

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2010**

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## **INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**TABLE OF CONTENTS**

	<u>Exhibit</u>	<u>Page</u>
<b>INTRODUCTORY SECTION</b>		
Table of Contents		1
Official Roster		5
<b>FINANCIAL SECTION</b>		
Independent Auditor’s Report		9
Management’s Discussion and Analysis		13
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	23
Statement of Activities	A-2	25
Fund Financial Statements:		
Balance Sheet – Governmental Funds	B-1	26
Reconciliation of the Balance Sheet to the Statement of Net Assets		29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	B-2	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		33
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual:		
REC Fund	C-1	35
Instructional Materials	C-2	37
IDEA B Entitlement	C-3	39
IDEA B Discretionary	C-4	41
IDEA B Entitlement Federal Stimulus	C-5	43
Title I Negligent, Delinquent, At Risk	C-6	45
Medicaid in Schools	C-7	47
State Appropriations	C-8	49
State Directed Activities	C-9	51
SB 471 Library Fund	C-10	53
Notes to the Financial Statements		55
<b>SUPPLEMENTARY INFORMATION</b>		
	<u>Statement/ Schedule</u>	
Statement of Revenues, Expenses and Changes in Fund Balance by school for major funds		
REC Fund		74
IDEA B Entitlement		77
Medicaid in Schools		82
Title I Negligent, Delinquent or At Risk		79
IDEA B Federal Stimulus		81
State Directed Funds		84
State Appropriations		87
SB 471 Library Funds		89
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	94
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	96

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**

	<u>Statement/ Schedule</u>	<u>Page</u>
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual:		
Javits Gifted & Talented Students	B-1	99
Transition Specialist Cadre	B-2	101
IDEA-B Preschool	B-3	103
Enhancing Education Thru Technology (E2T2-F)	B-4	105
 <b>SUPPORTING SCHEDULES</b>		
Schedule of Collateral Pledged by Depository	I	111
Schedule of Deposit and Investment Accounts	II	113
Cash Reconciliation	III	115
 <b>COMPLIANCE SECTION</b>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		119
 <b>FEDERAL FINANCIAL ASSISTANCE</b>		
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		125
Schedule of Expenditures of Federal Awards	IV	129
Schedule of Findings and Questioned Costs	V	131
 <b>OTHER DISCLOSURES</b>		 136

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**

**OFFICIAL ROSTER**  
June 30, 2010

<u><b>Name</b></u>	<u><b>REC Council</b></u>	<u><b>Title</b></u>
Mr. Mike Chambers		Chairperson
Mr. Joe Fasanella		Vice Chairperson
Ms. Diane Wege		Member
Ms. Lorena Garcia		Member
Mr. Jay Mortensen		Member
Mr. Bill Green		Member
Mr. David Atencio		Member
Ms. Carolyn Renteria		Member
Ms. Diana Spriggs/ Mr. Felix Garcia		Member
<u><b>REC Officials</b></u>		
Nina K. Tafoya		Executive Director
Maria Jaramillo		Related Services and Program Coordinator
Michael Sisneros		Business Manager through March 6, 2010
Mario Guggino		Business Manager March 28, 2010 to June 30, 2010

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Council  
Central Region Educational Cooperative  
Albuquerque, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparison statements of the major funds' activities of Central Region Educational Cooperative (REC) as of and for the year ended June 30, 2010, which collectively comprise the REC's basic financial statements as listed in the table of contents. We also have audited the financial statements and budgetary comparison statements of each of the REC's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of Central Region Educational Cooperative's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the REC's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Central Region Educational Cooperative, as of June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparison statements for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 Central Region Educational Cooperative, as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison statements for each nonmajor governmental fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2010 on our consideration of the Central Region Educational 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* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 13-20 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Region Educational Cooperative's basic financial statements, the combining and individual fund financial statements, and the budgetary comparison statements. The accompanying Schedule of Expenditures of Federal Awards (Schedule IV) is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying financial information listed as supporting Schedules I through IV in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Central Region Educational Cooperative. Such information has been subjected to the auditing procedures applied in the audit of the basic and each of the nonmajor governmental fund financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

*Precision Accounting, LLC*  
Albuquerque, New Mexico  
August 20, 2010

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**CENTRAL REGION EDUCATIONAL COOPERATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2010**

The Management Discussion and Analysis is a required part of the Central Region Educational Cooperative's (CREC) financial reporting, and is an objective and easily readable discussion of its financial activities. The reader will see the following statements, a Statement of Net Assets and a statement of activities (Two-Year Comparative of Revenue, Expenses and Changes in Net Assets). These statements provide the overall view of the financial activities of the CREC. This discussion and analysis will provide a review of the CREC's *overall* financial activities, using the accrual basis of accounting, for the year ending June 30, 2010. Fund financial statements are reported on a modified accrual basis of accounting. Rather than looking at specific areas of performance, this discussion and analysis focuses on the financial performance of the CREC, as a whole. Whenever possible this discussion and analysis will provide the reader multi-year pictures of financial performance and other pertinent information through the use of tables and other graphics information.

This annual report consists of a series of detailed, audited financial statements and the notes to those statements. Also included is the Independent Auditor's Report; 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; Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133; and the Schedule of Findings and Questioned Costs.

Please read this discussion and analysis in conjunction with the CREC's basic financial statements which are presented immediately following this Management Discussion and Analysis (MD&A).

### **Financial Highlights**

We believe this written analysis and the accompanying financial report will indicate to the reader that the CREC is in good financial health. Indicators to the reader such as fund balances, cash on hand and budget management all are signs of a positive financial direction and management. The CREC maintains a financial and accounting staff with strong levels of technical experience and education.

In order to define and support internal controls, the Business Office utilizes a comptrollership model organizational structure. A written Business Office Policies and Procedures Manual was implemented this FY, and is in place to guide CREC staff through the daily fiscal and business routines.

As an integral part of the CREC accountability process, CREC Council (Board of Education) monitors CREC expenditures and budgets through a formal monthly reporting process to the full council. These reports are public documents and through this public process, the financial reporting information is provided to the community and open to public inspection

- The CREC's total net assets at June 30, 2010 were \$933,229 resulting in an increase of \$101,810 when compared to the prior year. This increase was mainly due to the charges for services (ancillary services) to member and non-member districts, which has historically exceeded the actual cost of providing those services, as well as other grants the CREC was awarded.
- General revenues accounted for \$1,686,996 in revenue or 57% of all revenues. Program specific revenues in the form of restricted state pass-through accounted for \$1,288,072 or 43% of total revenues of \$2,975,068.
- Overall revenues for the CREC have decreased by \$362,170 compared to prior year. There was a decrease of \$228,585 in charges for services and a decrease of \$133,885 in funding from grants. The net impact was an overall decrease in funding of (5.19%).
- At the end of the current fiscal year, the CREC's governmental activity funds showed current assets of \$1,467,880 (including \$633,485 in cash and cash equivalents). This represents an increase of \$68,548 in the year-end cash position of the CREC when compared to prior year.
- At the end of the current fiscal year, the CREC's governmental unreserved fund balance for the general fund was \$632,857 or 37% percent of total general fund expenditures. The decrease to the general fund amounted to \$17,314.

**CENTRAL REGION EDUCATIONAL COOPERATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2010**

- As of the close of the fiscal year ended June 30, 2010, the CREC's Accounts receivable was \$834,395 or a 37% increase when compared to the prior year amount of \$607,565. This change is directly related to year-end processing issue at NMPED. The total increase in accounts receivable for fiscal year 2010 totaled to \$226,830. Of the total accounts receivable 73% were from NMPED.
- In accordance with the OMB Circular A-133, the CREC has been determined to be a low-risk auditee.

### **Overview of the Financial Statements**

The MD&A is provided at the beginning to the annual report and is intended to serve as an introduction to the CREC's basic financial statements. The financial section of this annual report consists of three parts: 1) Independent Auditor's Report; 2) Required supplementary information which includes the MD&A (this section), and ; 3) The basic financial statements comprising of three components: (A) government-wide financial statements, (B) fund financial statements, and (C) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the CREC's finances, in a manner similar to a private sector business. The statement of net assets presents information on all of the CREC's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the CREC is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave). The government-wide financial statements can be found on pages 23 to 25 of this report.

### **Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The CREC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the CREC are considered governmental funds.

### **Governmental funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

The governmental funds use the modified accrual basis of accounting whereby revenues are recognized when they become available and measurable as net current assets. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is

**CENTRAL REGION EDUCATIONAL COOPERATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2010**

useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the CREC's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

In addition to the two accounts that comprise the General fund (operational and instructional materials), the CREC maintains ten (10) individual governmental funds these funds are classified as Special Revenue funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the IDEA B Entitlement fund, the IDEA B Discretionary fund and the Medicaid fund. These funds are considered to be major funds. Individual fund data for each of the non-major funds is provided in the form of combining statements in this report.

#### **Notes to the basic financial statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 55 to 71 of this report.

#### **Budgetary Comparison**

GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules present both the original and the final approved budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the CREC's budgetary (cash) basis. As required by the Office of the New Mexico State Auditor under 2.2.2 NMAC "*Requirements for Contracting and Conducting Audits of Agencies*" the budgetary comparison statements of the non-major governmental funds are presented as supplementary data. Budgetary information is provided at the approved budget level to demonstrate compliance with legal requirements. Reconciliation between the fund financial statements and the budgetary financial statements is provided at the bottom of each Budget to Actual Comparison.

#### **Other Information**

The combining statements referred to earlier in connection with non-major government funds are presented immediately following the Notes of the Financial Statements. Combining and individual fund statements and schedules can be found on pages 94 to 97 of this report.

#### **Government-wide Financial Analysis**

The CREC has presented its financial statements under the reporting model required by the *Governmental Accounting Standards Board Statement No. 34 (GASB 34) Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the CREC, assets exceeded liabilities by \$932,922 at the close of the most recent fiscal year. Of all the CREC's assets, cash represented 43% and accounts receivable accounted for 57% of the total. When compared to June 30, 2009, cash represented 36% of the total and accounts receivable accounted for 64%.

A summary of the CREC's net assets for FY 2010 and FY 2009 follows:

**CENTRAL REGION EDUCATIONAL COOPERATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2010**

*Two-Year Comparative Statement of Net Assets*

CENTRAL REGION EDUCATIONAL COOPERATIVE

Financial statements in U.S. dollars	June 30, 2010	June 30, 2009	Increase / (Decrease)	Percent Change
<b>Assets</b>				
Cash and cash equivalents	633,485	564,937	68,548	12.13%
Intergovernmental Receivables	609,076	597,530	11,546	1.93%
Capital assets (net of accumulated depreciation)				
Equipment	10,841	14,544	(3,703)	(25.46%)
<b>Total Assets</b>	<b>1,253,402</b>	<b>1,177,011</b>	<b>76,391</b>	<b>6.49%</b>
<b>Liabilities and Net Assets</b>				
Accounts payable	132,585	15,318	117,267	765.55%
Accrued payroll and taxes	177,054	122,289	54,765	44.78%
Intergovernmental accounts payable	-	-	-	-
Deferred revenue	-	203,753	(203,753)	(100)%
Emergency funding payable	-	-	-	-
Compensated absences	5,104	8,512	(3,408)	(40.04%)
Total current liabilities	314,743	349,872	(35,129)	(10.04%)
Accrued Compensated Absences	5,430	5,755	(325)	(5.65%)
Total liabilities	320,173	355,627	(35,454)	(9.97%)
Investment in capital assets				
Unrestricted	10,841	14,544	(3,703)	(25.46%)
Total net assets	933,229	821,384	111,845	12.25%
<b>Total liabilities and net assets</b>	<b>\$ 1,253,402</b>	<b>\$ 1,177,011</b>	<b>76,391</b>	<b>6.49%</b>

(See page 23 of this report)

**CENTRAL REGION EDUCATIONAL COOPERATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2010**

## *Two-Year Comparative of Revenue, Expenses and Changes in Net Assets*

CENTRAL REGION EDUCATIONAL COOPERATIVE	June 30, 2010	June 30, 2009	Increase / (Decrease)	Percent Change
Financial statements in U.S. dollars				
<b>Revenue</b>				
Taxes				
Taxes Levied/assessed	-	-	-	-
Local Sources				
Tuition	-	-	-	-
Investment Income	873	4,845	(3,972)	81.98%
Food Services	-	-	-	-
District Activities	1,678,778	1,784,137	(105,359)	5.91%
Other Revenue	10,561	129,515	(118,954)	91.85%
State Sources				
Unrestricted Grants	-	103,247	-	756.84%
Restricted Grants	884,666	603,222	(281,444)	(100%)
Federal Sources				
Unrestricted Grants	130,733	109,713	21,020	19.16%
Unrestricted-State Pass-through	-	-	-	-
Restricted Grants	-	-	-	-
Restricted-State Pass-through	269,457	593,512	(324,055)	54.60%
Department of Interior	-	-	-	-
Other Items	-	9,047	(9,047)	(100%)
<b>Total Revenues</b>	<b>2,975,068</b>	<b>3,337,238</b>	<b>(362,170)</b>	<b>(10.85%)</b>
<b>Expenditures</b>				
Current				
Instruction	64,469	39,457	25,012	63.39%
Support Services				
Students	2,269,534	2,566,960	(297,426)	(11.59%)
Instruction	382	2,789	(2,407)	(86.30%)
General Administration	16,258	78,846	(62,588)	(79.38%)
School Administration	407,357	336,292	71,065	21.10%
Central Services	104,362	99,734	4,628	4.64%
Operational & Maintenance	891	11,399	(10,508)	(92.18%)
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
<b>Total Expenses</b>	<b>2,863,253</b>	<b>3,135,477</b>	<b>(272,224)</b>	<b>(86.82%)</b>
Excess (deficiency) of Revenues over (under) Expenditures	111,815	209,719	97,904	46.68%
Net change in fund balance	111,815	209,719	97,904	46.68%
Fund balances- beginning of year	821,107	621,700	199,407	32.07%
Fund balance- end of year	\$ 932,922	\$ 831,419	\$ 101,503	12.21%

**CENTRAL REGION EDUCATIONAL COOPERATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2010**

**Governmental Funds**

The focus of the CREC, governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the CREC's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- As of June 30, 2010 the CREC's general fund Decreased by \$17,317. The primary factor contributing to this decline is related to the decline in funding and the closure of other special revenue funds previously expended but not reimbursed.

**General Fund Budgetary Highlights**

During the year ending June 30, 2010, actual revenues exceeded anticipated revenues (ancillary service revenue was greater than expected) and expenditures were less than budgetary estimates. Because revenues were greater than anticipated the actual expenditure savings were greater than projected, the CREC had an overall cash savings of \$111,815. See page 31.

A summary of the CREC's revenues for FY 2010 and FY 2009 follows:

*Two-Year Comparative Revenue to Expenditure by Fund*

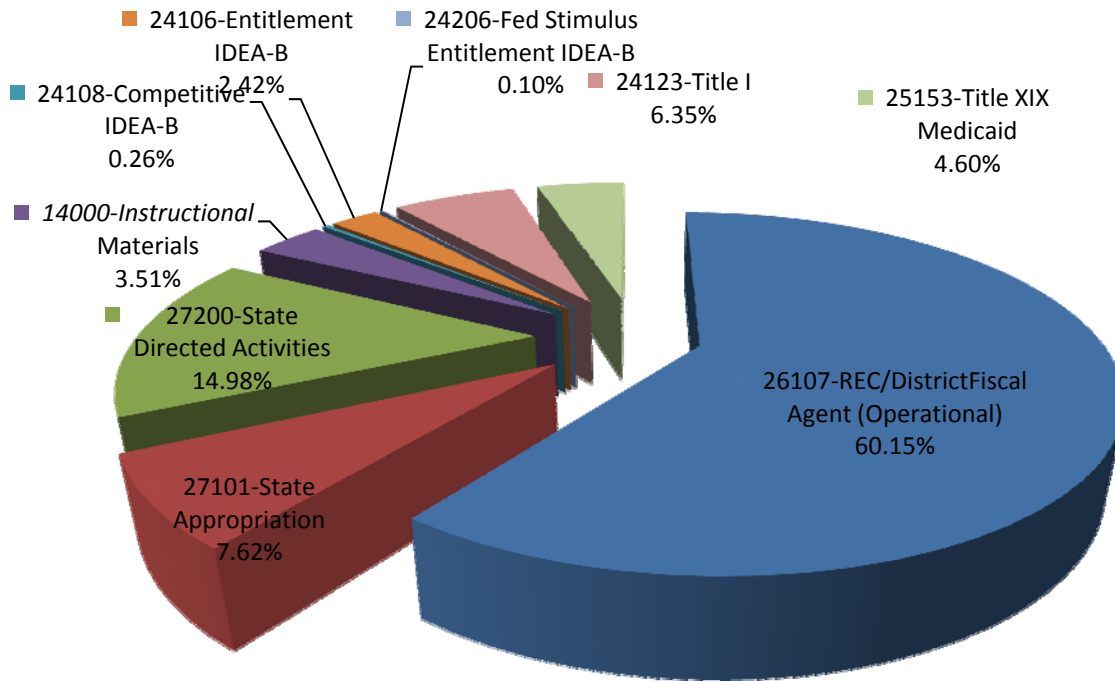
CENTRAL REGION EDUCATIONAL COOPERATIVE

Financial statements in U.S. dollars	June 30, 2010	June 30, 2009	Increase / (Decrease)	Percent Change
14000- Instructional Materials	25,049	50,926	(25,877)	-50.81%
24102- Javits Gifted	-	-	-	
24106- Entitlement	66,619	147,640	(81,021)	-54.88%
24107- Discretionary IDEA -B **	-	128,303	(128,303)	-100.00%
24108- Competitive IDEA-B	25,614	-	25,614	
24109- Preschool	-	5,280	(5,280)	-100.00%
24123- Title I	181,785	137,343	44,442	32.36%
24206 Entitlement Federal Stimulus- IDEA B	3,000	-	3,000	
25153- Title XIX Medicaid 3/21 Years	130,733	109,713	21,020	19.16%
26107- REC/District Fiscal Agent (Operational)***	1,686,996	2,154,945	(467,949)	-21.72%
27101- State Appropriation	297,749	199,216	98,533	49.46%
27129- Advanced Placement	-	9,047	(9,047)	-100.00%
27200- State Directed Activities ****	557,304	394,825	162,479	41.15%
27549- SB471 Library Books	220	-	220	
<b>Total Revenues</b>	<b>\$ 2,975,069</b>	<b>\$ 3,337,238</b>	<b>\$ (362,169)</b>	<b>-10.85%</b>
14000- Instructional Materials	100,492	60,961	39,531	64.85%
24102- Javits Gifted	-	-	-	
24106- Entitlement	69,192	145,067	(75,875)	-52.30%
24107- Discretionary IDEA -B **	-	102,136	(102,136)	-100.00%
24108- Competitive IDEA-B	7,560	-	7,560	
24109- Preschool	-	5,280	(5,280)	-100.00%
24123- Title I	181,785	137,343	44,442	32.36%
24206 Entitlement Federal Stimulus- IDEA B	3,000	-	3,000	
25153- Title XIX Medicaid 3/21 Years	131,774	99,905	31,869	31.90%
26107- REC/District Fiscal Agent (Operational)***	1,722,364	1,990,745	(268,381)	-13.48%
27101- State Appropriation	218,135	199,216	18,919	9.50%
27200- State Directed Activities ****	428,951	394,825	34,126	8.64%
27549- SB471 Library Books	-	-	-	
<b>Total Expenditures</b>	<b>\$ 2,863,253</b>	<b>\$ 3,135,478</b>	<b>\$ (272,225)</b>	<b>-8.68%</b>

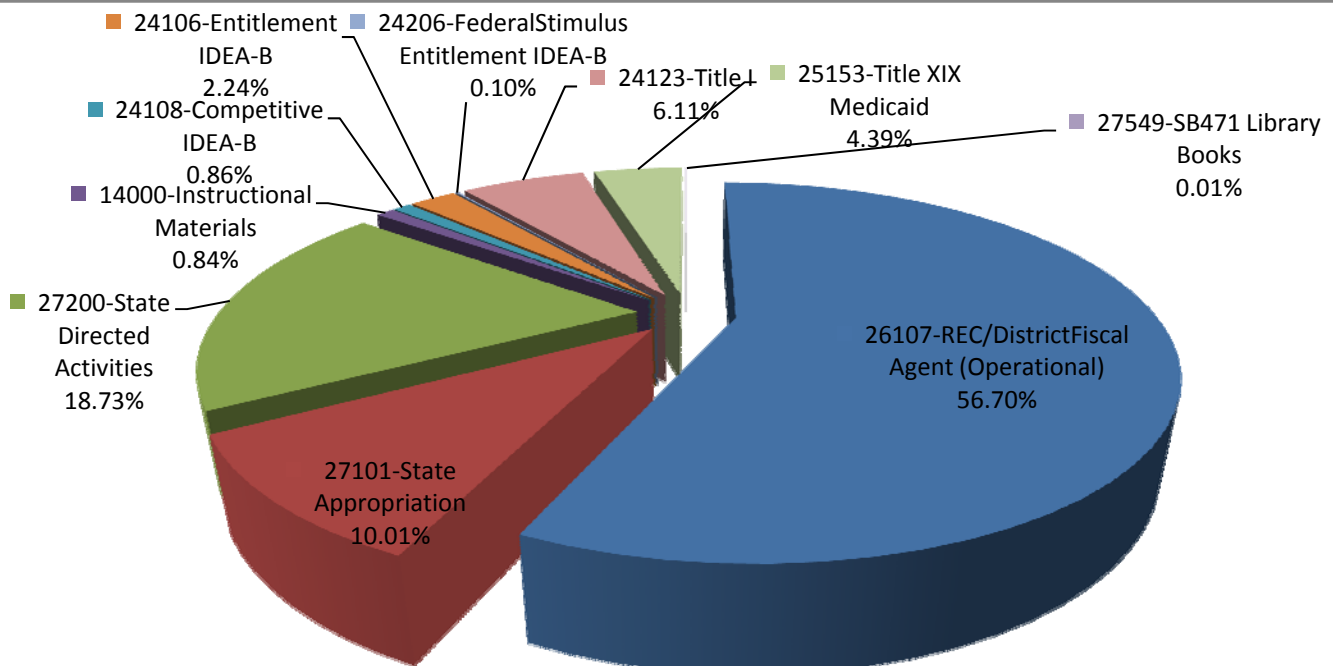
(See page 30-31 and 96-97)

**CENTRAL REGION EDUCATIONAL COOPERATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2010**

The following charts show the CREC's Revenues and Expenditures for fiscal year ended June 30, 2010 by source:



**CREC Expenditures FY09-10**



**CREC REVENUES FY09-10**

**CENTRAL REGION EDUCATIONAL COOPERATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2010**

**Changes in Cooperative Capital Assets**

The CREC's investment in capital assets as of June 30, 2010 amounted to \$10,841 (net of accumulated depreciation). The CREC did not have any debt. The investment in capital assets is almost exclusively an investment in office equipment. The changes to capital during the year ending June 30, 2010 are summarized below.

*Two-Year Comparative of Changes in CREC Capital Assets*

CENTRAL REGION EDUCATIONAL COOPERATIVE

Financial statements in U.S. dollars	<b>Balance as June 30, 2009</b>	<b>Additions &amp; Adjustments</b>	<b>Deletions &amp; Adjustments</b>	<b>Balance as June 30, 2010</b>
Capital Assets, being depreciated:				
Furniture, fixtures & equipment	39,793	-	-	39,793
Less Accumulated Depreciation for:				
Furniture, fixtures & equipment	25,249	5,548	1,845	28,952
<b>Governmental activities capital assets, net:</b>	<b>\$ 14,544</b>	<b>\$ 5,548</b>	<b>\$ 1,845</b>	<b>\$ 10,841</b>
<i>See note 6 on page 50</i>				

**Request for Information**

This financial report is designed to provide a general overview of the CREC's finances. Questions concerning any of the information provided in this report or request of additional financial information should be address to the Executive Director, Central Region Educational Cooperative, 3232 Candelaria RD NE, Albuquerque, NM 87107.



**BASIC  
FINANCIAL STATEMENTS**

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

Exhibit A-1

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 633,485
Intergovernmental Receivables	609,076
Capital assets (net of accumulated depreciation)	
Equipment	<u>10,841</u>
Total assets	<u><u>\$ 1,253,402</u></u>
 <b>LIABILITIES AND NET ASSETS</b>	
Accounts payable	\$ 132,585
Accrued payroll and taxes	177,054
Deferred revenue	-
Compensated absences	<u>5,104</u>
Total current liabilities	314,743
 Accrued Compensated Absences	 5,430
Total liabilities	<u>320,173</u>
 Invested in capital assets	 10,841
Restricted	187,608
Unrestricted	<u>734,780</u>
Total net assets	<u>933,229</u>
Total liabilities and net assets	<u><u>\$ 1,253,402</u></u>

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit A-2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Assets</u>	
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Primary government:</b>					
Governmental activities:					
Instruction:					
Direct instruction	\$ 68,172	\$ -	\$ -	\$ -	\$ (68,172)
Support services:					
Students	2,277,094	1,666,178	1,308,017	-	697,101
Instruction	382	-	-	-	(382)
General Administration	4,965	-	-	-	(4,965)
School Administration	407,357	-	-	-	(407,357)
Central Services	104,362	-	-	-	(104,362)
Operation & Maintenance of Plant	891	-	-	-	(891)
Student Transportation	-	-	-	-	-
Other Support Services	-	-	-	-	-
Non-instructional support	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total primary government	<u>\$ 2,863,223</u>	<u>\$ 1,666,178</u>	<u>\$ 1,308,017</u>	<u>\$ -</u>	<u>\$ 110,972</u>
					Interest
					<u>873</u>
					Change in net assets
					111,845
					Net assets - beginning
					<u>821,384</u>
					Net assets - ending
					<u>\$ 933,229</u>

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

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2010

	REC Fund	Instructional Materials	IDEA B Entitlement	IDEA B Discretionary	IDEA B Entitlement Federal Stimulus
<b>ASSETS</b>					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 404,615	\$ 32,843	\$ -	\$ 21,137	\$ -
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	178,995	-	23,293	-	3,000
Internal balances	225,319	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 808,929</u>	<u>\$ 32,843</u>	<u>\$ 23,293</u>	<u>\$ 21,137</u>	<u>\$ 3,000</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<i>Current Liabilities</i>					
Accounts payable	\$ -	\$ -	\$ 89	\$ 21,137	\$ -
Accrued salaries and benefits	176,072	-	-	-	-
Internal Balances	-	-	23,204	-	3,000
Deferred revenue	-	-	-	-	-
<i>Total liabilities</i>	<u>176,072</u>	<u>-</u>	<u>23,293</u>	<u>21,137</u>	<u>3,000</u>
<i>Fund Balances</i>					
Fund Balance					
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Debt Service Funds	-	-	-	-	-
Committed for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Assigned for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Unassigned for:					
General Fund	632,857	32,843	-	-	-
<i>Total fund balances</i>	<u>632,857</u>	<u>32,843</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 808,929</u>	<u>\$ 32,843</u>	<u>\$ 23,293</u>	<u>\$ 21,137</u>	<u>\$ 3,000</u>

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

Negligent, Delinquent, at Risk	Medicaid in Schools	State Appropriations	State Directed Activites	SB 471 Library Books	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 59,035	\$ 105,538	\$ -	\$ 220	\$ 10,097	\$ 633,485
-	-	-	-	-	-	-
96,399	-	-	307,389	-	-	609,076
-	-	-	-	-	-	225,319
-	-	-	-	-	-	-
<u>\$ 96,399</u>	<u>\$ 59,035</u>	<u>\$ 105,538</u>	<u>\$ 307,389</u>	<u>\$ 220</u>	<u>\$ 10,097</u>	<u>\$ 1,467,880</u>
\$ 75,334	\$ -	\$ 25,929	\$ -	\$ -	\$ 10,097	\$ 132,586
-	-	(5)	986	-	-	177,053
21,065	-	-	178,050	-	-	225,319
-	-	-	-	-	-	-
<u>96,399</u>	<u>-</u>	<u>25,924</u>	<u>179,036</u>	<u>-</u>	<u>10,097</u>	<u>534,958</u>
-	-	79,614	-	-	-	79,614
-	59,035	-	128,353	220	-	187,608
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	665,700
-	59,035	79,614	128,353	220	-	932,922
<u>\$ 96,399</u>	<u>\$ 59,035</u>	<u>\$ 105,538</u>	<u>\$ 307,389</u>	<u>\$ 220</u>	<u>\$ 10,097</u>	<u>\$ 1,467,880</u>

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

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**STATE OF NEW MEXICO**  
CENTRAL REGION EDUCATIONAL COOPERATIVE  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
June 30, 2010

Exhibit B-1  
(Page 2 of 2)

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

Fund balances - total governmental funds	\$ 932,922
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,841
Certain liabilities are not reported as liabilities in the funds. These liabilities at year end consist of :	
Compensated Absences	<u>(10,534)</u>
Net assets of governmental activite	<u>\$ 933,229</u>

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

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	REC Fund	Instructional Materials	IDEA B Entitlement	IDEA B Discretionary	IDEA B Entitlement Federal Stimulus
<i>Revenues:</i>					
Taxes					
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources					
Tuition	-	-	-	-	-
Investment Income	873	-	-	-	-
Food services	-	-	-	-	-
District activities	1,678,778	-	-	-	-
Other Revenue	3,001	-	-	-	-
State sources					
Unrestricted Grants	-	-	-	-	-
Restricted Grants	4,344	25,049	-	-	-
Federal sources					
Unrestricted Grants	-	-	-	-	-
Unrestricted -state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Restricted -state passthrough	-	-	66,619	-	3,000
Department of Interior	-	-	-	-	-
Other items	-	-	-	-	-
<i>Total revenues</i>	<u>\$ 1,686,996</u>	<u>\$ 25,049</u>	<u>\$ 66,619</u>	<u>\$ -</u>	<u>\$ 3,000</u>
<i>Expenditures:</i>					
Current:					
Instruction	\$ 15,600	\$ -	\$ 33,938	\$ -	\$ -
Support Services					
Students	1,706,339	100,492	35,254	-	3,000
Instruction	-	-	-	-	-
General Administration	425	-	-	-	-
School Administration	-	-	-	-	-
Central Services	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Student Transportation	-	-	-	-	-
Other Support Services	-	-	-	-	-
Operation of non-instructional services	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service	-	-	-	-	-
<i>Total expenditures</i>	<u>1,722,364</u>	<u>100,492</u>	<u>69,192</u>	<u>-</u>	<u>3,000</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(35,368)</u>	<u>(75,443)</u>	<u>(2,573)</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>					
Transfers	18,054	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>18,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	(17,314)	(75,443)	(2,573)	-	-
<i>Fund balances - beginning of year</i>	<u>650,171</u>	<u>108,286</u>	<u>2,573</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 632,857</u>	<u>\$ 32,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Negligent, Delinquent, at Risk	Medicaid in Schools	State Appropriations	State Directed Activites	SB 471 Library Books	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	873
-	-	-	-	-	-	-
-	-	-	-	-	-	1,678,778
-	-	-	-	-	7,560	10,561
-	-	-	-	-	-	-
-	-	297,749	557,304	220	-	884,666
-	130,733	-	-	-	-	130,733
-	-	-	-	-	-	-
-	-	-	-	-	-	-
181,784	-	-	-	-	18,054	269,457
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 181,784</u>	<u>\$ 130,733</u>	<u>\$ 297,749</u>	<u>\$ 557,304</u>	<u>\$ 220</u>	<u>\$ 25,614</u>	<u>\$ 2,975,068</u>
\$ 2,215	\$ -	\$ -	\$ 12,716	\$ -	\$ -	\$ 64,469
179,188	131,774	25,025	88,462	-	-	2,269,534
382	-	-	-	-	-	382
-	-	8,273	-	-	7,560	16,258
-	-	79,584	327,773	-	-	407,357
-	-	104,362	-	-	-	104,362
-	-	891	-	-	-	891
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>181,785</u>	<u>131,774</u>	<u>218,135</u>	<u>428,951</u>	<u>-</u>	<u>7,560</u>	<u>2,863,253</u>
(1)	(1,041)	79,614	128,353	220	18,054	111,815
-	-	-	-	-	(18,054)	-
-	-	-	-	-	(18,054)	-
(1)	(1,041)	79,614	128,353	220	-	111,815
1	60,076	-	-	-	-	821,107
<u>\$ -</u>	<u>\$ 59,035</u>	<u>\$ 79,614</u>	<u>\$ 128,353</u>	<u>\$ 220</u>	<u>\$ -</u>	<u>\$ 932,922</u>

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**STATE OF NEW MEXICO**  
 CENTRAL REGION EDUCATIONAL COOPERATIVE  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2010

Exhibit B-2  
 (Page 2 of 2)

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

Net change in fund balances - total governmental funds	\$	111,815
--	----	---------

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

Capital expenditures:		-
Current year capital expenditures		-
Depreciation expense		(3,703)

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

Compensated absences payable		<u>3,733</u>
------------------------------	--	--------------

Change in net assets of governmental activities	\$	<u><u>111,845</u></u>
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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**REC FUND**

Exhibit C-1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	1,502,784	\$ 1,502,784
State sources	-	-	4,344	4,344
Federal sources	-	-	-	-
Interest	-	-	873	873
<i>Total revenues</i>	-	-	1,508,001	1,508,001
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	15,600	15,600	-
Support Services				
Students	1,611,218	2,032,320	1,706,339	325,981
Instruction	-	-	-	-
General Administration	-	-	425	(425)
School Administration	-	-	-	-
Central Services	1,611,218	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	3,222,436	2,047,920	1,722,364	325,556
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(3,222,436)	(2,047,920)	(214,363)	1,833,557
<i>Other financing sources (uses):</i>				
Transfers			18,054	
Designated Cash	3,222,436	2,047,920	-	(2,047,920)
<i>Total other financing sources (uses)</i>	3,222,436	2,047,920	-	(2,047,920)
<i>Net change in fund balances</i>	-	-	(196,309)	(196,309)
<i>Cash balances - beginning of year</i>	-	-	552,137	552,137
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ 355,828	\$ 355,828
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>				
			\$ (196,309)	
<i>Adjustments to revenues</i>				
			178,995	
<i>Adjustmentss to expenditures</i>				
			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>				
			\$ (17,314)	

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**INSTRUCTIONAL MATERIALS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit C-2

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	25,049	25,049
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>25,049</u>	<u>25,049</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	24,451	133,090	100,492	32,598
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>24,451</u>	<u>133,090</u>	<u>100,492</u>	<u>32,598</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(24,451)</u>	<u>(133,090)</u>	<u>(75,443)</u>	<u>(7,549)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	24,451	133,090	-	(133,090)
<i>Total other financing sources (uses)</i>	<u>24,451</u>	<u>133,090</u>	<u>-</u>	<u>(133,090)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(75,443)</u>	<u>(140,639)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>108,286</u>	<u>108,286</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,843</u>	<u>\$ 32,843</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ (75,443)	
Adjustments to revenues			-	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (75,443)</u>	

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**IDEA B ENTITLEMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit C-3

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	146,021	146,021
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>146,021</u>	<u>146,021</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	78,513	83,381	41,176	42,205
Support Services				
Students	47,702	48,267	35,254	13,013
Instruction	8,000	8,000	-	8,000
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>134,215</u>	<u>139,648</u>	<u>76,430</u>	<u>63,218</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(134,215)</u>	<u>(139,648)</u>	<u>69,591</u>	<u>209,239</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	134,215	139,648	-	(139,648)
<i>Total other financing sources (uses)</i>	<u>134,215</u>	<u>139,648</u>	<u>-</u>	<u>(139,648)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>69,591</u>	<u>69,591</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(92,795)</u>	<u>(92,795)</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,204)</u>	<u>\$ 69,591</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>				
			\$ 69,591	
Adjustments to revenues			(76,537)	
Adjustments to expenditures			<u>4,373</u>	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>				
			<u>\$ (2,573)</u>	

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**IDEA B DISCRETIONARY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit C-4

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>21,137</u>	<u>21,137</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,137</u>	<u>\$ -</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			<u>-</u>	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ -</u>	

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**IDEA B ENTITLEMENT FEDERAL STIMULUS SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit C-5

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	3,000	3,000
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	6,741	15,580	3,000	12,580
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>6,741</u>	<u>15,580</u>	<u>3,000</u>	<u>12,580</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(6,741)</u>	<u>(15,580)</u>	<u>-</u>	<u>15,580</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	6,741	15,580	-	(15,580)
<i>Total other financing sources (uses)</i>	<u>6,741</u>	<u>15,580</u>	<u>-</u>	<u>(15,580)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ -</u>	

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**TITLE I NEGLIGENT, DELINQUENT, At RISK SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit C-6

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	219,296	219,296
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>219,296</u>	<u>219,296</u>
<i>Expenditures:</i>				
Current:				
Instruction	4,292	8,317	2,215	6,102
Support Services				
Students	126,087	228,313	103,854	124,459
Instruction	3,792	7,584	382	7,202
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>134,171</u>	<u>244,214</u>	<u>106,451</u>	<u>137,763</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(134,171)</u>	<u>(244,214)</u>	<u>112,845</u>	<u>357,059</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	134,171	244,214	-	(244,214)
<i>Total other financing sources (uses)</i>	<u>134,171</u>	<u>244,214</u>	<u>-</u>	<u>(244,214)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>112,845</u>	<u>112,845</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(133,910)</u>	<u>(133,910)</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,065)</u>	<u>\$ (21,065)</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>				
			\$ 112,845	
Adjustments to revenues			(37,512)	
Adjustments to expenditures			<u>(75,334)</u>	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>				
			<u>\$ (1)</u>	

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**MEDICAID IN SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit C-7

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	130,733	130,733
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>130,733</u>	<u>130,733</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	-	-	131,774	(131,774)
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>131,774</u>	<u>(131,774)</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(1,041)</u>	<u>(1,041)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(1,041)</u>	<u>(1,041)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>61,228</u>	<u>61,228</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,187</u>	<u>\$ 60,187</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ (1,041)	
Adjustments to revenues			-	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (1,041)</u>	

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**STATE APPROPRIATIONS SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit C-8

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	133,300	133,300
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>133,300</u>	<u>133,300</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	15,837	8,273	7,564
School Administration	100,385	118,134	79,572	38,562
Central Services	103,315	113,296	96,806	16,490
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>203,700</u>	<u>247,267</u>	<u>184,651</u>	<u>62,616</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(203,700)</u>	<u>(247,267)</u>	<u>(51,351)</u>	<u>195,916</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	203,700	247,267	-	(247,267)
<i>Total other financing sources (uses)</i>	<u>203,700</u>	<u>247,267</u>	<u>-</u>	<u>(247,267)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(51,351)</u>	<u>(51,351)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>156,889</u>	<u>156,889</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,538</u>	<u>\$ 105,538</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>				
			\$ (51,351)	
Adjustments to revenues			156,340	
Adjustments to expenditures			<u>(25,375)</u>	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 79,614</u>	

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**STATE DIRECTED ACTIVITIES SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit C-9

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	379,744	379,744
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>379,744</u>	<u>379,744</u>
<i>Expenditures:</i>				
Current:				
Instruction	12,665	12,720	12,716	4
Support Services				
Students	89,675	88,470	88,462	8
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	326,616	327,767	327,277	490
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>428,956</u>	<u>428,957</u>	<u>428,455</u>	<u>502</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(428,956)</u>	<u>(428,957)</u>	<u>(48,711)</u>	<u>380,246</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	428,956	428,957	-	(428,957)
<i>Total other financing sources (uses)</i>	<u>428,956</u>	<u>428,957</u>	<u>-</u>	<u>(428,957)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(48,711)</u>	<u>(48,711)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(129,339)</u>	<u>(129,339)</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (178,050)</u>	<u>\$ (178,050)</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>				
			\$ (48,711)	
Adjustments to revenues			178,050	
Adjustments to expenditures			<u>(986)</u>	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 128,353</u>	

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SB 471 LIBRARY BOOKS SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit C-10

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	220	220
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>220</u>	<u>220</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	220	220	-	220
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>220</u>	<u>220</u>	<u>-</u>	<u>220</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(220)</u>	<u>(220)</u>	<u>220</u>	<u>440</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	220	220	-	(220)
<i>Total other financing sources (uses)</i>	<u>220</u>	<u>220</u>	<u>-</u>	<u>(220)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>220</u>	<u>220</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220</u>	<u>\$ 220</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>				
			\$ 220	
Adjustments to revenues			-	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>				
			<u>\$ 220</u>	

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2010

**NOTE 1. Summary of Significant Accounting Policies**

The financial statements of Central Region Educational Cooperative (REC) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the REC's accounting policies are described below.

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

The Cooperative and member organizations will establish and maintain a cooperative program of special education services funded by each participating member's available IDEA-B Entitlement and Discretionary funds, other federal or private grants and/or New Mexico Appropriations.

The Cooperative is organized within IDEA-B guidelines to locate, identify, and evaluate or refer for evaluation, children within the cooperative area who may be disabled; conduct personnel development and information dissemination activities; make available free appropriate public education to all school age students with disabilities, including those enrolled in private schools through equitable federal funding; provide for equitable participation in projects under IDEA-B; administer all IDEA- B programs; develop special education service programs; develop drug free schools programs; develop other cooperative support programs as deemed necessary by participating Cooperatives and/or institutions; and provide for equitable participation of member Cooperatives and/ or institutions.

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

**A. Reporting Entity**

GASB Statement No. 14 established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the REC is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the REC may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The REC also has no component units, as defined by GASB Statement No. 14 and/or GASB Statement No. 39, as there are no other legally separate organizations for which the elected REC Council members are financially accountable. There are no other primary governments with which the REC Council Members are financially accountable. There are no other primary governments with which the REC has a significant relationship.

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2010

**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

**B. Government-wide and fund financial statements**

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

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

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

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

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

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

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

The REC Fund is the primary operating fund of the REC, and accounts for all financial resources, except those required to be accounted for in other funds.

The Instructional Materials Fund is a special revenue fund that accounts for the proceeds from the State of New Mexico for Instructional Materials allocations.

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

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2010

**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

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

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

REC Fund: The REC Fund (26107) is the primary operating fund of the REC, and accounts for all financial resources, except those required to be accounted for in other funds.

Special Revenue Fund: The Instructional Materials Fund (14000) accounts for the proceeds from the State of New Mexico for Instructional Materials allocations.

Special Revenue Fund: The IDEA B Entitlement (24106) is used to account for a program funded by a Federal grant to assist the REC in providing free appropriate public education to all children with disabilities. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 936-380, 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.

Special Revenue Fund: The IDEA B Discretionary Fund (24107) is used to account for a program funded by a Federal grant to assist the REC in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 936-380, 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.

Special Revenue Fund: The IDEA B Entitlement Federal Stimulus (24206) is used to account for a program funded by a Federal grant to assist the REC in providing free appropriate public education to all children with disabilities. Funding authorized by the American Recovery and Reinvestment Act of 2009.

Special Revenue Fund: The Title I Negligent, Delinquent, At Risk Fund (24123) is used to provide supplemental educational opportunities for academically disadvantaged children in the area where they reside. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total REC percentage becomes eligible for program participation. Any student whose test scores fall below REC established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; education need determines the students to be served. Federal revenues accounted for in this fund are allocated to the REC through the New Mexico Department of Education. Authority for the creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

Special Revenue Fund: The Medicaid in Schools Fund (25153) is used to account for amounts billed, received, and paid for member schools as reimbursements for services to Medicaid-eligible children. Funding is authorized by the State of New Mexico Human Services Department under the Medicaid Program (42 USC 1396a (a)5).

Special Revenue Fund: The State Appropriation Fund (27101) i The purpose of this fund is to account for state funds granted to the REC through legislative appropriations. Authorized by Laws 2005, Chapter 33.

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2010

**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

Special Revenue Fund: The State Directed Activities Fund (27200) The purpose of this fund is used to account for a program funded by a State grant to assist the REC in providing free appropriate public education to all handicapped children. Funding authorized by the individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 936-380 ,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.

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The REC has elected not to follow subsequent private-sector guidance

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

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

D. Assets, Liabilities and Net Assets or Equity

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

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

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

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

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

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2010

**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

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

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

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

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

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. However, infrastructure assets have not been included in the June 30, 2010 financial statements of REC, since the REC did not own any infrastructure assets as of June 30, 2010. Information technology equipment, including software, is being capitalized and included in furniture and equipment as the REC did not maintain internally developed software. The REC expenses the cost of library books when purchased. Donated capital assets are recorded at estimated fair market value at the date of donation. During the year ended June 30, 2010, the REC had not received any donated capital assets.

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

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

Furniture and equipment	3-7 years
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Deferred Revenues: The REC recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be "available" under the current financial resources measurement focus are reported as deferred revenues in the governmental fund financial statements.

Compensated Absences: Qualified employees are entitled to accumulate annual leave at a rate of 6.76 hours per two-week pay period. This amount is fully vested. There is no restriction on when the time earned must be used. Upon termination, employees will be paid for accrued annual leave up to a maximum of 240 hours.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

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

**STATE OF NEW MEXICO**  
CENTRAL REGION EDUCATIONAL COOPERATIVE  
Notes to the Financial Statements  
June 30, 2010

**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

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

*Fund Equity*

Restricted fund balance represents amounts that are constrained:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

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 nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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

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



**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2010

**NOTE 2. Stewardship, Compliance and Accountability**

Budgetary Information

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

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

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

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

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

1. Prior to April 15, the REC Council submits to the School Budget Planning Unit (SBPU) of the New Mexico Public Education Department a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the REC shall contain headings and details as described by law and have been approved by the Public Education Department.
2. Prior to June 20 of each year, the proposed "operating" budget will be reviewed and approved by the DBPU and certified and approved by the local Council at a public hearing of which notice has been published by the local REC board which fixes the estimated budget for the REC for the ensuing fiscal year.
3. The REC board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The "operating" budget will be used by the REC until they have been notified that the budget has been approved by the SBPU and the local board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The REC shall make corrections, revisions and amendments to the estimated budgets fixed by the local board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
6. The board is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the REC board and the State of New Mexico Public Education Department.

**STATE OF NEW MEXICO**  
CENTRAL REGION EDUCATIONAL COOPERATIVE  
Notes to the Financial Statements  
June 30, 2010

**NOTE 2. Stewardship, Compliance and Accountability - (Continued)**

Budgetary Information - (continued)

7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public REC Accounting and Budgeting. Such changes are initiated by the REC and approved by the SBPU.

8. Legal budget control for expenditures is by function.

9. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of REC has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

11. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are not utilized for GAAP purposes or for budget purposes.

The Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico state law prohibits a Governmental Agency from exceeding an individual line item.

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2010, is presented.

**STATE OF NEW MEXICO**  
CENTRAL REGION EDUCATIONAL COOPERATIVE  
Notes to the Financial Statements  
June 30, 2010

**NOTE 3. Cash and Temporary Investments**

State statutes authorize the investment of REC funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the REC properly followed state investment requirements as of June 30, 2010.

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

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

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

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

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

**Deposits**

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

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2010

**NOTE 3. Cash and Temporary Investments (continued)**

Bank of America	<u>Type</u>	Bank Balance <u>6/30/2010</u>	Reconciled <u>Balance</u>
General	Checking	\$ <u>703,533</u>	\$ <u>633,485</u>
Total Deposits		703,533	<u>\$ 633,485</u>
Less: FDIC Coverage		<u>(250,000)</u>	
Uninsured Amount		453,533	
50% Collateral requirement		226,766	
Pledged Securities		<u>528,989</u>	
(Over) Under collateralized		<u>\$ (302,223)</u>	
Custodial Credit Risk-Deposits Account Balance	\$ 703,533		
FDIC Insured	250,000		
Collateral:			
Collateral held by the pledging bank, not in the REC's name	453,533		
Uninsured and uncollateralized	<u>-</u>		
Total Deposits	<u>\$ 703,533</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, 2010, \$453,533 of the REC's bank balance of \$703,533 was exposed to custodial credit risk.

Reconciliation of Cash and Temporary Investments

Governmental Funds - Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 633,485
Add outstanding checks	246,120
Adjustment for Held Checks	<u>(176,072)</u>
Bank balance of deposits	<u>\$ 703,533</u>

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2010

**NOTE 4. Receivables**

Receivables as of June 30, 2010, are as follows:

Due from	<u>REC Fund</u>	<u>IDEA B</u>	<u>IDEA B Federal Stimulus</u>	<u>Negligent Delinquent</u>	<u>State Directed</u>
Other Govt's	\$ <u>178,995</u>	\$ <u>23,293</u>	\$ <u>3,000</u>	\$ <u>96,399</u>	\$ <u>307,389</u>
Totals	\$ <u>178,995</u>	\$ <u>23,293</u>	\$ <u>3,000</u>	\$ <u>96,399</u>	\$ <u>307,389</u>

As of June 30, 2010, the above receivables are deemed collectible by management.

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2010

**NOTE 5. Interfund Receivables, Payables, and Transfers**

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the REC is waiting for grant reimbursements. The composition of interfund balances as of June 30, 2010 is as follows:

Governmental Activities:	Interfund Receivables	Interfund Payables
Major Funds:		
REC Fund	\$ 225,319	\$ —
IDEA B Entitlement	—	23,204
IDEA B Federal Stimulus	—	3,000
Negligent, Delinquent or At Risk	—	21,065
State Directed	<u>—</u>	<u>178,050</u>
 Total Governmental Activities	 <u>\$ 225,319</u>	 <u>\$ 225,319</u>

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2010, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	<u>Balance June 30, 2009</u>	<u>Additions &amp; Adjustments</u>	<u>Deletions &amp; Adjustments</u>	<u>Balance June 30, 2010</u>
Capital Assets, being depreciated:				
Furniture, fixtures & equipment	\$ 39,793	\$ —	\$ —	\$ 39,793
Less Accumulated Depreciation for:				
Furniture, fixtures & equipment	<u>25,249</u>	<u>5,548</u>	<u>1,845</u>	<u>28,952</u>
Governmental activities capital assets, net:	<u>\$ 14,544</u>	<u>\$ 5,548</u>	<u>\$ 1,845</u>	<u>\$ 10,841</u>

Capital assets, net of accumulated depreciation, at June 30, 2010 appear in the Statement of Net Assets and/or the Fund Statements Balance Sheets as follows:

Governmental activities	\$10,841
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Depreciation expense for the year ended June 30, 2010 was charged to governmental activities as follows:

Instructional Support	\$ 5,548
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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2010

**NOTE 7. Long-term Debt**

During the year ended June 30, 2010, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Due in one year
Compensated Absences	\$ <u>14,267</u>	\$ <u>20,453</u>	\$ <u>24,186</u>	\$ <u>10,534</u>	\$ <u>5,104</u>
Total	\$ <u>14,267</u>	\$ <u>20,453</u>	\$ <u>24,186</u>	\$ <u>10,534</u>	\$ <u>5,104</u>

Compensated Absences - Administrative employees of the REC are able to accrue vacation and other compensatory time during the year. During fiscal year June 30, 2010, compensated absences decreased \$3,733 from the prior year accrual. The current portion of the compensated absences is estimated at \$5,104. Any liability would be liquidated out of the REC Fund. See Note 1 for more details.

Operating Leases - The REC leases office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2010 was \$21,420.

The annual lease requirements are as follows:

Fiscal Year	Total
2011	<u>21,420</u>
Total	<u>\$ 21,420</u>

**NOTE 8. Risk Management**

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

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

**STATE OF NEW MEXICO**  
CENTRAL REGION EDUCATIONAL COOPERATIVE  
Notes to the Financial Statements  
June 30, 2010

**NOTE 9. Other Required Individual Fund Disclosures**

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

Deficit Fund Balances. There are no deficit fund balances as of June 30, 2010.

Excess Expenditures over budget.	Medicaid fund (25153)	\$131,774
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**NOTE 10. ERA Pension Plan**

Plan Description. Substantially all of REC's' full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (ERA) (Chapter 22, Article 11 NMSA 1978.) The Educational Retirement Board is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, and cost-of-living adjustments to plan members and beneficiaries. ERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ERA, P. O. Box 26129, Santa Fe, New Mexico 87502.

Funding Policy. Plan members are required to contribute 7.9% of their gross salary. The REC is required to contribute 11.65% of the gross covered salary. The contribution requirements of plan members and the REC are established under Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The REC's contributions to ERA for the years ended June 30, 2010, 2009 and 2008 were \$151,942 \$ 169,919, and \$165,128, respectively.

**NOTE 11. Post-Employment Benefits**

The Retiree Health Care Act (the "Act") (Chapter 10, Article 7C, NMSA, 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into Retiree Health Care Fund and by co-payments or out-of-pocket payments to eligible retirees. Monies flow to the Retiree Health Care Fund on pay-as-you-go basis from eligible employers and eligible retirees.

Eligible employers are institutions of higher education, Schools, or other entities participating in the Public REC Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act (ERA), Public Employees Retirement Association (PERA), Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years. Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an employee



**STATE OF NEW MEXICO**  
CENTRAL REGION EDUCATIONAL COOPERATIVE  
Notes to the Financial Statements  
June 30, 2010

**NOTE 11. Post-Employment Benefits (continued)**

contribution in an amount equal to 0.65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issued a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd NE, Suite 104, Albuquerque NM 87107.

For the years ended June 30, 2010, 2009 and 2008, the REC remitted \$18,130, \$19,095, and \$19,572 in employer contributions and \$7,654, \$ 8,962, and \$9,126 in employee contributions, respectively.

**NOTE 12. Tax Sheltered Annuity Plan**

The REC offers its employees a tax sheltered annuity plan created in accordance with Internal Revenue Code Section 403 (b). The Plan, available to all employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan are remitted by the Cooperative to the various plan administrators and the REC has no further claim on these funds.

Investments are managed by respective Plan trustees. All contributions withheld from employees have been transferred to the annuity companies with which the employee has selected to invest the funds.

**NOTE 13. Economic Dependency**

The primary source of funding for the REC consists of IDEA-B (Individuals with Disabilities Education Act, Part B) Entitlement and Discretionary funds passed through the State of New Mexico Department of Education. The amount of these revenues is subject to change.

**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 REC expects such amount, if any, to be immaterial.

The REC is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the REC's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the REC.

**STATE OF NEW MEXICO**  
CENTRAL REGION EDUCATIONAL COOPERATIVE  
Notes to the Financial Statements  
June 30, 2010

**NOTE 15. Joint Powers Agreements and Intergovernmental Agreements**

Medicaid JPA

Purpose : Medicaid billing for member RECs.

Participants: The Central Region Educational Cooperative and the New Mexico Human Services Department.

Responsible Party for Operation and Audit: Central Region Educational Department

Beginning and Ending Date of Agreement: February 16, 2003 until terminated

Total Estimated Amount of Project and Actual Amount Contributed: Not determinable

IDEA B Discretionary IGA

Purpose: to assist local educational agencies in providing positive behavioral interventions and supports and appropriate mental health services for children with disabilities, to provide support and direct services, including technical assistance, personnel preparation and professional development and training. To support capacity building activities and improve the delivery of services by local educational agencies to improve result for children with disabilities. To provide alternative programming for children with disabilities who have been expelled from school, and services for children with disabilities in correction facilities, children enrolled in State-operated or State-supported schools and children with disabilities in charters schools and to provide technical assistance to schools and LEAs, and direct services including supplemental educational services as defined in Section 1116 9e) of the Elementary and Secondary Education Act of 1965 to children with disabilities, in schools or local education agencies identified for improvement under Section 1116 for the Elementary disaggregated subgroup of children with disabilities, including providing professional development to special and regular education teachers, who teach children with disabilities, based on scientifically based research to improve education instruction in order to improve academic achievement to meet or exceed the objectives established by the State under Section 1111 (b)(2)(G) of the Elementary and Secondary Education Act of 1965.

Participants: Central Region Educational Cooperative and the New Mexico Public Education Department.

Responsible Party for Operation and Audit: Although the New Mexico Public Education Department is responsible for the audit, Central Region Educational Cooperative records all revenues and expenditures for this agreement.

Beginning and Ending Date of Agreement: July 1, 2009 to June 30, 2010.

Total Estimated Amount of Project and Actual Amount Contributed: \$428,956 and \$428,951.

**STATE OF NEW MEXICO**  
CENTRAL REGION EDUCATIONAL COOPERATIVE  
Notes to the Financial Statements  
June 30, 2010

**NOTE 15. Joint Powers Agreements and Intergovernmental Agreements (continued)**

Instructional Materials IGA

Purpose: To provide technical assistance and professional development and training to local education agencies (LEAs) in accordance with the requirements of the NM Individual with Disabilities Education Act (IDEA), Application Part B, Item J.

Participants: the Central Region Educational Cooperative and the New Mexico Public Education Department.

Responsible Party for Operation and Audit: Although the New Mexico Public Education Department is responsible for the audit, Central Region Educational Cooperative records all revenues and expenditures for this agreement.

Beginning and Ending Date of Agreement: July 1, 2009 to June 30, 2010

Total Estimated Amount of Project and Actual Amount Contributed: \$120,000 and \$100,492.

**NOTE 16. Subsequent Accounting Standard Pronouncements**

In April 2009, the Governmental Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for financial statements for periods beginning after June 30, 2010. Early implementation is encouraged. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Cooperative has decided to early implement GASB 54 in the accompanying financial report.

**NOTE 17. Police Investigation**

In March 2010, the Central Region Education Cooperative filed a police report for unauthorized checks written on their bank account totaling approximately \$10,431. The police report states that a storage shed was broken into in July 2009 and that there were old documents stored in the shed. In addition, some of the employees of the Central Region Educational Cooperative have been the victims of identity theft. As of the date of our report, the APD Detective stated the investigation was still ongoing and that he had no suspects. The bank did reimburse the Central Region Education Cooperative for all of the unauthorized checks, resulting in no loss to the entity.

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**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SPECIAL REVENUE FUNDS- REC FUNDS 26107**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Estancia Public Schools	Jemez Valley Public Schools	Magdalena Municipal Schools	Mountainair Public Schools	Quemado Independent Schools	Vaughn Public Schools
<i>Revenues:</i>						
Taxes						
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources						
Tuition	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-
Food services	-	-	-	-	-	-
District activities	383,764	96,861	317,101	277,089	88,902	107,233
Other Revenue	-	-	-	-	-	-
State sources						
Unrestricted Grants	-	-	-	-	-	-
Restricted Grants	-	-	-	-	-	-
Federal sources						
Unrestricted Grants	-	-	-	-	-	-
Unrestricted -state passthrough	-	-	-	-	-	-
Restricted Grants	-	-	-	-	-	-
Restricted -state passthrough	-	-	-	-	-	-
Department of Interior	-	-	-	-	-	-
Other items	-	-	-	-	-	-
<i>Total revenues</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Expenditures:</i>						
Current:						
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Support Services						
Students	383,764	96,861	317,101	277,089	88,902	107,233
Instruction	-	-	-	-	-	-
General Administration	-	-	-	-	-	-
School Administration	-	-	-	-	-	-
Central Services	-	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-	-
Student Transportation	-	-	-	-	-	-
Other Support Services	-	-	-	-	-	-
Operation of non-instructional services	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
<i>Total expenditures</i>	<u>383,764</u>	<u>96,861</u>	<u>317,101</u>	<u>277,089</u>	<u>88,902</u>	<u>107,233</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(383,764)</u>	<u>(96,861)</u>	<u>(317,101)</u>	<u>(277,089)</u>	<u>(88,902)</u>	<u>(107,233)</u>
<i>Net changes in fund balances</i>	-	-	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Sequoyah Public Treatment Ctr	Non Members	REC	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	873	873
-	-	-	-
2,475	2,475	402,878	1,678,778
-	-	3,001	3,001
-	-	-	-
-	-	-	-
-	-	4,344	4,344
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	18,054	18,054
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,054</u>	<u>\$ 1,705,050</u>
\$ -	\$ -	\$ 15,600	\$ 15,600
2,475	2,475	430,439	1,706,339
-	-	-	-
-	-	425	425
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>2,475</u>	<u>2,475</u>	<u>446,464</u>	<u>1,722,364</u>
<u>(2,475)</u>	<u>(2,475)</u>	<u>(428,410)</u>	<u>(17,314)</u>
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SPECIAL REVENUE FUNDS- IDEA B ENTITLEMENT 24106**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds				Total Special Revenue Funds
	Sequoyah Adolescent Treatment Ctr	UNM Children's Psychiatric Ctr	NM Department of Corrections	REC	
<i>Revenues:</i>					
Taxes					
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources					
Tuition	-	-	-	-	-
Investment Income	-	-	-	-	-
Food services	-	-	-	-	-
District activities	-	-	-	-	-
Other Revenue	-	-	-	-	-
State sources					
Unrestricted Grants	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Federal sources					
Unrestricted Grants	-	-	-	-	-
Unrestricted -state passthrough	-	-	-	-	-
Restricted Grants	26,050	25,100	15,469	-	66,619
Restricted -state passthrough	-	-	-	-	-
Department of Interior	-	-	-	-	-
Other items	-	-	-	-	-
<i>Total revenues</i>	<u>\$ 26,050</u>	<u>\$ 25,100</u>	<u>\$ 15,469</u>	<u>\$ -</u>	<u>\$ 66,619</u>
<i>Expenditures:</i>					
Current:					
Instruction	\$ -	\$ 23,484	\$ 10,454	\$ -	\$ 33,938
Support Services					
Students	28,623	1,616	5,015	-	35,254
Instruction	-	-	-	-	-
General Administration	-	-	-	-	-
School Administration	-	-	-	-	-
Central Services	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Student Transportation	-	-	-	-	-
Other Support Services	-	-	-	-	-
Operation of non-instructional services	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service	-	-	-	-	-
<i>Total expenditures</i>	<u>28,623</u>	<u>25,100</u>	<u>15,469</u>	<u>-</u>	<u>69,192</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,573)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,573)</u>
<i>Net changes in fund balances</i>	<u>(2,573)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,573)</u>
<i>Fund balances - beginning of year</i>	<u>2,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,573</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SPECIAL REVENUE FUNDS- NEGLIGENT, DELINQUENT or AT RISK 24123**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds			
	Sequoyah Adolescent Center	UNM Children's Psychiatric Ctr	NM Department of Corrections	Total Special Revenue Funds
<i>Revenues:</i>				
Taxes				
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -
Local sources				
Tuition	-	-	-	-
Investment Income	-	-	-	-
Food services	-	-	-	-
District activities	-	-	-	-
Other Revenue	-	-	-	-
State sources				
Unrestricted Grants	-	-	-	-
Restricted Grants	-	-	-	-
Federal sources				
Unrestricted Grants	-	-	-	-
Unrestricted -state passthrough	-	-	-	-
Restricted Grants	43,013	48,935	89,836	181,784
Restricted -state passthrough	-	-	-	-
Department of Interior	-	-	-	-
Other items	-	-	-	-
<i>Total revenues</i>	<u>\$ 43,013</u>	<u>\$ 48,935</u>	<u>\$ 89,836</u>	<u>\$ 181,784</u>
<i>Expenditures:</i>				
Current:				
Instruction	\$ 1,551	\$ 664	\$ -	\$ 2,215
Support Services				
Students	41,080	48,271	89,837	179,188
Instruction	382	-	-	382
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
<i>Total expenditures</i>	<u>43,013</u>	<u>48,935</u>	<u>89,837</u>	<u>181,785</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
<i>Net changes in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SPECIAL REVENUE FUNDS- IDEA B FEDERAL STIMULUS 24206**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds	
	Sequoyah Adolescent Center	
<i>Revenues:</i>		
Taxes		
Taxes levied/assessed	\$	-
Local sources		
Tuition		-
Investment Income		-
Food services		-
District activities		-
Other Revenue		-
State sources		
Unrestricted Grants		-
Restricted Grants		-
Federal sources		
Unrestricted Grants		-
Unrestricted -state passthrough		-
Restricted Grants		3,000
Restricted -state passthrough		-
Department of Interior		-
Other items		-
		-
<i>Total revenues</i>	\$	3,000
<i>Expenditures:</i>		
Current:		
Instruction	\$	-
Support Servivces		
Students		3,000
Instruction		-
General Administration		-
School Administration		-
Central Services		-
Operation & Maintenance of Plant		-
Student Transportation		-
Other Support Services		-
Operation of non-instructional services		-
Capital Outlay		-
Debt Service		-
		-
<i>Total expenditures</i>		3,000
<i>Excess (deficiency) of revenues over expenditures</i>		-
<i>Net changes in fund balances</i>		-
<i>Fund balances - beginning of year</i>		-
<i>Fund balances - end of year</i>	\$	-

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

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SPECIAL REVENUE FUNDS- MEDICAID IN SCHOOLS 25153**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds			
	Estancia Municipal Schools	Jemez Valley Public Schools	Magdalena Municipal Schools	Mountainair Public Schools
<i>Revenues:</i>				
Taxes				
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -
Local sources				
Tuition	-	-	-	-
Investment Income	-	-	-	-
Food services	-	-	-	-
District activities	-	-	-	-
Other Revenue	-	-	-	-
State sources				
Unrestricted Grants	-	-	-	-
Restricted Grants	-	-	-	-
Federal sources				
Unrestricted Grants	-	-	-	-
Unrestricted -state passthrough	-	-	-	-
Restricted Grants	50,851	-	35,814	24,985
Restricted -state passthrough	-	-	-	-
Department of Interior	-	-	-	-
Other items	-	-	-	-
<i>Total revenues</i>	<u>\$ 50,851</u>	<u>\$ -</u>	<u>\$ 35,814</u>	<u>\$ 24,985</u>
<i>Expenditures:</i>				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Servivces				
Students	51,892	-	35,814	24,985
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
<i>Total expenditures</i>	<u>51,892</u>	<u>-</u>	<u>35,814</u>	<u>24,985</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,041)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	(1,041)	-	-	-
<i>Fund balances - beginning of year</i>	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Quemado Independent Schools	Vaughn Municipal Schools	Sequoyah Public Treatment Ctr	UNM Children's Psychiatric Ctr	NM Department of Corrections	Juvenile Justice Services	REC	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
10,996	8,087	-	-	-	-	-	130,733
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 10,996</u>	<u>\$ 8,087</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,733</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10,996	8,087	-	-	-	-	-	131,774
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>10,996</u>	<u>8,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,774</u>
-	-	-	-	-	-	-	(1,041)
-	-	-	-	-	-	-	(1,041)
-	-	-	-	-	-	-	60,076
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,035</u>

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SPECIAL REVENUE FUNDS- STATE DIRECTED ACTIVITIES -IDEA B DISCRETIONARY 27200**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds			
	Estancia Municipal Schools	Jemez Valley Public Schools	Magdalena Municipal Schools	Mountainair Public Schools
<i>Revenues:</i>				
Taxes				
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -
Local sources				
Tuition	-	-	-	-
Investment Income	-	-	-	-
Food services	-	-	-	-
District activities	-	-	-	-
Other Revenue	-	-	-	-
State sources				
Unrestricted Grants	-	-	-	-
Restricted Grants	-	-	-	-
Federal sources				
Unrestricted Grants	-	-	-	-
Unrestricted -state passthrough	-	-	-	-
Restricted Grants	9,198	8,588	9,420	8,581
Restricted -state passthrough	-	-	-	-
Department of Interior	-	-	-	-
Other items	-	-	-	-
<i>Total revenues</i>	<u>\$ 9,198</u>	<u>\$ 8,588</u>	<u>\$ 9,420</u>	<u>\$ 8,581</u>
<i>Expenditures:</i>				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Servivces				
Students	9,198	8,588	9,420	8,581
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
<i>Total expenditures</i>	<u>9,198</u>	<u>8,588</u>	<u>9,420</u>	<u>8,581</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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



Quemado Independent Schools	Vaughn Municipal Schools	Sequoyah Public Treatment Ctr	UNM Children's Psychiatric Ctr	NM Department of Corrections	REC	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,356	3,192	3,761	1,210	2,695	508,303	557,304
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 2,356</u>	<u>\$ 3,192</u>	<u>\$ 3,761</u>	<u>\$ 1,210</u>	<u>\$ 2,695</u>	<u>\$ 508,303</u>	<u>\$ 557,304</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,716	\$ 12,716
2,356	3,192	3,761	1,210	2,695	39,461	88,462
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	327,773	327,773
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,356</u>	<u>3,192</u>	<u>3,761</u>	<u>1,210</u>	<u>2,695</u>	<u>379,950</u>	<u>428,951</u>
-	-	-	-	-	128,353	128,353
-	-	-	-	-	128,353	128,353
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,353</u>	<u>\$ 128,353</u>

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SPECIAL REVENUE FUNDS- STATE APPROPRIATIONS 27101**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	REC
<i>Revenues:</i>	
Taxes	
Taxes levied/assessed	\$ -
Local sources	
Tuition	-
Investment Income	-
Food services	-
District activities	-
Other Revenue	-
State sources	
Unrestricted Grants	-
Restricted Grants	297,749
Federal sources	
Unrestricted Grants	-
Unrestricted -state passthrough	-
Restricted Grants	-
Restricted -state passthrough	-
Department of Interior	-
Other items	-
	-
<i>Total revenues</i>	\$ 297,749
 <i>Expenditures:</i>	
Current:	
Instruction	\$ -
Support Services	
Students	25,025
Instruction	-
General Administration	8,273
School Administration	79,584
Central Services	104,362
Operation & Maintenance of Plant	891
Student Transportation	-
Other Support Services	-
Operation of non-instructional services	-
Capital Outlay	-
Debt Service	-
	-
<i>Total expenditures</i>	218,135
 <i>Excess (deficiency) of revenues over expenditures</i>	79,614
 <i>Net changes in fund balances</i>	79,614
 <i>Fund balances - beginning of year</i>	-
 <i>Fund balances - end of year</i>	\$ 79,614

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SPECIAL REVENUE FUNDS-SB 471 LIBRARY FUNDS 27549**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Sequoyah</u>
<i>Revenues:</i>	
Taxes	
Taxes levied/assessed	\$ -
Local sources	
Tuition	-
Investment Income	-
Food services	-
District activities	-
Other Revenue	-
State sources	
Unrestricted Grants	-
Restricted Grants	220
Federal sources	
Unrestricted Grants	-
Unrestricted -state passthrough	-
Restricted Grants	-
Restricted -state passthrough	-
Department of Interior	-
Other items	-
	-
<i>Total revenues</i>	\$ 220
 <i>Expenditures:</i>	
Current:	
Instruction	\$ -
Support Servivces	
Students	-
Instruction	-
General Administration	-
School Administration	-
Central Services	-
Operation & Maintenance of Plant	-
Student Transportation	-
Other Support Services	-
Operation of non-instructional services	-
Capital Outlay	-
Debt Service	-
	-
<i>Total expenditures</i>	-
 <i>Excess (deficiency) of revenues over expenditures</i>	220
 <i>Net changes in fund balances</i>	220
 <i>Fund balances - beginning of year</i>	-
 <i>Fund balances - end of year</i>	\$ 220

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

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**NONMAJOR GOVERNMENTAL FUNDS**

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

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

**Javits Gifted & Talented Students** – The purpose of this program is to provide financial assistance to State and local educational agencies, institutions of higher education, and other public and private agencies and organizations, to stimulate research, development, training, and similar activities designed to build a nationwide capability in elementary and secondary schools to meet the special educational needs of gifted and talented students. Authority for this fund is the Elementary and Secondary Education Act of 1965, as amended, Title V, Part D, Subpart 61, 108 Stat. 3820; 20 U.S.C. 8031.

**Transition Specialist Cadre** – The purpose of this program is to provide administrators and program directors with information and strategies that will support licensed and waived teachers in the areas of special education with day-to-day functions of the classroom. Authority for creation of this fund is Individuals with Disabilities Education Act (IDEA), Part B, Sections 611-617, and Part D, Section 674 as amended, 20 U.S.C. 1411-1417 and 1420, Public Law 105-17.

**IDEA-B Preschool** - The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the REC through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

**Enhancing Education thru Technology** – The purpose of this fund is to account for funds used to purchase technology utilized in schools for children. Funding is authorized by Public Law 105-277, Elementary and Secondary Education Act.

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2010

	Javits Gifted & Talented Students	Transition Specialist Cadre	IDEA-B Preschool
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 3,807	\$ -	\$ 4,415
Accounts receivable			
Taxes	-	-	-
Inter-governmental receivable	-	-	-
Interfund receivable	-	-	-
Inventory	-	-	-
	<u>\$ 3,807</u>	<u>\$ -</u>	<u>\$ 4,415</u>
<i>Total assets</i>	<u>\$ 3,807</u>	<u>\$ -</u>	<u>\$ 4,415</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<i>Current Liabilities</i>			
Accounts payable	\$ 3,807	\$ -	\$ 4,415
Accrued salaries and benefits	-	-	-
Intergovernmental Account Payable	-	-	-
Deferred revenue	-	-	-
	<u>3,807</u>	<u>-</u>	<u>4,415</u>
<i>Total liabilities</i>	<u>3,807</u>	<u>-</u>	<u>4,415</u>
 <i>Fund Balances</i>			
Fund Balance			
Restricted for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Debt Service Funds	-	-	-
Con:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
A			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Unassigned for:			
General Fund	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 3,807</u>	<u>\$ -</u>	<u>\$ 4,415</u>



**STATE OF NEW MEXICO**  
CENTRAL REGION EDUCATIONAL COOPERATIVE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	Javits Gifted & Talented Students	Transition Specialist Cadre	IDEA-B Preschool
<i>Revenues:</i>			
Taxes			
Taxes levied/assessed	\$ -	\$ -	\$ -
Local sources			
Tuition	-	-	-
Investment Income	-	-	-
Food services	-	-	-
District activities	-	-	-
Other Revenue	-	7,560	-
State sources			
Unrestricted Grants	-	-	-
Restricted Grants	-	-	-
Federal sources			
Unrestricted Grants	-	-	-
Unrestricted -state passthrough	-	-	-
Restricted Grants	-	-	-
Restricted -state passthrough	-	18,054	-
Department of Interior	-	-	-
Other items	-	-	-
	\$ -	\$ 25,614	\$ -
<i>Total revenues</i>			
<i>Expenditures:</i>			
Current:			
Instruction	\$ -	\$ -	\$ -
Support Services			
Students	-	-	-
Instruction	-	-	-
General Administration	-	7,560	-
School Administration	-	-	-
Central Services	-	-	-
Operation & Maintenance of Plant	-	-	-
Student Transportation	-	-	-
Other Support Services	-	-	-
Operation of non-instructional services	-	-	-
Capital Outlay	-	-	-
Debt Service	-	-	-
	-	7,560	-
<i>Total expenditures</i>			
<i>Excess (deficiency) of revenues over expenditures</i>	-	18,054	-
<i>Other financing sources (uses)</i>			
Transfers	-	(18,054)	-
<i>Total other financing sources (uses)</i>	-	(18,054)	-
<i>Net changes in fund balances</i>	-	-	-
<i>Fund balances - beginning of year</i>	-	-	-
<i>Fund balances - end of year</i>	\$ -	-	-

Statement A-2

Enhancing Ed Thru Technology	Total Nonmajor Governmental Funds
\$ -	\$ -
-	-
-	-
-	-
-	7,560
-	-
-	-
-	-
-	18,054
-	-
-	-
<u>\$ -</u>	<u>\$ 25,614</u>
\$ -	\$ -
-	-
-	-
-	7,560
-	-
-	-
-	-
-	-
-	-
-	-
<u>-</u>	<u>7,560</u>
<u>-</u>	<u>18,054</u>
<u>-</u>	<u>(18,054)</u>
<u>-</u>	<u>(18,054)</u>
-	-
-	-
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**JAVITS GIFTED & TALENTED STUDENTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Statement B-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	8,455	-	(8,455)
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	\$ -	\$ 8,455	\$ -	\$ (8,455)
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services:				
Students	-	-	-	-
Instruction	-	-	-	-
General Administrati	-	-	-	-
School Administrati	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plan	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional service	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Non-Operating Emergency Reserves:	-	-	-	-
Total instructional support	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	8,455	-	(8,455)
<i>Other financing sources (uses):</i>				
Designated cash balance	-	(8,455)	-	8,455
<i>Total other financing sources (uses)</i>	-	(8,455)	-	8,455
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	-	-
<i>Cash balances - beginning of year</i>	-	-	3,807	3,807
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ 3,807	\$ 3,807
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ -	
Adjustments to revenues:			-	
Adjustmentss to expenditure:			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			\$ -	

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

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STATE OF NEW MEXICO

Statement B-2

CENTRAL REGION EDUCATIONAL COOPERATIVE  
 TRANSITION SPECIALIST CADRE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	20,944	7,560	(13,384)
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ 20,944</u>	<u>\$ 7,560</u>	<u>\$ (13,384)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	7,560	7,560	7,560	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional services:	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Non-Operating Emergency Reserves	-	-	-	-
Total instructional support	<u>7,560</u>	<u>7,560</u>	<u>7,560</u>	<u>-</u>
Total expenditures	<u>7,560</u>	<u>7,560</u>	<u>7,560</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(7,560)</u>	<u>13,384</u>	<u>-</u>	<u>(13,384)</u>
<i>Other financing sources (uses):</i>				
Transfers	-	-	(18,054)	
Designated cash balance	-	(13,384)	-	13,384
Total other financing sources (uses)	<u>-</u>	<u>(13,384)</u>	<u>(18,054)</u>	<u>13,384</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures	<u>(7,560)</u>	<u>-</u>	<u>(18,054)</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>18,054</u>	<u>18,054</u>
Cash balances - end of year	<u>\$ (7,560)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,054</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)			\$ (18,054)	
Adjustments to revenues			-	
Adjustments to expenditures			<u>18,054</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

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

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STATE OF NEW MEXICO

Statement B-3

CENTRAL REGION EDUCATIONAL COOPERATIVE

IDEA B PRESCHOOL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services:				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services:	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional service	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Non-Operating Emergency Reserves:	-	-	-	-
Total instructional support	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Designated cash balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency of revenues and other sources (uses) over expenditures (Budget Basis)			\$ -	
Adjustments to revenues:			-	
Adjustments to expenditures:			-	
Excess (deficiency of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**ENHANCING EDUCATION THRU TECHNOLOGY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Statement B-4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	\$ -	\$ -	\$ -	\$ -
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services:				
Students	-	-	-	-
Instruction	-	-	-	-
General Administrati	-	-	-	-
School Administrati	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plan	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional service	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Non-Operating Emergency Reserves	-	-	-	-
Total instructional support	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses):</i>				
Designated cash balance	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	-	-
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ -	\$ -
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			\$ -	

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

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**FIDUCIARY FUNDS**

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**SUPPORTING SCHEDULES**

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY**  
 June 30, 2010

Schedule I

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2010	Name and Location of Safekeeper
Bank of America	FGLMC G01840, 5.0% 3128LXBH2, Due 7/2035	\$ 150,152	Federal Reserve Bank Richmond VA
Bank of America	FNCL 995023, 5.5% 31416BLCO, Due 8/2037	378,837	Federal Reserve Bank Richmond VA
	Total Collateral Pledged	<u>\$ 528,989</u>	

The accompanying notes are an integral part of these financial statements

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS**  
 June 30, 2010

Schedule II

Deposit or Investment Account Type	Bank of America	Total
Checking	\$ 703,533	\$ 703,533
Total On Deposit	703,533	703,533
Reconciling Items	(70,048)	(70,048)
Reconciled Balance June 30, 2010	\$ <u>633,485</u>	\$ <u>633,485</u>
Reconciliation to financial statements:		
Cash and cash equivalents:		
Total cash and cash equivalents per Statement of Net Assets		\$ <u>633,485</u>
		\$ <u>633,485</u>

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**CASH RECONCILIATION**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	REC	Instructional Materials	Federal Projects	State Projects	Medicaid in the Schools	Advanced Placement	Total
Cash per June 30, 2009 audit report	\$ 577,765	\$ 108,286	\$ (209,892)	\$ 27,550	\$ 61,228	\$ 9,047	\$ 573,984
Add:							
2009-10 revenues	1,711,834	25,049	365,319	513,264	130,733	-	2,746,199
Permanent Cash Transfers	9,047	-	18,054	-	-	-	27,101
Total cash available	2,298,646	133,335	173,481	540,814	191,961	9,047	3,347,284
Less:							
2009-10 expenditures	(1,650,658)	(100,492)	(189,516)	(613,106)	(132,926)	-	(2,686,698)
Permanent Cash Transfers	(18,054)	-	-	-	-	(9,047)	(27,101)
Cash June 30, 2010	<u>\$ 629,934</u>	<u>\$ 32,843</u>	<u>\$ (16,035)</u>	<u>\$ (72,292)</u>	<u>\$ 59,035</u>	<u>\$ -</u>	<u>\$ 633,485</u>
					Bank balance end of year	\$ 703,533	
					Deposits in transit	-	
					Outstanding checks	(246,120)	
					Held Checks	176,072	
					Balance per Books, June 30, 2010	<u>\$ 633,485</u>	
					Per Financial Statements:		
					Cash	<u>633,485</u>	
					Total	<u>\$ 633,485</u>	

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**COMPLIANCE SECTION**

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**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***

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Board  
Central Region Educational Cooperative  
Albuquerque, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparison statement of the General fund activities of Central Region Educational Cooperative as of and for the year ended June 30, 2010, which collectively comprise the REC's basic financial statements as listed in the table of contents and have issued our report thereon dated August 20, 2010. We also have audited the financial statements of each of the REC's nonmajor governmental funds and the budgetary comparison schedules of each of the REC's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements and the budgetary comparison statements as of and for the year ended June 30, 2010 as listed in the table of contents. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central Region Educational Cooperative's internal control over financial reporting as a basis for designing our auditing procedures 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 Central Region Educational Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Central Region Educational Cooperative's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However as described in the

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accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we considered to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned function, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency listed as 2009-04 described in the accompanying schedule of findings and questioned costs to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Region Educational Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items as 2009-01, 2010-01, 2010-02, and 2010-03.

Central Region Educational Cooperative's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit their response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Office of the State Auditor, NM Public Education Department, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Precision Accounting LLC*

Albuquerque, New Mexico

August 20, 2010

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**FEDERAL FINANCIAL ASSISTANCE**

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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Board  
Central Region Educational Cooperative  
Albuquerque, New Mexico

Compliance

We have audited the compliance of Central Region Educational Cooperative, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Central Region Educational Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Central Region Educational Cooperative's management. Our responsibility is to express an opinion on Central Region Educational Cooperative's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Region Educational Cooperative's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Central Region Educational Cooperative's compliance with those requirements.

In our opinion, Central Region Educational Cooperative's complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Central Region Educational Cooperative's is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Central Region Educational Cooperative's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Central Region Educational Cooperative's internal control over compliance.

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies in internal control over compliance such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected, and corrected on a timely basis.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Office of the State Auditor, the New Mexico Legislature, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Precision Accounting LLC*

Albuquerque, New Mexico

August 20, 2010

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Schedule IV

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health			
Medicaid in the Schools expenditures		25153	131,774
Total U.S. Department of Health			131,774
Pass Through Entities			
U.S. Department of Education			
Passed through NM Public Education Department:			
IDEA B Entitlement	84.027	24106	\$ 69,192
IDEA B-Transition Cadre	84.027	24108	\$ 7,560
IDEA B Entitlement Federal Stimulus	84.394	24206	3,000
State Directed Activities - IDEA B Discretionary Funds	84.173	27200/24107	428,951
Negligent, Delinquent or At Risk, Title 1 Part D	84.013	24123	181,785
Total U.S. Department of Education			690,488
Total Federal Financial Assistance			\$ 822,262
Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:			
Total Expenditures- Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds			\$ 2,863,253
Less:			
REC Fund Expenditures		26107	1,722,364
Instructional Materials		14000	100,492
State Appropriations		27101	218,135
Total Expenditures of Federal Awards			\$ 822,262

Notes to Schedule of Expenditures of Federal Awards

1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Central Region Educational Cooperative (REC) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2 Insurance Requirements

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

3 Loans or Loan Guarantees

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

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2010**

**Schedule V**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Central Region Educational Cooperative.
2. One significant deficiency was disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Central Region Educational Cooperative were disclosed during the audit.
4. There were no audit findings required to be reported under A-133.510(a).
5. The auditor's report on compliance for major federal award programs for Central Region Educational Cooperative expresses an unqualified opinion.
6. The programs tested as major were the IDEA B Entitlement CFDA No. 84.027, IDEA B-Discretionary CFDA No. 84.173 (AKA State Directed Activities), and Idea B Transition Cadre, CFDA No. 84.027, Idea B Entitlement Federal Stimulus, CFDA No. 84.394
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. Central Region Educational Cooperative was determined to be a low-risk auditee.

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**STATE OF NEW MEXICO**  
CENTRAL REGION EDUCATIONAL COOPERATIVE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

**Schedule V**

**B. FINDINGS-FINANCIAL STATEMENT AUDIT**

**2009-01: Exceeded Budgetary Authority (repeated and revised)**

CONDITION: During our review of the budgetary statements, we noted that the Central Region Education Cooperative had exceeded the budgetary authority for the Medicaid in Schools Fund by \$131,774.

CRITERIA: NMAC 6.23 states that the REC must have a legally adopted budget for each fund.

CAUSE OF CONDITION: The Central Region Education Cooperative did not prepare a budget for the fund.

EFFECT OF CONDITION: CREC is not in compliance with budgetary regulations and is over budget in the Medicaid in Schools Fund.

RECOMMENDATION: We recommend that Central Region Education Cooperative implement a process to ensure that each fund has a legally adopted budget.

COSTS AND BENEFITS OF RECOMMENDED ACTION: The cost should be minimal but CREC will benefit by being in compliance with the budgetary regulations.

CLIENT RESPONSE: The New Business Manager is aware of NMAC 6.23, and will have a budget established for Medicaid Fund 25153. The budget will be presented to the Council for approval, and will be reviewed quarterly (to coincide with the Quarterly Administrative Study Reimbursements).

**2010-01 Untimely Deposits**

CONDITION: During our Cash Receipts test work we noted that CREC failed to timely deposit money received for payments. Our test work finds that funds were received on April 14, 2010, but the deposit was not prepared or made to their bank account until April 22, 2010.

CRITERIA: Section I.B.(3) of the CREC's Accounting Policy states that receipts are deposited daily. The staff is not following their own policy and not protecting and securing the assets of CREC. Not only could the item become lost, internal controls are weakened by preventing other employees from fulfilling their duties of verification and data entry.

CAUSE OF CONDITION: CREC did not deposit received funds within a twenty-four hour period.

EFFECT OF CONDITION: The assets of CREC are not being protected and secured which could result in a loss. The delay of one process causes a delay of other processes in completing the transaction, weakening internal controls.

RECOMMENDATION: CREC should follow their accounting policy and deposit received funds within a twenty-four hour period.

CLIENT RESPONSE: The CREC staff involved in the deposit/check receipts process has been informed of the requirement that all deposits must be made within a 24 hour (business day) period of receipt of said checks. A procedure has been implemented to ensure that should the primary responsible individual be unavailable, a back-up process will be implemented to ensure that a secondary responsible person will follow through on making those deposits in a timely manner.

**STATE OF NEW MEXICO**  
CENTRAL REGION EDUCATIONAL COOPERATIVE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

**Schedule V**

**2010-02: Travel and Per diem**

**CONDITION:** During our State Auditor compliance testwork, we found that a number of travel and per diem items were either miscalculated or otherwise didn't comply with state auditor regulations. Further, we found that the CREC was not following its control procedures for credit card check-out.

**REASON IMPROVEMENT NEEDED:** To maintain compliance with state auditor regulations, NMAC 2.2.2 and to ensure that each district does not overspend specified line items.

**CAUSE OF CONDITION:** For travel and per diem items that were out of compliance, the cause appears to be oversight regarding the requirement of appropriate supporting documentation and miscalculation of travel days. For credit cards, circumvention of controls appears to be the cause.

**EFFECT OF CONDITION:** One employee tested was paid for 1 day more than what was allowed, employees may be getting reimbursed for more miles than actually driven, inconsistency. Credit cards may potentially be misused or not returned.

**RECOMMENDATION:** We recommend that CREC develops and implements a tighter control system that will require necessary and required supporting documentation to be attached to all travel and per diem items, all travel locations to be listed on the chart form if they are to be reimbursed for "charted miles," and a double-check system to properly calculate travel days. Further, we recommend CREC implements its already developed control system over the check-out of their vendor credit cards.

**COSTS AND BENEFITS OF RECOMMENDED ACTION:** If a process is implemented, the cost should be minimal but CREC will benefit by being in compliance with State Auditor requirements.

**CLIENT RESPONSE:** The New Business Manager has documented and communicated to all the CREC employees the procedure and requirements for providing the requisite documentation for travel and per diem. Also, the new AR/AP Financial Specialist is an extremely detailed individual and methodical in her approach to processing all reimbursements and will document that all requisite documentation ties and is attached. Additionally, the Executive Director has communicated to the responsible individual for vendor credit card check out the importance and necessity of following established guidelines and procedures. A review will be conducted quarterly as well as randomly to ensure that CREC procedures are being adhered to.

**2010-03: Annualized Wages**

**CONDITION:** Management of Central Region Education Cooperative informed us that one (1) employee had been overpaid for the fiscal year by \$ 2,873.39 but that they had corrected this by having the employee sign an automatic deduction from his subsequent payroll checks. In addition, we did not note elections to annualize contract wages in accordance with IRS 26 CFR 1.409.

**CRITERIA:** NMAC 6.20.2 state that payroll should be properly calculated and approved. In addition, IRS 26 CFR 1.409 states that there must be a signed election to annualize contract salary on file each year in order for the employee to avoid paying a 20% excise tax on the deferred compensation.

**CAUSE OF CONDITION:** The new Business Manager for Central Region Education Cooperative calculated the salary per payperiod incorrectly due to the fact that the REC payperiods do not follow a fiscal year schedule. (The payroll schedule for 2010-2011 has been adjusted to follow the fiscal year). In addition, the REC was unaware of the law requiring the election form for annualized contract wages.

**EFFECT OF CONDITION:** The Central Region Education Cooperative did overpay the employee for the 2009-2010 fiscal year but subsequently corrected the error by having the employee sign an automatic deduction from his payroll. In addition, the CREC did not obtain election forms in order to comply with IRS 26 CFR 1.409.

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2010**

**Schedule V**

**RECOMMENDATION:** We recommend the Central Region Education Cooperative have a second review of the payroll calculation prior to input into the payroll module of the Visions System. The Central Region Education should obtain a copy of IRS CFR 1.409 and follow the requirements set forth by obtaining the election form from each employee prior to the first day of work each fiscal year. If no election is made, the employee may be subject to an additional 20% excise tax on the portion of income that is deferred compensation. In addition, we advise the Central Region Education Cooperative to inform its employees of the consequences.

**CLIENT RESPONSE:** The Central Region Education Cooperative found the error prior to the auditor's arrival and corrected the error by having the employee sign an authorization for deduction from subsequent payroll checks. We acknowledged the error and implemented a corrective action plan and informed the auditors of the error. We contacted the State Auditor's Office to question the legality of the repayment in a subsequent year and they stated that whether or not the monies were paid back immediately or over time, a finding would be necessary to include in the audit report.

**2010-04: Accurate and timely reporting**

**CONDITION:** During our audit of the Central Region Education Cooperative, we noted that the Financial Statements required material adjustments to correct balances to revenues, accounts receivable and interfund balances. The financial statements prepared for the Council during the year were inaccurate; however, it is important to note that the cash basis expenditure report submitted to the NM Public Education Department was correct. In addition, we noted several notices from reporting agencies where the REC was being penalized for untimely reporting.

**CRITERIA:** Financial statements should be prepared in accordance with GAAP and accurately reflect the transactions of the organization. NMAC 2.2.2 states that the REC should be in compliance with all regulatory and reporting agencies.

**CAUSE OF CONDITION:** The prior Business Manager for Central Region Education Cooperative attempted to have a full accrual set of books without the proper software modules. He maintained manual schedules for Accounts Receivable and Interfund transfers. The Central Region Education Cooperative failed to submit timely, accurate reports to reporting agencies.

**EFFECT OF CONDITION:** The Central Region Education Cooperative provided the council with erroneous financial statement information during the year. In addition, the Central Region Education Cooperative had to pay penalties for late or inaccurate reporting.

**RECOMMENDATION:** We recommend the Central Region Education Cooperative prepare their books on the cash basis for the NM Public Education Department and that the REC purchase the proper software modules to maintain a modified accrual basis for reporting, in the Visions software, to the council. We also recommend that the Central Region Education Cooperative have a second individual review the report prior to submission and that they set up a tickler file of report due dates so that each report is submitted timely.

**CLIENT RESPONSE:** The REC has had a change in Business Managers and the new Business Manager is cognizant of the requirements of GAAP and will prepare the financial statements accordingly. In addition, the REC has purchased the Accounts Receivable module for the Visions Software. The REC has set up a tickler file to remind us of report due dates.

**C. PRIOR YEAR AUDIT FINDINGS**

2009-01: Exceeded Budgetary Authority

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**OTHER DISCLOSURES**  
**YEAR ENDED JUNE 30, 2010**

**A. AUDITOR PREPARED FINANCIAL STATEMENTS**

The REC has the capability of preparing, understanding and accepting responsibility for its own GAAP-basis financial statements, however, the REC's personnel do not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

**B. EXIT CONFERENCE**

The contents of this report were discussed on August 20, 2010. The following individuals were in attendance.

Central Region Educational Cooperative  
Nina K. Tafoya, Executive Director  
Mario Guggino, Business Manager  
Michael Chambers, Chairman  
Joe Fasanella, Vice Chair

Precision Accounting LLC  
Melissa R. Santistevan, CPA