

**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, 2020**



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

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

OFFICIAL ROSTER

JUNE 30, 2020

Board

Anthony CasadosChairman
Albert Martinez..... Vice-Chairman
Dr. Lillian Torrez Member
Dr. Karen Sanchez-Griego..... Member
Samantha Archer..... Member
Dan Padilla..... Member
Lisa Hamilton..... Member
Carla Archuleta Member

Administration

Valerie Trujillo.....Executive Director
Katherine Duran.....Education Coordinator
Jeannene SparksBusiness Manager
Monica Cordova.....Assistant Business Manager

INDEPENDENT AUDITOR'S REPORT

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

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, 2020, 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, 2020 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, 2020, 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 on pages 40 and 42, respectively, the Schedule of the Cooperative's Contributions on pages 43 and 44 respectively, and the notes to the required supplementary information, on pages 42 and 46 respectively, 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, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are 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 24, 2020 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 Association's internal control over financial reporting and compliance.

Baldwin Accounting & Consulting, LLC

Baldwin Accounting & Consulting, LLC

Albuquerque, New Mexico

September 24, 2020

**STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE NO. 2
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Activities
Assets	
Current Assets	
Cash and cash equivalents	\$ 472,295
Receivables:	
Grant	488,834
Other	-
Total Current Assets	961,129
Noncurrent Assets	
Capital Assets	48,236
Less: Accumulated Depreciation	(48,236)
Total Noncurrent Assets	-
Deferred Outflows of Resources:	
Deferred Outflows, Pension Related	503,739
Deferred Outflows, OPEB Related	172,862
Total Deferred Outflows of Resources	676,601
Total Assets and Deferred Outflows of Resources	1,637,730
Liabilities	
Current Liabilities	
Accounts payable	401,708
Accrued salaries	26,646
Total Current Liabilities	428,354
Noncurrent Liabilities	
Compensated absences	24,440
Aggregate net pension liability	1,408,621
Aggregate OPEB liability	398,165
Total Noncurrent Liabilities	1,831,226
Deferred Inflows of Resources	
Deferred Inflows, Pension Related	88,614
Deferred Inflows, OPEB Related	245,465
Total Deferred Inflows of Resources	334,079
Total Liabilities and Deferred Inflows of Resources	2,593,659
Net Position	
Restricted for:	
Special revenue funds	4,214
Unrestricted	(960,143)
Total Net Position	\$ (955,929)

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, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
Instruction	\$ 531	\$ -	\$ 604	\$ -	\$ 73
Support Services - Students	250,831	-	285,138	-	34,307
Support Services - Instruction	406,217	-	461,777	-	55,560
Support Services - General Administration	447,753	-	508,994	-	61,241
Support Services - School Administration	3,881,775	-	4,412,700	-	530,925
Central Services	365,853	-	415,892	-	50,039
Operations & Maintenance of Plant	32,772	-	37,254	-	4,482
Total governmental activities	\$ 5,385,732	\$ -	\$ 6,122,359	\$ -	736,627
General revenues:					
Miscellaneous income					-
<i>Change in net position</i>					<i>736,627</i>
Net position - beginning					(1,692,556)
Net position - ending					\$ (955,929)

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, 2020**

	General Fund #27101	State Discretionary Fund #27200	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 357,334	\$ 112,669	\$ 2,292	\$ 472,295
Receivables:				
Grant	80,869	324,158	83,807	488,834
Other	-	-	-	-
Due from other funds	<u>3,574</u>	<u>-</u>	<u>-</u>	<u>3,574</u>
Total Assets	<u>\$ 441,777</u>	<u>\$ 436,827</u>	<u>\$ 86,099</u>	<u>\$ 964,703</u>
Liabilities and fund balance				
Liabilities:				
Accounts payable	\$ -	\$ 322,770	\$ 78,938	\$ 401,708
Accrued salaries	14,541	12,106	-	26,647
Due to other funds	<u>-</u>	<u>-</u>	<u>3,574</u>	<u>3,574</u>
Total liabilities	<u>14,541</u>	<u>334,876</u>	<u>82,512</u>	<u>431,929</u>
Fund balance:				
Restricted for:				
Special revenue funds	-	-	4,214	4,214
Unassigned	<u>427,236</u>	<u>101,951</u>	<u>(627)</u>	<u>528,560</u>
Total fund balance	<u>427,236</u>	<u>101,951</u>	<u>3,587</u>	<u>532,774</u>
Total liabilities and fund balance	<u>\$ 441,777</u>	<u>\$ 436,827</u>	<u>\$ 86,099</u>	<u>\$ 964,703</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 GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

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

Fund balances - total governmental funds	\$	532,774
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		(48,236)
Accumulated depreciation		48,236
Defined benefit pension plan and OPEB deferred outflows are not financial resources and, therefore, are not reported in the funds		
		676,602
Defined benefit pension plan and OPEB deferred inflows are not financial resources and, therefore, are not reported in the funds		
		(334,079)
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		(24,440)
Net pension liability		(1,408,621)
Net OPEB liability		<u>(398,165)</u>
Net position of governmental activities	\$	<u>(955,929)</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, 2020

	General Fund #27101	State Discretionary Fund #27200	Other Governmental Funds	Total Governmental Funds
Revenues:				
Intergovernmental - federal grants	\$ -	\$ (142,651)	\$ 115,037	\$ (27,614)
Intergovernmental - state grants	681,686	5,468,287	-	6,149,973
Miscellaneous	-	-	-	-
Total revenues	<u>681,686</u>	<u>5,325,636</u>	<u>115,037</u>	<u>6,122,359</u>
Expenditures:				
Current:				
Instruction	-	-	531	531
Support services:				
Students	-	250,831	-	250,831
Instruction	43,677	256,131	106,409	406,217
General Administration	159,986	279,139	8,628	447,753
School Administration	-	4,307,229	-	4,307,229
Central Services	272,759	93,094	-	365,853
Operation & Maintenance of Plant	19,393	13,379	-	32,772
Total expenditures	<u>495,815</u>	<u>5,199,803</u>	<u>115,568</u>	<u>5,811,186</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>185,871</u>	<u>125,833</u>	<u>(531)</u>	<u>311,173</u>
Other financing uses:				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	185,871	125,833	(531)	311,173
Fund balance (deficit) at beginning of the year	<u>241,365</u>	<u>(23,882)</u>	<u>4,118</u>	<u>221,601</u>
Fund balance at end of the year	<u>\$ 427,236</u>	<u>\$ 101,951</u>	<u>\$ 3,587</u>	<u>\$ 532,774</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, 2020**

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

Net change in fund balance - total governmental funds	\$	311,173
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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, 2019		22,974
June 30, 2020		(24,440)
Deferred contributions to pension plan		76,247
Deferred contributions to OPEB plan		10,778
Pension expense		339,372
OPEB expense		<u>523</u>

Change in net position of governmental activities	\$	<u><u>736,627</u></u>
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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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - state grants	\$ 143,302	\$ 356,977	\$ 600,817	\$ 243,840
Charges for services	100	100	-	(100)
Miscellaneous	-	-	-	-
Total revenues	<u>143,402</u>	<u>357,077</u>	<u>600,817</u>	<u>243,740</u>
Expenditures:				
Current:				
Support services:				
Instruction	-	46,044	43,677	2,367
General Administration	87,633	192,806	159,986	32,820
School Administration	-	-	-	-
Central Services	271,450	329,213	272,759	56,454
Operation & Maintenance of Plant	17,000	21,695	19,393	2,302
Total expenditures	<u>376,083</u>	<u>589,758</u>	<u>495,815</u>	<u>93,943</u>
Excess (deficiency) of revenues over expenditures	(232,681)	(232,681)	105,002	149,797
Other financing uses:				
Transfers In	-	-	-	-
Net change in fund balance	(232,681)	(232,681)	105,002	
Beginning cash balance budgeted	232,681	232,681	-	(232,681)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>241,365</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>346,367</u>	<u>\$ (232,681)</u>
RECONCILIATION TO GAAP BASIS:				
Change in receivables			80,869	
Change in payables			-	
Fund balance at end of the year (GAAP basis)			<u>\$ 427,236</u>	

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, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental - state grants	\$ 738,584	\$ 5,967,845	\$ 4,953,876	\$ (1,013,969)
Miscellaneous	-	-	47,603	47,603
Total revenues	738,584	5,967,845	5,001,479	(966,366)
Expenditures:				
Current:				
Instruction	-	-	-	-
Support services:				
Instruction	19,402	330,418	256,131	74,287
Students	315,000	325,000	250,831	74,169
General Administration	265,593	290,474	279,139	11,335
School Administration	-	4,883,364	4,307,229	576,135
Central Services	109,589	109,589	93,094	16,495
Operations & Maintenance of Plant	29,000	29,000	13,379	15,621
Total expenditures	738,584	5,967,845	5,199,803	768,042
Excess (deficiency) of revenues over expenditures	-	-	(198,324)	(1,734,408)
Fund balance at beginning of the year	-	-	(23,882)	-
Fund balance at end of the year	\$ -	\$ -	(222,206)	\$ -
RECONCILIATION TO GAAP BASIS:				
Change in grant receivables			324,157	
Change in payables			-	
Fund balance at end of the year (GAAP basis)			\$ 101,951	

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, 2020**

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, 2020**

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, 2020**

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, 2020**

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.

Teachers Pursuing Excellence – A two-year program aimed at improving teacher performance as measured by NM TEACH, specifically through targeted mentorship and support for Minimally Effective and Ineffective teachers provided by Highly Effective Teachers.

Principals Pursuing Excellence – A two-year program aimed at leveraging the expertise of New Mexico’s educational leaders to support and empower New Mexico’s school leaders as they work to dramatically improve student achievement in their schools.

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.

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NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
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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.

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.

**STATE OF NEW MEXICO
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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.

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, 2020. 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, 2020, 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:

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

**STATE OF NEW MEXICO
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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 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 \$676,601 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.

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 \$334,079 as of June 30, 2020. 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.

**STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
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Note 1: Summary of Significant Accounting Policies (continued)

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

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.

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.

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NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note 1: Summary of Significant Accounting Policies (continued)

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

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”.

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.

**STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note 1: Summary of Significant Accounting Policies (continued)

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

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.

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, 2020

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, 2020**

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:

	Balance
Financial institution:	
New Mexico Bank & Trust	\$ 1,043,104
Less net reconciling items	(570,809)
Total cash and equivalents	\$ 472,295

	Insured	Under Insured	Total
Bank deposits:			
Uninsured and uncollateralized	\$ -	\$ -	\$ -
Uninsured and collateral head by pledging bank's trust dept not in the District's name	1,043,104	-	1,043,104
Total uninsured			
Insured (FDIC)	250,000	-	250,000
Total deposits	\$ 1,293,104	\$ -	\$ 1,293,104
State of New Mexico collateral requirement:			
50% of uninsured public fund bank deposits	\$ 646,552	\$ -	\$ 646,552
Pledged security	819,803	-	819,803
Over collateralization	\$ 173,251	\$ -	\$ 173,251

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
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 & Trust</u>	<u>Maturity</u>	<u>CUSIP #</u>	<u>Market Value</u>
TEXAS ST A&M UNIV REVENUES	5/15/2039	88213APS8	\$ <u>819,803</u>

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2020, 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, 2020:

- 24153 – Title III: \$531
- 24189 – Student Support Academic Achievement Title IV: \$2,947
- 23000 – Scholar Athlete: \$96

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, 2020, are as follows:

<u>Governmental Activities:</u>	<u>Accounts Receivable</u>
Funds:	
General Fund	\$ 80,869
State Discretionary	324,158
Title IV	83,807
Scholar Athlete	<u>-</u>
Total Governmental Activities	\$ <u>488,834</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, 2020**

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, 2020, the Cooperative recorded Due To/From Other Funds as follows:

Receivable Fund	Payable Funds	
	Other Governmental Funds	Totals
Operational Fund	\$ 3,574	\$ 3,574

Note 6: Capital Assets

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

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

Note 7: Compensated Absences

The following is a summary of the changes in compensated absences for the year ended June 30, 2020:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Compensated absences:					
Compensated vacation	\$ 22,974	\$ 16,462	\$ 14,996	\$ 24,440	\$ 24,440

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, 2020

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: https://www.nmerb.org/Annual_reports.html.

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

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

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

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 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

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

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

**STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note 8: Pension Plan (continued)

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

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

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

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

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

Benefit Options – The Plan has three benefit options available.

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

**STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note 8: Pension Plan (continued)

- Option C – Joint 50% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 50% survivor’s benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member’s monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member’s increased monthly benefit commences in the month following the beneficiary’s death.

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

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

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

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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.

**STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note 8: Pension Plan (continued)

Contributions – For the fiscal year ended June 30, 2020 and 2019 educational employers contributed to the Plan based on the following rate schedule:

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%	0.00%
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2020 and 2019, the Cooperative paid employer contributions of \$75,549 and \$68,753, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the Cooperative reported a liability of \$2,195,140 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2019 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2019. Therefore, the employer’s portion was established as of the measurement date of June 30, 2019. 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, 2019, actuarially determined. At June 30, 2020, the Cooperative’s proportion was .01859%, which was an increase of 0.00013% from its proportion measured as of June 30, 2019.

**STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note 8: Pension Plan (continued)

For the year ended June 30, 2020, the Cooperative recognized pension income of \$426,397. At June 30, 2020, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 36,918
Changes of assumptions	198,478	-
Net difference between projected and actual earnings on pension plan investments	-	29,999
Changes in proportion and differences between contributions and proportionate share of contributions	229,013	21,697
Employer contributions subsequent to the measurement date	<u>76,247</u>	<u>-</u>
Total	<u>\$ 503,738</u>	<u>\$ 88,614</u>

\$75,549 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2020	\$ 278,283
2021	69,661
2022	(5,156)
2023	(3,911)
2024	-
2025	<u>-</u>
Total	<u>\$ 338,877</u>

**STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note 8: Pension Plan (continued)

Actuarial assumptions: The total pension liability in the actuarial valuation as of June 30, 2018 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 with less than 10 years of service.										
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average of Expected Remaining Service Lives	<table border="0" style="margin-left: 40px;"> <tr> <td style="text-align: right;">Fiscal year</td> <td style="text-align: center;"><u>2017</u></td> <td style="text-align: center;"><u>2016</u></td> <td style="text-align: center;"><u>2015</u></td> <td style="text-align: center;"><u>2014</u></td> </tr> <tr> <td style="text-align: right;">Service life in years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </table>	Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.35	3.77	3.92	3.88
Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p>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</p> <p>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.</p> <p>Disabled males: Based on RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: Based on RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: Based on RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the NMERB Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.										
Cost-of-living increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.										

**STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note 8: Pension Plan (continued)

Payroll growth	3.00% per year (with no allowance for membership growth).
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.
Disability incidence	Approved rates are applied to eligible members with at least 10 years of service.

Actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several 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%.

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	33%	
Fixed Income	26%	
Alternatives	40%	
Cash	1%	
Total	<u>100%</u>	<u>7.25%</u>

Discount rate. A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2019. This rate is .21% less than the 5.90% discount rate used for June 30, 2018.

**STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note 8: Pension Plan (continued)

The June 30, 2019 single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.62%. 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 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine the June 30, 2019 single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

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 5.69 percent, as well as 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 (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
REC's proportionate share of the net pension liability	<u>\$ 1,901,530</u>	<u>\$ 1,408,621</u>	<u>\$ 1,000,938</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.

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, 2020**

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, 2020**

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, 2020, the Cooperative reported a liability of \$546,588 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The Cooperative's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2019. At June 30, 2019, the Cooperative's proportion was 0.01228 percent.

For the year ended June 30, 2020, the School recognized OPEB expense of \$115,550. 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 of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 100,199
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	3,702
Changes of Assumptions	-	128,509
Change in Proportion	162,084	13,055
Contributions made after the measurement date	10,778	-
	<u>\$ 172,862</u>	<u>\$ 245,465</u>

Deferred outflows of resources totaling \$10,871 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

**STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Year ended June 30:

2021	\$	(22,179)
2022		(22,179)
2023		(14,195)
2024		(5,057)
2025		(19,771)
	<u>\$</u>	<u>(83,381)</u>

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) 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, 2020**

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>Long-Term Rate of Return</u>
U.S. core fixed income	2.1%
U.S. equity - large cap	7.1%
Non U.S. - emerging markets	10.2%
Non U.S. - developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 4.16% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2039. Beyond 2039, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.16% 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 (3.16 percent) or 1-percentage-point higher (5.16 percent) than the current discount rate:

1% Decrease (3.16%)	Current Discount (4.16%)	1% Increase (5.16%)
487,052	398,165	328,292

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:

1% Decrease	Current Trend Rates	1% Increase
331,498	398,165	451,542

STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 9: Postemployment Benefits Other Than Pensions (continued)

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, 2019.

Payable Changes in the Net OPEB Liability. At June 30, 2019, the Commission did not report a payable for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

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.

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.

STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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.

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.

Note 15: Deficit Fund Balance

There was a fund balance deficit of \$531 in Fund 24153, Title III English Language Fund and of \$96 in Fund 23000, Scholar Athlete Fund.

**STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020 that would require disclosure under GASB 77.

Note 18: Subsequent Events

Subsequent events were evaluated through September 24, 2020 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.

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.

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**

	2020*	2019	2018
Cooperative's proportion of the net pension liability	0.01859%	0.01846%	0.01403%
Cooperative's proportionate share of the net pension liability	\$ 1,408,621	\$ 2,195,140	\$ 1,355,843
Cooperative's covered payroll	\$ 538,849	\$ 543,513	\$ 347,422
Cooperative's proportionate share of the net pension liability as a percentage of its covered-employee payroll	261.41%	403.88%	390.26%
Plan fiduciary net position as a percentage of the total pension liability	64.13%	52.17%	61.58%
	2017	2016	2015
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, 2020**

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2019.

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>2020*</u>	<u>2019</u>	<u>2018</u>
Statutory required contributions	76,247	75,548	68,753
Contribution in relations to the statutorily required contributions	(76,247)	(75,548)	(68,753)
Annual contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
Cooperative's covered-employee payroll	538,849	543,513	494,629
Contribution as a percentage of covered-employee payroll	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 because effective.

**STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
REQUIRED SUPPLEMENTARY INFORMATION
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
FOR THE YEAR ENDED JUNE 30, 2020**

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET LIABILITY

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

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

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

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, 2020**

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.

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, 2020**

	Title III English Language Fund #24153	Student Support Academic Achievement Title IV Fund #24189	Next Generation Assessments Fund #27189	Scholar Athlete Fund #23000	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 2,292	\$ -	\$ 2,292
Receivables:					
Grant	-	83,807	-	-	83,807
Other	-	-	-	-	-
Due from other funds	-	-	-	-	0
Total Assets	<u>\$ -</u>	<u>\$ 83,807</u>	<u>\$ 2,292</u>	<u>\$ -</u>	<u>\$ 86,099</u>
Liabilities and fund balance					
Liabilities:					
Accounts payable	\$ -	\$ 78,938	\$ -	\$ -	\$ 78,938
Accrued salaries	-	-	-	-	-
Due to other funds	531	2,947	-	96	3,574
Total liabilities	<u>531</u>	<u>81,885</u>	<u>-</u>	<u>96</u>	<u>82,512</u>
Fund balance:					
Restricted for:					
Special revenue funds	-	1,922	2,292	-	4,214
Unassigned	(531)	-	-	(96)	(627)
Total fund balance	<u>(531)</u>	<u>1,922</u>	<u>2,292</u>	<u>(96)</u>	<u>3,587</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 83,807</u>	<u>\$ 2,292</u>	<u>\$ -</u>	<u>\$ 86,099</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
COMBINING STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020**

	Title III English Language Fund #24153	Student Support Academic Achievement Title IV Fund #24189	Next Generation Assessments Fund #27189	Scholar Athlete Fund #23000	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental - federal grants	\$ -	\$ 115,037	\$ -	\$ -	\$ 115,037
Intergovernmental - state grants	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>-</u>	<u>115,037</u>	<u>-</u>	<u>-</u>	<u>115,037</u>
Expenditures:					
Current:					
Instruction	531	-	-	-	531
Support services:					
Students	-	-	-	-	-
Instruction	-	106,409	-	-	106,409
General Administration	-	8,628	-	-	8,628
School Administration	-	-	-	-	-
Central Services	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Total expenditures	<u>531</u>	<u>115,037</u>	<u>-</u>	<u>-</u>	<u>115,568</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(531)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(531)</u>
Other financing uses:					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	(531)	-	-	-	(531)
Fund balance (deficit) at beginning of the year	-	1,922	2,292	(96)	4,118
Fund balance at end of the year	<u>\$ (531)</u>	<u>\$ 1,922</u>	<u>\$ 2,292</u>	<u>\$ (96)</u>	<u>\$ 3,587</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, 2020**

	<u>New Mexico Bank & Trust</u>
Cash on deposit at June 30, 2020	
Checking and savings	\$ 1,043,104
Less: FDIC coverage	<u>250,000</u>
Uninsured funds	<u>\$ 793,104</u>
 Amount requiring pledged collateral	
50% collateral requirement	\$ 396,552
Pledged collateral	<u>819,803</u>
Excess (deficiency) of pledged collateral	<u>\$ 423,251</u>

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

<u>New Mexico Bank & Trust</u>	<u>Maturity</u>	<u>CUSIP #</u>	<u>Market Value</u>
TEXAS ST A&M UNIV REVENUES	5/15/2039	88213APS8	<u>\$ 819,803</u>

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

**STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
CASH RECONCILIATION
JUNE 30, 2020**

	Beginning Cash	Receipts	Distributions	Other	Net Cash End of Period	Adjustments to this Report	Total Cash on Report
Operations	\$ -	\$	\$	\$	\$	\$	\$ -
Federal Flowthrough Funds	(39,979)	73,131	(115,568)	-	(82,415)	78,938	(3,477)
State Flowthrough Funds	(417,469)	6,259,278	(5,715,367)	26,560	153,002	322,770	475,772
Total	<u>\$ (457,448)</u>	<u>\$ 6,332,409</u>	<u>\$ (5,830,934)</u>	<u>\$ 26,560</u>	<u>\$ 70,587</u>	<u>\$ 401,708</u>	<u>\$ 472,295</u>

Adjustments to report:

Interfund loans - pooled cash	\$ (3,574)
Interfund loans - pooled cash	3,574
Unmailed Checks	401,708
Total adjustments to the report	<u>\$ 401,708</u>

Adjustments to cash:

Bank Balance	\$ 1,043,104
Unmailed Checks	401,708
Outstanding checks	(972,517)
Deposits in transit	-
Total adjusted cash	<u>\$ 472,295</u>

**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 24, 2020.

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. We consider the noncompliance described in the accompanying Schedule of Findings and Responses as item 2020-001 to be an other noncompliance matter.

The Cooperative's Response to Findings

The Cooperative's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Cooperative's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 24, 2020

**STATE OF NEW MEXICO
 NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
 SUMMARY OF AUDIT RESULTS
 YEAR ENDED JUNE 30, 2020**

I. SUMMARY OF AUDIT RESULTS

	<u>Yes</u>	<u>No</u>	<u>Occurrences</u>
FINANCIAL STATEMENTS:			
Type of auditor's report issued: <u>Unmodified</u>			
Internal control over financial reporting:			
Material weakness(es) identified?	X		-
Significant deficiency(ies) identified?	X		-
Noncompliance material to financial statements noted?	X		-

**STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

Summary of Prior Year Audit Findings

Current Status:

2019-001 Stale Dated Cash
(Control Deficiency)

Repeated & Modified

**STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020**

2020-001 (2019-001) Stale Dated Cash (Control Deficiency)

Condition: The Cooperative has eight checks totaling \$2,231.41 that are outstanding more than 1 year.

In the previous year there were thirty-five checks totaling \$8,148.64. the Cooperative has made progress in notifying the check holders that they have undeposited funds.

Criteria: Bank reconciliations are an important element of internal control, facilitating timely detection of book/bank differences so they can be investigated and resolved. Such reconciliations are consistent with New Mexico Statutes, Section 6-6-3 A NMSA 1978, which require that the Association “keep all the books, records, and accounts in their respective offices in a form as prescribed by the Local Government Division.” Reconciliations should be reviewed for old outstanding items. Those items should be researched and cleared.

Effect: The Cooperative’s bank balances are greater than the reconciliations show as available.

Cause: Checks do have a written watermark “Void after ninety days”, but there appears to be insufficient review of old outstanding items, as old outstanding items are not voided after ninety days.

Auditor’s Recommendation: We recommend management review the monthly bank reconciliations closely and investigate any old outstanding items.

Management’s Response: The NWREC #2 will ensure that all checks that are outstanding for more than one year are researched and resolved. The NWREC #2’s management will review the monthly bank reconciliation closely each month.

Corrective Action(s): The Business Manager and the Assistant Business Manager will engage in a thorough review of the outstanding items of more than sixty days. The Business Manager and the Assistant Business Manager together will develop a procedure for outstanding items of more than sixty days.

Responsible Person(s): Business Manager and Assistant Business Manager.

Timeline of Corrective Action: Corrective measures have been initiated effective September 25, 2019 and will be fully implemented by September 30, 2020 and the finding will have been fully resolved before June 30, 2021.

**STATE OF NEW MEXICO
NORTHWEST REGIONAL EDUCATION COOPERATIVE #2
EXIT CONFERENCE
JUNE 30, 2020**

The contents of this report were discussed at an exit conference held September 24, 2020. The

Cooperative was represented by:

Anthony Casados, Chairman
Valerie Trujillo, 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.