,432</u>	<u>5,463,909</u>	<u>-</u>	<u>(5,463,909)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(611,509)</u>	<u>(611,509)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>800,098</u>	<u>800,098</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,589</u>	<u>\$ 188,589</u>

Excess (deficiency) of revenues over expenditures (Budget Basis)	\$ (611,509)
Adjustments to revenues	757,976
Adjustments to expenditures	<u>(214,357)</u>
Excess (deficiency) of revenues over expenditures (GAAP Basis)	<u>\$ (67,890)</u>

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
MEDICAID STATE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

Exhibit C-2

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	1,033,147	1,033,147
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>1,033,147</u>	<u>1,033,147</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	458,394	896,323	657,729	238,594
Instruction	-	-	-	-
General Administration	104,500	110,675	102,695	7,980
School Administration	-	-	-	-
Central Services	115,033	170,929	69,499	101,430
Operation & maintenance of plant	16,200	16,200	10,070	6,130
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>694,127</u>	<u>1,194,127</u>	<u>839,993</u>	<u>354,134</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(694,127)</u>	<u>(1,194,127)</u>	<u>193,154</u>	<u>679,013</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	694,127	1,194,127	-	(1,194,127)
<i>Total other financing sources (uses)</i>	<u>694,127</u>	<u>1,194,127</u>	<u>-</u>	<u>(1,194,127)</u>
<i>Net change in fund balances</i>	-	-	193,154	(515,114)
<i>Cash balances - beginning of year</i>	-	-	1,265,147	1,265,147
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,458,301</u>	<u>\$ 1,458,301</u>
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ 193,154	
Adjustments to revenues			58,165	
Adjustments to expenditures			(479)	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			<u>\$ 250,840</u>	

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies

The ten Regional Cooperative Centers established throughout New Mexico in 1984 were originally organized to provide supplementary special education services to local education agencies utilizing federal PL 94-142 funds. The role of the Cooperatives has expanded under the authorization of the regional Coordinating Councils to include a variety of other projects, both federally funded and funded from other sources. Southwest Regional Education Cooperative, through the governing council, has established as its purpose the delivery to local districts and communities those services deemed critical to the ongoing success of regular and special education programs provided by the local agencies. For financial reporting purposes, the Cooperative includes all fund and accounts groups that are controlled by or dependent on the Cooperative for financial support. The Cooperative has no component units. The financial statements of Southwest Regional Education Cooperative #10 (REC) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the REC's accounting policies are described below.

Authority for the operation of the Southwest Regional Education Cooperative #10 (REC) is based upon Chapter 232 of the Laws of 1993, State of New Mexico, and the State Board of Education Regulation 93-23, which authorize the establishment of Regional Educational Cooperatives in the State of New Mexico. The member organizations undertake a Joint Powers Agreement, whereby they will submit a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico pursuant to the Individual with Disabilities Education Act, Part B- (IDEA-B).

The Cooperative Council will oversee the function and the operation of the Cooperative. The Council will adopt a budget and administrative guidelines as necessary to carry out the purposes of the Cooperative; hire an Executive Director and necessary additional staff; Approve an annual proposal/budget for each project; approve all fiscal arrangements, policies and agreements; approve reports; maintain "education records" in accordance with 34 CFR 300.560-300.576; permit authorized representatives of regulatory agencies to inspect and audit all data and records relating to the Cooperative; annually evaluate cooperative projects and determine which are to be continued; and subject to any applicable requirements of state or federal laws and regulation, including the Procurement Code of the State of New Mexico, take action on any other matters which the Council considers necessary or desirable in furtherance of Cooperative programs, operations or interest.

A. Reporting Entity

GASB Statement No. 61 established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the REC is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 61, fiscally independent means that the REC may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The REC also has no component units, as defined by GASB Statement No. 61, as there are no other legally separate organizations for which the elected REC Council members are financially accountable. There are no other primary governments with which the REC Council Members are financially accountable. There are no other primary governments with which the REC has a significant relationship.

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The Operational Fund is the main fund of the REC that accounts for all financial resources, except those required to be accounted for in other funds.

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

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Under the requirements of GASB #34, the REC is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which include funds that were not required to be presented as major but were at the discretion of management:

Operational Fund: The Operational Fund (27101) is used to account for state funds granted to the REC operating fund for the REC per the request of NM Public Education Department. Authorized by Laws 2005, Chapter 33.

Special Revenue Fund: The Medicaid State Fund (27200) is used to account 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.).

Private-sector standards of accounting and financial reporting are now included in GASB guidance from the Accounting Codification Standards.

Program revenues included in the Statement of Activities derive directly from the program itself or from outside parties, as a whole; program revenues reduce the cost of the function to be financed from the REC's donations. Program revenues are categorized as (a) charges for services, (b) program-specific operating grants, which includes revenues received from state and federal sources such as, State Directed Activities (Idea B Discretionary) funding to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

The REC reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities.

D. Assets, Liabilities and Net Position or Equity

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

The REC is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

State statutes authorize the REC to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

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

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "internal balances."

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

Certain Special Revenue funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. However, infrastructure assets have not been included in the June 30, 2017 financial statements of REC, since the REC did not own any infrastructure assets as of June 30, 2017. Information technology equipment, including software, is being capitalized and included in furniture and equipment as the REC did not maintain internally developed software. Donated capital assets are recorded at estimated fair market value at the date of donation. During the year ended June 30, 2017, the REC had not received any donated capital assets.

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

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

Equipment	5-10 years
Vehicles	8 years
Buildings	50 years

Unearned Revenues: The REC recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be “available” under the current financial resources measurement focus are reported as unearned revenues in the governmental fund financial statements.

Deferred Inflows/Outflows of Resources: GASB 63 amended previous guidance on deferred revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period.

Compensated Absences: Full time employees are entitled to accumulate vacation time of 15 days but no more than 20 days maximum per year. Employees hired prior to January 1, 2003 will not lose accumulated vacation from those years of service with the REC. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated at \$1,920.00 and is reported in the governmental fund statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

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

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Fund Equity

Restricted fund balance represents amounts that are constrained: Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or Imposed by law through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government’s highest level of decision-making authority.

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high-level body or official whom the governing body has delegated.

Unassigned fund balance is the residual classification for the general fund and represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes.

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

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the REC's financial statements include management's estimate of the useful lives of capital assets and accrued compensated absences.

Federal Grants: The REC receives revenues from various Federal Departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operated under its own budget, which has been approved by the Federal Department or the flow through agency (usually the New Mexico Public Education Department). The various budgets are approved by the REC Council and the New Mexico Public Education Department.

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.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Budgets for the General and Special Revenue Funds are prepared by management and are approved by the local governing council, made up of participating School Superintendents, and the REC 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 line item basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series,' this may be accomplished with only local Council approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public Education Department.

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

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 2. Stewardship, Compliance and Accountability (continued)

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

1. Prior to April 15, the REC Council submits to the School Budget Planning Unit (SBPU) of the New Mexico Public Education Department a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the REC shall contain headings and details as described by law and have been approved by the Public Education Department.
2. Prior to June 20 of each year, the proposed “operating” budget will be reviewed and approved by the DBPU and certified and approved by the local Council at a public hearing of which notice has been published by the local REC board which fixes the estimated budget for the REC for the ensuing fiscal year.
3. The REC board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The “operating” budget will be used by the REC until they have been notified that the budget has been approved by the SBPU and the local board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The REC shall make corrections, revisions and amendments to the estimated budgets fixed by the local board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
6. The board 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 REC board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public Schools Accounting and Budgeting. Such changes are initiated by the REC and approved by the SBPU.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year’s budget. The budget of REC has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.
11. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are not utilized for GAAP purposes or for budget purposes.

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017, is presented.

NOTE 3. Cash and Temporary Investments

State statutes authorize the investment of REC funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the REC properly followed state investment requirements as of June 30, 2017.

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

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

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

The collateral pledged is listed on Schedule I of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, REC or political subdivision of the State of New Mexico.

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

Deposits

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

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 3. Cash and Temporary Investments (continued)

Compass Bank	<u>Type</u>	<u>Bank Balance</u> <u>June 30, 2017</u>	<u>Reconciled</u> <u>Balance</u>
General	Checking	<u>\$ 2,111,997</u>	<u>\$ 1,662,801</u>
Total Deposits		2,111,997	<u>\$ 1,662,801</u>
Less: FDIC Coverage		<u>(250,000)</u>	
Uninsured Amount		1,861,997	
50% Collateral requirement		930,999	
Pledged Securities		<u>3,000,000</u>	
(Over) Under collateralized		<u>\$ (2,069,002)</u>	
Custodial Credit Risk-Deposits			
Account Balance	\$ 2,111,997		
FDIC Insured	250,000		
Collateral:			
Collateral held by the pledging bank, not in the REC's name	1,861,997		
Uninsured and uncollateralized	<u>-</u>		
Total Deposits	<u>\$ 2,111,997</u>		

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$1,861,997 of the REC's bank balance of \$2,111,997 was exposed to custodial credit risk.

Reconciliation of Cash and Temporary Investments

Governmental Funds - Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 1,491,957
Less: Investments	(214,015)
Add outstanding items	<u>834,055</u>
Bank balance of deposits	<u>\$ 2,111,997</u>

Investment in the State Treasurer Local Government

The New MexiGrow Local Governmental Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The new Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10-P and Section 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 19078, as the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

Interest Rate Risk and Credit Rating- Investment in State Treasurer's LGIP

The District does not have a formal policy limiting investment maturities to manage its exposure to fair value losses from increasing interest rates. The District's investments at June 30, 2017 include the following:

State Treasurer LGIP	AAAm	58 days WAM(R)	<u>\$ 214,015</u>
----------------------	------	----------------	-------------------

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 4. Receivables

Receivables as of June 30, 2017, are as follows:

	REC Operational	Title I	State Directed	Medicaid State	Total
Intergovernmental AR	<u>1,435,884</u>	<u>3,888</u>	<u>143,184</u>	<u>127,221</u>	<u>1,710,177</u>
Totals	<u>1,435,884</u>	<u>3,888</u>	<u>143,184</u>	<u>127,221</u>	<u>1,710,177</u>

As of June 30, 2017, the above receivables are deemed collectible by management.

NOTE 5. Prepaid Assets

The REC pays for certain service contracts in advance resulting in a prepaid asset. Prepaid assets for the REC totaled \$- at June 30, 2017.

NOTE 6. Interfund Receivables, Payables, and Transfers

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the REC is waiting for grant reimbursements. The composition of interfund balances as of June 30, 2017 is as follows:

Governmental Activities:	Interfund Receivables	Interfund Payables
Other Funds:		
Operational Fund	\$ 154,953	\$ —
Title I	—	3,888
IDEA B Discretionary	<u>—</u>	<u>151,065</u>
Total Governmental Activities	<u>\$ 154,953</u>	<u>\$ 154,953</u>

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 7. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2017, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	<u>Balance June 30, 2016</u>	<u>Additions & Adjustments</u>	<u>Deletions & Adjustments</u>	<u>Balance June 30, 2017</u>
Capital Assets, being depreciated:				
Buildings	176,543	-	-	176,543
Furniture, fixtures & equipment	251,619	52,702	-	304,321
Less Accumulated Depreciation for:				
Buildings, Equipment, Furniture, & Fixtures	<u>(204,565)</u>	<u>(21,162)</u>	<u>21</u>	<u>(255,706)</u>
Governmental activities capital assets, net:	\$ <u>223,597</u>	\$ <u>31,540</u>	\$ <u>21</u>	\$ <u>255,158</u>

NOTE 7. Capital Assets (continued)

Capital assets, net of accumulated depreciation, at June 30, 2017 appear in the Statement of Net Position and/or the Fund Statements Balance Sheets as follows:

Governmental activities \$ 255,158

Depreciation expense for the year ended June 30, 2017 was charged to governmental activities as follows:

Instructional Support \$ 21,162

NOTE 8. Long-term Debt

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Current Portion</u>
Compensated Absences	\$ <u>44,083</u>	\$ <u>15,830</u>	\$ <u>1,881</u>	\$ <u>58,032</u>	\$ <u>-</u>
Total	\$ <u>44,083</u>	\$ <u>15,830</u>	\$ <u>1,881</u>	\$ <u>58,032</u>	\$ <u>-</u>

Compensated Absences - Administrative employees of the REC are able to accrue vacation and other compensatory time during the year. During fiscal year June 30, 2017, compensated absences increased \$13,949 from the prior year accrual. The current portion of the compensated absences is estimated at \$-. Any liability would be liquidated out of the Operational Fund. See Note 1 for more details.

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 9. Risk Management

The REC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The REC, as a State entity, is insured through the State of New Mexico, General Services Department, Risk Management Division. Annual premiums are paid by the REC to the General Services Department, Risk Management Division for coverage provided in the following areas:

Workers Compensation

Property and Automobile Liability and Physical Damage Liability and Civil Rights and Personal Injury; and Crime.

NOTE 10. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the combined statements of certain information concerning individual funds including:

Deficit Fund Balances. The following funds had deficit fund balances at June 30, 2017.

27200 State Directed Activities (\$7,881)

All deficit fund balances will be funded from the REC Operational Funds.

Note: Accounts 79002-79006-79007 and 79014 all have deficit fund balances; however, these accounts are a subset of the REC Operational fund.

NOTE 11. 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, 2017, significant amounts of grant expenditures have not been audited by 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.

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 12. Pension Plan - Educational Retirement Board

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

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

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 12. Pension Plan - Educational Retirement Board (continued)

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits
- The member's age is 67, and has earned 5 or more years of service credit.

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

Benefit Options – The Plan has three benefit options available.

- **Option A – Straight Life Benefit** – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C – Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

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

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 12. Pension Plan - Educational Retirement Board (continued)

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. 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%.

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

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

Contributions – For the fiscal year ended June 30, 2017 and 2016 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%	0.00%
2016	7-1-15 to 6-30-16	Over \$20K	10.70%	13.90%	24.60%	0.00%
2016	7-1-15 to 6-30-16	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the REC paid employee and employer contributions of \$148,078 and \$193,701, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the REC reported a liability of \$2,696,504 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The REC’s proportion of the net pension liability was based on a projection of the REC’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the REC’s proportion was .03850 %, which was a decrease of 0.00033% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the REC recognized pension expense of \$425,936. At June 30, 2017, the REC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 12. Pension Plan - Educational Retirement Board (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 12,020	\$ 26,353
Changes of assumptions	56,399	-
Net difference between projected and actual earnings on pension plan investments	165,383	-
Changes in proportion and differences between REC contributions and proportionate share of contributions	206,447	15,527
REC contributions subsequent to the measurement date	193,701	-
Total	<u>\$ 633,950</u>	<u>\$ 41,879</u>

\$193,701 reported as deferred outflows of resources related to pensions resulting from REC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 199,323
2019	84,725
2020	73,991
2021	40,330
2022	-

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 12. Pension Plan - Educational Retirement Board (continued)

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment Rate of Return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. 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.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.
Mortality	Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012. Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	2% per year, compounded annually.
Payroll growth	3.5% per year (with no allowance for membership growth).
Contribution accumulation	5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

The actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on June 12, 2015 in conjunction with the six-year actuarial experience study period ending June 30, 2014. At that time, the Board adopted several assumption changes, which included a decrease in the annual wage inflation rate from 4.25% to 3.75%, and changes to the mortality rates, disability rates, and retirement rates for members who joined the plan after June 30, 2010. In addition, the board lowered the population growth rate assumption to zero.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 12. Pension Plan - Educational Retirement Board (continued)

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	35%	
Fixed income	28	
Alternatives	36	
Cash	1	
Total	100%	7.75%

Discount rate. A single discount rate of 7.75% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.75%, compounded annually, net of expense. 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

Sensitivity of the REC's proportionate share of the net pension liability to changes in the discount rate. The following presents the REC's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the REC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
REC's proportionate share of the net pension liability	\$3,669,631	\$ 2,770,627	\$ 2,024,708

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

Payables to the pension plan. At June 30, 2017, the REC had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2017.

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 13. Post-Employment Benefits-State Retiree Healthcare 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 Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (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 RCHA 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 RCHA or viewed on their website at www.nmrhca.stat.nm.us.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 3, 4 or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, 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, 2014, the statute required each participating employer to contribute 2.0% 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 years ended June 30, 2015, June 30, 2016 and June 30, 2017, the statute required each participating employer to contribute 2.0% of each employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15 (G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The REC's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$31,075, \$21,911, and \$22,053, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Notes to the Financial Statements
June 30, 2017

NOTE 14. Economic Dependency

The primary source of funding for the REC consists of Intergovernmental Agreements for services between the New Mexico Public Education Department and the REC to provide services for various contracts that include both federal and state funding. The REC also administers Medicaid funds passed through the State of New Mexico Department of Education in funds (28144). The amount of revenues is subject to change.

NOTE 15.. Contingent Liabilities

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

The REC, by its nature, may be subjected to claims and lawsuits arising in the normal course of business. Currently, there are no such pending claims or lawsuits to which the REC is a party.

NOTE 16. Joint Powers Agreements

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

NOTE 17. Related Party Transactions

The REC employs the spouse of the Business Manager as a part-time employee to perform janitorial services. Additionally, the REC hired the child of the Medicaid Specialist to perform routine administrative duties in the Deming office. Both employees report to the Executive Director.

NOTE 18. Subsequent Events Review

A review of subsequent events through August 3, 2017, which is the date of the financial statements were available to be issued, indicated new intergovernmental agreements entered into for the 2017-2018 fiscal year.

SUPPLEMENTARY INFORMATION

(This page intentionally left blank)

NONMAJOR GOVERNMENTAL FUNDS

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATIONAL COOPERATIVE #10
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the REC with the purpose of accomplishing specific educational tasks. Grants accounted for in the Special Revenue Funds include:

Special Revenue Fund: **The Title I Fund (24101)** is used to account for providing general administrative support for Title I and other ESEA programs and shall provide for coordination and implementation of events for Title I and other ESEA programs, as determined by the department.

Special Revenue Fund: **The 21st Century Fund (24299)** is used 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.

Special Revenue Fund: **The Public Health Fund (25122)** is used to account for local source revenue to improve student's awareness in the areas of health education. Authorization is the governing board.

Special Revenue Fund: **The State Directed - IDEA B Discretionary Fund (27200)** is used 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.

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

Statement A-1

	Title I Fund	21st Century Fund	Public Health Fund	IDEA B State Directed Fund	Non major Governmental Funds
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ -	\$ 20	\$ -	\$ -	\$ 20
Accounts receivable					
Taxes	-	-	-	-	-
Intergovernmental receivable	3,888	-	-	143,184	147,072
Internal Balances	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 3,888</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 143,184</u>	<u>\$ 147,092</u>
LIABILITIES AND FUND BALANCE					
<i>Current Liabilities</i>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-	-
Internal Balances	3,888	-	-	151,065	154,953
Unearned revenue	-	-	-	-	-
<i>Total liabilities</i>	<u>3,888</u>	<u>-</u>	<u>-</u>	<u>151,065</u>	<u>154,953</u>
<i>Fund Balance</i>					
Fund Balance					
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	20	-	-	20
Capital Projects Funds	-	-	-	-	-
Debt Service Funds	-	-	-	-	-
Committed for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Assigned for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Unassigned for:					
General Fund	-	-	-	(7,881)	(7,881)
<i>Total fund balance</i>	<u>-</u>	<u>20</u>	<u>-</u>	<u>(7,881)</u>	<u>(7,861)</u>
<i>Total liabilities and fund balance</i>	<u>\$ 3,888</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 143,184</u>	<u>\$ 147,092</u>

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Statement A-2

	24101 Title 1 Fund	24299 21st Century Fund	25122 Public Health Fund	27200 IDEA B State Directed Fund	Non major Governmental Funds
<i>Revenues:</i>					
Taxes					
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources					
Tuition	-	-	-	-	-
Investment Income	-	-	-	-	-
Food services	-	-	-	-	-
District activities	-	-	-	-	-
Other Revenue	-	-	-	-	-
State sources					
Unrestricted Grants	-	-	-	-	-
Restricted Grants	32,399	-	-	329,594	361,993
Federal sources					
Unrestricted Grants	-	-	-	-	-
Unrestricted -state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Restricted -state passthrough	-	-	-	-	-
Department of Interior	-	-	-	-	-
Other items	-	-	-	-	-
<i>Total revenues</i>	<u>\$ 32,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,594</u>	<u>361,993</u>
<i>Expenditures:</i>					
Current:					
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -
Support Services					
Students	-	-	-	-	-
Instruction	-	-	626	-	626
General Administration	32,399	-	-	22,013	54,412
School Administration	-	-	-	315,462	315,462
Central Services	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Student Transportation	-	-	-	-	-
Other Support Services	-	-	-	-	-
Operation of non-instructional services	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service	-	-	-	-	-
<i>Total expenditures</i>	<u>32,399</u>	<u>-</u>	<u>626</u>	<u>337,475</u>	<u>370,500</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(626)</u>	<u>(7,881)</u>	<u>(8,507)</u>
<i>Other financing sources (uses)</i>					
Transfers	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	(626)	(7,881)	(8,507)
<i>Fund balances - beginning of year</i>	-	20	626	-	646
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ (7,881)</u>	<u>(7,861)</u>

(This page intentionally left blank)

PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
 Required Supplementary Information
 June 30, 2017

SCHEDULE OF PROPORONATE SHARE OF THE NET PENSION LIABILITY
Educational Retirement Board (ERB) Plan
 Last 10 fiscal years*

	2017	2016	2015
REC's proportion of net pension liability (asset)	0.03850%	0.03883%	0.03601%
REC's proportionate share of the net pension liability (asset)	\$ 2,770,627	\$ 2,515,123	\$ 2,054,625
REC's covered-employee payroll	\$ 1,442,301	\$ 1,060,183	\$ 992,466
REC's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	192.10%	237.23%	207.01%
Plan fiduciary net position as a percentage of total pension liability	61.58%	63.97%	66.54%

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

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Required Supplementary Information
June 30, 2017

SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) Pension PLAN
LAST 10 FISCAL YEARS*

	2017	2016	2015
Contractually required contribution	\$ 193,701	\$ 153,215	\$ 153,262
Contributions in relation to the contractually required contribution	\$ 193,701	\$ 153,215	\$ 153,262
Contribution deficiency (excess)	\$ -	\$ -	\$ -
REC's Covered-employee payroll	\$ 1,442,301	\$ 1,060,183	\$ 1,103,897
Contributions as a percentage of covered-employee payroll	13.43%	14.45%	13.88%

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

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
Required Supplementary Information
For the Year Ended June 30, 2017

Notes to Required Supplementary Information

For the Year Ended June 30, 2017

Changes of benefit terms and assumptions. There were no benefit or assumption changes adopted since the last actuarial valuation. However, the actual cost of living adjustment (COLA) was less than the expected 2.0%, which resulted in a net \$138 million decrease in the unfunded actuarial accrued liability.

(This page intentionally left blank)

SUPPORTING SCHEDULES

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
 June 30, 2017

Schedule I

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2017	Name and Location of Safekeeper
Compass Bank	FHLB Cusip# 102980087919 FHLB Letter of credit	\$ 2,500,000	Federal Home Loan Bank Atlanta, Georgia
	FHLB Cusip# 102980095596 FHLB Letter of credit	500,000	Federal Home Loan Bank Atlanta, Georgia
	Total Collateral Pledged	<u>\$ 3,000,000</u>	

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
June 30, 2017

Schedule II

Deposit or Investment Account Type	Compass Bank	Total
Checking, Interest Bearing	\$ 2,111,982	\$ 2,111,982
Checking	15	15
State Treasurer Investments	214,015	214,015
Total On Deposit	2,326,012	2,326,012
Reconciling Items	(834,055)	(834,055)
Reconciled Balance June 30, 2017	\$ 1,491,957	\$ 1,491,957
Reconciliation to financial statements:		
Cash and cash equivalents:		\$ 1,277,942
Investments in State Treasurer		214,015
Total cash and cash equivalents per Statement of Net Position		\$ 1,491,957

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
CASH RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2017

Schedule III

	24000 Federal Flowthrough Fund	27000 State Flowthrough Fund	28000 State Direct Fund	Total
Cash per June 30, 2016 audit report	\$ (22,760)	\$ 420,433	\$ 1,265,147	\$ 1,662,820
Add:				
2016-17 revenues	<u>51,291</u>	<u>4,433,316</u>	<u>1,033,149</u>	<u>5,517,756</u>
Total cash available	28,531	4,853,749	2,298,296	7,180,576
Less:				
2016-17 expenditures	<u>(32,419)</u>	<u>(5,030,225)</u>	<u>(839,995)</u>	<u>(5,902,639)</u>
Total expenditures	(32,419)	(5,030,225)	(839,995)	(5,902,639)
Cash June 30, 2017	<u>\$ (3,888)</u>	<u>\$ (176,476)</u>	<u>\$ 1,458,301</u>	\$ 1,277,937
Add Investments @ STO				214,015
Total Cash balance per Books June 30, 2017				<u>\$ 1,491,952</u>

Bank balance end of year	\$ 2,111,997
Outstanding checks	(834,060)
Add Investments @ STO	214,015
Balance per Books, June 30, 2017	<u>\$ 1,491,952</u>

(This page intentionally left blank)

COMPLIANCE SECTION

(This page intentionally left blank.)



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

INDEPENDENT AUDITOR'S REPORT

Timothy M. Keller
New Mexico State Auditor
The Office of Management and Budget and
The Governing Board
Southwest Regional Education Cooperative #10
Truth or Consequences, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual fund and related budgetary comparisons presented as supplemental information of the Southwest Regional Education Cooperative as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise Southwest Regional Education Cooperative's basic financial statements, and the combining and individual funds and related budgetary comparisons of Southwest Regional Education Cooperative presented as supplemental information, and have issued our report thereon dated August 3, 2017.

Internal Control Over Financial Reporting

Management of Southwest Regional Education Cooperative #10 is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered Southwest Regional Education Cooperative #10's internal control over financial reporting to determine the auditing 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 Southwest Regional Education Cooperative #10'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 function, 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 a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

(This page intentionally left blank)

Our consideration of the internal control over 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 significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. We did identify any instances two material weaknesses identified as 2017-003 and 2017-004. During our audit, we identified three significant deficiency identified as 2016-001, 2017-001 and 2017-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Southwest Regional Education Cooperative #10's Response to Finding

Southwest Regional Education Cooperative #10's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Southwest Regional Education Cooperative #10's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.



Precision Accounting LLC
Albuquerque, New Mexico
August 3, 2017

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017

SECTION I - FINDINGS-FINANCIAL STATEMENT AUDIT

**2016-001 Lack of Support for Travel and Per Diem Reimbursements (Significant Deficiency)
(Repeated and Revised)**

CONDITION: During our test work of travel and per diem, we tested forty one (41) transactions; we noted a total of sixteen (16) exceptions that either had no supporting documentation or were non-compliant with DFA Rule 95-1. The total dollar amount of the (16) sixteen exceptions was \$7,863.02; however, \$2,188.36 was the amount in error related to approval by the Executive Director for reimbursement to attendees for conferences. There was limited progress made as the agency did implement the use of mileage logs but still need to provide training for staff on maintaining adequate supporting documentation.

CRITERIA: Department of Finance and Administration Rule 95-1, states that travel and per diem reimbursement requests must contain adequate and appropriate supporting documentation including: detailed receipts and management's approval.

EFFECT: The REC could potentially reimburse items that are not qualified expenses and be noncompliant with DFA 95-1.

CAUSE: The internal control procedures failed to identify missing or inadequate receipts.

RECOMMENDATION: We recommend that management review all travel and per diem reimbursement vouchers prior to the approval for disbursement to ensure the vouchers contain adequate and appropriate supporting documentation.

CLIENT RESPONSE: Effective August 31, 2017, the Executive Director will discuss procedure with all staff, IGA Bureau Staff to ensure that adequate documentation is provided with the travel reimbursement. When the IGA Bureau provides a reimbursement list (as they do for most of their IGA reimbursement) the SWREC will attached a copy of the approved bureau list to all reimbursements to show that it is approved to pay from the Bureau.

2017-001 Noncompliance with Fair Labor Standards Act (Significant Deficiency)

CONDITION: During our test work of related party transactions, we noted one (1) non-exempt employee who was not paid over time. The employee was entitled to 16 hours of overtime and was compensated at the regular hourly rate, not the overtime rate of time and one-half.

CRITERIA: The Fair Labor Standards Act (FLSA) states that all employees, unless exempt, must receive overtime pay for hours worked over 40 in a workweek at a rate not less than time and one-half their regular rates of pay.

CAUSE: The cause was a result of the employee being required to work a conference event hosted by the REC.

EFFECT: By not paying the employee the 16 hours of overtime it appears that the entity is in violation of the Fair Labor Standards Act (FLSA).

RECOMMENDATION: Precision Accounting, LLC recommends that the REC become compliant with the FLSA.

CLIENT RESPONSE: The Business Manager has reviewed and has paid the student for the 16 hours overtime noted. The student had a lot of down time with breaks that the management felt covered for the overtime hours. No time clock was available to clock in and out due to event being held off worksite. Effective August 3, 2017, the Business Manager will ensure that all hours worked over 40 hours are paid at time and a half.

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017

SECTION I - FINDINGS-FINANCIAL STATEMENT AUDIT continued.

2017-002 Noncompliance with School Personnel Act (Significant Deficiency)

CONDITION: During our test work of employees and contractors, we noted that not all professionals had licensure and background checks. There were no background checks done on new hires during the year under audit. Additionally, none of the previous employees had background checks on file.

CRITERIA: The School Personnel Act, NMSA 1978 Section 22-10A-1: “applies to teachers, school administrators, people who provide instructional support or supervision services, contractors, a contractor’s employee with unsupervised access to students at a public school and Medicaid personnel. We refer to these groups, collectively as “professionals”. The Act applies to school districts, charter schools and regional educational cooperatives. We refer to these collectively as “agencies”.”

CAUSE: The cause was a result of the REC not meeting their deadline to perform licensure and background checks on all professionals who fall under the School Personnel Act.

EFFECT: Without the proper licensure and background check process the agency is potentially endangering students and fellow school personnel. This can also lead to public funds being misused and lack of qualified professionals.

RECOMMENDATION: The REC is encouraged to perform all licensure and background checks on all professionals in order to be in compliance with the School Personnel Act.

CLIENT RESPONSE: The Executive Director has already implemented the background checks on all employees. The SWREC was grandfathered in and with the change in the School Personnel Act, NMSA 1978 Section 22-10A-1 the implementation started July 1, 2017.

2017-003 Noncompliance with Contracts (Material Weakness)

CONDITION: During the course of the audit it was noted that the entity was in noncompliance with contract requirements. It was noted that the entity overbilled the contracts by \$77,468 for the year under audit. There was also no supporting documentation to validate the overbilling nor was there evidence of approval from NM Public Education Department to bill in excess of the fiscal year 2016-2017 contracts.

CRITERIA: The intergovernmental agreements entered into by the REC and NM PED have guidelines and definitive amounts allowed for reimbursements.

CAUSE: Unknown.

EFFECT: By overbilling the contracts without supporting documentation this can cause the REC to lose future intergovernmental agreements and leaves them at risk for misappropriation of assets.

RECOMMENDATION: It’s recommended that the REC provide supporting documentation and comply with all rules set out by the intergovernmental agreements.

CLIENT RESPONSE: Response: Effective August 31, 2017, the Executive Director will ensure that all communication with NM PED on all IGA is via emails so that printed documentation will be available to cover any miscommunication.

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017

2017-004 Noncompliance with the Procurement Process of Cash Disbursements– Material Weakness

Condition: During test work over cash disbursements we noted thirty six (36) exceptions out of the sample population of two hundred and ninety three (293) which resulted in an error rate of 13%. It appears that these exceptions were a result of lacking of supporting documentation. When projected over the total amount of expenditures for the fiscal year under audit, this results in an error of \$759,470.92.

Criteria: NMSA 1978 section 6-5-2 the NM Procurement Code (13-1-28 to 13-1-199 NMSA 1978) require that 1) all invoicing must be performed in a timely manner and 2) support documents must accompany all expenses, be reviewed, and signed off by management prior to payment.

Cause: It appears that this may be due to an oversight in the review and approval of expenditures.

Effect: Without adequate supporting documentation there can be risks for unsupported or improper purchases with public funding and the potential to negatively affect fund budgets.

Recommendation: The District is encouraged to have all personnel in charge of preparing, reviewing, and approving disbursements perform a review of all supporting documents to ensure accuracy and appropriate payments for purchases and reimbursements.

Client Response: Effective August 31, 2013, the Business Manager and the Executive Director will review and communicate the internal controls procedures with all staff and the IGA Bureau Staff to ensure that proper and adequate documentation is provided before any disbursements has been released for reimbursement.

SECTION II - PRIOR YEAR AUDIT FINDINGS

FS 2016-001 Lack of Support for Travel and Per Diem reimbursements- Significant Deficiency repeated and revised

(This page intentionally left blank)

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
OTHER DISCLOSURES
YEAR ENDED JUNE 30, 2017

SECTION III - AUDITOR PREPARED FINANCIAL STATEMENTS

The REC has the capability of preparing, understanding and accepting responsibility for its own GAAP-basis financial statements, however, the REC's personnel do not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes with assistance from Southwest Regional Education Cooperative #10 for inclusion in the annual audit report. Management is responsible for the contents of this report.

SECTION IV - EXIT CONFERENCE

The contents of this report were discussed on August 3, 2017. The following individuals were in attendance.

Southwest Regional Education Cooperative #10
Vicki Chavez, Executive Director
Geraldyn Bennett, Business Manager
Randy Piper, Lordsburg Superintendent, Member

Precision Accounting LLC
Melissa R. Santistevan, CPA, CFE, CGMA, CICA
Alexandra Yebra, Senior Accountant
Abram Martin, Accounting Intern