

Southwest Regional Education Cooperative #10

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S**

**REPORT THEREON**

For the Fiscal Year Ended June 30, 2019

Southwest Regional Education Cooperative #10  
**TABLE OF CONTENTS**  
 June 30, 2019

	<u>PAGE</u>
<b>INTRODUCTORY SECTION:</b>	
Directory of officials	1
<b>FINANCIAL SECTION:</b>	
INDEPENDENT AUDITOR'S REPORT	2-4
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis	5-10
<b>BASIC FINANCIAL STATEMENTS:</b>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	11
Statement of Activities	12-13
<i>Fund Financial Statements:</i>	
Balance Sheet--Governmental Funds	14-15
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds	17-18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (NON-GAAP Budgetary Basis) General and Major Special Revenue Funds:	
General Fund	20
Medicaid	21
Dual LENM	22
PBIS	23
Strategic Outreach B11	24
Public Health	25
Center for Teaching Excellence	26
IDEA B State Directed	27
Notes to Basic Financial Statements	28-48
Fund Descriptions	49

## REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability of the Educational Retirement Board (ERB) Plan	50-51
Schedule of Contributions to the Educational Retirement Board (ERB) Pension Plan	52-53
Notes to Required Supplementary Information	54
Schedule of Proportionate Share of Net Other Postemployment Benefits Liability of the Retiree Health Care Authority (RHCA) Plan	55
Schedule of Contributions to the Retiree Health Care Authority (RHCA) Other Postemployment Benefit Plan	56
Notes to Required Supplementary Information	57

## OTHER SUPPLEMENTAL DATA

Combining Balance Sheet--Nonmajor Governmental Funds	58-61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Nonmajor Governmental Funds	62-65
Schedule of Depository Collateral	66
Schedule of Deposit Accounts and Investments	67
Schedule of Cash Receipts and Disbursements All Funds--By Public Education Department Classification	68
Schedule of Expenditures of Federal Awards	69
Notes to Schedule of Expenditures of Federal Awards	70

## ADDITIONAL REPORTING REQUIREMENTS:

Summary Schedule of Prior Audit Findings	71
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	72-73
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	74-75
Schedule of Findings and Questioned Costs	76-77

Southwest Regional Education Cooperative #10  
**DIRECTORY OF OFFICIALS**  
June 30, 2019

**School District Superintendents**

Truth of Consequences	Randy Piper
Deming	Arsenio Romero
Hatch	Linda Hale
Lordsburg	Steve Lucas
Reserve	Cindy Shellhorn
Animas	Loren R. Cushman
Cobre	Robert Mendoza

**Regional Education Center Officials**

Director	Vicki Chavez
Business Manager	Geralyn Bennett

MIKE STONE, C.P.A.  
LINDA STONE MCGEE, C.P.A.  
KAY STONE, C.P.A.  
KELLEY WYATT, C.P.A.

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## INDEPENDENT AUDITOR'S REPORT

Brian S. Colon, ESQ., State Auditor  
And  
Board of Superintendents  
Southwest Regional Education Cooperative #10  
Truth or Consequences, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Southwest Regional Education Cooperative #10, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Southwest Regional Education Cooperative #10's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Regional Education Cooperative #10 as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 5-10; information related to the Cooperative's pension plan presented on pages 50 to 54; and the Cooperative's information related to other postemployment benefits presented on pages 55 to 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Southwest Regional Education Cooperative #10's financial statements that collectively comprise the Cooperative's basic financial statements. The Schedule of Expenditures of Federal Awards as required by the Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards*, and the other schedules presented as other supplemental data as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the other supplemental data are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the other supplemental data are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2019, on our consideration of the Southwest Regional Education Cooperative #10's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southwest Regional Education Cooperative #10's internal control over financial reporting and compliance.

Stone, McGee & Co CPAs

Silver City, New Mexico  
September 19, 2019

Stone, McGee & Co.  
Certified Public Accountants

**STATE OF New Mexico SOUTHWEST REGIONAL  
EDUCATION COOPERATIVE #10  
MANAGEMENTS DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

The following is an overview of the financial condition for the Southwest Regional Education Cooperative #10 (Cooperative), for the fiscal year ended June 30, 2019. 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 \$4,183,016.67 for the year ending June 30, 2019; with an overall \$8,527,104.03 budget for the fiscal year 2018/2019. This represents support funding for member districts in the federal funding programs of Title I, II, Strategic Out Reach, Charter School Division 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 eleven through thirteen of this report.



**STATE OF NEW MEXICO SOUTHWEST REGIONAL  
EDUCATION COOPERATIVE #10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**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 spendable resources, as well as on balances of spendable 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, Medicaid, Dual LENM, PBIS, Strategic Outreach B11, Public Health, Center for Teaching Excellence, and IDEA State Directed 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 twenty through twenty-seven. The basic governmental fund financial statements can be found on page fourteen through nineteen 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-eight through forty-eight of this report.

**STATE OF NEW MEXICO SOUTHWEST REGIONAL  
EDUCATION COOPERATIVE #10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**Other Information**

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

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position, in the case of the Cooperative, assets exceeded liabilities by \$-370,736.00 at the close of the most recent fiscal year. Ninety-five percent of the Cooperative's net assets are composed of unrestricted net assets. The Cooperative uses these assets to provide various services to the member school districts, while grant reimbursement forms are being processed and paid.

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

FUND	BUDGET	ACTUAL- EXPENDITURES	VARIANCE
Operating	1,600,468.00	1,372,203.70	228,264.30
DVR/CREC	130,000.00	106,006.63	23,993.37
Charter Conference	0.00	0.00	0.00
CSD APP Review	120,000.00	57,961.23	62,038.77
State Directed Activity	337,474.00	337,474.00	0.00
Medicaid	2,237,545.00	1,523,777.59	713,767.41
DUAL LENM	1,443,100.48	1,396,860.52	46,239.96
IDEAL NM Sub Account	187,500.00	48,751.25	138,748.75
Literacy Bureau	506,287.00	320,960.41	185,326.59
Strategic Outreach B8	255,966.39	255,966.39	0.00
Strategic Outreach B9	304,486.65	303,555.74	930.91
Strategic Outreach B10	48,902.40	47,848.80	1,053.60
STEM Inspire 2019	24,646.90	17,386.11	7,260.79

STEM Initiative	105,840.00	105,466.20	373.80
Strategic Outreach Inspire	296,014.92	294,062.89	1952.03
Title I-IASA	18,829.49	18,829.49	0.00
Migrant	50,220.00	33,283.28	16,936.72
Title IA	41,040.00	13,338.00	27,702.00
PBIS	456,840.00	312,882.71	143,957.29
RDA	151,200.00	135,788.05	15,411.95
RDA 2 <sup>nd</sup> Tier	102,826.80	0.00	102,826.80
Strategic Outreach B11	25,596.00	25,596.00	0.00
ECET2 Project	29,400.00	29,400.00	0.00
Excellence in Teacher	52,920.00	52,920.00	0.00
<b>TOTAL</b>	<b>8,527,104.03</b>	<b>6,810,149.98</b>	<b>1,716,954.05</b>

**STATE OF NEW MEXICO SOUTHWEST REGIONAL  
EDUCATION COOPERATIVE #10  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

Financial Analysis of the Cooperative's Funds

Southwest Regional Education Cooperative's Net Assets

	Governmental Activities	
	06/30/19	06/30/18
<b>Assets:</b>		
Current and other assets	\$5,992,136	\$4,933,336
Capital assets, net of accumulated		
Depreciation	260,524	273,503
Deferred Outflow of resources	<u>3,105,616</u>	<u>2,411,158</u>
Total Assets and deferred inflows	\$9,358,276	\$5,206,839
<b>Liabilities:</b>		
Liabilities	9,007,955	7,178,393
Deferred inflow of resources	721,057	592,868
<b>Net Assets:</b>		
Invested in capital assets	\$260,524	\$273,503
Restricted-Education	1,479,452	1,593,035
Restricted-Social Service	4,342,862	2,975,202
Unrestricted	<u>(6,453,574)</u>	<u>(4,995,004)</u>
Total Net Assets	\$(370,736)	\$(153,264)

Capital Asses and Debt Administration

## Capital Assets

The Cooperative's investment in capital assets for the government as of June 30, 2019 amounts to \$260,524 net of accumulated depreciation).

This investment in capital assets includes equipment and vehicles. During the fiscal year, the Cooperative purchased one capital asset 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

	2019	2018
Equipment	\$260,524	\$273,503
Long-Term Debt		

As of June 30, 2019, the Cooperative did not have any long-term debt.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

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

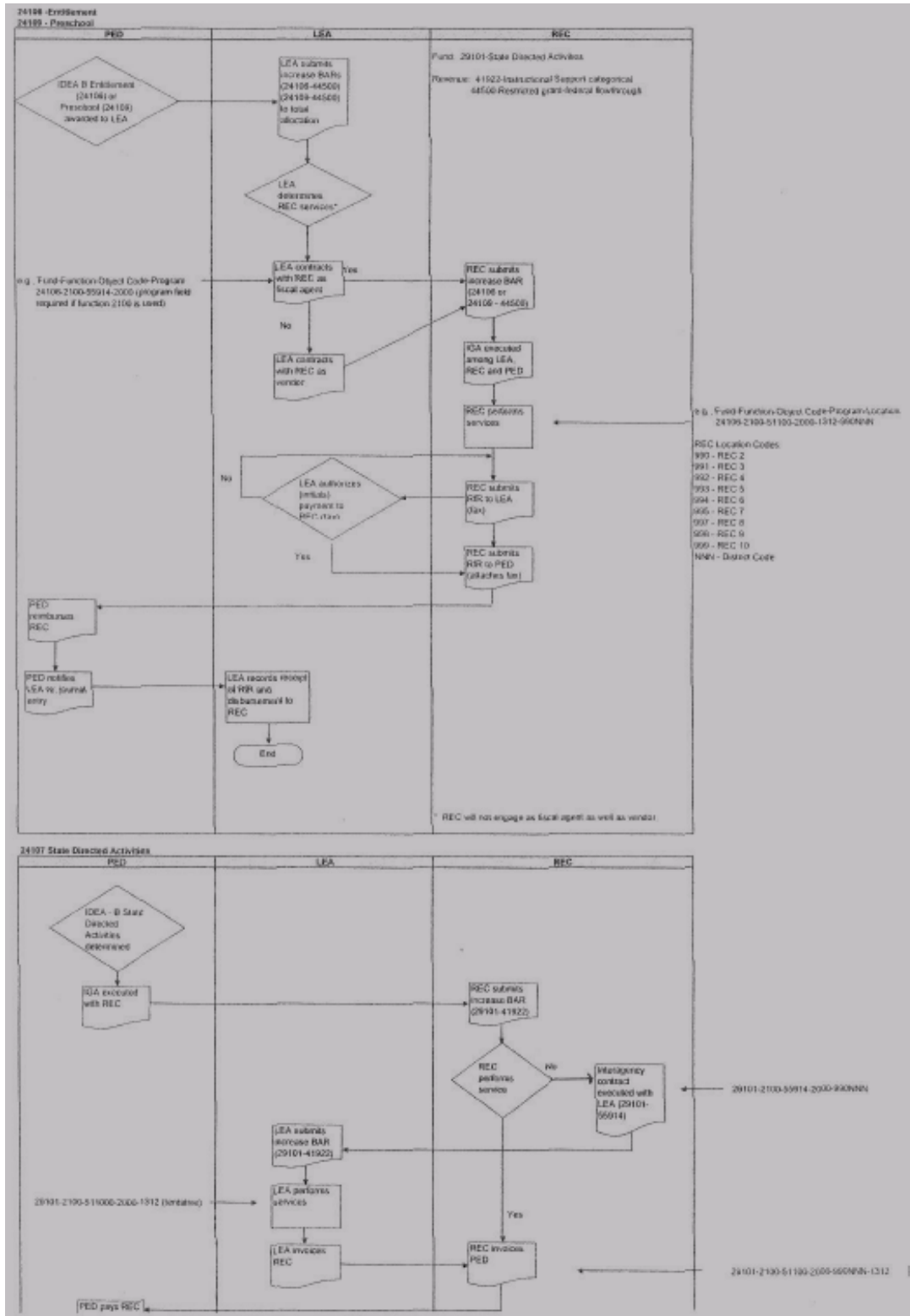
Our 2018-2019 operating budget was passed on an allocation from the State of New Mexico and indirect costs the SWREC received from various programs/grants we administer. Additional operating funding is based on \$19,000.00 membership fee from the seven districts to equal \$133,000.00, as well as the \$103,889.00 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.

SWREC -Vision Statement: Every child in New Mexico receives an excellent education

SWREC-Mission Statement: To inspire and develop people who collaborate and create the conditions for students to receive an excellent education.



Request for Information

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

Southwest Regional Education Cooperative # 10  
**STATEMENT OF NET POSITION**  
June 30, 2019

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 4,404,359
Due from other governments	1,587,777
	\$ 5,992,136
Capital assets:	
Furniture and equipment	\$ 357,753
Less accumulated depreciation	(97,229)
Total capital assets, net of depreciation	\$ 260,524
Total assets	\$ 6,252,660
<b>Deferred Outflows of Resources</b>	
Related to pensions	\$ 2,743,019
Related to other postemployment benefits	362,597
Total deferred outflows of resources	\$ 3,105,616
<b>Liabilities</b>	
Accounts payable	\$ 46,577
Compensated absences	69,303
Net pension liability	7,174,040
Net other postemployment benefits liability	1,718,035
Total liabilities	\$ 9,007,955
<b>Deferred Inflows of Resources</b>	
Unavailable revenue	\$ 136,301
Related to pensions	140,847
Related to other postemployment benefits	443,909
Total deferred inflows of resources	\$ 721,057
<b>Net Position</b>	
Net Investment in capital assets	\$ 260,524
Restricted for:	
Education	1,479,452
Social services	4,342,862
Unrestricted	(6,453,574)
Total net position	\$ (370,736)

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative # 10  
**STATEMENT OF ACTIVITIES**  
For the Fical Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Governmental activities:		
Instruction	\$ 96,200	\$ -
Support services - Students	1,085,780	
Support services - Instruction	4,620,246	
General administration	1,537,737	
School administration	312,476	
Central services	416,260	
Operation of plant	79,392	
	\$ 8,148,091	\$ -
 Total governmental activities		
General revenues:		
State aid		
Unrestricted investment earnings		
Loss on disposition of assets		
 Total general revenues and special items		
 Change in net position		
Net position, July 1, 2018		
Net position, June 30, 2019		

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

<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
\$ 96,200	\$ -	\$ -
1,085,780		-
2,772,645		(1,847,601)
924,301		(613,436)
312,476		-
89,245		(327,015)
12,299		(67,093)
<u>\$ 5,292,946</u>	<u>\$ -</u>	<u>\$ (2,855,145)</u>
		\$ 2,634,494
		3,179
		<u>\$ 2,637,673</u>
		\$ (217,472)
		<u>(153,264)</u>
		<u>\$ (370,736)</u>



Southwest Regional Education Cooperative #10  
**BALANCE SHEET--GOVERNMENTAL FUNDS**  
 June 30, 2019

	<u>General</u>	<u>Medicaid</u>	<u>Dual LENM</u>	<u>PBIS</u>
<b>Assets</b>				
Cash and investments	\$ 221,321	\$ 3,924,772	\$ 32,490	\$ -
Interfund receivables	1,071,371	156,512		
Due from other governments	76,195	267,183		180,034
Interest receivable				
<b>Total assets</b>	<u><u>\$ 1,368,887</u></u>	<u><u>\$ 4,348,467</u></u>	<u><u>\$ 32,490</u></u>	<u><u>\$ 180,034</u></u>
<b>Liabilities</b>				
Accounts payable	\$ 33,280	\$ 5,605	\$ -	\$ 7,692
Interfund payables				172,342
<b>Total liabilities</b>	<u><u>\$ 33,280</u></u>	<u><u>\$ 5,605</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 180,034</u></u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
<b>Total deferred inflows of resources</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>Fund balance:</b>				
Restricted for:				
Education	\$ 1,335,607	\$ -	\$ 32,490	\$ -
Social services		4,342,862		
Unassigned				
<b>Total fund balances</b>	<u><u>\$ 1,335,607</u></u>	<u><u>\$ 4,342,862</u></u>	<u><u>\$ 32,490</u></u>	<u><u>\$ -</u></u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u><u>\$ 1,368,887</u></u>	<u><u>\$ 4,348,467</u></u>	<u><u>\$ 32,490</u></u>	<u><u>\$ 180,034</u></u>

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

<u>Strategic Outreach B11</u>	<u>Public Health</u>	<u>Center for Teaching Excellence</u>	<u>IDEA B State Directed</u>	<u>Other Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 148,271	\$ 77,505	\$ 4,404,359
294,063	135,788	232,428		402,086	1,227,883
<u>294,063</u>	<u>135,788</u>	<u>232,428</u>	<u>148,271</u>	<u>479,591</u>	<u>7,220,019</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,577
294,063	135,788	232,428	11,970	381,292	1,227,883
<u>294,063</u>	<u>135,788</u>	<u>232,428</u>	<u>11,970</u>	<u>381,292</u>	<u>1,274,460</u>
\$ 8,183	\$ 250	\$ -	\$ 136,301	\$ 4,578	\$ 149,312
<u>8,183</u>	<u>250</u>	<u>-</u>	<u>136,301</u>	<u>4,578</u>	<u>149,312</u>
\$ -	\$ -	\$ -	\$ -	\$ 98,344	\$ 1,466,441
(8,183)	(250)			(4,623)	4,342,862
<u>(8,183)</u>	<u>(250)</u>	<u>-</u>	<u>-</u>	<u>93,721</u>	<u>(13,056)</u>
<u>294,063</u>	<u>135,788</u>	<u>232,428</u>	<u>148,271</u>	<u>479,591</u>	<u>7,220,019</u>

Southwest Regional Education Cooperative # 10  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
June 30, 2019

Total governmental fund balances \$ 5,796,247

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 260,524

Other long term assets are not available to pay for current period expenditures and are therefore deferred in the funds:  
Intergovernmental receivables subject to the 60 day availability period 13,011

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated absences	(69,303)
Net pension liability	(7,174,040)
Net other postemployment benefits liability	(1,718,035)

Deferred outflows and inflows or resources related to revenues, pensions and other postemployment benefits are applicable to future periods and therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	2,743,019
Deferred inflows of resources related to pensions	(140,847)
Deferred outflows of resources related to postemployment benefits	362,597
Deferred inflows of resources related to postemployment benefits	<u>(443,909)</u>

*Net position of governmental activities* \$ (370,736)

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

Southwest Regional Education Cooperative # 10  
**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**  
For The Fiscal Year Ended June 30, 2019

	<u>General Fund</u>	<u>Medicaid</u>	<u>Dual LENM</u>	<u>PBIS</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ 320,575
State sources	1,294,416	2,729,064	1,409,182	
Local sources				
Earnings on investments	<u>3,179</u>			
 Total revenues	<u>\$ 1,297,595</u>	<u>\$ 2,729,064</u>	<u>\$ 1,409,182</u>	<u>\$ 320,575</u>
 Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services - Students		1,085,780		
Support services - Instruction	707,576		1,396,860	
General administration	439,926	174,080		320,575
School administration				
Central services	189,515	89,245		
Operation of plant	67,093	12,299		
Other support services				
Capital outlay	<u>5,553</u>			
 Total expenditures	<u>\$ 1,409,663</u>	<u>\$ 1,361,404</u>	<u>\$ 1,396,860</u>	<u>\$ 320,575</u>
 Revenues over (under) expenditures	\$ (112,068)	\$ 1,367,660	\$ 12,322	\$ -
 Fund balance, July 1, 2018	<u>1,447,675</u>	<u>2,975,202</u>	<u>20,168</u>	
 Fund balance, June 30, 2019	<u>\$ 1,335,607</u>	<u>\$ 4,342,862</u>	<u>\$ 32,490</u>	<u>\$ -</u>

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

<u>Strategic Outreach B11</u>	<u>Public Health</u>	<u>Center for Teaching Excellence</u>	<u>IDEA B State Directed</u>	<u>Other Funds</u>	<u>Governmental Funds Total</u>
285,880	\$ 135,538	\$ - 321,456	\$ 341,284	\$ 64,201 1,012,833	\$ 861,598 7,052,831 -
					3,179
<u>\$ 285,880</u>	<u>\$ 135,538</u>	<u>\$ 321,456</u>	<u>\$ 341,284</u>	<u>\$ 1,077,034</u>	<u>\$ 7,917,608</u>
\$ -	\$ -	\$ -	\$ -	\$ 96,200	\$ 96,200
272,280		308,607		794,898	1,085,780
21,783	135,788	12,849	28,809 312,476	217,406	3,480,221
					1,351,216
					312,476
					278,760
					79,392
					-
					5,553
<u>\$ 294,063</u>	<u>\$ 135,788</u>	<u>\$ 321,456</u>	<u>\$ 341,285</u>	<u>\$ 1,108,504</u>	<u>\$ 6,689,598</u>
\$ (8,183)	\$ (250)	\$ -	\$ (1)	\$ (31,470)	\$ 1,228,010
			1	125,191	4,568,237
<u>\$ (8,183)</u>	<u>\$ (250)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,721</u>	<u>\$ 5,796,247</u>

Southwest Regional Education Cooperative # 10  
**RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ 1,228,010

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

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

Capital outlay	5,553
Depreciation expense	(18,532)

Governmental funds recognize revenue only if collected within 60 days of year-end. However, in the Statement of Activities, revenue is recorded as earned. This is the net change for the year:

Intergovernmental receivables not collected with in 60 days	13,011
---	--------

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

Pension contributions	271,948
Cost of benefits earned net of employee contributions	(1,688,994)

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

Post employment benefit contributions	39,426
Cost of benefits earned net of employee contributions	(66,163)

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

(1,731)

*Change in Net Position of Governmental Activities*

\$ (217,472)

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

Southwest Regional Education Cooperative #10  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 1,600,468	\$ 1,600,468	\$ 1,384,942	\$ (215,526)
Local sources				-
Interest income				-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total revenues	<u>\$ 1,600,468</u>	<u>\$ 1,600,468</u>	<u>\$ 1,384,942</u>	<u>\$ (215,526)</u>
Expenditures:				
Current:				
Support services - Instruction	\$ 730,531	\$ 725,753	\$ 681,331	\$ 44,422
Support services - Students				-
General administration	508,816	490,965	445,625	45,340
Central services	207,624	244,140	189,515	54,625
Operation of plant	153,497	133,610	61,844	71,766
Other support services				-
Capital outlay		6,000	5,553	447
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total expenditures	<u>\$ 1,600,468</u>	<u>\$ 1,600,468</u>	<u>\$ 1,383,868</u>	<u>\$ 216,600</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,074</u>	<u>\$ 1,074</u>
Other financing sources (uses)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ 1,074	\$ 1,074
Fund balance, July 1, 2018	<u>1,055,831</u>	<u>1,055,831</u>	<u>1,055,831</u>	<u>-</u>
Fund balance, June 30, 2019	<u><u>\$ 1,055,831</u></u>	<u><u>\$ 1,055,831</u></u>	<u><u>\$ 1,056,905</u></u>	<u><u>\$ 1,074</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (112,068)	
Revenue accruals (net)			87,347	
Expenditure accruals (net)			<u>25,795</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 1,074</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10  
**SPECIAL REVENUE FUND - MEDICAID**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For The Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 2,237,545	\$ 2,237,545	\$ 2,586,764	\$ 349,219
Interest income				-
 Total revenues	 <u>\$ 2,237,545</u>	 <u>\$ 2,237,545</u>	 <u>\$ 2,586,764</u>	 <u>\$ 349,219</u>
Expenditures:				
Current:				
Support services - Students	\$ 1,958,394	\$ 1,821,849	\$ 1,257,737	\$ 564,112
General administration	144,500	281,381	168,475	112,906
Central services	116,951	115,606	89,245	26,361
Operation of plant	17,700	18,709	12,299	6,410
Capital outlay				-
 Total expenditures	 <u>\$ 2,237,545</u>	 <u>\$ 2,237,545</u>	 <u>\$ 1,527,756</u>	 <u>\$ 709,789</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,059,008</u>	<u>\$ 1,059,008</u>
Other financing sources (uses)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ 1,059,008	\$ 1,059,008
Fund balance, July 1, 2018	<u>3,022,276</u>	<u>3,022,276</u>	<u>3,022,276</u>	<u>-</u>
Fund balance, June 30, 2019	<u><u>\$ 3,022,276</u></u>	<u><u>\$ 3,022,276</u></u>	<u><u>\$ 4,081,284</u></u>	<u><u>\$ 1,059,008</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 1,367,660	
Revenue accruals (net)			(142,300)	
Expenditure accruals (net)			<u>(166,352)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 1,059,008</u></u>	

The accompanying notes are an integral part of these financial statements



Southwest Regional Education Cooperative #10  
**SPECIAL REVENUE - DUAL LENM**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
For The Fiscal Year Ended June 30, 2019

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 1,443,100	\$ 1,443,100	\$ 1,418,000	\$ (25,100)
Expenditures:				
Current:				
Support services - Instruction	1,443,100	1,443,100	1,396,860	46,240
Net change in fund balance	\$ -	\$ -	\$ 21,140	\$ 21,140
Fund balance, July 1, 2018			11,350	11,350
Fund balance, June 30, 2019	\$ -	\$ -	\$ 32,490	\$ 32,490
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 12,322	
Revenue accruals (net)			8,818	
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			\$ 21,140	

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

Southwest Regional Education Cooperative #10  
**SPECIAL REVENUE FUND - PBIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For The Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 283,176	\$ 456,840	\$ 140,541	\$ (316,299)
Expenditures:				
Current:				
General administration	\$ 283,176	\$ 456,840	\$ 312,883	\$ 143,957
Capital outlay				-
Total expenditures	<u>\$ 283,176</u>	<u>\$ 456,840</u>	<u>\$ 312,883</u>	<u>\$ 143,957</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (172,342)</u>	<u>\$ (172,342)</u>
Other financing sources (uses)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (172,342)	\$ (172,342)
Fund balance, July 1, 2018				-
Fund balance, June 30, 2019	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (172,342)</u></u>	<u><u>\$ (172,342)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(180,034)	
Other financing sources (net)			7,692	
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (172,342)</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10  
**SPECIAL REVENUE FUND - STRATEGIC OUTREACH B11**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For The Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 296,015	\$ 296,015	\$ -	\$ (296,015)
Expenditures:				
Current:				
Support services - Instruction	\$ 272,334	\$ 272,334	\$ 272,280	\$ 54
General administration	23,681	23,681	21,783	1,898
Capital outlay				-
Total expenditures	<u>\$ 296,015</u>	<u>\$ 296,015</u>	<u>\$ 294,063</u>	<u>\$ 1,952</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (294,063)</u>	<u>\$ (294,063)</u>
Other financing sources (uses)				
Transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (294,063)	\$ (294,063)
Fund balance, July 1, 2018				-
Fund balance, June 30, 2019	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (294,063)</u></u>	<u><u>\$ (294,063)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (8,183)	
Revenue accruals (net)			(285,880)	
Other financing sources (net)				
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (294,063)</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10  
**SPECIAL REVENUE FUND -PUBLIC HEALTH**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For The Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 151,200	\$ 151,200	\$ -	\$ (151,200)
Expenditures:				
Current:				
Support services - Instruction	\$ -	\$ -	\$ -	\$ -
General administration	151,200	151,200	135,788	15,412
Total expenditures	<u>\$ 151,200</u>	<u>\$ 151,200</u>	<u>\$ 135,788</u>	<u>\$ 15,412</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (135,788)</u>	<u>\$ (135,788)</u>
Other financing sources (uses)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (135,788)	\$ (135,788)
Fund balance, July 1, 2018	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fund balance, June 30, 2019	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (135,788)</u></u>	<u><u>\$ (135,788)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (250)	
Revenue accruals (net)			(135,538)	
Other financing sources (net)				
Expenditure accruals (net)			<u>                    </u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (135,788)</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10  
**SPECIAL REVENUE FUND - CENTER FOR TEACHING EXCELLENCE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For The Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 506,287	\$ 506,287	\$ 89,028	\$ (417,259)
Expenditures:				
Current:				
Support services - Instruction	\$ 486,814	\$ 486,814	\$ 308,607	\$ 178,207
General administration	19,473	19,473	12,849	6,624
Total expenditures	<u>\$ 506,287</u>	<u>\$ 506,287</u>	<u>\$ 321,456</u>	<u>\$ 184,831</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (232,428)</u>	<u>\$ (232,428)</u>
Other financing sources (uses)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (232,428)	\$ (232,428)
Fund balance, July 1, 2018	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fund balance, June 30, 2019	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (232,428)</u></u>	<u><u>\$ (232,428)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(232,428)	
Other financing sources (net)				
Expenditure accruals (net)			<u>                    </u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (232,428)</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10  
**SPECIAL REVENUE FUND - IDEA B STATE DIRECTED**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For The Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 337,474	\$ 337,474	\$ 314,053	\$ (23,421)
Expenditures:				
Current:				
General administration	\$ 24,998	\$ 24,999	\$ 24,999	\$ -
Support services - School admin	312,476	316,286	316,286	
Total expenditures	<u>\$ 337,474</u>	<u>\$ 341,285</u>	<u>\$ 341,285</u>	<u>\$ -</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (3,811)</u>	<u>\$ (27,232)</u>	<u>\$ (23,421)</u>
Other financing sources (uses)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ (3,811)	\$ (27,232)	\$ (23,421)
Fund balance, July 1, 2018	<u>175,503</u>	<u>175,503</u>	<u>175,503</u>	<u>-</u>
Fund balance, June 30, 2019	<u><u>\$ 175,503</u></u>	<u><u>\$ 171,692</u></u>	<u><u>\$ 148,271</u></u>	<u><u>\$ (23,421)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (1)	
Revenue accruals (net)			(27,231)	
Other financing sources (net)				
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (27,232)</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Center #10  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

**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.

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 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.

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

**A. Reporting Entity**

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

Education Cooperative had no component units.

## **B. Basis of Presentation**

### *Government-wide Financial Statements:*

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

### *Fund Financial Statements:*

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

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

The funds of the financial reporting entity are described below:

### **Governmental Funds**

#### *General Fund:*

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

#### *Special Revenue Funds*

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

#### *Major-Fund Description*

#### *Special Revenue Funds:*

*Medicaid* - To account for the federal revenues and expenditures to provide health related services to students receiving special education as well as for outreach and cash 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.).

*Dual LENM* - To account for the grant from the dual language of New Mexico to provide support to schools in implementing dual language education. Authorization is the New Mexico Public Education Department.

*Title I (PBIS and Public Health)* - These funds are used to account for specific federal programs administered by the New Mexico Department of Education to provide assistance to educationally deprived students in low-income areas. Required by the New Mexico Department of Education Manual of Procedures to be accounted for as separate funds within the Special Revenue Funds (P.L. 103-382).

*Strategic Outreach B-11* – To account for the State Grant to develop and execute contractual agreements with qualified New Mexico Public Education Department (PED) approved organizations and/or individuals to provide support, technical assistance, training, monitoring, reporting and event planning to include maintenance of registration website pre/post arrangements of events in support of Family Programs and teacher outreach initiatives to New Mexico districts and schools. Authorization is the NMPED.

*Center for Teaching Excellence* – To account for the State resources administered by the New Mexico Department of Education for the training and related improvements to teacher skills. Authorization is the New Mexico Department of Education.

*IDEA B State Directed* – to account for the federal grant passed through the New Mexico Public Education Department to support students with disabilities. Authorization is the New Mexico Public Education Department, through P.L. 94-142 and P.L. 99-457.

### **C. Measurement Focus and Basis of Accounting**

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

#### **Measurement Focus**

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

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

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflow of resources, liabilities and deferred inflow of resources are generally included in their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The government-wide financial statements utilize an “economic resources

measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflow of resources, liabilities and deferred inflow of resources (whether current or noncurrent) associated with their activities are reported.

Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized when the earning process is complete.

### ***Basis of Accounting***

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### 1. Accrual:

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

#### 2. Modified Accrual:

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

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

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

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

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

The Regional Education Cooperative does not allocate indirect costs.

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

#### **D. Budgets**

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

These budgets are prepared on the NON-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

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

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

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

1. In April or May, the Executive Director submits a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
2. In May or June, the budget is approved by the Members.
3. The Executive Director is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Members and the State of New

Mexico Public Education Department.

4. Formal budgetary integration is employed as a management control device during the year for the Special Revenue Funds.
5. Budgets for the Special Revenues Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.

The Members may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2019 was properly amended by the Board through the year.

**E. Cash and Investments**

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

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

**F. Capital Assets**

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

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

**G. Compensated Absences**

The Regional Education Cooperative's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current

portion of this debt is not estimable. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. These liabilities have typically been liquidated from General Fund Resources.

**H. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then. The Government has deferred outflows of resources related to pension funding, as discussed in Note 5, and related to other postemployment benefits, as discussed in Note 6.

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

	<u>State Directed</u>
Advances received under expenditure driven grant	\$ 136,301

In addition, the Government has deferred inflows of resources related to pension funding, as discussed in Note 5, and related to other postemployment benefits as discussed in Note 6.

**I. Equity Classifications**

*Government-wide Statements*

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

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

- c. Unrestricted net position - all other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

### *Fund Statements*

The Cooperative has implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

### **J. Interfund Activity**

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

reconciliation to the government-wide financial statements.

**K. Use of Estimates**

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

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the government’s deposits may not be returned to it. The government does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2019, \$-0- of the Governments bank balance of \$4,550,186 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		<u>\$ -0-</u>
	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	\$ 250,000	\$ 250,000
Collateral held by the pledging bank agent in the Cooperative’s name	4,300,186	3,933,038
Uninsured	<u>-0-</u>	<u>-0-</u>
	<u>\$ 4,550,186</u>	<u>\$ 4,183,038</u>

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

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

The pool does not have unit shares. Per Section 6-10-10.IF, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested.

Investments are valued at amortized cost.

Participation in the pool is voluntary. The Cooperative has \$221,321 on deposit in the pool at June 30, 2019, which is AAAM rated with a weighted average maturity of 35 days (WAM(R) and 112 days (WAM(F)).

Note 3 Capital Assets

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

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>
<u>Assets Being Depreciated</u>				
Furniture and equipment	\$ 352,200	\$ 5,553	\$ -0-	\$ 357,753
Less accumulated depreciation	<u>(78,697)</u>	<u>(18,532)</u>	<u>-0-</u>	<u>(97,229)</u>
Net capital assets	<u>\$ 273,503</u>	<u>\$ (12,979)</u>	<u>\$ -0-</u>	<u>\$ 260,524</u>

Depreciation expense was charged to the governmental activities as follows:

Support Services – Instructional support	<u>\$ 18,532</u>
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Note 4 Risk Management

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

Note 5 Pension Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

**Plan Description** – ERB was created by the State’s Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational



Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the State's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico Legislature has the authority to set or amend contribution rates.

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

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

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

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

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:

- The member's minimum age of 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.

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

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal

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

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

**Contributions** – The contribution requirements of defined benefit plan members and the Southwest Regional Education Cooperative #10 are established in state statute under Chapter 10, Article 11, NMSA, 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2019 employers contributed 13.90% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. Contributions to the pension plan from the Southwest Regional Education Cooperative #10 were \$241,948 for the year ended June 30, 2019.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension** - The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2018. At June 30, 2019, the Southwest Regional Education Cooperative #10 reported a liability of \$7,174,040 for its proportionate share of the net pension liability. The Southwest Regional Education Cooperative #10's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2018. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2018, the Southwest Regional Education Center #10's proportion was .06033 percent, which was an increase of .0114 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Southwest Regional Education Cooperative #10

recognized pension expense of \$1,688,994. At June 30, 2019, the Southwest Regional Education Cooperative #10 reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ 5,236	\$ 136,534
Changes of assumptions	1,478,536	-
Net difference between projected and actual earnings on pension plan investments	15,881	
Changes in proportion and differences between the Cooperative's contributions and proportionate share of contributions	971,418	4,313
Southwest Regional Education Cooperative #10 Contributions subsequent to the measurement date	<u>271,948</u>	<u>-</u>
Total	<u>\$2,743,019</u>	<u>\$ 140,847</u>

\$271,948 reported as deferred outflows of resources related to pensions resulting from Southwest Regional Education Cooperative #10 contributions subsequent to the measurement date, June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:

2020	\$ 1,279,358
2021	916,683
2022	133,972
2023	211

**Actuarial assumptions** – as described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2018 using generally accepted actuarial principles. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. Specifically, the liabilities measured as of June 30, 2018 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70%.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if

they retire before age 55 and their COLA will be deferred until age 67.

3. COLA's for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 21, 2017 in conjunction with the six-year experience study period ending June 30, 2016.

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

Actuarial Cost Method	Entry Age Normal
Single Discount Rate	5.69%
Inflation	2.5%
Salary Increases	Composition: 2.5% inflation, plus .75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.25%
Retirement Age	Experience based table of age and service rates
Mortality	Healthy males - RP-2000 Combined mortality Table with White collar adjustment using Scale BB from base Year 2000.  Healthy females – GRS Southwest Region Teacher mortality table set back one year using scale BB from base year 2012.

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) Rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) Application of key economic projections (inflation, real growth, dividends, etc.), and 3) Structural themes (supply and demand imbalances, capital flows, etc). These items are developed for each major asset class.

**Discount Rate** – A single discount rate of 5.69% was used to measure the total ERB pension liability as of June 30, 2019. This single discount rate was based on the expected rate of return on pension plan investments of 7.25%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were sufficient to finance all projected future benefit payments through the year 2050. Therefore, the long-term expected rate of return on Plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

**Sensitivity of the Southwest Regional Education Cooperative #10 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2018. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (4.69%) or one percentage point higher (6.69%) than the single discount rate.

	1% Decrease (4.69%)	Current Discount Rate (5.90%)	1% Increase (6.69%)
Southwest Regional Education Cooperative #10 proportionate share of the net pension liability	\$ 9,323,504	\$7,174,040	\$5,420,211

**Pension Plan Fiduciary Net Position** – Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2018 and 2017 which are publicly available at [www.nmerb.org](http://www.nmerb.org).

Note 6 Retiree Health Care Plan

Summary of Significant Accounting Policies

For purposes of measuring the net other postemployment benefits liability (OPEB) deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Authority (RHCA) and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Health Care Plan

The New Mexico Retiree Health Care Authority (the Authority) was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Retiree Health Care Fund (the Fund) under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

RHCA issues a publicly available financial report and a comprehensive annual financial

report that can be obtained at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us), or by contacting the New Mexico Retiree Health Care Authority at 4308 Carlisle N.E., Albuquerque, N.M. 87107.

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

The plan has 299 participating employers and 156,025 current members, including active employees, terminated eligible members, retirees, and surviving spouses. As of June 30, 2018, membership in the plan consists of the following:

Plan membership:

Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	<u>93,349</u>
	<u>156,025</u>

Active membership:

State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>93,349</u>

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

Employer and employee contributions to the Authority total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Authority.

Current retirees are required to make monthly contributions for individual basic medical coverage. The Board may designate other plans as "optional coverages". See Section 10-7C-13 NMSA 1978 for more details.

The plan's actuarial valuation and measurement of the net OPEB liability and other OPEB amounts were performed by the Authority's independent actuary as of June 30, 2017 and rolled forward to a measurement date of June 30, 2018. The plan's valuation and measurement of the total OPEB liability and related net OPEB liability were performed in accordance with GASB No. 74. The components of the net OPEB liability as of June 30,

2018 are as follows:

	<u>June 30, 2018</u>
Total OPEB liability	\$ 5,006,011,109
Plan fiduciary net position	<u>(657,656,294)</u>
Net OPEB liability	<u>\$ 4,348,354,815</u>
Plan fiduciary net position as a percentage of the total OPEB liability (funded status)	13.14%

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits

The Southwest Regional Education Cooperative No. 10 reported a liability of \$1,718,035 for its proportionate share of the net OPEB liability at June 30, 2019. The Cooperative's proportion of the net OPEB liability based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2018. At June 30, 2018, the Cooperative's proportion was .03951 percent, an increase of .00711 over June 30, 2017.

For the year ended June 30, 2019, the Cooperative recognized OPEB expense of \$66,163. At June 30, 2019, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$	\$ 101,719
Net difference between projected and actual earnings on plan investments		21,440
Changes in proportion	323,171	
Changes of assumptions		320,750
The Cooperative's contributions subsequent to the measurement date	<u>39,426</u>	<u>          </u>
Total	<u>\$ 362,597</u>	<u>\$ 443,909</u>

\$39,426 reported as deferred outflows of resources related to OPEB resulting from The Cooperative contributions subsequent to the measurement date, June 30, 2018 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related

to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2020	\$(44,320)
2021	(44,320)
2022	(44,320)
2023	(18,633)
2024	30,855

Actuarial Valuation

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2016 and the ERB actuarial experience study as of June 30, 2016. The following actuarial assumptions were applied to the actuary's measurement:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.50% to 12.5%, based on years of service and inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA Members: RP-2000 Combined Healthy Mortality.

Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to



produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Rate of Return</u>
U.S. Core Fixed Income	20%	2.1%
U.S. Equity – Large Cap	20%	7.1%
Non U.S. – Emerging Markets	15%	10.2%
Non U.S. – Developed Equities	12%	7.8%
Private Equity	10%	11.8%
Credit and Structured Finance	10%	5.3%
Real Estate	5%	4.9%
Absolute Return	5%	4.1%
U.S. Equity – Small/Mid Cap	3%	7.1%

#### Discount Rate

The discount rate used to measure the total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.87%) was applied. Thus 4.08% is the blended discount rate.

#### Sensitivity of the Net Cooperative's OPEB Liability

The following presents the Cooperative's net OPEB liability, calculated using the discount rate of 4.08%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
<u>(3.08%)</u>	<u>(4.08%)</u>	<u>(5.08%)</u>
\$2,079,227	\$1,718,035	\$1,433,335

#### Note 7 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, 2019, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Southwest Regional Education Cooperative #10.

Note 8 Joint Powers Agreement

The Regional Education Cooperative #10 participated in joint powers agreements with its member schools.

Note 9 Interfund Transactions

	<u>Interfund Receivable</u>		
	<u>General</u>	<u>Medicaid</u>	<u>Total</u>
<u>Interfund Payable</u>			
PBIS	\$ 172,342	\$ -	\$ 172,342
Strategic Outreach B811	294,063		294,063
Public Health	-0-	135,788	135,788
Center for Teaching Excellence	232,428		232,428
IDEA B State Directed	11,970		11,970
Other Funds	<u>360,568</u>	<u>20,724</u>	<u>381,292</u>
	<u>\$ 1,071,371</u>	<u>\$ 156,512</u>	<u>\$ 1,227,883</u>

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

Note 10 Compensated Absences

Compensated absence activity was as follows for the year ended June 30, 2019:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>
Compensated absences	<u>\$ 67,572</u>	<u>\$ 17,585</u>	<u>\$ 15,854</u>	<u>\$ 69,303</u>

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

Note 11 Restricted Net Position

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

Social Services:	
Medicaid	<u>\$4,342,862</u>
Education:	
General	\$1,348,618
Other	<u>130,834</u>
Total Education	<u>\$1,479,452</u>
Total Restricted Net Position	<u>\$5,822,314</u>

Note 12 Evaluation of Subsequent Events

The Cooperative has evaluated subsequent events through September 19, 2019, the date which the financial statements were available to be issued.

Note 13 Deficit Fund Balances

The District has the following Non-Major Funds deficit fund balances at June 30, 2019:

DVR-CREC	\$ (18)
Stem Initiative	(4,102)
Charter Conferences	(26)
Strategic Outreach	(45)
Migrant Children Education	(432)

Fund balance deficits occur through the application of modified accrual accounting to cash basis budgeting. As funds are received in the subsequent year, or transfers are made, the deficit fund balances will be eliminated.

Note 14 Tax Abatement Disclosures

The Cooperative has no need to make any tax abatement disclosures as required by Governmental Accounting Standards Board Statement 77, since no abatements exist.



## SPECIAL REVENUE FUNDS

**21<sup>st</sup> Century** – To account for federal resources administered by the NM State Department of Education (NMPED) 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.

**IDEAL NM** – To account for State grant revenue for innovative digital education and learning to New Mexico K-12 schools. Authorization is NMPED.

**Priority Schools** – To account for the State grant revenues used to train and equip teachers. Authorization is the NMPED.

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

**Federal Title I and I-A** – Fund used to account for federal resources administered by the NMPED to provide assistance to educationally deprived students in low-income areas of school districts. Authorization is P.L. 103-382.

**Migrant Children Education** – Fund used to account for federal resources administered by the NMPED to enhance the educational opportunities and experiences of migrant children.

**Excellence in Teaching**

**ECET2 Project**

**DVR-CREC**

**Charter Conferences**

**Options for Parents**

**CCCSO**

**Sponsorship**

**Strategic Outreach B8, B9, B10 and New** – Each of these funds is used to account for the State grants from NMPED to support teachers, and to provide meetings and training sessions. Authorization is the NMPED.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Southwest Regional Education Cooperative #10's proportion of the net pension liability	.06033%	.04893%	.03850%
Southwest Regional Education Cooperative #10's proportionate share of the net pension liability	\$ 7,174,040	\$ 5,437,820	\$ 2,770,627
Southwest Regional Education Cooperative #10's covered payroll	\$ 1,954,851	\$ 1,685,996	\$ 1,442,301
Southwest Regional Education Cooperative #10's proportionate share of the net pension liability as a percentage of its covered payroll	366%	323%	192%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	52.95%	61.58%

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

<u>2016</u>	<u>2015</u>
.03883%	.03601%
\$ 2,515,123	\$ 2,054,625
\$ 1,060,183	\$ 992,446
237%	207%
63.97%	66.54%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 271,948	\$ 234,353	\$ 193,701
Contributions in relation to contractually required contributions	<u>271,948</u>	<u>234,353</u>	<u>193,701</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Southwest Regional Education Cooperative #10's covered payroll	 \$ 1,953,851	 \$ 1,685,996	 \$ 1,442,301
 Contributions as a percentage of Covered payroll	 13.90%	 13.90%	 13.43%

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



<u>2016</u>	<u>2015</u>
\$ 153,215	\$ 153,262
<u>153,215</u>	<u>153,262</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 1,060,183	\$ 1,103,897
14.45%	13.88%

Southwest Regional Education Cooperative #10  
**NOTES TO REQUIRED EDUCATIONAL RETIREMENT BOARD (ERB)**  
**SUPPLEMENTARY INFORMATION**  
For the Fiscal Year Ended June 30, 2019

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

**Changes of Assumptions**

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study for period ending June 30, 2016, presented to the Board of Trustees on April 21, 2017, ERB implemented the following changes in assumptions for the fiscal year 2017 that are also applicable to fiscal year 2018:

1. Fiscal year 2017 valuation assumptions that changed based on this study:
  - a. Lower inflation assumption from 3.00% to 2.50%
  - b. Lower payroll growth from 3.50% to 3.00%
  - c. Wage inflation rate from 3.75% to 3.25%
  - d. Investment return assumption from 7.75% to 7.25%
  - e. Annual assumed COLA from 2.00% to 1.9%

All other assumptions remain unchanged.

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

Southwest Regional Education Cooperative #10  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER  
 POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY OF THE  
 RETIREE HEALTH CARE AUTHORITY (RHCA) PLAN  
 LAST 10 FISCAL YEARS\*

	2019	2018
Southwest Regional Education Cooperative #10's proportion of the net OPEB liability	.03951%	.03247%
Southwest Regional Education Cooperative #10's share of the OPEB liability	\$ 1,718,035	\$ 1,471,434
Southwest Regional Education Cooperative #10's covered employee payroll	\$ 1,971,329	\$ 1,686,996
Southwest Regional Education Cooperative #10's proportionate share of the net OPEB liability as a percentage of it covered employee payroll	87.15%	87.22%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

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

Southwest Regional Education Cooperative #10  
 SCHEDULE OF CONTRIBUTIONS  
 RETIREE HEALTH CARE AUTHORITY (RHCA) PLAN  
 LAST 10 FISCAL YEARS\*

	2019	2018
Contractually required contributions	\$ 39,426	\$ 33,720
Contributions in relation to contractually required contributions	(39,426)	(33,720)
Contribution deficiency (excess)	\$ -	\$ -
Southwest Regional Education Cooperative #10's covered employee payroll	\$ 1,971,329	\$ 1,686,996
Southwest Regional Education Cooperative #10's contributions as a percentage of its covered employee payroll	2%	2%

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

Southwest Regional Education Cooperative #10  
**NOTES TO REQUIRED RETIREE HEALTH CARE AUTHORITY (RHCA)**  
**SUPPLEMENTARY INFORMATION**  
For the Fiscal Year Ended June 30, 2019

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

**Changes of Assumptions**

RHCA conducted an actuarial experience study for the Plan as of June 30, 2017. The mortality, retirement, disability, turnover and salary increase assumptions are based on the Public Employees Retirement Association (PERA) of New Mexico Actuarial Valuation as of June 30, 2016, and the New Mexico Educational Retirement Board (ERB) Actuarial Experience Study as of June 30, 2016. Changes in those assumptions as they relate to the Southwest Regional Education Cooperative #10 are detailed in the ERB notes to supplementary information included elsewhere in this report.

1. Fiscal year 2018 valuation assumptions are as follows:
  - a. Inflation assumptions 2.50% for ERB, 2.25% for PERA
  - b. Investment return assumption 7.25%
  - c. Health care trend 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information about the Health Care Plan**.

Southwest Regional Education Cooperative #10  
**COMBINING BALANCE SHEET-**  
**NONMAJOR FUNDS**  
June 30, 2019

	<u>ECET2 Project</u>	<u>Ideal NM</u>	<u>DVR- CREC</u>	<u>Priority Schools</u>
<b>Assets</b>				
Cash and investments	\$ -	\$ 70,704	\$ -	\$ 3,102
Interfund receivables				
Due from other governments		20,390	18,409	
Interest receivable				
<b>Total assets</b>	<b><u>\$ -</u></b>	<b><u>\$ 91,094</u></b>	<b><u>\$ 18,409</u></b>	<b><u>\$ 3,102</u></b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interfund payables			18,409	
<b>Total liabilities</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 18,409</u></b>	<b><u>\$ -</u></b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	\$ -	\$ -	\$ 18	\$ -
<b>Total deferred inflows of resources</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 18</u></b>	<b><u>\$ -</u></b>
<b>Fund balance:</b>				
Restricted for:				
Education	\$ -	\$ 91,094	\$ -	\$ 3,102
Social services				
Unassigned			(18)	
<b>Total fund balances</b>	<b><u>\$ -</u></b>	<b><u>\$ 91,094</u></b>	<b><u>\$ (18)</u></b>	<b><u>\$ 3,102</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>\$ -</u></b>	<b><u>\$ 91,094</u></b>	<b><u>\$ 18,409</u></b>	<b><u>\$ 3,102</u></b>

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

<u>STEM Initiative</u>	<u>Charter Conferences</u>	<u>Title I</u>	<u>Excellence in Teaching</u>	<u>Options For Parents</u>	<u>CCSSO</u>	<u>21st Century</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,474	\$ 20
57,716	42,705					
<u>\$ 57,716</u>	<u>\$ 42,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,474</u>	<u>\$ 20</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
57,716	42,705					
<u>\$ 57,716</u>	<u>\$ 42,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,102	\$ 26	\$ -		\$ -	\$ -	\$ -
4,102	26					
<u>\$ 4,102</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,474	\$ 20
(4,102)	(26)					
<u>\$ (4,102)</u>	<u>\$ (26)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,474</u>	<u>\$ 20</u>
<u>\$ 57,716</u>	<u>\$ 42,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,474</u>	<u>\$ 20</u>

Southwest Regional Education Cooperative #10  
**COMBINING BALANCE SHEET-**  
**NONMAJOR FUNDS (concluded)**  
June 30, 2019

	Sponsor- Ship	Strategic Outreach New	Federal Title 1A	Strategic Outreach B8
<b>Assets</b>				
Cash and investments	\$ 2,205	\$ -	\$ -	\$ -
Interfund receivables				
Due from other governments			13,068	109,512
Interest receivable				
Total assets	\$ 2,205	\$ -	\$ 13,068	\$ 109,512
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interfund payables			13,068	109,557
Total liabilities	\$ -	\$ -	\$ 13,068	\$ 109,557
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	\$ -	\$ -	\$ -	
Total deferred inflows of resources	\$ -	\$ -	\$ -	\$ -
<b>Fund balance:</b>				
Restricted for:				
Education	\$ 2,205	\$ -	\$ -	\$ -
Social services				
Unassigned	-			(45)
Total fund balances	\$ 2,205	\$ -	\$ -	\$ (45)
Total liabilities, deferred inflows of resources and fund balances	\$ 2,205	\$ -	\$ 13,068	\$ 109,512

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



<u>Strategic Outreach B9</u>	<u>Strategic Outreach B10</u>	<u>Stem Symposium</u>	<u>Stem Elementary Training</u>	<u>Migrant Children Education</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,505
77,664	32,787	2,945	17,386	9,504	402,086
<u>\$ 77,664</u>	<u>\$ 32,787</u>	<u>\$ 2,945</u>	<u>\$ 17,386</u>	<u>\$ 9,504</u>	<u>\$ 479,591</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
77,664	32,787	2,496	17,386	9,504	381,292
<u>\$ 77,664</u>	<u>\$ 32,787</u>	<u>\$ 2,496</u>	<u>\$ 17,386</u>	<u>\$ 9,504</u>	<u>\$ 381,292</u>
\$ -	\$ -	\$ -	\$ -	\$ 432	\$ 4,578
\$ -	\$ -	\$ -	\$ -	\$ 432	\$ 4,578
\$ -	\$ -	\$ 449	\$ -	\$ -	\$ 98,344
				(432)	(4,623)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449</u>	<u>\$ -</u>	<u>\$ (432)</u>	<u>\$ 93,721</u>
<u>\$ 77,664</u>	<u>\$ 32,787</u>	<u>\$ 2,945</u>	<u>\$ -</u>	<u>\$ 9,504</u>	<u>\$ 479,591</u>

Southwest Regional Education Cooperative # 10  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
For The Fiscal Year Ended June 30, 2019

	ECET2 Project	Ideal NM	DVR- CREC	Priority Schools
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
State sources	29,400		105,988	
Local sources				
Earnings on investments				
<b>Total revenues</b>	<b>\$ 29,400</b>	<b>\$ -</b>	<b>\$ 105,988</b>	<b>\$ -</b>
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services - Students				
Support services - Instruction			106,006	
General administration	29,400	28,016		
School administration				
Central services				
Operation of plant				
Other support services				
Community services				
<b>Total expenditures</b>	<b>\$ 29,400</b>	<b>\$ 28,016</b>	<b>\$ 106,006</b>	<b>\$ -</b>
Revenues over (under) expenditures	\$ -	\$ (28,016)	\$ (18)	\$ -
Fund balance, July 1, 2018	\$ -	\$ 119,110	\$ -	\$ 3,102
Fund balance, June 30, 2019	<u>\$ -</u>	<u>\$ 91,094</u>	<u>\$ (18)</u>	<u>\$ 3,102</u>

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

<u>STEM Initiative</u>	<u>Charter Conference</u>	<u>Title I</u>	<u>Excellence in Teaching</u>	<u>Options For Parents</u>	<u>CCSSO</u>
\$ - 104,970	\$ - 58,189	\$ 17,580	\$ - 52,751	\$ - 4	\$ - 1,474
<u>\$ 104,970</u>	<u>\$ 58,189</u>	<u>\$ 17,580</u>	<u>\$ 52,751</u>	<u>\$ 4</u>	<u>\$ 1,474</u>
\$ 96,200 12,872	\$ - 53,668 4,547	\$ - 17,580	\$ - 48,844 3,907	\$ - -	\$ - -
<u>\$ 109,072</u>	<u>\$ 58,215</u>	<u>\$ 17,580</u>	<u>\$ 52,751</u>	<u>\$ -</u>	<u>\$ -</u>
\$ (4,102)	\$ (26)	\$ -	\$ -	\$ 4	\$ 1,474
\$ -	\$ -	\$ -	\$ -	\$ (4)	\$ -
<u>\$ (4,102)</u>	<u>\$ (26)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,474</u>

Southwest Regional Education Cooperative # 10  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES (Concluded)**  
For The Fiscal Year Ended June 30, 2019

	<u>21st Century</u>	<u>Sponsor- Ship</u>	<u>Strategic Outreach New</u>	<u>Federal Title 1A</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ 13,338
State sources			25,596	
Local sources				
Earnings on investments				
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,596</u>	<u>\$ 13,338</u>
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services - Students				
Support services - Instruction			23,700	
General administration			1,896	13,338
School administration				
Central services				
Operation of plant				
Other support services				
Community services				
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,596</u>	<u>\$ 13,338</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Fund balance July 1, 2018	<u>\$ 20</u>	<u>\$ 2,205</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, June 30, 2019	<u><u>\$ 20</u></u>	<u><u>2,205</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

<u>Strategic Outreach B8</u>	<u>Strategic Outreach B9</u>	<u>Strategic Outreach B10</u>	<u>Stem Symposium</u>	<u>Stem Elementary Training</u>	<u>Migrant Children Education</u>	<u>Total</u>
\$ - 259,483	\$ - 309,077	\$ - 48,515	\$ -	\$ - 17,386	\$ 33,283	\$ 64,201 1,012,833
<u>\$ 259,483</u>	<u>\$ 309,077</u>	<u>\$ 48,515</u>	<u>\$ -</u>	<u>\$ 17,386</u>	<u>\$ 33,283</u>	<u>\$ 1,077,034</u>
\$ - 237,061 22,422	\$ - 281,315 28,116	\$ - 44,304 4,211	\$ -	\$ - 17,386	\$ - 33,715	\$ 96,200 - 794,898 217,406 - - - -
<u>\$ 259,483</u>	<u>\$ 309,431</u>	<u>\$ 48,515</u>	<u>\$ -</u>	<u>\$ 17,386</u>	<u>\$ 33,715</u>	<u>\$ 1,108,504</u>
\$ -	\$ (354)	\$ -	\$ -	\$ -	\$ (432)	\$ (31,470)
<u>\$ (45)</u>	<u>\$ 354</u>	<u>\$ -</u>	<u>\$ 449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,191</u>
<u>(45)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 449</u>	<u>\$ -</u>	<u>\$ (432)</u>	<u>\$ 93,721</u>

Southwest Regional Education Cooperative #10  
**SCHEDULE OF DEPOSITORY COLLATERAL**  
 June 30, 2019

	BBVA Compass Bank <hr style="width: 100%;"/>
Total Deposits	\$ 4,550,186
Less: FDIC insurance	<u>(250,000)</u>
 Total uninsured public funds	 <u><u>\$ 4,300,186</u></u>
 50% collateralization requirement (Section 6-10-17 NMSA)	 <u>\$ 2,150,093</u>
Pledged Securities:	
FHLB Letter of credit 125723 5/7/19	<u>\$ 5,000,000</u>
 Total pledged securities	 <u>\$ 5,000,000</u>
 Pledged securities over (under) requirement	 <u><u>\$ 2,849,907</u></u>

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

Southwest Regional Education Cooperative #10  
**SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS**  
 June 30, 2019

	<u>Account Type</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>BBVA Compass Bank</u>			
SW Regional Education Cooperative	Checking	\$ 4,550,171	\$ 4,183,023
SW Regional Education Cooperative	Checking	<u>15</u>	<u>15</u>
Total BBVA Compass Bank		<u>\$ 4,550,186</u>	<u>\$ 4,183,038</u>
<u>NM LGIP</u>			
SW Regional Education Cooperative	Investment	<u>221,321</u>	<u>221,321</u>
Total NM LGIP		<u>\$ 221,321</u>	<u>\$ 221,321</u>
Total cash and investments		<u><u>\$ 4,771,507</u></u>	<u><u>\$ 4,404,359</u></u>

Southwest Regional Education Cooperative #10  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**ALL FUNDS BY PUBLIC EDUCATION DEPARTMENT CLASSIFICATION**  
For The Fiscal Year Ended June 30, 2019

	<u>Federal Flowthrough</u>	<u>State Flowthrough</u>	<u>State Direct</u>	<u>Total</u>
Total cash as of July 1, 2018	\$ (6,374)	\$ (170,174)	\$ 3,022,276	\$ 2,845,729
Add: Current year receipts	190,225	5,404,890	2,586,764	8,181,879
Prior year warrants voided				
Less: Current year expenditures	(514,122)	(4,802,713)	(1,527,757)	(6,844,591)
Chargebacks/(Overdrafts)				-
Abatements				-
Transfers				-
Total cash as of June 30, 2019 per cash report	<u>\$ (330,270)</u>	<u>\$ 432,003</u>	<u>\$ 4,081,284</u>	<u>\$ 4,183,017</u>
Miscellaneous adjustment				21
	-	-		-
Investments				<u>221,321</u>
Cash and investments per audit report	<u><u>\$ (330,270)</u></u>	<u><u>\$ 432,003</u></u>	<u><u>\$ 4,081,284</u></u>	<u><u>\$ 4,404,359</u></u>



Southwest Regional Education Cooperative #10  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 For The Fiscal Year Ended June 30, 2019

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
Passed through N.M. Department of Education:				
Title I Grants to Lea's	84.010	24.101	\$ -	\$ 487,281
Special Education Grants to States	84.027	24.106	-	341,285
Migrant Children Education	84.011	24.103		<u>33,715</u>
Total U.S. Department of Education			<u>\$ -</u>	<u>\$ 862,281</u>
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 862,281</u>

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

Southwest Regional Education Cooperative #10  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2019

Note 1     Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Southwest Regional Education Cooperative #10, under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Southwest Regional Education Cooperative #10, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Southwest Regional Education Cooperative #10.

Note 2     Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance.

Note 3     Non-Monetary Assistance

No non-monetary assistance was received by the Cooperative.

Note 4     Indirect Costs

The District has elected not to use the de Minimis indirect cost rate as allowed under the Uniform Guidance.

Southwest Regional Education Cooperative #10  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Fiscal Year Ended June 30, 2019

<b>Findings – Financial Statement Audit</b>	<u>Current Status</u>
2018-001(2016-001) Support for Per Diem Reimbursements	Resolved
2018-002(2017-004) Procurement Noncompliance	Resolved

MIKE STONE, C.P.A.  
LINDA STONE MCGEE, C.P.A.  
KAY STONE, C.P.A.  
KELLEY WYATT, C.P.A.

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

**INDEPENDENT AUDITOR'S REPORT**

Brian S. Colon, ESQ., State Auditor  
And  
Board of Superintendents  
Southwest Regional Education Cooperative #10  
Truth or Consequences, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Southwest Regional Education Cooperative #10 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Southwest Regional Education Cooperative #10's basic financial statements, and have issued our report thereon dated September 19, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Southwest Regional Education Cooperative #10's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southwest Regional Education Cooperative #10's internal control.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southwest Regional Education Cooperative #10's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as item 2019-001.

### Southwest Regional Education Cooperative #10's Responses to Findings

Southwest Regional Education Cooperative #10's responses to the findings in our audit are described in the accompanying schedule of findings and questioned costs. The Cooperative's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

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

Stone, McGee & Co CPAs

Silver City, New Mexico  
September 19, 2019

Stone, McGee & Co.  
Certified Public Accountants

MIKE STONE, C.P.A.  
LINDA STONE MCGEE, C.P.A.  
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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

Brian S. Colon, ESQ., State Auditor  
And  
Board of Superintendents  
Southwest Regional Education Cooperative #10  
Truth or Consequences, New Mexico

**Report on Compliance for Each Major Federal Program**

We have audited Southwest Regional Education Cooperative #10's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southwest Regional Education Cooperative #10's major federal programs for the year ended June 30, 2019. Southwest Regional Education Cooperative #10's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Southwest Regional Education Cooperative #10's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southwest Regional Education Cooperative #10's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Southwest Regional Education Cooperative #10's compliance.

#### Opinion on Each Major Federal Program

In our opinion, Southwest Regional Education Cooperative #10 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

#### Report on Internal Control over Compliance

Management of Southwest Regional Education Cooperative #10 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southwest Regional Education Cooperative #10's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southwest Regional Education Cooperative #10's internal control over compliance.

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

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

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

*Stone, McGee & Co CPAs*

Silver City, New Mexico  
September 19, 2019

**Stone, McGee & Co.**  
Certified Public Accountants

Southwest Regional Education Cooperative #10  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2019

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Southwest Regional Education Cooperative #10 were prepared in accordance with Generally Accepted Accounting Principles.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Southwest Regional Education Cooperative #10, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal award programs of the Southwest Regional Education Cooperative #10 expresses an unmodified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) were noted during the audit.
7. The programs tested as major programs included: Title I, CFDA No. 84.010.
8. The threshold for distinguishing types A and B programs was \$750,000.
9. Southwest Regional Education Cooperative #10 was not considered a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

2019-001 Payment of Property Taxes (Other Noncompliance)

Condition – Property taxes were paid on property acquired in Deming. These property taxes, which were three years in arrears, totaled \$10,812 in tax and \$2,225 in penalties.

Criteria – Governmental entities, which includes the Southwest Regional Education Cooperative, are exempt from property taxes under New Mexico Law.

Effect – The Southwest Regional Education Cooperative incurred expenditures of \$13,037 that should not have been incurred.



Cause – Management of the Cooperative failed to notify the Luna County Assessor that they were exempt from property taxes when they purchased the building. When the error was discovered three years later, the Cooperative applied for the exemption and it was granted, however, the County was unable to waive the property taxes that had been assessed prior to granting the exemption.

Recommendation – We recommend that the Cooperative establish a policy requiring immediate notice to the appropriate county assessor of its tax-exempt status if and when another property is acquired.

Agency Response – The Cooperative has already established the recommended policy, and the Executive Director and the Business Manager are responsible for policy compliance.

### **FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS**

None

### **OTHER – FINANCIAL STATEMENT PREPARATION**

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s. However, the management of Southwest Regional Education Cooperative #10 has acknowledged its responsibility for the financial statements and has taken responsibility for them.

### **EXIT CONFERENCE**

The contents of this report were discussed September 19, 2019. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Loren R. Cushman	Board Member	Southwest REC #10
Vicki Chavez	Executive Director	Southwest REC #10
Geralyn Bennett	Business Manager	Southwest REC #10
Mike Stone, CPA	Shareholder	Stone, McGee & Co., CPAs