

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE**

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2016

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 REGION IX EDUCATION COOPERATIVE
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**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE**

Directory of Officials
June 30, 2016

COORDINATING COUNCIL

<u>Member</u>	<u>Position</u>	<u>School Represented</u>
Travis Lightfoot	Chairman	Corona
Brenda Vigil	Vice-Chairman	Tularosa
Shirley Crawford	Member	Capitan
Travis Dempsey	Member	Cloudcroft
Rick Espinoza	Member	Carrizozo
Marvin Martin	Member	Hondo Valley
George Bickert, Ed.D	Member	Ruidoso

ADMINISTRATIVE STAFF

Sean Wootton	Executive Director
Carmen Spann	Business Manager

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.comIndependent Auditors' ReportTimothy Keller, State Auditor
and
Coordinating Council
Region IX Education Cooperative
Ruidoso, 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 Region IX Education Cooperative (Cooperative), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Cooperative's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Cooperative's nonmajor governmental funds and budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cooperative, as of June 30, 2016, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund and the major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Cooperative as of June 30, 2016, and the respective changes in financial position, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require the schedule of the Cooperative's proportionate share of the net pension liability and the schedule of the Cooperative's contributions on pages forty-four and forty-five be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards and other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures and other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of vendor information for purchases exceeding \$60,000 (excluding GRT) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2016 on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Fierro + Fierro, P.A.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

September 26, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets	
Cash	\$ 1,942,749
Receivables, net	3,937,469
Capital assets:	
Land	20,494
Other capital assets, net of depreciation	180,346
Total capital assets	200,840
Total assets	6,081,058
 Deferred Outflows of Resources	
Pension related	719,736
Total assets and deferred outflows of resources	\$ 6,800,794
 Liabilities	
Bank overdraft	\$ 104,026
Accounts payable	83,553
Net pension liability	5,446,733
Total liabilities	5,634,312
 Deferred Inflows of Resources	
Unearned revenues	312,290
Pension related	475,735
Total deferred inflows of resources	788,025
 Net Position	
Invested in capital assets	200,840
Unrestricted	177,617
Total net position	378,457
Total liabilities, deferred inflows of resources, and net position	\$ 6,800,794

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	State Directed Activities Fund	Head Start Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 1,714,315	\$ -	\$ -	\$ 228,434	\$ 1,942,749
Receivables, net	25	3,646,867	114,036	176,541	3,937,469
Due from other funds	3,670,144	-	4,430	-	3,674,574
	<u>3,670,144</u>	<u>-</u>	<u>4,430</u>	<u>-</u>	<u>3,674,574</u>
Total assets	<u>\$ 5,384,484</u>	<u>\$ 3,646,867</u>	<u>\$ 118,466</u>	<u>\$ 404,975</u>	<u>\$ 9,554,792</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Bank overdraft	\$ -	\$ -	\$ 104,026	\$ -	\$ 104,026
Accounts payable	4,135	63,352	14,440	1,626	83,553
Due to other funds	-	3,583,515	-	91,059	3,674,574
	<u>4,135</u>	<u>3,583,515</u>	<u>-</u>	<u>91,059</u>	<u>3,674,574</u>
Total liabilities	4,135	3,646,867	118,466	92,685	3,862,153
Deferred Inflows of Resources:					
Unearned revenues	-	-	-	312,290	312,290
Fund Balances:					
Unassigned	<u>5,380,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,380,349</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,384,484</u>	<u>\$ 3,646,867</u>	<u>\$ 118,466</u>	<u>\$ 404,975</u>	<u>\$ 9,554,792</u>

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

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

Total fund balance governmental funds (page seven)		\$ 5,380,349
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		200,840
Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(5,446,733)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pension of \$719,736 is equal to 2016 employer contributions related to pensions.		719,736
Deferred inflows of resources related to pensions		<u>(475,735)</u>
Net position of governmental activities (page five)		<u><u>\$ 378,457</u></u>

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	State Directed Activities Fund	Head Start Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Intergovernmental:					
Federal	\$ 148,450	\$ -	\$ 1,738,506	\$ 1,133,332	\$ 3,020,288
State	3,569,864	10,958,160	-	150,726	14,678,750
Charges for services	10,277	-	-	-	10,277
Interest	1,690	-	-	-	1,690
Miscellaneous	30	-	-	-	30
Total revenues	3,730,311	10,958,160	1,738,506	1,284,058	17,711,035
Expenditures:					
Current:					
Instruction	3,729	-	441,913	8,554	454,196
Support services:					
Students	1,036,142	1,471,781	872,507	608,548	3,988,978
Instruction	476,658	2,044,369	24,525	-	2,545,552
General administration	167,276	5,201,019	272,879	97,317	5,738,491
Central services	644,441	17,170	-	84,204	745,815
Operation of plant	157,610	-	57,310	24,463	239,383
Student transportation	-	-	66,560	-	66,560
Operation services:					
Food	-	-	11,411	-	11,411
Community	-	2,223,821	1,401	442,332	2,667,554
Total expenditures	2,485,856	10,958,160	1,748,506	1,265,418	16,457,940
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	1,244,455	-	(10,000)	18,640	1,253,095
Other Financing Sources (Uses):					
Transfers in	18,640	-	10,000	-	28,640
Transfers (out)	(10,000)	-	-	(18,640)	(28,640)
Total other financing sources (uses)	8,640	-	10,000	(18,640)	-
Net change in fund balances	1,253,095	-	-	-	1,253,095
Fund balance, beginning of year	4,127,254	-	-	-	4,127,254
Fund balance, end of year	<u>\$ 5,380,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,380,349</u>

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

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

Net change in fund balances total governmental funds (page nine)		\$ 1,253,095
In the statement of activities, the cost of the capital assets is allocated over their estimated useful lives and reported as depreciation expense in the amount of \$56,188.		(56,188)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employees' contributions is reported as pension expense.		
Pension contributions	\$719,736	
Cost of benefits earned net of employee contributions (pension expense)	<u>693,588</u>	
		<u>26,148</u>
Net change in net position - government-wide financial statements (page six)		<u><u>\$ 1,223,055</u></u>

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

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ 135,500	\$ 135,500	\$ 148,450	\$ -	\$ 148,450	\$ 12,950
State	2,382,024	2,291,380	6,577,367	(3,007,503)	3,569,864	4,285,987
Charges for services	6,000	6,000	10,277	-	10,277	4,277
Interest	500	500	1,690	-	1,690	1,190
Miscellaneous	400	400	30	-	30	(370)
Total revenues	<u>2,524,424</u>	<u>2,433,780</u>	<u>6,737,814</u>	<u>(3,007,503)</u>	<u>3,730,311</u>	<u>4,304,034</u>
Expenditures:						
Current:						
Instruction	-	3,736	3,729	-	3,729	7
Support services:						
Students	1,121,618	1,256,676	1,034,825	1,317	1,036,142	221,851
Instruction	573,717	622,643	477,378	(720)	476,658	145,265
General administration	172,117	425,394	166,886	390	167,276	258,508
Central services	520,762	1,101,336	646,796	(2,355)	644,441	454,540
Operation of plant	149,173	219,236	158,580	(970)	157,610	60,656
Other	11,750	11,750	8,216	(8,216)	-	3,534
Operation services:						
Community	6,400	6,015	720	(720)	-	5,295
Total expenditures	<u>2,555,537</u>	<u>3,646,786</u>	<u>2,497,130</u>	<u>(11,274)</u>	<u>2,485,856</u>	<u>1,149,656</u>
Excess (Deficiency) of revenues over expenditures before other financing sources (uses)	(31,113)	(1,213,006)	4,240,684	(2,996,229)	1,244,455	5,453,690
Other Financing Sources (Uses):						
Transfers in	-	-	18,640	-	18,640	18,640
Transfers (out)	-	-	(10,000)	-	(10,000)	(10,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>8,640</u>	<u>-</u>	<u>8,640</u>	<u>8,640</u>
Net change	(31,113)	(1,213,006)	4,249,324	<u>\$ (2,996,229)</u>	<u>\$ 1,253,095</u>	5,462,330
Cash balance, beginning of year	403,675	403,675	403,675			-
Cash repaid from other funds	-	-	798,356			798,356
Cash advanced to other funds	-	-	(3,737,040)			(3,737,040)
Cash balance, end of year	<u>\$ 372,562</u>	<u>\$ (809,331)</u>	<u>\$ 1,714,315</u>			<u>\$ 2,523,646</u>
Explanation of Differences:						
Change in receivables				\$ (3,007,503)		
Change in accounts payable				<u>11,274</u>		
				<u>\$ (2,996,229)</u>		

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
STATE DIRECTED ACTIVITIES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 2,291,450	\$ 17,952,108	\$ 7,967,353	\$ 2,990,807	\$ 10,958,160	\$ (9,984,755)
Expenditures:						
Current:						
Support services:						
Students	170,650	1,676,868	1,471,781	-	1,471,781	205,087
Instruction	-	2,474,434	2,044,369	-	2,044,369	430,065
General administration	205,100	6,365,371	5,195,614	5,405	5,201,019	1,169,757
Central services	-	50,000	17,170	-	17,170	32,830
Operation services:						
Community	1,915,700	7,385,435	2,193,716	30,105	2,223,821	5,191,719
Total expenditures	2,291,450	17,952,108	10,922,650	35,510	10,958,160	7,029,458
Net change	-	-	(2,955,297)	\$ 2,955,297	\$ -	(2,955,297)
Cash balance, beginning of year	-	-	-			-
Cash advanced from the general fund	-	-	2,955,297			2,955,297
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -
Explanation of Differences:						
Change in receivables				\$ 2,991,148		
Change in accounts payable				(35,510)		
Change in unearned revenues				(341)		
				<u>\$ 2,955,297</u>		

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
HEAD START FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ 1,282,155	\$ 2,247,826	\$ 1,692,253	\$ 46,253	\$ 1,738,506	\$ (555,573)
Expenditures:						
Current:						
Instruction	343,414	465,607	441,913	-	441,913	23,694
Support services:						
Students	673,420	1,259,229	858,663	13,844	872,507	400,566
Instruction	2,000	23,822	24,525	-	24,525	(703)
General administration	90,976	221,125	272,437	442	272,879	(51,312)
Operation of plant	17,060	71,349	57,985	(675)	57,310	13,364
Student transportation	26,887	68,872	66,560	-	66,560	2,312
Operation services:						
Food	25,207	36,372	11,411	-	11,411	24,961
Community	1,900	13,233	1,401	-	1,401	11,832
Capital outlay	41,520	-	-	-	-	-
Total expenditures	<u>1,222,384</u>	<u>2,159,609</u>	<u>1,734,895</u>	<u>13,611</u>	<u>1,748,506</u>	<u>424,714</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	59,771	88,217	(42,642)	32,642	(10,000)	(130,859)
Other Financing Sources (Uses):						
Transfers in	-	-	10,000	-	10,000	10,000
Net change	59,771	88,217	(32,642)	<u>\$ 32,642</u>	<u>\$ -</u>	(120,859)
Cash balance, beginning of year	<u>(71,384)</u>	<u>(71,384)</u>	<u>(71,384)</u>			-
Cash balance, end of year	<u>\$ (11,613)</u>	<u>\$ 16,833</u>	<u>\$ (104,026)</u>			<u>\$ (120,859)</u>
Explanation of Differences:						
Change in receivables				\$ 42,641		
Change in accounts payable				(13,611)		
Change in unearned revenues				3,612		
				<u>\$ 32,642</u>		

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

FIDUCIARY FINANCIAL STATEMENT

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2016

	<u>Agency Fund</u>
Assets:	
Cash	<u>\$ 1,763</u>
Liabilities:	
Deposits held for others	<u>\$ 1,763</u>

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Region IX Education Cooperative (Cooperative) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

A. Reporting Entity

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

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

The financial reporting entity consists of the primary government, and any other organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization.

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Based on the application of these criteria, there are no component units of the Cooperative.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Cooperative as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support. The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. The Cooperative has no business-type activities.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (instruction, support services, operation services, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function of governmental-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). The Cooperative does not allocate indirect costs. Depreciation expense is specifically identified by function and is included in the direct expense of each function.

Separate fund based financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the government) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements (continued)

The Cooperative's fiduciary funds (which have been refined and narrowed in scope) are presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party (other governmental entities and individuals) and cannot be used to address or obligations of the government, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the Cooperative as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Cooperative gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements), is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the Cooperative considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as, expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance should be reported as deferred revenues (liabilities) until the period of the exchange. Charges for services, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial.

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of intergovernmental revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Cooperative; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

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

The Cooperative reports the following major governmental funds:

The *general fund* is the Cooperative's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *State Directed Activities fund* accounts for the state revenues and expenditures to assist the Cooperative in providing free appropriate public education to all handicapped children. The creation of this fund was authorized by the New Mexico Public Education Department.

The *Head Start fund* accounts for the federal revenues and expenditures to provide comprehensive preschool education for educationally deprived students in low-income areas. The creation of this fund was authorized by the federal government under P.L. 105285.

The Region maintains seven individual governmental funds that are considered nonmajor funds; all of which are classified as special revenue funds. A description of each fund is as follows:

The *Carl Perkins Secondary Redistribution fund* accounts for the federal revenues and expenditures to develop more fully the academic, career, and technical skills of secondary and post-secondary students who elect to enroll in career and technical educational programs. The creation of this fund was authorized by the Carl D. Perkins Career Technical Education Act of 2006, Title I.

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

The *Title XIX Medicaid (3 to 21) fund* accounts for the federal revenues and expenditures to provide services to developmentally disabled children between three years old and young adults twenty-one years old. The creation of this fund was authorized by Title XIX of the Social Security Act.

The *Schools with Solar fund* accounts for the federal revenues and expenditures to provide solar energy education opportunities to school children. The creation of this fund was authorized by a grant agreement with the U.S. Department of Energy.

The *Title XIX Medicaid (Birth to Two) fund* accounts for the federal revenues and expenditures to provide services to developmentally disabled children between birth and two years old. The creation of this fund was authorized by Title XIX of the Social Security Act.

The *Workforce Investment Act fund* accounts for the federal revenues and expenditures for training to increase the attainment of basic skills, work readiness or occupational skills, including secondary diplomas or other credentials. The creation of this fund was authorized by Workforce Investment Act of 1998, Title I.

The *Birth to Two Year fund* accounts for the state grant revenues and expenditures for the operation and maintenance of delivering services to developmentally disabled children between birth and two years old. The creation of this fund was authorized by the grant provisions.

The *DOH Healthier Schools fund* accounts for state revenues and expenditures for School Based Health Clinics in the Ruidoso and Hondo Valley school districts. Authority for the creation of the fund is the New Mexico Public Education Department's *Manual of Procedures for School Districts*.

D. Budgets

Budgets for all funds are prepared by management and approved by the coordinating council. The proposed budget is then submitted by May 31st to the planning unit of the New Mexico Public Education Department (PED). PED certifies the budget by July 1st. The expenditure section of the budget, once adopted, is legally binding. These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds are reappropriated in the budget of the subsequent fiscal year. The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is, therefore presented as a reserved portion of fund balance.

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local board approval. If a transfer between “funds” or a budget increase is required, approval must be obtained from the PED. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Investments in the Cooperative’s cash and certificates of deposit are stated at cost, which approximates fair value. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

2. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund balance. Long-term advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balance 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 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.

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Capital Assets

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated cost. Contributed capital assets are recorded at estimated fair market value at the time received. Purchased computer software is recorded at historical cost. The Cooperative defines capital assets as assets with an initial, individual cost or donated value of more than \$5,000 and an estimated useful life in excess of one year.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	50
Vehicles	12
Computers and electronics	5-10
Equipment	5-10

6. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent consumption of resources of net assets that is applicable to future reporting periods that are reported in a separate section after assets in the statement of financial position.

Deferred inflows of resources represent acquisition of net assets by the Cooperative that is applicable to a future reporting period. The deferred inflows are reported in a separate section after liabilities in the statement of financial position.

7. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Investment in capital assets – This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position – This category reflects the portion of net position that has third party limitations on their use.

Unrestricted net position – This category reflects net position of the Cooperative, not restricted for any project or other purpose.

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

8. Fund Equity Reservation and Designations

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provision or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the coordinating council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the coordinating council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the Cooperative’s “intent” to be used for specific purposes, but are neither restricted nor committed. The coordinating council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Cooperative’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Other Matters

1. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the Cooperative. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution. The rate of interest in non-demand interest-bearing accounts shall be set by the state Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

Cash Deposited With Financial Institutions

The Cooperative maintains cash in one financial institution in Ruidoso, New Mexico. The Cooperative's deposits are carried at cost.

As of June 30, 2016, the amount of cash reported on the financial statements differs from the amount on deposit with the financial institution because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
First Savings Bank	<u>\$ 3,947,356</u>	<u>\$ (2,106,870)</u>	<u>\$ 1,840,486</u>

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited With Financial Institutions (continued)

The amounts reported as cash for the primary government within the financial statement is displayed as:

Statement of Net Position:	
Cash	\$ 1,942,749
Bank overdraft	(104,026)
Statement of Fiduciary Assets and Liabilities	1,763
	\$ 1,840,486

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Cooperative. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Cooperative carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	First Savings Bank
Total deposits in bank	\$ 3,947,356
Less FDIC coverage	(250,000)
Uninsured public funds	3,697,356
Less pledged collateral held by pledging bank's trust, but not in the cooperative's name	2,808,280
Uninsured and uncollateralized	\$ 889,076
Total pledged collateral	\$ 2,808,280
Less 50% pledged collateral requirement per state statute	(1,848,678)
Pledged collateral (under) over the requirement	\$ 959,602

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits, time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000.

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

2. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited With Financial Institutions (continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Cooperative does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$3,697,356 of the Cooperative’s bank balance of \$3,947,356 was exposed to custodial credit risk as follows:

	First Savings Bank
Uninsured and collateral held by pledging bank’s trust dept. or agent, not in the Cooperative’s name.	\$ 3,697,356

3. RECEIVABLES, NET

Receivables, net of allowance for doubtful accounts, at June 30, 2016, consisted of the following:

Intergovernmental receivables:	
Operating grants	\$ 3,937,469

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

4. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2016:

	Balance 06/30/15	Increases	Decreases	Balance 06/30/16
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 20,494	\$ -	\$ -	\$ 20,494
Other capital assets, being depreciated:				
Buildings	217,195	-	-	217,195
Equipment	1,305,867	-	(14,412)	1,291,455
Total other capital assets, being depreciated	1,523,062	-	(14,412)	1,508,650
Less accumulated depreciation for:				
Buildings	(109,165)	(8,654)	-	(117,819)
Equipment	(1,177,363)	(47,534)	14,412	(1,210,485)
Total accumulated depreciation	(1,286,528)	(56,188)	14,412	(1,328,304)
Other capital assets, net	236,534	(56,188)	-	180,346
Total capital assets, net	\$ 257,028	\$ (56,188)	\$ -	\$ 200,840

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions (programs) as follows:

Instruction	\$	2,707
Support services:		
Student		532
Instruction		44,306
Central services		1,027
Operation of plant		1,669
Operation services:		
Food		888
Community		5,059
		\$ 56,188
		\$ 56,188

5. INTERFUND BALANCES AND TRANSFERS

Interfund Balances

Receivable Fund	Payable Fund	Amount
General Fund	State Directed Activities Fund	\$ 3,583,515
General Fund	Workforce Investment Act Fund	86,629
		\$ 3,670,144
Head Start Fund	Workforce Investment Act Fund	\$ 4,430

Interfund balances represent short-term advances for funds that receive grants on a reimbursement basis.

Transfers

	Transfers In:		Total
	General Fund	Head Start Fund	
Transfers (Out):			
General Fund	\$ -	\$ 10,000	\$ 10,000
DOH Healthier Schools Fund	18,640	-	18,640
	\$ 18,640	\$ 10,000	\$ 28,640

Transfers are used to move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

6. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD

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

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

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

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: 1) the member's age and earned service credit add up to the sum or 75 or more; 2) the member is a least sixty-five years of age and has five or more years of earned service credit or; 3) the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010. The eligibility for a member who either becomes a new member on, or after, July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: 1) the member's age and earned service credit add up to the sum of 80 or more; 2) the member is a least sixty-seven years of age and has five or more years of earned service credit or; 3) the member has service credit totaling 30 years or more.

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

6. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Benefits provided (continued) - There are three benefit options available: 1) single life annuity; 2) single life annuity monthly benefit reduced to provide for a 100% survivor's benefit or; 3) 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, following the latter of 1) the year a member retires, or; 2) the year a member reaches 65 or age 67. 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 1.6%. 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 1.8%.

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 Cooperative 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, 2015 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. For fiscal year ended June 30, 2016 employer contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 continued to contribute 10.70% of their gross annual salary. Contributions to the pension plan from the Cooperative were \$391,932 for the year ended June 30, 2016.

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

6. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. At June 30, 2016, the Cooperative reported a liability of \$5,446,733 for its proportionate share of the net pension liability. The Cooperative's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2015. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2015, the Cooperative's proportion was .08409 percent, which was a decrease of \$196,839 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Cooperative recognized pension expense of \$391,932. At June 30, 2016, the Cooperative reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 54,322
Changes of assumptions	-	187,342
Net difference between projected and actual earnings on pension plan investments	-	234,071
Cooperative contributions subsequent to the measurement date	719,736	-
Total	<u>\$ 719,736</u>	<u>\$ 475,735</u>

\$719,736 reported as deferred outflows of resources related to pensions resulting from the Cooperative contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 82,091
2018	77,521
2019	43,157
2020	(75,650)
2021	-
Thereafter	-

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

6. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued) –

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, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55, and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on June 12, 2015 in conjunction with the six-year experience study period ending June 30, 2014.
5. For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized, closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment, projected to 2015 using Scale AA (one year setback for females)

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

6. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Actuarial assumptions (continued) - The target long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.); 2) application of key economic projections (inflation, real growth, dividends, etc.); and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2015 and 2014 for 30-year return assumptions are summarized in the following table:

Asset Class	<u>2015 Long-Term Expected Real Rate of Return</u>	<u>2016 Long-Term Expected Real Rate of Return</u>
Cash	3.25%	3.00%
Treasuries	3.50%	3.25%
IG Corp Credit	4.75%	5.00%
MBS	3.75%	3.50%
Core Bonds	3.98%	3.89%
TIPS	4.00%	4.00%
High Yield Bonds	5.75%	5.75%
Bank Loans	6.00%	6.00%
Global Bonds (Unhedged)	2.25%	2.75%
Global Bonds (Hedged)	2.41%	2.87%
EMD External	6.00%	6.00%
EMD Local Currency	6.75%	6.50%
Large Cap Equities	7.50%	7.50%
Small/Mid Cap Equities	7.75%	7.75%
International Equities (Unhedged)	8.00%	8.00%
International Equities (Hedged)	8.47%	8.39%
Ermeging International Equities	9.25%	9.50%
Private Equity	9.50%	9.50%
Private Debt	8.00%	8.00%
Private Real Assets	7.75%	7.75%
Real Estate	6.50%	6.50%
Commodities	5.75%	5.50%
Hedge Funds	6.75%	6.50%

Discount rate - A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2015 and June 30, 2014. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were sufficient to finance all projected future benefit payments of current pension plan members.

**STATE OF NEW MEXICO
 REGION IX EDUCATION COOPERATIVE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

6. RETIREMENT PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

General Information about the Pension Plan (continued)

Discount rate (continued) - Therefore, the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made to 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 Cooperative's 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 ended 2015. In particular, the table presents the (employer's) net pension liability under the current single rate assumption; as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Cooperative's proportionate share of the net pension liability	\$ 7,328,943	\$ 5,446,733	\$ 3,865,481

Pension plan fiduciary net position - Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2015 and 2014, which are publicly available at www.nmerb.org.

7. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

7. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (continued)

Plan Description (continued)

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

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

Funding Policy

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4, 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statutes required each participating employer to contribute **2.5%** of each participating employee's annual salary; and each participating employee was required to contribute **1.25%** of their salary.

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

7. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

Funding Policy (continued)

For employees that were not members of an enhanced retirement plan during the fiscal year ended **June 30, 2015**, the statutes required each participating employer to contribute **2.0%** of each participating employee's annual salary; each participating employee was required to contribute **1.0%** of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Cooperative's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$53,947, \$46,526 and \$51,105, respectively, which equal the required contributions for each year.

8. RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Cooperative to purchase insurance for the risks of losses to which it is exposed through the General Services Administration risk management insurance. The risk management insurance includes coverage for general liability, property, casualty, employee health and accident.

9. CONTINGENT LIABILITIES

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

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Special Revenue Funds							
	Carl Perkins Secondary Redistribution Fund	Title XIX Medicaid (3 to 21) Fund	Schools with Solar Fund	Title XIX Medicaid (Birth to Two) Fund	Workforce Investment Act Fund	Birth to Two Year Fund	DOH Healthier Schools Fund	Total Other Governmental Funds
<u>ASSETS</u>								
Cash	\$ -	\$ 116,941	\$ -	\$ 29,934	\$ -	\$ 81,559	\$ -	\$ 228,434
Receivables, net	-	33,005	-	25,959	92,685	24,892	-	176,541
Total assets	<u>\$ -</u>	<u>\$ 149,946</u>	<u>\$ -</u>	<u>\$ 55,893</u>	<u>\$ 92,685</u>	<u>\$ 106,451</u>	<u>\$ -</u>	<u>\$ 404,975</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,626	\$ -	\$ -	\$ 1,626
Due to other funds	-	-	-	-	91,059	-	-	91,059
Total liabilities	-	-	-	-	92,685	-	-	92,685
Deferred Inflows of Resources:								
Unearned revenues	-	149,946	-	55,893	-	106,451	-	312,290
Fund Balances:								
Unassigned	-	-	-	-	-	-	-	-
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 149,946</u>	<u>\$ -</u>	<u>\$ 55,893</u>	<u>\$ 92,685</u>	<u>\$ 106,451</u>	<u>\$ -</u>	<u>\$ 404,975</u>

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds							
	Carl Perkins Secondary Redistribution Fund	Title XIX Medicaid (3 to 21) Fund	Schools with Solar Fund	Title XIX Medicaid (Birth to Two) Fund	Workforce Investment Act Fund	Birth to Two Year Fund	DOH Healthier Schools Fund	Total Other Governmental Funds
Revenues:								
Intergovernmental:								
Federal	\$ 8,982	\$ 207,816	\$ 10,441	\$ 394,121	\$ 511,972	\$ -	\$ -	\$ 1,133,332
State	-	-	-	-	-	40,726	110,000	150,726
Total revenues	8,982	207,816	10,441	394,121	511,972	40,726	110,000	1,284,058
Expenditures:								
Current:								
Instruction	8,554	-	-	-	-	-	-	8,554
Support services:								
Students	-	138,438	10,441	353,989	-	14,320	91,360	608,548
General administration	428	17,669	-	30,431	22,383	26,406	-	97,317
Central services	-	51,709	-	9,701	22,794	-	-	84,204
Operation of plant	-	-	-	-	24,463	-	-	24,463
Operation services:								
Community	-	-	-	-	442,332	-	-	442,332
Total expenditures	8,982	207,816	10,441	394,121	511,972	40,726	91,360	1,265,418
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	-	-	-	-	-	-	18,640	18,640
Other Financing Sources (Uses):								
Transfers (out)	-	-	-	-	-	-	(18,640)	(18,640)
Net change in fund balances	-	-	-	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
CARL PERKINS SECONDARY REDISTRIBUTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ 16,609	\$ 16,609	\$ 8,982	\$ -	\$ 8,982	\$ (7,627)
Expenditures:						
Current:						
Instruction	15,818	15,818	8,554	-	8,554	7,264
Support services:						
General administration	791	791	428	-	428	363
Total expenditures	16,609	16,609	8,982	-	8,982	7,627
Net change	-	-	-	\$ -	\$ -	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -
Explanation of Differences:						
None.						

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
TITLE XIX MEDICAID (3 TO 21) FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ 170,000	\$ 170,000	\$ 213,602	\$ (5,786)	\$ 207,816	\$ 43,602
Expenditures:						
Current:						
Support services:						
Students	177,961	195,382	138,764	(326)	138,438	56,618
General administration	8,150	29,898	17,669	-	17,669	12,229
Central services	53,889	56,201	51,709	-	51,709	4,492
Total expenditures	240,000	281,481	208,142	(326)	207,816	73,339
Net change	(70,000)	(111,481)	5,460	<u>\$ (5,460)</u>	<u>\$ -</u>	116,941
Cash balance, beginning of year	111,481	111,481	111,481			-
Cash balance, end of year	<u>\$ 41,481</u>	<u>\$ -</u>	<u>\$ 116,941</u>			<u>\$ 116,941</u>
Explanation of Differences:						
Change in accounts payable				\$ 326		
Change in unearned revenues				<u>(5,786)</u>		
				<u>\$ (5,460)</u>		

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
SCHOOLS WITH SOLAR FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ -	\$ 1	\$ -	\$ 10,441	\$ 10,441	\$ (1)
Expenditures:						
Current:						
Support services:						
Students	8,250	10,441	10,441	-	10,441	-
Net change	(8,250)	(10,440)	(10,441)	<u>\$ 10,441</u>	<u>\$ -</u>	(1)
Cash balance, beginning of year	10,441	10,441	10,441			-
Cash repaid to the general fund	-	-	-			-
Cash balance, end of year	<u>\$ 2,191</u>	<u>\$ 1</u>	<u>\$ -</u>			<u>\$ (1)</u>
Explanation of Differences:						
Change in unearned revenues				<u>\$ 10,441</u>		

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
TITLE XIX MEDICAID (BIRTH TO TWO) FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual on GAAP Basis</u>	<u>Budgetary Basis Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Revenues:						
Intergovernmental:						
Federal	\$ 393,595	\$ 366,595	\$ 372,251	\$ 21,870	\$ 394,121	\$ 5,656
Expenditures:						
Current:						
Support services:						
Students	361,570	377,346	353,989	-	353,989	23,357
General administration	27,145	31,346	30,431	-	30,431	915
Central services	<u>9,880</u>	<u>9,706</u>	<u>9,701</u>	<u>-</u>	<u>9,701</u>	<u>5</u>
Total expenditures	<u>398,595</u>	<u>418,398</u>	<u>394,121</u>	<u>-</u>	<u>394,121</u>	<u>24,277</u>
Net change	(5,000)	(51,803)	(21,870)	<u>\$ 21,870</u>	<u>\$ -</u>	29,933
Cash balance, beginning of year	<u>51,804</u>	<u>51,804</u>	<u>51,804</u>			<u>-</u>
Cash balance, end of year	<u>\$ 46,804</u>	<u>\$ 1</u>	<u>\$ 29,934</u>			<u>\$ 29,933</u>
Explanation of Differences:						
Change in receivables				\$ 25,959		
Change in unearned revenues				<u>(4,089)</u>		
				<u>\$ 21,870</u>		

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
WORKFORCE INVESTMENT ACT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual on GAAP Basis</u>	<u>Budgetary Basis Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Revenues:						
Intergovernmental:						
Federal	\$ 490,440	\$ 600,038	\$ 460,478	\$ 51,494	\$ 511,972	\$ (139,560)
Expenditures:						
Current:						
Support services:						
General administration	36,328	22,384	22,383	-	22,383	1
Central services	34,794	22,817	22,794	-	22,794	23
Operation of plant	28,430	25,100	24,374	89	24,463	726
Operation services:						
Community	<u>390,888</u>	<u>529,737</u>	<u>442,332</u>	<u>-</u>	<u>442,332</u>	<u>87,405</u>
Total expenditures	<u>490,440</u>	<u>600,038</u>	<u>511,883</u>	<u>89</u>	<u>511,972</u>	<u>88,155</u>
Net change	-	-	(51,405)	<u>\$ 51,405</u>	<u>\$ -</u>	(51,405)
Cash balance, beginning of year	-	-	-			-
Cash advanced from the general fund	-	-	<u>51,405</u>			<u>51,405</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ -</u>
Explanation of Differences:						
Change in receivables				\$ 91,199		
Change in accounts payable				(89)		
Change in unearned revenues				<u>(39,705)</u>		
				<u>\$ 51,405</u>		

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
BIRTH TO TWO YEAR FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 55,000	\$ 74,996	\$ 77,405	\$ (36,679)	\$ 40,726	\$ 2,409
Expenditures:						
Current:						
Support services:						
Students	32,640	65,056	14,320	-	14,320	50,736
General administration	34,490	54,819	26,406	-	26,406	28,413
Total expenditures	67,130	119,875	40,726	-	40,726	79,149
Net change	(12,130)	(44,879)	36,679	\$ (36,679)	\$ -	81,558
Cash balance, beginning of year	44,880	44,880	44,880			-
Cash balance, end of year	\$ 32,750	\$ 1	\$ 81,559			\$ 81,558
Explanation of Differences:						
Change in receivables				\$ 15,852		
Change in unearned revenues				(52,531)		
				\$ (36,679)		

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
DOH HEALTHIER SCHOOLS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual on GAAP Basis</u>	<u>Budgetary Basis Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Revenues:						
Intergovernmental:						
State	\$ 77,250	\$ 110,000	\$ 110,000	\$ -	\$ 110,000	\$ -
Expenditures:						
Current:						
Support services:						
Students	<u>77,250</u>	<u>142,750</u>	<u>91,360</u>	<u>-</u>	<u>91,360</u>	<u>51,390</u>
Excess (deficiency) of revenues over expenditures	-	(32,750)	18,640	-	18,640	51,390
Other Financing Sources (Uses):						
Transfers (out)	<u>-</u>	<u>-</u>	<u>(18,640)</u>	<u>-</u>	<u>(18,640)</u>	<u>(18,640)</u>
Net change	-	(32,750)	-	<u>\$ -</u>	<u>\$ -</u>	32,750
Cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>			<u>-</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ (32,750)</u>	<u>\$ -</u>			<u>\$ 32,750</u>

Explanation of Differences:
None.

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

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
 SCHEDULE OF REGION IX EDUCATION COOPERATIVE'S
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
 LAST TEN FISCAL YEARS *

	<u>2015</u>	<u>2016</u>
Cooperative's proportionate of the net pension liability (asset)	.08754%	.08409%
Cooperative's porportionate share of the net pension liability (asset)	\$ 4,994,790	\$ 5,446,733
Cooperative's covered-employee payroll	\$ 2,393,158	\$ 2,827,566
Cooperative's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	208.71%	192.63%
Plan fiduciary net position as a percentage of the total pension liability	66.54%	63.97%

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

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
 SCHEDULE OF REGION IX EDUCATION COOPERATIVE'S CONTRIBUTIONS
 EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
 LAST TEN FISCAL YEARS *

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 317,193	\$ 391,932
Contributions in relation to the contractually required contribution	<u>317,193</u>	<u>391,932</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Cooperative's covered-employee payroll	<u>\$ 2,393,158</u>	<u>\$ 2,827,566</u>
Contributions as a percentage of covered-employee payroll	13.25%	13.86%

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

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

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Changes of benefit terms - The COLA and retirement eligibility benefits changes in recent years are described in the *Benefits Provided* subsection of the financial statement not disclosure *General Information on the Pension Plan*.

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

1. Fiscal year 2015 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 4.25% to 3.75%
 - b. Update the mortality tables to incorporate generational improvements
 - c. Update demographic assumptions to use currently published tables, which may result in minor calculation changes
 - d. Remove population growth assumption for projections
 - e. Lower population growth from .50% to zero (no impact on valuation results)
2. Assumptions that were not changed:
 - a. Maintain in current 3.00% inflation assumption
 - b. Retain net 4.75% real return assumption
 - c. Retain 7.75% nominal return assumption
 - d. No change to COLA assumption of 2.00% per year
 - e. Maintain current payroll growth assumption of 3.50%
 - f. Maintain experience-based rates for members who joined NMERB by June 30, 2010

See also the *Actuarial Assumptions* subsection of the financial statement not disclosure *General Information on the Pension Plan*.

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

OTHER SCHEDULES REQUIRED BY SECTION 2.2.2 NMAC

**STATE OF NEW MEXICO
 REGION IX EDUCATION COOPERATIVE
 SCHEDULE OF CASH ACCOUNTS
 JUNE 30, 2016**

<u>Financial Institution/Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
First Savings Bank 2713 Sudderth Drive Ruidoso, New Mexico 88345				
General Fund	Checking	\$ 3,948,924	\$ (2,004,412)	\$ 1,944,512
Lincoln County Head Start Fund	Checking	<u>(1,568)</u>	<u>(102,458)</u>	<u>(104,026)</u>
Total checking accounts		<u>\$ 3,947,356</u>	<u>\$ (2,106,870)</u>	<u>\$ 1,840,486</u>

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2016**

First Savings Bank
2713 Sudderth Drive
Ruidoso, New Mexico 88345

Security	CUSIP	Maturity	Market Value
FNMA 10 YR	31418ADU9	03/01/22	\$ 340,516
FHLMC 10 YR	31294MN72	04/01/22	111,627
FHLMC 10 YR	3128MDNT6	03/01/23	218,757
FNMA 10 YR	31418AVM7	07/01/23	370,642
FNMA 10 YR	31418AVM7	07/01/23	192,184
FHLMC 15 YR	3128MDEC3	05/01/27	291,389
FHR 4136 NG	3137AWKN4	11/15/27	149,167
FNMA 15 YR	31417D5C3	12/01/27	383,119
FNMA 15 YR	3138EKJA4	01/01/28	100,260
FNR 2012-145 DC	3136AA2L8	01/25/28	84,874
FHLMC 15 YR	3128MECV1	02/01/30	350,454
GNR 2011-4 MD	38377TBL4	11/20/38	95,685
GNR 2011-4 MD	38377TBL4	11/20/38	23,921
GNR 2011-4 MD	38377TBL4	11/20/38	95,685
			\$ 2,808,280

The holder of the security pledged by First Savings Bank is the First National Bank Pierre, 125 W. Sioux Avenue, Pierre, SD 57501.

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
SCHEDULE OF CASH RECONCILIATIONS
ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Fund	Cash 06/30/15	Restatement	Restated Cash 06/30/15	Revenues	Expenditures	Net Transfers In/Out	Interfund Advance/ Repayment	Cash 06/30/16
General	\$ 403,675	\$ -	\$ 403,675	\$ 6,737,814	\$ (2,497,130)	\$ 8,640	\$ (2,938,684)	\$ 1,714,315
State Directed Activities	-	-	-	7,967,353	(10,922,650)	-	2,955,297	-
Head Start	(71,384)	-	(71,384)	1,692,253	(1,734,895)	10,000	-	(104,026)
Carl Perkins Secondary Redist.	-	-	-	8,982	(8,982)	-	-	-
Title XIX Medicaid (3 to 21)	111,481	-	111,481	213,602	(208,142)	-	-	116,941
Schools with Solar	10,441	-	10,441	-	(10,441)	-	-	-
Title XIX Medicaid (Birth to 2)	51,804	-	51,804	372,251	(394,121)	-	-	29,934
Workforce Investment Act	-	-	-	528,496	(511,883)	-	(16,613)	-
Birth to Two Year	44,880	-	44,880	77,405	(40,726)	-	-	81,559
DOH Healthier Schools	-	-	-	110,000	(91,360)	(18,640)	-	-
	<u>\$ 550,897</u>	<u>\$ -</u>	<u>\$ 550,897</u>	<u>\$ 17,708,156</u>	<u>\$ (16,420,330)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,838,723</u>

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
 COMBINING SCHEDULE OF CHANGES IN ASSETS
 AND LIABILITIES FOR THE AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Balance 06/30/15	Increases/ Receipts	Decreases/ Disbursements	Balance 06/30/16
E-Rate Fund				
Assets:				
Cash	\$ -	\$ 21,755	\$ (19,992)	\$ 1,763
Liabilities:				
Deposits held for others	\$ -	\$ 21,755	\$ (19,992)	\$ 1,763

ADDITIONAL INFORMATION

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
SCHEDULE OF VENDOR INFORMATION
FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2016**

RFB#/ RFP#	Type of Procurement	Vendor Name	Did Vendor Win Contract	Amount of Awarded Contract	Amount of Amended Contract	Physical Address of Vendor (City, State)	Did the Vendor Provide Documentation of Eligibility for In-State Preference	Did the Vendor Provide Documentation of Eligibility for Veterans' Preference	Brief Description of the Scope of Work
N/A	Sole Source	SREB	Yes	\$ 1,425,380.00	\$ 1,585,367.96	Atlanta, GA	No	No	Provide professional development, project management coachings, data review, material development for NMTeach Process, as directed by NMPED Teacher Quality Division.
2015.8.26	Competitive (RFP)	PCG	Yes	\$ 140,000.00		Coston, MA	No	No	Provide extensive evaluation, design, documentation and development of professional development for Elementary Literacy for the NMPED Literacy Bureau.
N/A	Sole Source	CN Resources	Yes	\$ 127,100.00		Mesa, AZ	No	No	Perform validation and administrative reviews, under direction of NMPED Coordinated School Health and Wellness Bureau of certification documentation for designated SFAs.
N/A	Sole Source	Amplify	Yes	\$ 125,000.00		Brooklyn, NY	No	No	Develop and provide professional development as directed by NMPED Literacy Bureau.
N/A	Sole Source	Haughness, Karen	Yes	\$ 109,078.18		White Oaks, NM	No	No	Provide training on ASD basics, conduct observations and provide feedback to school districts as directed by the NMPED Special Education Bureau.
N/A	Sole Source	Egel, Andrew	Yes	\$ 102,008.00		Los Angeles, CA	No	No	Provide training on ASD basics, conduct observations and provide feedback to school districts as directed by the NMPED Special Education Bureau.
2015.06.08	Competitive (RFP)	Global Learning Partners	Yes	\$ 95,000.00		Montpelier, VT	No	No	Provide extensive evaluation, design, documentation and development of quality systems related to New Mexico's Guiding Principles, Training competencies and consultant guidelines for the overall early childhood system in New Mexico.

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
SCHEDULE OF VENDOR INFORMATION
FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2016**

RFB#/ RFP#	Type of Procurement	Vendor Name	Did Vendor Win Contract	Amount of Awarded Contract	Amount of Amended Contract	Physical Address of Vendor (City, State)	Did the Vendor Provide Documentation of Eligibility for In-State Preference	Did the Vendor Provide Documentation of Eligibility for Veterans' Preference	Brief Description of the Scope of Work
N/A	Sole Source	SREB	Yes	\$ 91,260.00		Atlanta, GA	No	No	Provide professional services to support implementation of the High Schools-That-Work (HSTW) framework under the direction of the NM Public Education Department College and Career Readiness Bureau.
2016.02.08	Competitive (RFP)	AGENDA	Yes			Albuquerque, NM			Implement marketing and public information strategies under the Race to the Top-Early Learning Challenge (RTT-ELC) grant in order to promote an aligned quality early learning system. The agreement will enable the RTT-ELC management team to implement a public relations, marketing and/or advertising strategies for each of its projects, being implemented across the Dept. of Health (DOH) Public Ed Dept. (PED), and Children, Youth and Families Department (CYFD).
2016.02.08	Competitive (RFP)	The Agency	No	\$ 75,000.00		Ruidoso, NM	No	No	Implement marketing and public information strategies under the Race to the Top-Early Learning Challenge (RTT-ELC) grant in order to promote an aligned quality early learning system. The agreement will enable the RTT-ELC management team to implement a public relations, marketing and/or advertising strategies for each of its projects, being implemented across the Dept. of Health (DOH) Public Ed Dept. (PED), and Children, Youth and Families Department (CYFD).
2016.02.08	Competitive (RFP)	CWA Strategic Comm	No			Albuquerque, NM			Implement marketing and public information strategies under the Race to the Top-Early Learning Challenge (RTT-ELC) grant in order to promote an aligned quality early learning system. The agreement will enable the RTT-ELC management team to implement a public relations, marketing and/or advertising strategies for each of its projects, being implemented across the Dept. of Health (DOH) Public Ed Dept. (PED), and Children, Youth and Families Department (CYFD).
N/A	Sole Source	Media Designs	Yes	\$ 69,885.00		Corrales, NM	No	No	Provide design, consulting services, video production, post-production and assembly/programming for the NM Reflective Practice Program.
N/A	Sole Source	Creative Communications	Yes	\$ 60,000.00		Claymont, DE	No	No	Implementation of communications strategy for New Mexico's Race to the Top-Early Learning Challenge (RTT-ELC).
N/A	Sole Source	NMAIMH	Yes	\$ 60,000.00		Albuquerque, NM	No	No	Work collaboratively with the Children, Youth and Families Dept. (CYFD) to develop a cadre of Infant Mental Health Treatment professionals, by providing Reflective Consultation Service.
2015-16PT	Competitive (RFP)	Barbara Pagillo	Yes	\$ 108,000.00		Alto, NM	Yes	No	Provide physical therapy services to Region IX's associated school districts.

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
SCHEDULE OF VENDOR INFORMATION
FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2016**

RFB#/ RFP#	Type of Procurement	Vendor Name	Did Vendor Win Contract	Amount of Awarded Contract	Amount of Amended Contract	Physical Address of Vendor (City, State)	Did the Vendor Provide Documentation of Eligibility for In-State Preference	Did the Vendor Provide Documentation of Eligibility for Veterans' Preference	Brief Description of the Scope of Work
2015-16PT	Competitive (RFP)	Soliant Health	No	\$ 108,348.00		Tucker, GA	Yes	No	Provide physical thereapy services to Region IX's associated school districts.
2015-16PT	Competitive (RFP)	Top Echelon	No	\$ 117,798.00		Canton, OH	Yes	No	
2015-16PT	Competitive (RFP)	EDUHealthcare	No	\$ 111,048.00		Huntersville, NC	Yes	No	
N/A	Competitive (RFB)	Hyatt Regency ABQ	Yes	\$ 78,482.49		Bernalillo, NM	N/A	N/A	Venue for event training, including AV, lodging, F&B, Internet.
Gear Up 10.28.16	Competitive (RFB)	Crowne Plaza - ABQ	Yes	\$ 68,450.00		Albuquerque, NM	N/A	N/A	Venue for event training, including AV, lodging, F&B, Internet.
Gear Up 10.28.16	Competitive (RFB)	Hilton	No			Albuquerque, NM	N/A	N/A	
Gear Up 10.28.16	Competitive (RFB)	Sheraton Uptown	No			Albuquerque, NM	N/A	N/A	
NMTeach 7.20-7.22	Competitive (RFB)	Hyatt Regency ABQ	Yes	\$ 69,625.00		Bernalillo, NM	N/A	N/A	Venue for event training, including AV, lodging, F&B, Internet.
NMTeach 7.20-7.22	Competitive (RFB)	Hotel Encanto de Las Cruces	No			Las Cruces, NM			
N/A	Sole Source	Hyatt Regency ABQ	Yes	\$ 163,900.00		Bernalillo, NM	N/A	N/A	Venue for event training, including AV, lodging, F&B, Internet.
CCR AP Symposium 1/18-1/19 and 1/20-1/22	Sole Source	Hyatt Regency ABQ	Yes	\$ 99,693.15		Bernalillo, NM	N/A	N/A	Venue for event training, including AV, lodging, F&B, Internet.
NM Tech 6.7-6.8	Competitive (RFB)	Hyatt Regency Tamaya	Yes	\$ 71,395.45		Bernalillo, NM	N/A	N/A	Venue for event training, including AV, lodging, F&B, Internet.

**STATE OF NEW MEXICO
 REGION IX EDUCATION COOPERATIVE
 SCHEDULE OF VENDOR INFORMATION
 FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
 FOR THE YEAR ENDED JUNE 30, 2016**

RFB#/ RFP#	Type of Procurement	Vendor Name	Did Vendor Win Contract	Amount of Awarded Contract	Amount of Amended Contract	Physical Address of Vendor (City, State)	Did the Vendor Provide Documentation of Eligibility for In-State Preference	Did the Vendor Provide Documentation of Eligibility for Veterans' Preference	Brief Description of the Scope of Work
Reads to Lead 10/19-10/21	Competitive (RFB)	Hyatt Regency ABQ	Yes	\$ 77,831.38		Bernalillo, NM	N/A	N/A	Venue for event training, including AV, lodging, F&B, Internet
Reads to Lead 10/19-10/21	Competitive (RFB)	Sheraton Uptown	No			Albuquerque, NM	N/A	N/A	
Reads to Lead 10/19-10/21	Competitive (RFB)	Sheraton Airport	No			Albuquerque, NM	N/A	N/A	
Reads to Lead 10/19-10/21	Competitive (RFB)	Crowne Plaza ABQ	No			Albuquerque, NM	N/A	N/A	

SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
U.S. Department of Agriculture/Forest Service				
Job Training Development for Tribal Youth	10.xxx	16-PA-11030800-006	\$ 26,094	\$ 26,094
U.S. Department of Labor				
Workforce Investment Act	17.259	CYP15/16-Region IX	600,038	511,972
U.S. Department of Education/Passed through NM Public Education Department				
Carl D. Perkins Secondary Redistribution	84.048	V048A130031	8,982	8,982
Race to the Top - Early Learning Challenge	84.412	S412A130025	43,935	<u>10,138</u>
				19,120
U.S. Department of Education/Passed through NM Public Education Department/ Passed through University of New Mexico				
Race to the Top - Early Learning Challenge	84.412	S412A130025	22,000	21,008
U.S. Department of Education/Passed through Children, Youth and Families Department				
Race to the Top - Early Learning Challenge	84.412	S412A130025	5,185,039	41,683
Race to the Top - Early Learning Challenge	84.412	S412A130025	205,000	197,438
Race to the Top - Early Learning Challenge	84.412	S412A130025	767,800	<u>588,469</u>
Total U.S. Department of Education				867,718
U.S. Department of Health and Human Services				
Abuse and Mental Health Issues	93.243	10SM60305A	10,441	10,441
Head Start	93.600	06CH7149/02	445,006	445,005
Head Start	93.600	06CH7149/03	447,196	447,196
Head Start	93.600	06HP0011/01	1,355,625	<u>856,305</u>
				1,758,947
U.S. Department of Health and Human Services/ Passed through Children, Youth and Families Department				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	D89MC26362	268,884	245,818
U.S. Department of Health and Human Services/ Passed through NM Human Services Department				
Medicaid	93.778	1750418281	394,120	394,121
Medicaid	93.778	1922195544	208,142	<u>207,816</u>
Total U.S. Department of Health and Human Services				2,606,702
U.S. Department of Homeland Security/Passed through NM Department of Homeland Security				
Emergency Management Performance Grants	97.042	00066-S01	21,632	<u>11,904</u>
Total Expenditures of Federal Awards				<u>\$ 4,024,390</u>

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the Region IX Education Cooperative (Cooperative). The Cooperative is defined in Note 1 of the Cooperative's financial statements. All federal awards received are included in the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using both modified accrual basis of accounting, which is described in Note 1, to the Cooperative's financial statements, and the full accrual basis of accounting. All governmental expenditures of Region IX Education Cooperative are presented in accordance with the modified accrual basis of accounting.

3. FEDERAL EXPENDITURES

The accompanying schedule of expenditures of federal awards includes all federal expenditures including the value of federal awards expended in the form of noncash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end.

4. RECONCILIATION OF FINANCIAL STATEMENTS TO FEDERAL AWARDS

Federal expenditures on the schedule of expenditures of federal awards amount to \$4,024,390. The amount of expenditures within the funds is reflected within the financial statements as follows:

Special Revenue Funds	
State Directed Activities Fund	\$ 1,142,552
Head Start Fund	1,748,506
Carl Perkins Secondary Redistribution Fund	8,982
Title XIX Medicaid (3 to 21) Fund	207,816
Schools with Solar Fund	10,441
Title XIX Medicaid (Birth to Two) Fund	394,121
Workforce Investment Act Fund	511,972
	\$ 4,024,390

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.com

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

Timothy Keller, State Auditor
and
Coordinating Council
Region IX Education Cooperative
Ruidoso, 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, the budgetary comparisons of the general fund and major special revenue funds, of Region IX Education Cooperative (Cooperative), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Cooperative, presented as supplemental information, and have issued our report thereon dated September 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative'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 Cooperative's internal control.

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

Our consideration of the 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 Cooperative'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 test 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 items 2012-002, 2013-001, 2014-004, and 2016-001.

The Cooperative's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

September 26, 2016

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.com

Report on Compliance for Each Major Federal Program; Report
on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by The Uniform Guidance

Independent Auditors' Report

Timothy Keller, State Auditor
and
Coordinating Council
Region IX Education Cooperative
Ruidoso, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Region IX Education Cooperative's (Cooperative) compliance, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Cooperative's major federal programs for the year ended June 30, 2016. The Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Cooperative'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 the Cooperative'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 on the Cooperative's compliance.

Opinion on Each Major Federal Program

In our opinion, the Cooperative 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, 2016.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 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.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

September 26, 2016

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported
- Noncompliance material to financial statements noted Yes No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported

Type of auditors' report issued on
Compliance with major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? Yes No

Program tested as major programs include:

Program	CFDA No.
Head Start	93.600

- The threshold for distinguishing Types A and B programs was \$750,000.
- Auditee qualified as low-risk auditee? Yes No

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2012-002 – Other Noncompliance – Cash Receipts

Statement of Condition – During the course of the audit, we performed tests of cash receipts. Our sample size was sixty deposits which contained seventy-two cash receipts received and recorded by the Cooperative, and contained the following discrepancies:

- From the sixty deposits tested we noted twenty-seven instances where a timely accounting entry was not entered into the accounting system reflecting the receipt of funds. The delay in entering the data into the accounting varied from a few days to several weeks.
- From the sixty deposits we noted two instances where the receipts were issued out of numerical sequence.

We performed another audit procedure testing the numerical issuance of receipts for an entire month. For the month selected for testing, the Cooperative issued forty-five receipts and we noted eight instances where the numerical receipts were issued out of sequence.

In the previous year’s audit report, the Cooperative responded to the audit finding by stating that the responsibility of recording into the accounting system shifted to different personnel and the knowledge of how revenues are received and flow was learned. The Cooperative has improved and modified their cash receipts procedures; however, the Cooperative continues to delay the recording of revenues received within the accounting records. Furthermore, the Cooperative has not improved the internal control procedures of issuing receipts in a sequential numerical sequence.

Criteria – Section 6.20.2.14A of the New Mexico Administrative Code states, “*School districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the Office of Management and Budget (OMB) Circular A-102, and applicable state and federal laws and regulations.*”

Effect – Not issuing a receipt for each cash transaction, at the time of the deposit, could allow unintentional in intentional errors to occur, and not be detected and fully reconciled, in a proper manner, or on a timely basis.

Cause – The Cooperative’s finance department failed to monitor their banking activity via the internet, to gather the information to record the deposits in the REC’s accounting software.

Recommendation – We recommend the Cooperative’s finance department review the accounting procedures concerning all money received and deposited. Furthermore, we recommend the Cooperative implement the necessary changes to their accounting procedures to ensure all money received is recorded in a timely manner.

Views of Responsible Officials and Planned Corrective Actions – Accounting procedures continue to be improved upon in order to be compliant and cross-training is planned. The way revenues are received from DFA are, at times, difficult to identify properly.

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2012-002 – Other Noncompliance – Cash Receipts (continued)

Views of Responsible Officials and Planned Corrective Actions (continued) – Accounting procedures continue to be improved upon in order to be compliant and cross-training is planned. Revenues are received from NM Department of Finance and Administration (DFA) are, at time, difficult to identify properly. Deposit tickets are not always printed at the time the deposit is entered in the general ledger; therefore, creating the appearance that there was a delay in entering the deposit. The Business Manager will make an honest attempt to identify deposits and issue receipts in sequential numerical sequence on a daily basis that will begin immediately. The process will continue to be reviewed and revised as necessary. It will be noted on the deposit ticket if the hard copy was printed after the transaction was actually entered into the general ledger. The Business Manager has started training personnel in accounts receivable/posting with responsibility being transferred within the first quarter of calendar year 2017.

Item 2013-001 – Other Noncompliance – Per Diem and Mileage Act

Statement of Condition – During the course of the audit, we performed tests of travel and per diem expenditures for the purpose of determining compliance with State statutes and administrative rules along with REC established administrative procedures. Our sample size was sixty transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

- There was one instance where an employee was reimbursed for actual meals expensed as well as was reimbursed for partial day per diem. The employee was overpaid by \$5.67.
- There was seventeen instances where employees were not reimbursed the recorded tip amount on the meal receipt. The Cooperative's executive director implemented new policies, which narrow the interpretation of the New Mexico Per Diem and Mileage Act, based on an email from the New Mexico Public Education Department, on the maximum amount (20%) of tips that could be reimbursed. These new policies were never adopted by the Cooperative's Coordinating Council and were implemented via an email from the executive director to the Cooperative staff.

Criteria – The New Mexico Department of Finance and Administration (DFA) has issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

Section 2.42.2.8C(3) of the Travel and Per Diem regulations states, “*On the last day of travel when overnight lodging is no longer required, partial day reimbursement shall be made. To calculate the number of hours in the partial day, begin with the time the traveler initially departed. Divide the number of hours traveled by 24.*”

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2013-001 – Other Noncompliance – Per Diem and Mileage Act (continued)

Criteria (continued) – *The hours remaining constitute the partial day which shall be reimbursed as follows:*

- a. For less than 2 hours, none;*
- b. For 2 hours, but less than 6 hours, \$12.00;*
- c. For 6 hours or more, but less than 12 hours, \$20.00;*
- d. For 12 hours or more, \$30.00.*

Effect – Non-compliance with the state of New Mexico Travel and Per Diem Act subjects officials and employees to penalties as required by state statutes. Further, noncompliance with the REC administrative procedures could allow unauthorized payments to occur.

Cause – Although the REC staff worked diligently on implementing new travel and mileage forms and procedures, the staff made calculation errors when computing partial day reimbursements.

Recommendation – We recommend the REC staff revisit the Per Diem and Mileage Act and the administrative code in particular the discussion on the partial day reimbursement to ensure compliance with the Act. Further, any amendments to the Per Diem and Mileage Act have to be approved by the Coordinating Council, prior to implementation.

Views of Responsible Officials and Planned Corrective Actions – The Business Manager will review the Per Diem and Mileage Act along with the NM Administrative Code with the Accounts Payable clerk in October 2016, and any questions/procedures will be addressed at that time. The continuation of attention to detail will be stressed.

Item 2014-004 – Other Noncompliance – Legal Compliance with Adopted Budget

Statement of Condition – During our testing of the Cooperative's statutory budgetary requirements, we noted the following:

- The final budget within the general fund anticipated a year-end deficit cash balance of \$809,331, as budgeted revenues of \$2,433,780, and beginning cash of \$403,675 were not sufficient to pay for the budgeted expenditures of \$3,646,786.
- The original budget within the head start fund anticipated a year-end deficit cash balance of \$11,513, as budgeted revenues of \$1,282,155, and beginning cash deficit of \$71,384 were not sufficient to pay for the budgeted expenditures of \$1,222,284.
- The final budget within the DOH healthier schools fund anticipated a year-end deficit cash balance of \$32,750, as budgeted revenues of \$110,000 were not sufficient to pay for the budgeted expenditures of \$142,750.

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2014-004 – Other Noncompliance – Legal Compliance with Adopted Budget (continued)

Criteria – Sections 6-6-6 through 6-6-11 NMSA 1978 prohibit local governments from making expenditures without budgetary authority. Additionally, the local governments are not allowed to budget a deficit cash balance within any fund as reflected in the original and final budget within the General Fund. Anticipated ending cash cannot be less than zero.

Effect – Noncompliance with New Mexico state statutes subjects officials and employees to penalties and fines required by state statutes. State Statutes also make public officials liable for expenditures beyond budgetary authority.

Cause – In the three funds with deviations, listed above, the accounting staff failed to take into consideration the beginning cash balance when preparing the budget.

Recommendation – We recommend the accounting staff verifies proper budget authority has been established prior to transfers made between funds. Additionally, we recommend the accounting staff ensures anticipated end of year cash balances both on the original and final budgets are equal to or greater than zero.

Views of Responsible Officials and Planned Corrective Actions – The General Fund subsidizes reimbursable funds/IGAs, which creates the appearance of an overall negative balance. The Cooperative has to operate under the assumption that reimbursements will be made, per entered agreements, because Education Cooperatives do not receive any SEG funding in order to maintain the appearance of a positive or zero cash balance. The leadership team, at the direction of the Executive Director, and assisted by the Business Manager, will be updated as to the meaning of this finding at the next available meeting, following the full approval of the audit, in order for all departments to immediately start working towards financial awareness.

Head Start funding operates under a drawdown system and timing of the drawdown plays a big role in covering expenditures. The deficit balance, at year-end, has not happened before. The Business Manager has put a year-end plan in place to avoid negative cash bank balance at year-end.

A prior year DOH receivable never materialized creating a negative balance. Email communication between the School-Based Health Director and DOH has already, and will continue to ensure DOH receives all the appropriate paperwork in order to issue payment.

Item 2016-001 – Other Noncompliance – Board Minutes

Statement of Condition – During our review of the Coordinating Council's monthly board meeting minutes, we discovered the following deviations:

- The Council's minutes are vague and do not provide the necessary information to inform the reader of the substance of items discussed and approved during a public meeting. In particular, the minutes are vague when a motion is made on a particular subject.

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2016-001 – Other Noncompliance – Board Minutes (continued)

Statement of Condition (continued) –

- There were two instances where the minutes reflected members being present for the vote, when, in fact, those members were either absent from the meeting, in its entirety, or stepped away and wasn't present for the vote.
- Between August 2015 and August 2016, the Cooperative had twelve meetings, in which the Council went into closed executive session three times. The Council failed to properly enter into and out of the closed executive session as per the Open Meetings Act. The Council went into closed executive session to discuss limited personnel matters and threatened or pending litigation.
- There was one instance where limited personnel matters (renewal of the executive director's contract) was discussed during an open meeting.

Criteria – Section 10-15-1 G of the New Mexico State Statutes states, in part, *“The board, commission or other policymaking body shall keep written minutes of all its meetings. The minutes shall include at a minimum the date, time and place of the meeting, the names of members in attendance and those absent, the substance of the proposals considered and a record of any decisions and votes taken to show how each member voted.”*

Section 10-15-1 (H) (2) of the New Mexico State Statutes states, in part, *“A meeting may be closed to discuss limited personnel matters. A limited personnel matter indicates the discussion of hiring, promotion, demotion, dismissal, assignment or resignation of or the investigation or consideration of complaints or charges against any individual public employee; provided further that this paragraph is not to be construed as to exempt final actions on personnel from being taken at open public meeting, nor does it preclude an aggrieved public employee from demanding a public hearing.”*

Section 10-15-1 (I) (1) of the New Mexico State Statutes states, *“The closure, if made in an open meeting, shall be approved by a majority vote of a quorum of the policymaking body; the authority for the closure and the subject to be discussed shall be stated with reasonable specificity in the motion calling for the vote of a closed meeting; the vote shall be taken in an open meeting; and the vote of each individual member shall be recorded in the minutes. Only those subjects announced or voted upon prior to closure by the policymaking body may be discussed in a closed meeting.”*

Section 10-15-1 (J) of the New Mexico State Statutes states, in part, *“Following completion of any closed meeting, the minutes of the open meeting that was closed, shall state that the matters discussed in the closed meeting were limited only to those specified in the motion for closure. This statement shall be approved by the public body and recorded as part of the minutes.”*

Effect – Noncompliance with New Mexico State Statutes could subject officials and employees to penalties and fines required by state statutes. By failing to open and conclude a closed executive session concerning limited personnel matters, it violates the confidentiality of the hiring process of the executive director.

STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2016-001 – Other Noncompliance – Board Minutes (continued)

Effect (continued) – Furthermore, vague minutes do not provide the reader a true and accurate understanding of what is being discussed, and voted upon, by the Coordinating Council and the Cooperative staff. Finally, noncompliance with the Open Meetings Act could lead to potential lawsuits.

Cause – The Coordinating Council and the executive director failed to ensure the requirements and procedures of the Open Meetings Act were being followed.

Recommendation – We recommend the Coordinating Council and the executive director review the Open Meetings Act (Section 10-15-1) to ensure compliance with all aspects of the Act. Furthermore, we recommend the Cooperative ensure the council minutes provide, at least, the minimal information as per the Act.

Views of Responsible Officials and Planned Corrective Actions – The Open Meetings Act (Section 10-15-1) will be reviewed. New personnel have been assigned to this duty and training/modifications toward compliance are currently in place and are being monitored monthly, by the executive director.

SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS – HEAD START – CFDA NO. 93.600

None.

SECTION IV – PRIOR YEAR'S AUDIT FINDINGS

Item 2012-002 – Cash Receipts – In the prior year's audit, it was noted that all monies received were not deposited timely and the receipts were not created and posted into the accounting software on a timely basis. During the current year, the Cooperative deposited all monies within twenty-four hours; however, the Cooperative did not record the deposits into the accounting software on a timely basis. The finding has not been resolved and is updated and repeated.

Item 2013-001 – Per Diem and Mileage Act – In the prior year's audit, it was noted that the Cooperative was not in compliance with the New Mexico Per Diem and Mileage Act. During the current year, the Cooperative continued to overhaul their policies and procedures in respect to the Per Diem and Mileage Act. However, there are still numerous issues concerning the Cooperative's compliance with Per Diem and Mileage Act. The finding has not been resolved and is updated and repeated.

Item 2014-004 – Legal Compliance with Adopted Budget – In the prior year's audit, it was noted that the Cooperative exceeded their respective approved budgets within two funds. During the current year, the Cooperative failed to budget zero or positive cash balances in three funds. The finding has not been resolved and is updated and repeated.

**STATE OF NEW MEXICO
REGION IX EDUCATION COOPERATIVE
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2016**

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2016, was discussed during the exit conference held on September 29, 2016. Present for the Cooperative was Travis Lightfoot, chairman, Melvina Torres-Ovrick, interim executive director, Bryan Dooley, technology director, and Carmen Spann, business manager. Present for the auditing firm was Dominic Fierro.

FINANCIAL STATEMENT PREPARATION

The business manager and the accounting staff prepared the financial statements of Region IX Education Cooperative for the fiscal year ended June 30, 2016. The auditing firm assisted in the preparation of the footnotes to the statements, along with preparing the document that contains all the financial statements, notes to the financial statements and other supplemental financial information.