

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL  
EDUCATION COOPERATIVE #2  
AUDITED FINANCIAL STATEMENTS  
AND ANNUAL FINANCIAL REPORT  
WITH INDEPENDENT AUDITORS'  
REPORT THEREON  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**



**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
TABLE OF CONTENTS**

**JUNE 30, 2021**

**INTRODUCTORY SECTION:**

|                      |     |
|----------------------|-----|
| Official Roster..... | iii |
|----------------------|-----|

**FINANCIAL SECTION**

|                                   |       |
|-----------------------------------|-------|
| Independent Auditors' Report..... | 1 – 3 |
|-----------------------------------|-------|

**BASIC FINANCIAL STATEMENTS:**

Government-Wide Financial Statements:

|                                 |   |
|---------------------------------|---|
| Statement of Net Position ..... | 4 |
| Statement of Activities.....    | 5 |

Fund Financial Statements:

|  |    |
|--|----|
| Balance Sheet – Governmental Funds .....   | 6  |
| Reconciliation of Governmental Funds Balance Sheet to the<br>Statement of Net Position .....   | 7  |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental<br>Funds.....  | 8  |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in<br>Fund Balances – Governmental Funds to the Statement of Activities..... | 9  |
| Statement of Revenues and Expenditures – Budget (Non-GAAP Budgetary Basis)<br>and Actual (Non-GAAP Budgetary Basis) –<br>General Fund.....         | 10 |
| State Discretionary Fund.....  | 11 |
| Early Childhood Education and Care Department Fund .....   | 12 |

|   |              |
|---|--------------|
| <b>NOTES TO FINANCIAL STATEMENTS.....</b> | <b>13-44</b> |
|---|--------------|

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2**

**TABLE OF CONTENTS (continued)**

**JUNE 30, 2021**

|   |              |
|---|--------------|
| <b>REQUIRED SUPPLEMENTARY INFORMATION .....</b>   | <b>45-50</b> |
| Non-Major Governmental Funds Special Revenue Funds Descriptions.....  | 51           |
| Combining Balance Sheets – Non-Major Governmental Special Revenue Funds .....   | 52           |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances –<br>Non-Major Governmental Special Revenue Funds .....  | 53           |
| <br><b>SUPPLEMENTARY SCHEDULES</b>  |              |
| Schedule of Pledged Collateral .....  | 54           |
| Schedule of Cash Reconciliations .....  | 55           |
| Schedule of Expenditures of Federal Awards .....  | 56           |
| Notes to the Schedule of Expenditures of Federal Awards.....  | 57           |
| Report on Internal Control over Financial Reporting and on Compliance and Other<br>Matters Based on an Audit of Financial Statements<br>Performed in Accordance With Government Auditing Standards..... | 58-59        |
| Report on Compliance with Requirements Applicable to Each<br>Major Program and Internal Control Over Compliance in<br>Accordance with OMB Uniform Guidance .....  | 60-61        |
| Summary of Audit Results.....   | 62           |
| Schedule of Findings and Responses .....  | 63           |
| Exit Conference .....   | 64           |

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2**

**OFFICIAL ROSTER**

**JUNE 30, 2021**

Governing Council

Anthony Casados .....Chairman  
Felix Garcia..... Vice-Chairman  
Albert Martinez..... Secretary  
Dr. Karen Sanchez-Griego..... Member  
Dr. Lillian Torrez ..... Member  
Dr. Juanita Becenti..... Member  
Melissa Sandoval ..... Member  
John Maldonado..... Member

Administration

Valerie Trujillo.....Executive Director  
Jeannene Sparks .....Business Manager  
Monica Cordova.....Assistant Business Manager

## INDEPENDENT AUDITOR'S REPORT

Mr. Brian Colón, New Mexico State Auditor and  
Governing Council of the Santa Rosa Consolidated Schools

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of Northwest Regional Education Cooperative #2 (Cooperative), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Cooperative, as of June 30, 2021 and the respective changes in financial position and the budgetary comparisons for the general fund and the major special revenue fund 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, 2021, and the respective changes in financial position thereof 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 management's discussion and analysis. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 that the Cooperative's Proportionate Share of the Net Pension Liability, the Schedule of the Cooperative's Contributions, and the notes to the required supplementary information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic and historical context. We have applied certain limited procedures to the Schedule of the Cooperative's Proportionate Share of the Net Pension Liability and the Cooperative's Proportionate Share of the OPEB Liability in accordance with auditing standards general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Cooperative's financial statements that collectively comprise the Cooperative's basic financial statements. The Schedule of Expenditures of Federal Awards as required by the Office of Management and Budget Title 2 U.S. CFR Part 200, Uniform Guidance) and the other schedules presented as other supplemental information related to non-major funds as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards (Uniform Guidance) and the other Schedules presented as other supplemental information related to non-major funds 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 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 of Federal Awards and other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2021 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.

*Baldwin Accounting & Consulting, LLC*

Baldwin Accounting & Consulting, LLC  
Albuquerque, New Mexico  
September 30, 2021

**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE NO. 2**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>  |                                    |
| Current Assets   |                                    |
| Cash and cash equivalents                                  | \$ 17,575                          |
| Receivables:   |                                    |
| Grant  | 558,343                            |
| Other  | <u>-</u>                           |
| <b>Total Current Assets</b>                                | 575,918                            |
| Noncurrent Assets  |                                    |
| Capital Assets   | 22,320                             |
| Less: Accumulated Depreciation                             | <u>(22,320)</u>                    |
| <b>Total Noncurrent Assets</b>                             | <u>-</u>                           |
| Deferred Outflows of Resources:                            |                                    |
| Deferred Outflows, Pension Related                         | 1,658,941                          |
| Deferred Outflows, OPEB Related                            | <u>222,643</u>                     |
| <b>Total Deferred Outflows of Resources</b>                | <u>1,881,584</u>                   |
| <b>Total Assets and Deferred Outflows of Resources</b>     | <u><u>2,457,502</u></u>            |
| <b>Liabilities</b>   |                                    |
| Current Liabilities  |                                    |
| Accounts payable   | 1,864                              |
| Accrued salaries   | <u>20,272</u>                      |
| <b>Total Current Liabilities</b>                           | 22,136                             |
| Noncurrent Liabilities                                     |                                    |
| Compensated absences                                       | 30,024                             |
| Aggregate net pension liability                            | 3,418,856                          |
| Aggregate OPEB liability                                   | <u>469,018</u>                     |
| <b>Total Noncurrent Liabilities</b>                        | <u>3,917,898</u>                   |
| Deferred Inflows of Resources                              |                                    |
| Deferred Inflows, Pension Related                          | 96,897                             |
| Deferred Inflows, OPEB Related                             | <u>224,287</u>                     |
| <b>Total Deferred Inflows of Resources</b>                 | <u>321,184</u>                     |
| <b>Total Liabilities and Deferred Inflows of Resources</b> | <u><u>4,261,218</u></u>            |
| Net Position   |                                    |
| Restricted for:  |                                    |
| Special revenue funds                                      | (16,459)                           |
| Unrestricted   | <u>(1,787,257)</u>                 |
| <b>Total Net Position</b>                                  | <u><u>\$ (1,803,716)</u></u>       |

The notes to the financial statements are an integral part of this statement.



**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE NO. 2**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2021**

| Functions/Programs                        | <u>Expenses</u>     | <u>Program Revenues</u> |                          |                          | <u>Net (Expense) Revenue and</u> |
|---|---------------------|-------------------------|--------------------------|--------------------------|----------------------------------|
|   |                     | <u>Charges for</u>      | <u>Operating Grants</u>  | <u>Capital Grants</u>    | <u>Changes in Net Position</u>   |
|   |                     | <u>Services</u>         | <u>and Contributions</u> | <u>and Contributions</u> | <u>Governmental</u>              |
|   |                     |                         |                          |                          | <u>Activities</u>                |
| <b>Primary government:</b>                |                     |                         |                          |                          |                                  |
| <b>Governmental activities:</b>           |                     |                         |                          |                          |                                  |
| Instruction                               | \$ 4,770            | \$ -                    | \$ 4,254                 | \$ -                     | \$ (516)                         |
| Support Services - Students               | 55,469              | -                       | 49,471                   | -                        | (5,998)                          |
| Support Services - Instruction            | 2,409,854           | -                       | 2,149,288                | -                        | (260,566)                        |
| Support Services - General Administration | 1,059,050           | -                       | 944,540                  | -                        | (114,510)                        |
| Support Services - School Administration  | 869,042             | -                       | 775,077                  | -                        | (93,965)                         |
| Central Services                          | 334,060             | -                       | 297,940                  | -                        | (36,120)                         |
| Operations & Maintenance of Plant         | 23,425              | -                       | 20,892                   | -                        | (2,533)                          |
| Community Services Operations             | 3,085,113           | -                       | 2,751,534                | -                        | (333,579)                        |
| <b>Total governmental activities</b>      | <b>\$ 7,840,783</b> | <b>\$ -</b>             | <b>\$ 6,992,996</b>      | <b>\$ -</b>              | <b>(847,787)</b>                 |
| General revenues:                         |                     |                         |                          |                          |                                  |
| Miscellaneous income                      |                     |                         |                          |                          | <u>-</u>                         |
| <i>Change in net position</i>             |                     |                         |                          |                          | <u>(847,787)</u>                 |
| <b>Net position - beginning</b>           |                     |                         |                          |                          | <u>(955,929)</u>                 |
| <b>Net position - ending</b>              |                     |                         |                          |                          | <b>\$ <u>(1,803,716)</u></b>     |

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE NO. 2**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2021**

|   | General<br>Fund #27101   | State<br>Discretionary<br>Fund #27200 | Early<br>Childhood<br>& Care<br>Department<br>Fund #28207 | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------------|---------------------------------------|---|--------------------------------|--------------------------------|
| <b>Assets</b>                             |                          |                                       |   |                                |                                |
| Cash and cash equivalents                 | \$ -                     | \$ -                                  | \$ 13,360   | \$ 4,215                       | \$ 17,575                      |
| Receivables:                              |                          |                                       |   |                                |                                |
| Grant                                     | 1,031                    | 524,691                               | -   | 32,621                         | 558,343                        |
| Other                                     | -                        | -                                     | -   | -                              | -                              |
| Due from other funds                      | <u>512,570</u>           | <u>-</u>                              | <u>37,267</u>   | <u>-</u>                       | <u>549,837</u>                 |
| <b>Total Assets</b>                       | <b>\$ 513,601</b>        | <b>\$ 524,691</b>                     | <b>\$ 50,627</b>  | <b>\$ 36,836</b>               | <b>\$ 1,125,755</b>            |
| <b>Liabilities and fund balance</b>       |                          |                                       |   |                                |                                |
| Liabilities:                              |                          |                                       |   |                                |                                |
| Accounts payable                          | \$ 185                   | \$ 1,678                              | \$ -  | \$ -                           | \$ 1,863                       |
| Accrued salaries                          | 16,504                   | -                                     | -   | 3,769                          | 20,273                         |
| Due to other funds                        | <u>37,171</u>            | <u>412,417</u>                        | <u>-</u>  | <u>100,153</u>                 | <u>549,741</u>                 |
| <b>Total liabilities</b>                  | <b><u>53,860</u></b>     | <b><u>414,095</u></b>                 | <b><u>-</u></b>   | <b><u>103,922</u></b>          | <b><u>571,877</u></b>          |
| Fund balance:                             |                          |                                       |   |                                |                                |
| Restricted for:                           |                          |                                       |   |                                |                                |
| Special revenue funds                     | -                        | -                                     | 50,627  | (67,086)                       | (16,459)                       |
| Unassigned                                | <u>459,741</u>           | <u>110,596</u>                        | <u>-</u>  | <u>(96)</u>                    | <u>570,241</u>                 |
| <b>Total fund balance</b>                 | <b><u>459,741</u></b>    | <b><u>110,596</u></b>                 | <b><u>50,627</u></b>                                      | <b><u>(67,182)</u></b>         | <b><u>553,782</u></b>          |
| <b>Total liabilities and fund balance</b> | <b>\$ <u>513,601</u></b> | <b>\$ <u>524,691</u></b>              | <b>\$ <u>50,627</u></b>                                   | <b>\$ <u>36,740</u></b>        | <b>\$ <u>1,125,659</u></b>     |

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE NO. 2**  
**RECONCILIATION OF GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

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

|   |                       |
|---|-----------------------|
| Fund balances - total governmental funds  | \$ 553,782            |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                   |                       |
| Capital assets  | (22,320)              |
| Accumulated depreciation  | 22,320                |
| Defined benefit pension plan and OPEB deferred outflows are not financial resources and, therefore, are not reported in the funds         | 1,881,584             |
| Defined benefit pension plan and OPEB deferred inflows are not financial resources and, therefore, are not reported in the funds          | (321,184)             |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds |                       |
| Compensated absences  | (30,024)              |
| Net pension liability   | (3,418,856)           |
| Net OPEB liability  | <u>(469,018)</u>      |
| Net position of governmental activities   | \$ <u>(1,803,716)</u> |

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

|  | General<br>Fund #27101 | State<br>Discretionary<br>Fund #27200 | Early<br>Childhood<br>& Care<br>Department<br>Fund #28207 | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------------|---------------------------------------|---|--------------------------------|--------------------------------|
| <b>Revenues:</b>   |                        |                                       |   |                                |                                |
| Intergovernmental - federal grants                           | \$ -                   | \$ -                                  | \$ -  | \$ 4,711                       | \$ 4,711                       |
| Intergovernmental - state grants                             | 754,973                | 2,848,292                             | 3,352,399   | 32,621                         | 6,988,285                      |
| Miscellaneous  | -                      | -                                     | -   | -                              | -                              |
| <b>Total revenues</b>  | <u>754,973</u>         | <u>2,848,292</u>                      | <u>3,352,399</u>  | <u>37,332</u>                  | <u>6,992,996</u>               |
| <b>Expenditures:</b>   |                        |                                       |   |                                |                                |
| Current:   |                        |                                       |   |                                |                                |
| Instruction  | -                      | -                                     | -   | 4,770                          | 4,770                          |
| Support services:  |                        |                                       |   |                                |                                |
| Students   | -                      | 55,469                                | -   | -                              | 55,469                         |
| Instruction  | 84,915                 | 2,221,941                             | -   | 102,998                        | 2,409,854                      |
| General Administration                                       | 280,093                | 561,964                               | 216,659   | 334                            | 1,059,050                      |
| School Administration  | -                      | 248                                   | -   | -                              | 248                            |
| Central Services   | 334,035                | 25                                    | -   | -                              | 334,060                        |
| Operation & Maintenance of Plant                             | 23,425                 | -                                     | -   | -                              | 23,425                         |
| Community Service Operations                                 | -                      | -                                     | 3,085,113   | -                              | 3,085,113                      |
| <b>Total expenditures</b>                                    | <u>722,468</u>         | <u>2,839,647</u>                      | <u>3,301,772</u>  | <u>108,102</u>                 | <u>6,971,989</u>               |
| <i>Excess (deficiency) of revenues<br/>over expenditures</i> | <u>32,505</u>          | <u>8,645</u>                          | <u>50,627</u>   | <u>(70,770)</u>                | <u>21,007</u>                  |
| <b>Other financing uses:</b>                                 |                        |                                       |   |                                |                                |
| Transfers In   | -                      | -                                     | -   | -                              | -                              |
| Transfers Out  | -                      | -                                     | -   | -                              | -                              |
| <b>Total other financing uses</b>                            | <u>-</u>               | <u>-</u>                              | <u>-</u>  | <u>-</u>                       | <u>-</u>                       |
| <i>Net change in fund balance</i>                            | 32,505                 | 8,645                                 | 50,627  | (70,770)                       | 21,007                         |
| <b>Fund balance (deficit) at beginning of the year</b>       | 427,236                | 101,951                               | -   | 3,588                          | 532,775                        |
| <b>Fund balance at end of the year</b>                       | <u>\$ 459,741</u>      | <u>\$ 110,596</u>                     | <u>\$ 50,627</u>  | <u>\$ (67,182)</u>             | <u>\$ 553,782</u>              |

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2021**

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

|   |                     |
|---|---------------------|
| Net change in fund balance - total governmental funds   | \$ 21,007           |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. |                     |
| Compensated absences at:  |                     |
| June 30, 2020   | 24,440              |
| June 30, 2021   | (30,024)            |
| Pension expense   | (863,316)           |
| OPEB expense  | <u>106</u>          |
| Change in net position of governmental activities   | <u>\$ (847,787)</u> |

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE NO. 2**  
**GENERAL FUND NO. 27101**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**(NON-GAAP BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2021**

|  | Budgeted Amounts |                | Actual Amounts           | Variance with                          |
|--|------------------|----------------|--------------------------|--|
|  | <u>Original</u>  | <u>Final</u>   | <u>(Budgetary Basis)</u> | Final Budget<br>Positive<br>(Negative) |
| <b>Revenues:</b>                                     |                  |                |                          |  |
| Intergovernmental - state grants                     | \$ 417,037       | \$ 510,417     | \$ 753,942               | \$ 243,525                             |
| Charges for services                                 | -                | -              | -                        | -                                      |
| Miscellaneous  | -                | -              | -                        | -                                      |
| <b>Total revenues</b>                                | <u>417,037</u>   | <u>510,417</u> | <u>753,942</u>           | <u>243,525</u>                         |
| <b>Expenditures:</b>                                 |                  |                |                          |  |
| Current:   |                  |                |                          |  |
| Support services:                                    |                  |                |                          |  |
| Instruction  | -                | 87,633         | 84,730                   | 2,903                                  |
| General Administration                               | 342,171          | 347,918        | 280,093                  | 67,825                                 |
| School Administration                                | -                | -              | -                        | -                                      |
| Central Services                                     | 435,708          | 435,708        | 334,035                  | 101,673                                |
| Operation & Maintenance of Plant                     | 31,910           | 31,910         | 23,425                   | 8,485                                  |
| <b>Total expenditures</b>                            | <u>809,789</u>   | <u>903,169</u> | <u>722,283</u>           | <u>180,886</u>                         |
| Excess (deficiency) of revenues<br>over expenditures | (392,752)        | (392,752)      | 31,659                   | 62,639                                 |
| Other financing uses:                                |                  |                |                          |  |
| Transfers In   | <u>-</u>         | <u>-</u>       | <u>-</u>                 | <u>-</u>                               |
| Net change in fund balance                           | (392,752)        | (392,752)      | 31,659                   |  |
| Beginning cash balance budgeted                      | 392,752          | 392,752        | -                        | (392,752)                              |
| <b>Fund balance at beginning of the year</b>         | <u>-</u>         | <u>-</u>       | <u>427,236</u>           | <u>-</u>                               |
| <b>Fund balance at end of the year</b>               | <u>\$ -</u>      | <u>\$ -</u>    | <u>458,895</u>           | <u>\$ (392,752)</u>                    |
| RECONCILIATION TO GAAP BASIS:                        |                  |                |                          |  |
| Change in receivables                                |                  |                | 1,031                    |  |
| Change in payables                                   |                  |                | (185)                    |  |
| <b>Fund balance at end of the year (GAAP basis)</b>  |                  |                | <u>\$ 459,741</u>        |  |

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE NO. 2**  
**STATE DISCRETIONARY FUND – NO. 27200**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**(NON-GAAP BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2021**

|  | Budgeted Amounts |                  | Actual Amounts    | Variance with    |
|--|------------------|------------------|-------------------|------------------|
|  | Original         | Final            | (Budgetary Basis) | Final Budget     |
|  |                  |                  |                   | Positive         |
|  |                  |                  |                   | (Negative)       |
| <b>Revenues:</b>                                     |                  |                  |                   |                  |
| Intergovernmental - state grants                     | \$ -             | \$ 3,135,831     | \$ 2,320,787      | \$ (815,044)     |
| Miscellaneous  | -                | -                | 2,814             | 2,814            |
| <b>Total revenues</b>                                | <u>-</u>         | <u>3,135,831</u> | <u>2,323,601</u>  | <u>(812,230)</u> |
| <b>Expenditures:</b>                                 |                  |                  |                   |                  |
| Current:   |                  |                  |                   |                  |
| Instruction  | -                | -                | -                 | -                |
| Support services:                                    |                  |                  |                   |                  |
| Instruction  | -                | 2,482,668        | 2,220,263         | 262,405          |
| Students   | -                | 65,000           | 55,469            | 9,531            |
| General Administration                               | -                | 588,163          | 562,237           | 25,926           |
| School Administration                                | -                | -                | -                 | -                |
| Central Services                                     | -                | -                | -                 | -                |
| Operations & Maintenance of Plant                    | -                | -                | -                 | -                |
| <b>Total expenditures</b>                            | <u>-</u>         | <u>3,135,831</u> | <u>2,837,969</u>  | <u>297,862</u>   |
| Excess (deficiency) of revenues<br>over expenditures | -                | -                | (514,368)         | (1,110,092)      |
| <b>Fund balance at beginning of the year</b>         | <u>-</u>         | <u>-</u>         | <u>101,951</u>    | <u>-</u>         |
| <b>Fund balance at end of the year</b>               | <u>\$ -</u>      | <u>\$ -</u>      | <u>(412,417)</u>  | <u>\$ -</u>      |
| RECONCILIATION TO GAAP BASIS:                        |                  |                  |                   |                  |
| Change in grant receivables                          |                  |                  | 524,691           |                  |
| Change in payables                                   |                  |                  | (1,678)           |                  |
| <b>Fund balance at end of the year (GAAP basis)</b>  |                  |                  | <u>\$ 110,596</u> |                  |

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE NO. 2**  
**EARLY CHILDHOOD EDUCATION AND CARE DEPARTMENT FUND – NO. 28207**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**(NON-GAAP BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2021**

|  | <u>Budgeted Amounts</u> |                  | <u>Actual Amounts</u>    | Variance with                          |
|--|-------------------------|------------------|--------------------------|--|
|  | <u>Original</u>         | <u>Final</u>     | <u>(Budgetary Basis)</u> | Final Budget<br>Positive<br>(Negative) |
| <b>Revenues:</b>                                     |                         |                  |                          |  |
| Intergovernmental - state grants                     | \$ -                    | \$ 3,753,624     | \$ 3,315,228             | \$ (438,396)                           |
| Miscellaneous  | -                       | -                | -                        | -                                      |
| <b>Total revenues</b>                                | <u>-</u>                | <u>3,753,624</u> | <u>3,315,228</u>         | <u>(438,396)</u>                       |
| <b>Expenditures:</b>                                 |                         |                  |                          |  |
| Current:   |                         |                  |                          |  |
| Instruction  | -                       | -                | -                        | -                                      |
| Support services:                                    |                         |                  |                          |  |
| Instruction  | -                       | -                | -                        | -                                      |
| Students   | -                       | -                | -                        | -                                      |
| General Administration                               | -                       | 245,237          | 216,659                  | 28,578                                 |
| School Administration                                | -                       | -                | -                        | -                                      |
| Central Services                                     | -                       | -                | -                        | -                                      |
| Operations & Maintenance of Plant                    | -                       | -                | -                        | -                                      |
| Community Services Operations                        | -                       | 3,508,387        | 3,085,113                | 423,274                                |
| <b>Total expenditures</b>                            | <u>-</u>                | <u>3,753,624</u> | <u>3,301,772</u>         | <u>451,852</u>                         |
| Excess (deficiency) of revenues<br>over expenditures | -                       | -                | 13,456                   | (890,248)                              |
| <b>Fund balance at beginning of the year</b>         | <u>-</u>                | <u>-</u>         | <u>-</u>                 | <u>-</u>                               |
| <b>Fund balance at end of the year</b>               | <u>\$ -</u>             | <u>\$ -</u>      | <u>13,456</u>            | <u>\$ -</u>                            |
| <b>RECONCILIATION TO GAAP BASIS:</b>                 |                         |                  |                          |  |
| Change in grant receivables                          |                         |                  | 37,171                   |  |
| Change in payables                                   |                         |                  | -                        |  |
| <b>Fund balance at end of the year (GAAP basis)</b>  |                         |                  | <u>\$ 50,627</u>         |  |

The notes to the financial statements are an integral part of this statement.



**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1: Summary of Significant Accounting Policies**

Organization

The ten Regional Cooperative Centers established throughout New Mexico in 1984 were originally organized to provide supplementary special education services to local education and is governed by an eight-member Governing Council. The role of the Cooperatives has expanded under the authorization of the regional Coordinating Councils to include a variety of other projects, both federally funded and funded from other sources. Northwest Regional Education Cooperative #2 (Cooperative), through the governing council, has established as its purpose the delivery to local districts and communities those services deemed critical to the ongoing success of regular and special education programs provided by the local agencies. For financial reporting purposes, the Cooperative includes all fund and accounts groups that are controlled by or dependent on the Cooperative for financial support. The Cooperative has no component units. The financial statements of the Cooperative have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Cooperative's accounting policies are described below.

Authority for the operation of the Northwest Regional Education Cooperative #2 is based upon Chapter 232 of the Laws of 1993, State of New Mexico, and the State Board of Education Regulation 93-23, which authorize the establishment of Regional Educational Cooperatives in the State of New Mexico. The member organizations undertake a Joint Powers Agreement, whereby they will submit a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico pursuant to the Individual with Disabilities Education Act, Part B- (IDEA-B).

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

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1: Summary of Significant Accounting Policies (continued)**

**Financial Reporting Entity**

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

**Measurement Focus and Basis of Accounting**

***Government-Wide Financial Statements (GWFS)***

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

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

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Measurement Focus and Basis of Accounting (continued)**

***Government-Wide Financial Statements (GWFS) (continued)***

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

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

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

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

***Governmental Funds***

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Cooperative reports the following major governmental funds:

**General Fund**

**Operating Fund (27101)**

To account for revenues and expenditures from state and local sources for a specified purpose.

The fund was created by grant provisions.

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

***Governmental Funds (continued)***

**Special Revenue Funds**

**State Directed Activities (27200)**

To support the improvement of educational results and functional outcomes for all children with disabilities. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93- 380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

Vocational Rehabilitation (DVR) (84.126) – To assist states in operating comprehensive, coordinated, effective, efficient and accountable programs of vocational rehabilitation (VR); to assess, plan, develop, and provide VR services for individuals with disabilities, consistent with their strengths, resources, priorities, concerns, abilities, capabilities, and informed choice so they may prepare for and engage in competitive integrated employment. Authorization: Rehabilitation Act of 1973, as amended, Title I, Part A and B, Section 100-111.

Achieving Excellence- Rising – A two-year program Aimed at supporting and empowering New Mexico’s early-career and alternative licensure teachers, AE-Rising works with teachers to improve instruction and dramatically increase student outcomes in their schools

Safe & Supportive Learning Environment - It is important to foster a learning environment in which students feel safe, relaxed, and willing to take risks, especially for learners who may be experiencing increased uncertainty during times of crisis. Students often describe supportive learning environments as expanding their sense of family and enhancing their self-esteem, which, when combined with increased literacy skills, help students take more chances in pursuing their goals.

NM Struggling Schools – HSRN - focused on putting students at the center, organizing adults, teaching, and learning, and post-secondary pathways. It is an effort to redesign high schools with all stakeholders, to include districts, teachers, students, and the community with the goal that students will not only graduate from high school but will be prepared to *succeed* after high school.

NM Math & Science - To design and facilitate professional learning to strengthen teaching and learning of Computer Science (CS) and expand district CS programming by supporting implementation of the New Mexico Computer Science Standards, including the Computer Science Teachers Association (CSTA Standards for Teachers) for grades K-8 and districts' participation in a Strategic CS for ALL Resource & Implementation Planning Tool (SCRIPT) workshop.

**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE #2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

***Governmental Funds (continued)***

**Early Childhood Education and Care Department – Project ECHO (28207)** - Plan for and establish a comprehensive state-wide consultation system for infant and early childhood mental health in order to provide teachers all early learning practitioners with access to support when needed to best support children and their families

**Early Childhood Education and Care Department – Wage Incentive Payments** - Provide pay supplements to qualifying childcare personnel working in licensed or ECECD approved license-exempt centers or homes or registered homes, who are providing direct in-person care to children of first responders, health care personnel, and other essential employees

**Early Childhood Education and Care Department- Scholarship Program** - makes it possible for early childhood educators, administrators, and program directors to afford the time and expense of taking coursework that leads to credentials and degrees. The ECECD Scholarship is based on a cost-share model to New Mexico early childhood educators working in the field of Early Childhood programs such as: PreK, Child Care, Head Start and Home Visiting.

Additionally, the Cooperative reports the following as non-major fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

**Program Revenues**

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

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

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance**

Cash and Cash Equivalents

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

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

State statutes authorize the Cooperative to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool. Investments for the Cooperative are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

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

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.

Receivables and Payables (continued)

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

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

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1: Summary of Significant Accounting Policies (continued)**

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (continued)**

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. However, infrastructure assets have not been included in the June 30, 2020 financial statements of the Cooperative, since the Cooperative did not own any infrastructure assets as of June 30, 2021. Information technology equipment, including software, is being capitalized and included in furniture and equipment as the Cooperative did not maintain internally developed software. Donated capital assets are recorded at estimated fair market value at the date of donation. During the year ended June 30, 2021, the Cooperative had not received any donated capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

| <b><u>Assets</u></b> | <b><u>Years</u></b> |
|----------------------|---------------------|
| Vehicles             | 5                   |
| Office Equipment     | 5                   |
| Computer Equipment   | 3                   |

**Deferred Outflow of Resources:**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The Cooperative has three types of items that qualify for reporting in this category related to GASB 68 and GASB 75: changes in proportion, net difference between expected and actual experience and employer contributions subsequent to measurement date. These total \$1,881,584 and have been reported as deferred outflows of resources. These amounts are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1: Summary of Significant Accounting Policies (continued)**

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (continued)**

Deferred Inflows of Resources:

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources.

In addition, the Cooperative has three types of deferred inflows which arise due to the implementation of GASB 68 and the related net pension liability and GASB 75 and the related postemployment benefits other than pensions (OPEB). Accordingly, these items, net difference between projected and actual investment earnings, change in assumptions, and differences between expected and actual experience, are reported on the Statement of Net Position in the amount of \$321,184 as of June 30, 2021. Net difference between expected and actual investment earnings are amortized into expense over a five-year period. Changes in assumptions are amortized into pension expense over the average remaining service life of the employee participants. Differences between expected and actual experience are amortized into pension expense over the five-year period. Detail is found in the notes and the required supplementary information.

Compensated Absences

It is the Cooperative's policy to permit employees to carry forward from the previous year 40 days of earned but unused vacation and earn 12 days per year, which will be paid to employees upon retirement from the Cooperative's service. Accumulated sick leave is not payable upon termination and is recorded as expenditures when it is paid.

The Cooperative's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

- a. The employees' right to receive compensation is attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The entire compensated absence liability is reported on the government-wide financial statements.



**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1: Summary of Significant Accounting Policies (continued)**

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (continued)**

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Net Position

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

*Net Investment in Capital Assets* - In the fund financial statements, investment in capital assets is reported net of depreciation and related debt.

*Restricted Net Position* – This category reflects the portion of net position that have third party limitations on their use.

*Unrestricted Net Position* – Net position which does not meet the definition of "restricted" and "net investment in capital assets".

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1: Summary of Significant Accounting Policies (continued)**

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (continued)**

**Fund Balances of Fund Financial Statements**

The REC has implemented the provisions under GASB 54. The fund balance reporting established by GASB 54 must be followed by all five of the governmental-type funds used by state and local governments. Based on the requirements of GASB 54, the total fund balance can be conceptually separated into two primary components: 1) Nonspendable fund balance and 2) Spendable fund balance. Fund balance is reported in these five classifications:

*Non-spendable* – the non-spendable balance includes amounts that cannot be spent because they are not in spendable form or legally, contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash; it also includes the long-term amount of interfund loans.

*Restricted fund balance* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. The Cooperative’s policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

*Committed* – This fund balance amount has spending limitations that are constrained by the government’s highest level of decision-making authority.

*Assigned* – The assigned fund balance classification is intended to be used for specific purposes such as special revenue funds, capital project funds, debt service funds and permanent funds.

*Unassigned* – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

**Interfund Transactions**

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

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1: Summary of Significant Accounting Policies (continued)**

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (continued)**

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

**Federal Grants**

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

**Estimates**

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

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 2: Stewardship, Compliance and Accountability**

**Basis of Budgeting**

Formal budgetary integration is employed as a management control device during the year. Budgets for the General and Special Revenue Funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis.

The Cooperative follows the following procedures in establishing data reflected in the financial statements:

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the Cooperative for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the Cooperative shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local board at the public hearing of which notice has been published by the local board which fixed the estimated budget for the Cooperative for the ensuing fiscal year.
3. The "operating" budget will be used by the Cooperative until they have been notified that the budget has been approved by the SBFAU and the local board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. The Cooperative shall make corrections, revisions and amendments to the estimated budgets fixed by the local board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAU.
5. No board member or officer or employee of the Cooperative shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the Cooperative and approved by the SBFAU.

**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE #2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Note 2: Stewardship, Compliance and Accountability (continued)**

7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the Cooperative has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

**Note 3: Cash and Temporary Investments**

The Cooperative is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities:

|   | <u>Balance</u>   |                   |                      |                   |
|---|------------------|-------------------|----------------------|-------------------|
| Financial institution:  |                  |                   |                      |                   |
| New Mexico Bank & Trust   | \$ 327,850       |                   |                      |                   |
| Less net reconciling items  | (310,275)        |                   |                      |                   |
| Total cash and equivalents  | <u>\$ 17,575</u> |                   |                      |                   |
|   |                  | <u>Insured</u>    | <u>Under Insured</u> | <u>Total</u>      |
| <b>Bank deposits:</b>   |                  |                   |                      |                   |
| Uninsured and uncollateralized  |                  | \$ -              | \$ -                 | \$ -              |
| Uninsured and collateral head by pledging<br>bank's trust dept not in the District's name |                  | <u>327,850</u>    | <u>-</u>             | <u>327,850</u>    |
| Total uninsured   |                  |                   |                      |                   |
| Insured (FDIC)  |                  | <u>(250,000)</u>  | <u>-</u>             | <u>(250,000)</u>  |
| Total deposits  |                  | <u>\$ 77,850</u>  | <u>\$ -</u>          | <u>\$ 77,850</u>  |
| <b>State of New Mexico collateral requirement:</b>  |                  |                   |                      |                   |
| 50% of uninsured public fund bank deposits  |                  | \$ 38,925         | \$ -                 | \$ 38,925         |
| Pledged security  |                  | <u>817,650</u>    | <u>-</u>             | <u>817,650</u>    |
| Over collateralization  |                  | <u>\$ 778,725</u> | <u>\$ -</u>          | <u>\$ 778,725</u> |

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

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 3: Cash and Temporary Investments (continued)**

Deposits

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

The following securities are pledged by Financial Institutions:

| <u>New Mexico Bank &amp; Trust</u> | <u>Maturity</u> | <u>CUSIP #</u> | <u>Market Value</u> |
|------------------------------------|-----------------|----------------|---------------------|
| TEXAS ST A&M UNIV REVENUES         | 5/15/2039       | 88213APS8      | \$ <u>817,650</u>   |

The above securities are held at New Mexico Bank & Trust, Albuquerque, NM

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2021, none of the Cooperative's bank deposits was exposed to custodial credit risk.

The following individual funds had negative cash balances as of June 30, 2021:

- 23000 – Scholar Athlete: \$96
- 24153 – Title III: \$924
- 27200 – State Discretionary: \$433,321
- 27502 – Next Gen-CTE: \$99,229

An interfund loan was made between the General Fund (27101) to cover the cash deficit for each fund.

**Note 4: Accounts Receivable – Due from Grantor**

Receivables as of June 30, 2021, are as follows:

| <u>Governmental Activities:</u> | <u>Accounts<br/>Receivable</u> |
|---------------------------------|--------------------------------|
| Funds:                          |                                |
| General Fund                    | \$ 1,031                       |
| State Discretionary             | 524,691                        |
| Title III                       | 924                            |
| Next Gen-CTE                    | <u>31,697</u>                  |
| Total Governmental Activities   | \$ <u>558,343</u>              |

The above receivables are deemed 100% collectible.

**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE #2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Note 5: Due To/From Other Funds**

“Due To/From Other Funds” have primarily been recorded when funds overdraw their share of pooled cash when the Cooperative is waiting for grant reimbursements. For the year ended June 30, 2021, the Cooperative recorded Due To/From Other Funds as follows:

| Receivable Fund  | Payable Funds            |                   |
|------------------|--------------------------|-------------------|
|                  | Other Governmental Funds | Totals            |
| Operational Fund | \$ <u>512,570</u>        | \$ <u>512,570</u> |

**Note 6: Capital Assets**

Capital Assets Balances and Activity for the fiscal year end is as follows:

|  | Beginning       | Increases   | Decreases     | Ending          |
|--|-----------------|-------------|---------------|-----------------|
| <b>Governmental activities:</b>          |                 |             |               |                 |
| <u>Capital assets being depreciated:</u> |                 |             |               |                 |
| Furniture, fixtures, and equipment       | \$ 48,236       | \$ -        | \$ (25,916)   | \$ 22,320       |
| Less accumulated depreciation for:       |                 |             |               |                 |
| Furniture, fixtures, and equipment       | <u>(48,236)</u> | <u>-</u>    | <u>25,916</u> | <u>(22,320)</u> |
| <b>Total capital assets, net</b>         | <u>\$ -</u>     | <u>\$ -</u> | <u>\$ -</u>   | <u>\$ -</u>     |

**Note 7: Compensated Absences**

The following is a summary of the changes in compensated absences for the year ended June 30, 2021:

|                              | Beginning Balance | Additions        | Retirements      | Ending Balance   | Due Within One Year |
|------------------------------|-------------------|------------------|------------------|------------------|---------------------|
| <b>Compensated absences:</b> |                   |                  |                  |                  |                     |
| Compensated vacation         | \$ <u>24,440</u>  | \$ <u>17,577</u> | \$ <u>11,993</u> | \$ <u>30,024</u> | \$ <u>30,024</u>    |

The compensated absences are shown on the statement of net position. The liability is expected to be retired within the year. Typically, the general fund retires the compensated absences.

**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE #2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Note 8: Pension Plan**

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

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

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

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

**Pension Benefit** – A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) a multiplier.

For members hired on or **before** June 30, 2019 (Tiers 1-3 members) the multiplier is 2.35%. For members hired **after** June 30, 2019 the multiplier accrues as follows:

| Years of Service | Benefit Percentage Earned |
|------------------|---------------------------|
| 10 or less       | 1.35%                     |
| 10.25 to 20      | 2.35%                     |
| 20.25 to 30      | 3.35%                     |
| 30.25 plus       | 2.40%                     |

FAS is the average of the member's fiscal annual earnings for the last 20 calendar service quarters (60 months) prior to retirement or the highest average fiscal annual earning for any 20 consecutive calendar quarters.



**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

***Summary of Plan Provisions for Retirement Eligibility by Tier –Tier 1: Membership prior to July 1, 2010***

**Note 8: Pension Plan (continued)**

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

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

***Tier 2: Membership on or after July 1, 2010, but prior to July 1, 2013***

Chapter 288, Laws of 2009 changed the eligibility requirements for new members who were first employed on or after July 1, 2010, but before July 1, 2013 — or before July 1, 2010, terminated employment, subsequently withdrew all contributions, and then becomes re-employed after July 1, 2010. These members must meet one of the following requirements.

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

***Tier 3: Membership beginning on or after July 1, 2013***

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

These members must meet one of the following requirements.

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

***Tier 4: Membership beginning on or after July 1, 2019***

Section 2-11-23.3, NMSA 1978, added eligibility requirements for new members who were first employed on or after July 1, 2019 — and had, before that date, been refunded all member contributions and had not restored all refunded contributions and interest before July 1, 2019. A member in this tier must meet one of the following requirements.

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 8: Pension Plan (continued)**

- The member's minimum age must be 58, and the member has earned 30 or more years of service credit. (A member who retires earlier than age 58, receives a reduction in benefits equal to the actuarial equivalent of retiring at age 58.)
- The member's minimum age and earned service credit add up to the sum of 80 or more. (Those who retire under the age of 65, and who have fewer than 30 years of earned service credit, received reduced retirement benefits.
- Or, the member's age is 67, and the member has earned 5 or more years of service credit.

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

***Benefit Options*** – The Plan has three benefit options available.

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

**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE #2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Note 8: Pension Plan (continued)**

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

**Cost of Living Adjustment (COLA)** – All retired members and beneficiaries receiving benefits may receive an adjustment in their benefit on July 1 following the year a member retires or July 1 following the year a member reaches the age below, whichever is later.

| Membership | Age Eligible for Cola |
|------------|-----------------------|
| Tier 1     | 65                    |
| Tier 2     | 65                    |
| Tier 3     | 67                    |
| Tier 4     | 67                    |

If a member is eligible for a COLA, the amount depends on the annual change in the Consumer Price Index (CPI) and whether the fund is fully funded (that is, the fund's funded ratio is 100%). Accordingly, if there is no increase in the CPI, or the CPI is negative, the amount of the COLA will be zero (if the CPI is negative, retirement benefits will not be decreased).

When CPI has increased and the fund is fully funded, the COLA will be the same amount as the increase in the CPI except as follows: If the increase in the CPI is 2% or greater, the COLA will be one-half of the CPI increase, not to exceed 4% or to be less than 2%.

However, while the fund is not fully funded, the COLA for retirees will be reduced based on the median annual retirement benefit, calculated after the end of each fiscal year:

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 8: Pension Plan (continued)**

- When the funded ratio is 90% or less, the COLA for retirees whose annuity is at or below the median and who have 25 or more years of service credit at retirement will be reduced by 10%. For retirees whose annuity is either greater than the median or who have less than 25 years of service credit at retirement, the COLA will be reduced by 20%.
- When the funded ratio exceeds 90% but is less than 100%, the COLA for retirees whose annuity is at or below the median adjusted annuity and who had 25 or more years of service credit at retirement and will be reduced by 5%. For retirees whose annuity is either greater than the median or who have less than 25 years of service credit at retirement, the COLA will be reduced by 10%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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

**Contributions** – For the fiscal years ended June 30, 2021 and 2020 educational employers contributed to the Plan based on the following rateschedule.

| Fiscal Year | Date Range        | Wage Category | Member Rate | Employer Rate | Combined Rate | Increase Over Prior Year |
|-------------|-------------------|---------------|-------------|---------------|---------------|--------------------------|
| 2021        | 7-1-20 to 6-30-21 | Over \$24K    | 10.70%      | 14.15%        | 24.85%        | 0.25%                    |
| 2021        | 7-1-20 to 6-30-21 | \$24K or less | 7.90%       | 14.15%        | 22.05%        | 0.25%                    |
| 2020        | 7-1-19 to 6-30-20 | Over \$24K    | 10.70%      | 14.15%        | 24.85%        | 0.25%                    |
| 2020        | 7-1-19 to 6-30-20 | \$24K or less | 7.90%       | 14.15%        | 22.05%        | 0.25%                    |

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2021 and 2020, the Cooperative paid employer contributions of \$67,218 and \$75,549, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 8: Pension Plan (continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** – At June 30, 2021, the Cooperative reported a liability of \$3,418,856 for its proportionate share of the net pension liability. The Cooperative's proportion of the net pension liability was based on a projection of the Cooperative's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2020, actuarially determined. At June 30, 2020, the Cooperative's proportion was .01687%, which was a decrease of 0.00172% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Cooperative recognized pension income of \$930,457. At June 30, 2021, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b><u>Deferred<br/>Outflows of<br/>Resources</u></b> | <b><u>Deferred<br/>Inflows of<br/>Resources</u></b> |
|--|--|---|
| Difference between expected and actual experience  | \$ 21,224  | \$ 13,183   |
| Changes of assumptions   | 1,369,965  | -   |
| Net difference between projected and actual earnings on pension plan investments                     | 116,091  | -   |
| Changes in proportion and differences between contributions and proportionate share of contributions | 84,442   | 83,714  |
| Employer contributions subsequent to the measurement date  | <u>67,218</u>  | <u>-</u>  |
| Total  | <u>\$ 1,658,940</u>                                  | <u>\$ 96,897</u>                                    |

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 8: Pension Plan (continued)**

\$67,218 reported as deferred outflows of resources related to pensions resulting from REC's Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended</u> | <u>Amount</u>       |
|-------------------|---------------------|
| 2021              | \$ 637,214          |
| 2022              | 561,864             |
| 2023              | 260,233             |
| 2024              | 35,514              |
| 2025              | -                   |
| 2026              | -                   |
| Total             | <u>\$ 1,494,825</u> |

Actuarial assumptions: The total pension liability in the actuarial valuation as of June 30, 2019 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.50%  |
| Salary increases          | 3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members withless than 10 years of service. |
| Investment rate of return | 7.25% compounded annually, net of expenses. This is made up of a2.50% inflation rate and a 4.75 real rate of return.   |

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Mortality**

**Healthy males:** Based on the RP-2000 Combined Mortality Table with White Collar adjustments, no set back, generational mortality improvements with Scale BB from the table's base year of 2000.

**Healthy females:** Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.

**Other  
Information**

A new set of assumptions was adopted for the June 30, 2020 actuarial valuation. These new assumptions are reflected in the Total Pension Liability as of June 30, 2020 and will be reflected in the actuarially determined employer contribution for the fiscal year ending 2021. These assumptions can be found in the funding valuation as of June 30, 2020 or in the 2020 experience study.

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

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

| <b>Asset Class</b> | <b>Target<br/>Allocation</b> | <b>Long-Term<br/>Expected<br/>Rate of<br/>Return</b> |
|--------------------|------------------------------|--|
| Equities           | 30%                          |  |
| Fixed Income       | 26%                          |  |
| Alternatives       | 43%                          |  |
| Cash               | 1%                           |  |
| Total              | 100%                         | 7.00%  |

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 8: Pension Plan (continued)**

*Discount rate.* A single discount rate of 3.89% was used to measure the total pension liability as of June 30, 2020. This is a 3.36% percent decrease from the 7.25% rate used in the prior measurement year. The 3.89% was based on a long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.45%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2045. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2045 and the municipal bondrate was applied to all benefit payments after that date.

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

*The Sensitivity of the Cooperative's proportionate share of the net pension liability to changes in the discount rate.* The following presents the *Cooperative's* proportionate share of the net pension liability calculated using the discount rate of 3.89%, as wellas what the *Cooperative's* proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage- point higher (4.89 percent) than the current rate:

|   | <b>1%<br/>Decrease<br/>(2.89%)</b> | <b>Current Discount<br/>Rate<br/>(3.89%)</b> | <b>1%<br/>Increase<br/>(4.89%)</b> |
|---|------------------------------------|--|------------------------------------|
| REC's proportionate share of<br>the net pension liability | <u>\$ 4,317,643</u>                | <u>\$ 3,418,856</u>                          | <u>\$ 2,695,723</u>                |

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

**Note 9: Postemployment Benefits Other Than Pensions**

***General Information***

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



**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 9: Postemployment Benefits Other Than Pensions (continued)**

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

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

**Employees covered by benefit terms** – At June 30, 2019, the Fund's measurement date, the following employees were covered by the benefit terms:

|  |                |
|--|----------------|
| Plan membership                            |                |
| Current retirees and surviving spouses     | 52,179         |
| Inactive and eligible for deferred benefit | 10,916         |
| Current active members                     | 91,082         |
|  | <u>154,177</u> |
| Active membership                          |                |
| State general                              | 17,097         |
| State police and corrections               | 1,830          |
| Municipal general                          | 17,538         |
| Municipal police                           | 3,159          |
| Municipal FTRE                             | 1,966          |
| Educational Retirement Board               | 49,492         |
|  | <u>91,082</u>  |

**Contributions** – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Cooperative were \$10,870 for the year ended June 30, 2020.

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 9: Postemployment Benefits Other Than Pensions (continued)**

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2021, the Cooperative reported a liability of \$469,018 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward to June 30, 2020. The Cooperative's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2020. At June 30, 2020, the Cooperative's proportion was 0.01117 percent.

For the year ended June 30, 2021, the School recognized OPEB expense of \$9,397. At June 30, 2020 the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences Between Expected and Actual Experience                                       | \$ -                                      | \$ 83,285                                |
| Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments | 2,558                                     | -  |
| Changes of Assumptions   | 92,072                                    | 83,294                                   |
| Change in Proportion   | 118,513                                   | 57,708                                   |
| Contributions made after the measurement date  | 9,500                                     | -  |
|  | <u>\$ 222,643</u>                         | <u>\$ 224,287</u>                        |

Deferred outflows of resources totaling \$9,500 represent Cooperative contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:

|       |                    |
|-------|--------------------|
| 2022  | \$ (9,312)         |
| 2023  | (2,050)            |
| 2024  | 5,160              |
| 2025  | (10,967)           |
| 2026  | 6,025              |
| Total | <u>\$ (11,144)</u> |

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 9: Postemployment Benefits Other Than Pensions (continued)**

**Actuarial assumptions.** The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

|                             |   |
|-----------------------------|---|
| Valuation Date              | June 30, 2019   |
| Actuarial cost method       | Entry age normal, level percent of pay, calculated on individual employee basis   |
| Asset valuation method      | Market value of assets  |
| Actuarial assumptions:      |   |
| Inflation                   | 2.50% for ERB members; 2.50% for PERA members   |
| Projected payroll increases | 3.25% to 13.50%, based on years of service, including inflation   |
| Investment rate of return   | 7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation   |
| Health care cost trend rate | 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare plan costs   |
| Mortality                   | ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females)<br>PERA members: RP-2000 Combined Healthy Mortality |

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

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 9: Postemployment Benefits Other Than Pensions (continued)**

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

| <u>Asset Class</u>            | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Rate of Return</u> |
|-------------------------------|------------------------------|-------------------------------------|
| U.S. core fixed income        | 20%                          | 2.1%                                |
| U.S. equity - large cap       | 20%                          | 7.1%                                |
| Non U.S. - emerging markets   | 15%                          | 10.2%                               |
| Non U.S. - developed equities | 12%                          | 7.8%                                |
| Private equity                | 10%                          | 11.8%                               |
| Credit and structured finance | 10%                          | 5.3%                                |
| Real estate                   | 5%                           | 4.9%                                |
| Absolute return               | 5%                           | 4.1%                                |
| U.S. equity - small/mid cap   | 3%                           | 7.1%                                |

***Discount Rate.*** The discount rate used to measure the Fund's total OPEB liability is 2.86% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuarly determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2039. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2040. Beyond 2041, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 2.86% is the blended discount rate.

***Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.*** The following presents the net OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.86 percent) or 1-percentage-point higher (3.86 percent) than the current discount rate:

| <u>1% Decrease<br/>(1.86%)</u> | <u>Current Discount<br/>(2.86%)</u> | <u>1% Increase<br/>(3.86%)</u> |
|--------------------------------|-------------------------------------|--------------------------------|
| 582,991                        | 469,018                             | 380,928                        |

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 9: Postemployment Benefits Other Than Pensions (continued)**

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

| <u>1% Decrease</u> | <u>Current Trend<br/>Rates</u> | <u>1% Increase</u> |
|--------------------|--------------------------------|--------------------|
| 384,976            | 469,018                        | 532,766            |

***OPEB plan fiduciary net position.*** Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2020.

***Payable Changes in the Net OPEB Liability.*** At June 30, 2021 the Commission did not report a payable for outstanding contributions due to NMRHCA for the year ended June 30, 2021.

**Note 10: Reconciliation of Budgetary Basis to GAAP Basis Statements**

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are located at the bottom of each budget actual schedule.

**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE #2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Note 11: Risk Management**

The Cooperative is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The Cooperative is insured through Risk Management. Annual premiums are paid by the Cooperative for coverage provided in the following areas:

- Workers Compensation
- Property and Automobile Liability and Physical Damage
- Liability and Civil Rights and Personal Injury
- Crime

The officials and certain employees of the are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.Note 12: Joint Powers Agreements and Other Agreements

Chama Valley School District, Cuba Independent School District, Dulce Independent School District, Jemez Mountain School District, Mesa Vista Consolidated School District, Penasco Independent Schools, Questa Independent School District, and Taos Municipal Schools (Member Cooperatives) and Northwest Regional Education Cooperative #2

On December 20, 2007 the Cooperative entered into an Agreement with the Member Cooperatives whereby the Member Cooperative may provide for the efficient delivery of education-related services provided from funding under Part B of the Individuals with Disabilities Education Act, 20 U.S.C. et seq. ("IDEA") and funded by the New Mexico Public Education Department ("NMPED"). The Cooperative will serve as a fiscal agent, accounting and reporting services on behalf of the Member Cooperatives named herein receiving funding under a grant or other award provided from funding under Part B of the IDEA and/or any other funding source. A Member Cooperative must notify the Cooperative of any intention to withdraw its agreement to have the Cooperative serve as its fiscal agent on or before February 1st preceding the end of the last fiscal year it intends to have the Cooperative serve as the fiscal agent.

**Note 13: Economic Dependency**

The primary source of funding for the Cooperative (reported in fund 27200) consists of Intergovernmental Agreements for services between the New Mexico Public Education Department and the Cooperative to provide services for various contracts that include both federal and state funding.

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 14: Contingent Liabilities**

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

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

**COVID-19**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Cooperative’s ability to have access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation is expected to depress areas in which the Cooperative received revenue during fiscal year 2020. As such, this may hinder the ability for the Cooperative to meet the needs of its constituents. As such, our financial condition and liquidity may be negatively impacted for the fiscal year 2020.

**Note 15: Deficit Fund Balance**

There was a fund balance deficit of \$71,301 in Fund 27502, Next Gen-CTE and \$96 in fund 23000, Scholar Athlete.

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 16: Recent GASB Pronouncements**

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic.

In June 2017, the GASB issued Statement No. 87, Leases. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This standard will be implemented in a subsequent period.

**Note 17: Tax Abatement Disclosures**

The Cooperative is not aware of any tax abatement disclosures that existed as of June 30, 2021 that would require disclosure under GASB 77.

**Note 18: Subsequent Events**

Subsequent events were evaluated through September 30, 2021 which is the date the financial statements were available to be issued. Management has determined that no events have occurred during this period that require adjustment to or disclosure in the financial statements.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE NORTHWEST REGIONAL EDUCATION COOPERATIVE'S  
PROPORTIONATE SHARE OF NET PENSION LIABILITY  
EDUCATIONAL RETIREMENT BOARD  
LAST 10 FISCAL YEARS**

|  | <b>2021*</b> |             | <b>2020</b> |             | <b>2019</b> |             | <b>2018</b> |           |
|--|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|
| Cooperative's proportion of the net pension liability  |              | 0.01687%    |             | 0.01859%    |             | 0.01846%    |             | 0.01403%  |
| Cooperative's proportionate share of the net pension liability   | \$           | 3,418,856   | \$          | 1,408,621   | \$          | 2,195,140   | \$          | 1,355,843 |
| Cooperative's covered payroll  | \$           | 474,298     | \$          | 538,849     | \$          | 543,513     | \$          | 347,422   |
| Cooperative's proportionate share of the net pension liability as a percentage of its covered-employee payroll |              | 720.82%     |             | 261.41%     |             | 403.88%     |             | 390.26%   |
| Plan fiduciary net position as a percentage of the total pension liability                                     |              | 39.11%      |             | 64.13%      |             | 52.17%      |             | 61.58%    |
|  |              | <b>2017</b> |             | <b>2016</b> |             | <b>2015</b> |             |           |
| Cooperative's proportion of the net pension liability  |              | 0.01403%    |             | 0.01582%    |             | 0.01349%    |             |           |
| Cooperative's proportionate share of the net pension liability   | \$           | 1,009,660   | \$          | 1,024,704   | \$          | 769,695     |             |           |
| Cooperative's covered payroll  | \$           | 400,780     | \$          | 449,613     | \$          | 371,919     |             |           |
| Cooperative's proportionate share of the net pension liability as a percentage of its covered-employee payroll |              | 251.92%     |             | 227.91%     |             | 206.95%     |             |           |
| Plan fiduciary net position as a percentage of the total pension liability                                     |              | 61.58%      |             | 63.97%      |             | 66.54%      |             |           |

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

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
PROPORTIONATE SHARE OF NET PENSION LIABILITY  
EDUCATIONAL RETIREMENT BOARD  
FOR THE YEAR ENDED JUNE 30, 2021**

*Changes in benefit provisions.* There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2020.

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

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE NORTHWEST REGIONAL EDUCATION COOPERATIVE'S  
PROPORTIONATE SHARE OF NET PENSION LIABILITY  
EDUCATIONAL RETIREMENT BOARD  
LAST 10 FISCAL YEARS**

|   | <u>2021*</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|--------------|-------------|-------------|-------------|
| Statutory required contributions                                    | 67,218       | 76,247      | 75,548      | 68,753      |
| Contribution in relations to the statutorily required contributions | (67,218)     | (76,247)    | (75,548)    | (68,753)    |
| Annual contribution deficiency (excess)                             | <u>-</u>     | <u>-</u>    | <u>-</u>    | <u>-</u>    |
| Cooperative's covered-employee payroll                              | 480,100      | 538,849     | 543,513     | 494,629     |
| Contribution as a percentage of covered-employee payroll            | 14.00%       | 14.15%      | 13.90%      | 13.90%      |
|   | <u>2017</u>  | <u>2016</u> | <u>2015</u> |             |
| Statutory required contributions                                    | 48,292       | 55,709      | 62,506      |             |
| Contribution in relations to the statutorily required contributions | (48,292)     | (55,709)    | (62,506)    |             |
| Annual contribution deficiency (excess)                             | <u>-</u>     | <u>-</u>    | <u>-</u>    |             |
| Cooperative's covered-employee payroll                              | 347,422      | 400,780     | 449,613     |             |
| Contribution as a percentage of covered-employee payroll            | 13.90%       | 13.90%      | 13.90%      |             |

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

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
REQUIRED SUPPLEMENTARY INFORMATION  
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS  
FOR THE YEAR ENDED JUNE 30, 2021**

**SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET LIABILITY**

|  | <u><b>2021*</b></u> | <u><b>2020</b></u> | <u><b>2019</b></u> | <u><b>2018</b></u> |
|--|---------------------|--------------------|--------------------|--------------------|
| Employer's proportion of the net OPEB liability  | 0.01117%            | 0.01228%           | 0.01257%           | 0.00809%           |
| Employer's proportionate share fo the net OPEB liability   | \$ 469,018          | \$ 398,165         | \$ 546,588         | \$ 366,612         |
| Employer covered-employee payroll  | \$ 480,100          | \$ 512,436         | \$ 539,331         | \$ 347,421         |
| Employer's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 97.69%              | 77.70%             | 101.35%            | 105.52%            |
| Plan fiduciary net position as a percentage of the total OPEB liability                                  | 16.50%              | 18.92%             | 13.14%             | 11.34%             |

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

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
REQUIRED SUPPLEMENTARY INFORMATION  
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS  
FOR THE YEAR ENDED JUNE 30, 2021**

**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS**

|  | <u>2021*</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------|-------------|-------------|-------------|
| Contractually required contribution                                  | \$ 9,500     | \$ 10,870   | \$ 10,870   | \$ 10,730   |
| Contributions in relation to the contractually required contribution | (9,500)      | (10,870)    | (10,870)    | (10,730)    |
| Contribution deficiency (excess)                                     | \$ <u>-</u>  | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |
| Employer's covered-employee payroll                                  | \$ 474,896   | \$ 512,436  | \$ 543,513  | \$ 536,531  |
| Contributions as a percentage of covered-employee payroll            | 2.00%        | 2.12%       | 2.00%       | 2.00%       |

\*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 available years.

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Changes of benefits terms and assumptions:** The Cost of living adjustment (COLA) and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure, Pension Plan.

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
NON-MAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUND DESCRIPTIONS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Special Revenue Funds:**

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

**TITLE III ENGLISH LANGUAGE (24153)**

To ensure that Limited English Proficient children (LEP) and youth, including immigrant children and youth, attain English proficiency and meet the same standards as all children and youth are expected to meet; to provide assistance to Native American, Native Hawaiian, Native American Pacific Islander, and Alaskan native children with certain modifications relative to the unique status of native American language under Federal Law; to develop to the extent possible, the native language skills of such children. The fund is authorized through the Elementary and Secondary Education Act (ESEA), as amended, Title III, Part A, Sections 3101, 3129.

**STUDENT SUPPORT ACADEMIC ACHIEVEMENT TITLE IV (24189)**

Title IV, Part A of the Every Student Succeeds Act of 2015 is intended to improve students' academic achievement by increasing the capacity of States, local educational agencies (LEAs), schools, and local communities to provide all students with access to a well-rounded education, improve school conditions for student learning, and improve the use of technology in order to improve the academic achievement and digital literacy of all students.

**COLLEGE COUNSELOR INITIATIVE (27189)**

Funding to be used by Kirtland Central Highschool and Shiprock Highschool to hire a college advisor solely dedicated to college advisement. College advisors will be hired under STARS assignment code #83 as a Resource Coordinator. The hired Advisor(s) must have an appropriate license in accordance with STARS assignment code #83.

**NEXT GEN-CTE (27502)**

The goal of this funding is to provide public school students the opportunity to enroll in high quality, industry relevant career technical education. A high-quality program of study is an articulated, sequential series of courses that leads to industry recognized credentials, including certificates and degrees. Programs of study should be aligned with careers that are in need in the student's local economic region

**SCHOLAR ATHLETE FUND (23000)**

Funding to be used by school districts within the Cooperative's region to host an annual scholar athlete banquet.



**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE #2**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2021**

|   | Scholar<br>Athlete<br><u>Fund #23000</u> | Title III English<br>Language<br><u>Fund #24153</u> | Achievement<br>Title IV<br><u>Fund #24189</u> | Generation<br>Assessments<br><u>Fund #27189</u> | Next<br>Gen-CTE<br><u>Fund #27502</u> | Nonmajor<br>Governmental<br><u>Funds</u> |
|---|--|---|---|---|---------------------------------------|--|
| <b>Assets</b>                             |  |   |   |   |                                       |  |
| Cash and cash equivalents                 | \$ -                                     | \$ -  | \$ 1,922                                      | \$ 2,293  | \$ -                                  | \$ 4,215                                 |
| Receivables:                              |  |   |   |   |                                       |  |
| Grant                                     | -  | 924   | -   | -   | 31,697                                | 32,621                                   |
| Other                                     | -  | -   | -   | -   | -                                     | -  |
| Due from other funds                      | -  | -   | -   | -   | -                                     | -  |
| <b>Total Assets</b>                       | <u>\$ -</u>                              | <u>\$ 924</u>                                       | <u>\$ -</u>                                   | <u>\$ -</u>                                     | <u>\$ 31,697</u>                      | <u>\$ 36,836</u>                         |
| <b>Liabilities and fund balance</b>       |  |   |   |   |                                       |  |
| Liabilities:                              |  |   |   |   |                                       |  |
| Accounts payable                          | \$ -                                     | \$ -  | \$ -  | \$ -  | \$ -                                  | \$ -                                     |
| Accrued salaries                          | -  | -   | -   | -   | 3,769                                 | 3,769                                    |
| Due to other funds                        | <u>96</u>                                | <u>924</u>  | <u>-</u>                                      | <u>-</u>  | <u>99,229</u>                         | <u>100,153</u>                           |
| <b>Total liabilities</b>                  | <u>96</u>                                | <u>924</u>  | <u>-</u>                                      | <u>-</u>  | <u>102,998</u>                        | <u>103,922</u>                           |
| Fund balance:                             |  |   |   |   |                                       |  |
| Restricted for:                           |  |   |   |   |                                       |  |
| Special revenue funds                     | -  | -   | 1,922   | 2,293   | (71,301)                              | (67,086)                                 |
| Unassigned                                | <u>(96)</u>                              | <u>-</u>  | <u>-</u>                                      | <u>-</u>  | <u>-</u>                              | <u>(96)</u>                              |
| <b>Total fund balance</b>                 | <u>(96)</u>                              | <u>-</u>  | <u>1,922</u>                                  | <u>2,293</u>                                    | <u>(71,301)</u>                       | <u>(67,182)</u>                          |
| <b>Total liabilities and fund balance</b> | <u>\$ -</u>                              | <u>\$ 924</u>                                       | <u>\$ -</u>                                   | <u>\$ -</u>                                     | <u>\$ 31,697</u>                      | <u>\$ 36,740</u>                         |

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE #2**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**JUNE 30, 2021**

|  | Scholar<br>Athlete<br>Fund #23000 | Title III English<br>Language<br>Fund #24153 | Student<br>Support<br>Academic<br>Achievement<br>Title IV<br>Fund #24189 | Next<br>Generation<br>Assessments<br>Fund #27189 | Next<br>Gen-CTE<br>Fund #27502 | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------------------|--|--|--|--------------------------------|--|
| <b>Revenues:</b>   |                                   |  |  |  |                                |  |
| Intergovernmental - federal grants                           | \$ -                              | \$ 4,711                                     | \$ -   | \$ -   | \$ -                           | \$ 4,711                                   |
| Intergovernmental - state grants                             | -                                 | 924  | -  | -  | 31,697                         | 32,621                                     |
| Miscellaneous  | -                                 | -  | -  | -  | -                              | -  |
| <b>Total revenues</b>  | <u>-</u>                          | <u>5,635</u>                                 | <u>-</u>   | <u>-</u>   | <u>31,697</u>                  | <u>37,332</u>                              |
| <b>Expenditures:</b>   |                                   |  |  |  |                                |  |
| Current:   |                                   |  |  |  |                                |  |
| Instruction  | -                                 | 4,770  | -  | -  | -                              | 4,770                                      |
| Support services:  |                                   |  |  |  |                                | -  |
| Students   | -                                 | -  | -  | -  | -                              | -  |
| Instruction  | -                                 | -  | -  | -  | 102,998                        | 102,998                                    |
| General Administration                                       | -                                 | 334  | -  | -  | -                              | 334  |
| School Administration  | -                                 | -  | -  | -  | -                              | -  |
| Central Services   | -                                 | -  | -  | -  | -                              | -  |
| Operation & Maintenance of Plant                             | -                                 | -  | -  | -  | -                              | -  |
| <b>Total expenditures</b>                                    | <u>-</u>                          | <u>5,104</u>                                 | <u>-</u>   | <u>-</u>   | <u>102,998</u>                 | <u>108,102</u>                             |
| <i>Excess (deficiency) of revenues<br/>over expenditures</i> | <u>-</u>                          | <u>531</u>                                   | <u>-</u>   | <u>-</u>   | <u>(71,301)</u>                | <u>(70,770)</u>                            |
| <b>Other financing uses:</b>                                 |                                   |  |  |  |                                |  |
| Transfers In   | -                                 | -  | -  | -  | -                              | -  |
| Transfers Out  | -                                 | -  | -  | -  | -                              | -  |
| <b>Total other financing uses</b>                            | <u>-</u>                          | <u>-</u>                                     | <u>-</u>   | <u>-</u>   | <u>-</u>                       | <u>-</u>                                   |
| <i>Net change in fund balance</i>                            | -                                 | 531  | -  | -  | (71,301)                       | (70,770)                                   |
| <b>Fund balance (deficit) at beginning of the year</b>       | <u>(96)</u>                       | <u>(531)</u>                                 | <u>1,922</u>   | <u>2,293</u>                                     | <u>-</u>                       | <u>3,588</u>                               |
| <b>Fund balance at end of the year</b>                       | <u>\$ (96)</u>                    | <u>\$ -</u>                                  | <u>\$ 1,922</u>  | <u>\$ 2,293</u>                                  | <u>\$ (71,301)</u>             | <u>\$ (67,182)</u>                         |

The notes to the financial statements are an integral part of this statement.

## **SUPPLEMENTARY SCHEDULES**

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2021**

|  |  |
|--|--|
|  | <u>New Mexico<br/>Bank &amp; Trust</u> |
| <b>Cash on deposit at June 30, 2020</b>        |  |
| Checking and savings                           | \$ 327,850                             |
| Less: FDIC coverage                            | <u>250,000</u>                         |
| Uninsured funds                                | <u>\$ 77,850</u>                       |
| <br><b>Amount requiring pledged collateral</b> |  |
| 50% collateral requirement                     | \$ 38,925                              |
| Pledged collateral                             | <u>817,650</u>                         |
| Excess (deficiency) of pledged collateral      | <u>\$ 778,725</u>                      |

Pledged collateral of financial institutions consists of the following at June 30, 2020

| <u>New Mexico Bank &amp; Trust</u> | <u>Maturity</u> | <u>CUSIP #</u> | <u>Market Value</u> |
|------------------------------------|-----------------|----------------|---------------------|
| TEXAS ST A&M UNIV REVENUES         | 5/15/2039       | 88213APS8      | \$ <u>817,650</u>   |

The above securities are held at New Mexico Bank & Trust, Albuquerque, NM

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
CASH RECONCILIATION ALL FUNDS  
JUNE 30, 2021**

|                           | Beginning Cash   | Receipts            | Distributions         | Other            | Net Cash End<br>of Period | Adjustments to<br>this Report | Total Cash on<br>Report |
|---------------------------|------------------|---------------------|-----------------------|------------------|---------------------------|-------------------------------|-------------------------|
| Operations                | \$ -             | \$ -                | \$ -                  | \$ -             | \$ -                      | \$ -                          | \$ -                    |
| Federal Flowthrough Funds | (82,415)         | 88,518              | (5,106)               | -                | 997                       | -                             | 997                     |
| State Flowthrough Funds   | 126,453          | 3,482,570           | (3,664,929)           | 21,952           | (33,954)                  | -                             | (33,954)                |
| State Direct              | -                | 3,352,399           | (3,301,772)           | -                | 50,627                    | -                             | 50,627                  |
| Non-Instructional         | (95)             | -                   | -                     | -                | (95)                      | -                             | (95)                    |
| Total                     | <u>\$ 43,943</u> | <u>\$ 6,923,487</u> | <u>\$ (6,971,807)</u> | <u>\$ 21,952</u> | <u>\$ 17,575</u>          | <u>\$ -</u>                   | <u>\$ 17,575</u>        |

Adjustments to report:

|                                 |              |
|---------------------------------|--------------|
| Interfund loans - pooled cash   | \$ (549,741) |
| Interfund loans - pooled cash   | 549,741      |
| Unmailed Checks                 | -            |
| Total adjustments to the report | <u>\$ -</u>  |

Adjustments to cash:

|                     |                  |
|---------------------|------------------|
| Bank Balance        | \$ 327,850       |
| Unmailed Checks     | -                |
| Outstanding checks  | (310,275)        |
| Deposits in transit | -                |
| Total adjusted cash | <u>\$ 17,575</u> |

## **FEDERAL COMPLIANCE**

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

| Federal Agency/Pass Through<br>Grantor/Program Title        | Federal<br>CFDA<br>Number | State<br>ID Number | Total<br>Federal<br>Awards<br>Expended |
|---|---------------------------|--------------------|--|
| <u>Department of Health and Human Services</u>              |                           |                    |  |
| Pass-through Early Childhood Education and Care Department: |                           |                    |  |
| Child Care and Development Block Grant                      | 93.575                    |                    | \$ <u>3,352,399</u>                    |
| Total Department of Health and Human Services               |                           |                    | <u>3,352,399</u>                       |
| <u>U.S. Department of Education</u>                         |                           |                    |  |
| Pass-through State Public Education Department:             |                           |                    |  |
| Title III English Language                                  | 84.365A                   |                    | <u>4,711</u>                           |
| Total U.S. Department of Education                          |                           |                    | <u>4,711</u>                           |
| Total Federal Assistance                                    |                           |                    | \$ <u><u>3,357,110</u></u>             |

See accompanying notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW MEXICO**  
**NORTHWEST REGIONAL EDUCATION COOPERATIVE #2**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Note 1: Significant Accounting Policies used in preparing the Schedule of Expenditure of Federal Awards The modified accrual basis was used to prepare the Schedule of Expenditures of Federal Awards.

Note 2: Insurance Requirements

There are no insurance requirements on the federal awards disclosed on the Schedule of Expenditures of Federal Awards

Note 3: Loans or Loan Guarantees

There were no loans or loan guarantees outstanding at year end.

Note 4: De Minimis Indirect Rate

The Cooperative did not elect to use the 10% de minimis indirect cost rate.



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

Mr. Brian Colón, New Mexico State Auditor and  
The Governing Council of Northwest Regional Education Cooperative #2

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, financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue fund of the Northwest Regional Education Cooperative #2 (Cooperative) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and the related budgetary comparison of the Cooperative, presented as supplemental information, and have issued our report thereon dated September 10, 2021.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not identified. However, as described in the accompany Schedule of Findings and Responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. The results of our tests disclosed no instances to be material weaknesses that are required to be reported under *Government Auditing Standards*.

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. The results of our tests disclosed no instances to be significant deficiencies that are required to be reported under *Government Auditing Standards*.

## 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 tests disclosed no instances to be an other noncompliance matter.

## Purpose of this Report

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

*Baldwin Accounting & Consulting, LLC*

**Baldwin Accounting & Consulting, LLC**

Albuquerque, New Mexico

September 30, 2021

Report on Compliance for Each  
Major Federal Program: Report on Internal Control Over  
Compliance Required by the Uniform Guidance

Independent Auditor's Report

Mr. Brian Colón, New Mexico State Auditor and  
The Governing Council of Northwest Regional Education Cooperative #2

Report on Compliance for Each Major Federal Program

We have audited Northwest Regional Educational Cooperative #2 (Cooperative) compliance with the types of compliance requirements described in the *Title 2 U.S. CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) that could have a direct and material effect on each of the Cooperative's major federal programs for the year ended June 30, 2021. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Cooperative's major federal programs based on our audit of the types of compliance requirements. 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 in the *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 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 of 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, 2021.

### 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. In planning and performing the compliance audit, 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Baldwin Accounting & Consulting, LLC*

**Baldwin Accounting & Consulting, LLC**  
Albuquerque, New Mexico  
September 30, 2021

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
SUMMARY OF AUDIT RESULTS  
SCHEDULE OF FINDINGS AND QUESTIONS COSTS  
YEAR ENDED JUNE 30, 2021**

**A. Summary of Audit Results**

Financial Statements

|                                 |            |
|---------------------------------|------------|
| Type of auditor's report issued | Unmodified |
|---------------------------------|------------|

Internal control over financial reporting

|                                   |    |
|-----------------------------------|----|
| * Material weaknesses identified? | No |
|-----------------------------------|----|

|  |    |
|--|----|
| * Significant deficiencies identified? | No |
|--|----|

|   |    |
|---|----|
| Noncompliance material to financial statements noted? | No |
|---|----|

Federal Awards

Internal control over major programs:

|                                   |    |
|-----------------------------------|----|
| * Material weaknesses identified? | No |
|-----------------------------------|----|

|  |    |
|--|----|
| * Significant deficiencies identified? | No |
|--|----|

|  |            |
|--|------------|
| Type of auditor's report issued on compliance for major programs | Unmodified |
|--|------------|

|   |    |
|---|----|
| Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance | No |
|---|----|

Identification of major programs:

| <u>CFDA Numbers)</u> | <u>Name of Federal Program of Cluster</u> |             |
|----------------------|---|-------------|
| 93.575               | Child Care and Development Block Grant    | \$3,352,399 |

|  |            |
|--|------------|
| Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000 |
|--|------------|

|                                       |    |
|---------------------------------------|----|
| Audited qualified as low risk Auditee | No |
|---------------------------------------|----|

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2021**

**Summary of Prior Year Audit Findings**

**Current Status:**

2019-001 Stale Dated Cash  
(Control Deficiency)

Resolved

**STATE OF NEW MEXICO  
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2  
EXIT CONFERENCE  
JUNE 30, 2021**

The contents of this report were discussed at an exit conference held September 30, 2021. The

Cooperative was represented by:

Felix Garcia, Vice Chairman  
Adan Delgado, Executive Director  
Jeannene Sparks, Business Manager

The firm of Baldwin Accounting & Consulting, LLC was represented by:

Lee Baldwin, CPA, CFE, CGFM – Accounting Director

Preparation of Financial Statements

The financial statements in this report were prepared substantially by the Independent Audit firm of Baldwin Accounting & Consulting, LLC, with the assistance of the Cooperative's management.