

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

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
JUNE 30, 2010**

**WOODARD, COWEN & CO.
CERTIFIED PUBLIC ACCOUNTANTS**

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE
 JUNE 30, 2010

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STATE OF NEW MEXICO
REGION VI EDUCATION COOPERATIVE
JUNE 30, 2010

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STATE OF NEW MEXICO
REGION VI EDUCATION COOPERATIVE
JUNE 30, 2010

OFFICIAL ROSTER

GOVERNING BOARD

Paul Benoit	President
Steve Barron	Member
Jim Daugherty	Member
Patricia Miller	Member
Ted Trice	Member
Lecil Richards	Member
Richard Hazen	Member
Jamie Widner	Member
Gary Salazar	Member
R.L. Richards	Member

COOPERATIVE OFFICIALS

Patti Harrelson	Director
Connie Jackson	Business Manager

Woodard, Cowen & Co.

Certified Public Accountants

PO Box 445, 305 S. Ave B Portales NM, 88130 Phone: 575-356-8564 Fax: 575-356-2453
PO Box 1874, 116 E. Grand Clovis NM, 88101 Phone: 575-762-3811 Fax: 575-762-3866

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H Balderas
New Mexico State Auditor
The Board of Directors
Region VI Education Cooperative

We have audited the accompanying financial statements of the governmental activities, each major fund, aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Region VI Education Cooperative, as of and for the year ended June 30, 2010, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of Region VI Education Cooperative's nonmajor governmental funds and the budgetary comparisons for the nonmajor 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 the 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 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 Region VI Education Cooperative, as of June 30, 2010, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the General Fund, IDEA-B Discretionary, 21st Century Learning, State Directed Activities, and the Medicaid, 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 non major governmental fund of Region VI Education Cooperative as of June 30, 2010, and the respective changes in financial position, and the respective budgetary comparisons for the non major governmental funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2010, on our consideration of Region VI Education Cooperative's internal control over financial reporting and 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.

Region VI Education Cooperative has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements, and the budgetary comparisons. The accompanying schedule of expenditures of federal awards 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 Government, and Non-Profit Organizations. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Region VI Education Cooperative. This information and the statement of expenditures of federal awards are not a required part of the basic financial statements of Region VI Education Cooperative. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the financial statements taken as a whole.

Woodard, Lawer & Co.

September 30, 2010
Portales, New Mexico

FINANCIAL SECTION

STATE OF NEW MEXICO
REGION VI EDUCATION COOPERATIVE
STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 135,409
Due from other governments	389,019
Non-current: Capital Assets-Net	<u>16,265</u>
Total Assets	<u>540,693</u>
<u>LIABILITIES</u>	
Current: Deferred Revenue	\$ 11,155
Total Liabilities	<u>11,155</u>
<u>NET ASSETS</u>	
Invested in capital assets	16,265
Unrestricted	<u>513,273</u>
Total Net Assets	<u>\$ 529,538</u>

The accompanying footnotes are an integral part of these financial statements

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE
 STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue & Changes in Net Assets
					Primary Governmental Activities
Primary government:					
Governmental activities:					
Instruction	\$ 383,834	\$ -	\$ 363,982	\$ -	\$ (19,852)
Support Services-Students	609,135	-	233,857	-	(375,278)
Support Services-Instruction	106,196	-	34,329	-	(71,867)
Support Services-School Administration	59,020	-	53,618	-	(5,402)
Support Services-General Administration	405,788	-	200,409	-	(205,379)
Central Services	151,269	-	62,165	-	(89,104)
Operation & Maintenance of plant	28,493	-	-	-	(28,493)
Community Services	267,819	-	267,819	-	-
Depreciation	3,685	-	-	-	(3,685)
Unallocated	-	-	8,762	-	8,762
Total governmental activities	\$ 2,015,239	\$ -	\$ 1,224,941	\$ -	\$ (790,298)

General revenues:

Donations	-
Intergovernmental	710,258
Grants not restricted	-
Fees	-
Total General Revenues	<u>710,258</u>
Change in net assets	(80,040)
Net Assets beginning	604,787
Restatement of net Assets	4,791
Net assets - beginning Restated	<u>609,578</u>
Net assets - ending	<u>\$ 529,538</u>

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

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE

BALANCE SHEET-- GOVERNMENTAL FUNDS

June 30, 2010

	<u>GENERAL FUND</u>	<u>DISCRETIONARY</u>	<u>21ST CENTURY</u>
ASSETS			
Cash on Deposit	\$ -	\$ -	\$ -
Due from other Governments	-	53,624	68,376
Due From Other Funds	<u>389,019</u>	-	-
TOTAL ASSETS	<u>\$ 389,019</u>	<u>\$ 53,624</u>	<u>\$ 68,376</u>
LIABILITIES AND FUND BALANCE			
Due to Other Funds	\$ 65,173	\$ 53,624	\$ 68,376
Deferred Revenue	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	65,173	53,624	68,376
FUND BALANCE			
Fund Balance			
Unreserved-Designated for Subsequent Years Expenditures	<u>323,846</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCE	<u>323,846</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 389,019</u>	<u>\$ 53,624</u>	<u>\$ 68,376</u>

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

STATE DIRECTED ACTIVITIES	MEDICAID	OTHER GOVERNMENTAL FUNDS	Total GOVERNMENTAL FUNDS
\$ -	\$ 124,254	\$ 11,155	\$ 135,409
215,200	-	51,819	389,019
-	65,173	-	454,192
<u>\$ 215,200</u>	<u>\$ 189,427</u>	<u>\$ 62,974</u>	<u>\$ 978,620</u>
\$ 215,200	\$ -	\$ 51,819	\$ 454,192
-	-	11,155	11,155
215,200	-	62,974	465,347
-	189,427	-	513,273
-	189,427	-	513,273
<u>\$ 215,200</u>	<u>\$ 189,427</u>	<u>\$ 62,974</u>	<u>\$ 978,620</u>

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

STATE OF NEW MEXICO
REGION VI EDUCATION COOPERATIVE
RECONCILIATION OF THE BALANCE SHEET
ALL GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS

June 30, 2010

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

Fund Balance - total governmental funds	\$	513,273
		-
Net Change in Fund Balance		<u>513,273</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		16,265
Net assets of governmental activities	\$	<u><u>529,538</u></u>

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

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

Year Ended June 30, 2009

	GENERAL FUND	DISCRETIONARY	21ST CENTURY
REVENUE			
Federal Program	\$ -	\$ 200,000	\$ 356,596
State Program	-	-	-
Intergovernmental	710,258	-	-
Donations	-	-	-
Sale of Equipment	-	-	-
Fees	-	-	-
TOTAL REVENUES	<u>710,258</u>	<u>200,000</u>	<u>356,596</u>
EXPENDITURES			
Current			
Instruction	19,852	-	35,159
Support Services-Students	375,278	-	-
Support Services-Instruction	71,867	-	-
Support Services-School Administration	5,402	-	53,618
Support Services-General Administration	225,329	200,000	-
Central Services	89,104	-	-
Operation & Maintenance of Plant	28,493	-	-
Student Transportation	-	-	-
Food Services - Operations	-	-	-
Community Services - Operations	-	-	267,819
Capital Outlay	-	-	-
TOTAL EXPENDITURES	<u>815,325</u>	<u>200,000</u>	<u>356,596</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(105,067)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES			
Transfers In/Out	(25,601)	-	-
Net Change In Fund Balances	(130,668)	-	-
FUND BALANCE			
June 30, 2008	449,729	-	-
Restatement	4,785	-	-
Restated Fund Balance	454,514	-	-
FUND BALANCE June 30, 2009	<u>\$ 323,846</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE DIRECTED ACTIVITIES	MEDICAID	OTHER GOVERNMENTAL FUNDS	Total GOVERNMENTAL FUNDS
\$ -	\$ -	\$ 518	\$ 557,114
531,147	133,980	2,700	667,827
-	-	-	710,258
-	-	-	-
-	-	-	-
-	-	-	-
<u>531,147</u>	<u>133,980</u>	<u>3,218</u>	<u>1,935,199</u>
327,705	-	1,118	383,834
170,804	63,053	-	609,135
32,229	-	2,100	106,196
-	-	-	59,020
409	-	-	425,738
-	62,165	-	151,269
-	-	-	28,493
-	-	-	-
-	-	-	-
-	-	-	267,819
-	-	-	-
<u>531,147</u>	<u>125,218</u>	<u>3,218</u>	<u>2,031,504</u>
-	8,762	-	(96,305)
-	25,601	-	-
-	34,363	-	(96,305)
-	155,058	-	604,787
-	6	-	4,791
-	155,064	-	609,578
<u>\$ -</u>	<u>\$ 189,427</u>	<u>\$ -</u>	<u>\$ 513,273</u>

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

STATE OF NEW MEXICO
REGION VI EDUCATION COOPERATIVE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE -
ALL GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

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

Net change in fund balance - total governmental funds	\$	(96,305)
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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. This is the amount by which depreciation exceeded capital outlay in the current year

		16,265.00
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Change In Net Assets	\$	<u>(80,040)</u>
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The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--SPECIAL REVENUE FUND--DISCRETIONARY

Year Ended June 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Favorable (Unfavorable)</u>
REVENUE				
Federal Revenue	\$ 200,000	\$ 200,000	\$ 220,718	\$ 20,718
Forest Reserve				-
TOTAL REVENUE	<u>200,000</u>	<u>200,000</u>	<u>\$ 220,718</u>	<u>\$ 20,718</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 200,000</u>	<u>\$ 200,000</u>		
EXPENDITURES				
Current				
Support Services-General Administration	\$ 200,000	\$ 200,000	\$ 200,000	\$ -
TOTAL EXPENDITURES	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 220,718
Differences-Budget to GAAP	
Current Year Receivable	53,624
Prior Year Receivable	(74,342)
Total Revenues (GAAP Basis)	<u>\$ 200,000</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 200,000
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 200,000</u>

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

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--SPECIAL REVENUE FUND--21ST CENTURY LEARNING

Year Ended June 30, 2010

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 420,864	\$ 435,134	\$ 343,560	\$ (91,574)
Forest Reserve				-
TOTAL REVENUE	<u>420,864</u>	<u>435,134</u>	<u>\$ 343,560</u>	<u>\$ (91,574)</u>
 Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 420,864</u>	<u>\$ 435,134</u>		
EXPENDITURES				
Current				
Instruction	\$ 35,158	35,158	35,159	\$ (1)
Support Services-School Administration	84,008	62,446	53,618	8,828
Community Services-operations	335,992	337,530	267,819	69,711
TOTAL EXPENDITURES	<u>\$ 420,000</u>	<u>\$ 435,134</u>	<u>\$ 356,596</u>	<u>\$ 78,538</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 343,560
Differences-Budget to GAAP	
Current Year Receivable	68,376
Prior Year Receivable	(55,340)
Total Revenues (GAAP Basis)	<u>\$ 356,596</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 356,596
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 356,596</u>

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

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--SPECIAL REVENUE FUND--STATE DIRECTED ACTIVITIES

Year Ended June 30 2010

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ -	\$ 531,147	\$ 545,884	\$ 14,737
TOTAL REVENUE	<u>-</u>	<u>531,147</u>	<u>545,884</u>	<u>14,737</u>
Cash Balance Budgeted				
TOTAL REVENUE & CASH	<u>\$ -</u>	<u>\$ 531,147</u>		
EXPENDITURES				
Current				
Instruction	\$ 327,705	\$ 327,705	\$ 327,705	\$ -
Support Services-Students	170,804	170,804	170,804	-
Support Services-General Administration	32,229	32,229	32,229	-
Support Services-School Administration	409	409	409	-
Central Services	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 531,147</u>	<u>\$ 531,147</u>	<u>\$ 531,147</u>	<u>\$ -</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 545,884
Differences-Budget to GAAP	
Current Year Receivable	215,200
Prior Year Receivable	(229,937)
Current Year Deferral	
Prior Year Deferral	

Total Revenues (GAAP Basis)

\$ 531,147

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 531,147
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 531,147</u>

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

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--SPECIAL REVENUE FUND--MEDICAID HSD

Year Ended June 30 2010

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Fees - Educational	\$ 184,801	\$ 230,436	\$ 133,980	\$ (96,456)
TOTAL REVENUE	<u>184,801</u>	<u>230,436</u>	<u>133,980</u>	<u>(96,456)</u>
 Cash Balance Budgeted	 -	 -		
TOTAL REVENUE & CASH	<u>\$ 184,801</u>	<u>\$ 230,436</u>		
EXPENDITURES				
Current				
Support Services-Students	\$ 58,188	\$ 125,008	63,053	\$ 61,955
Central Services	13,799	68,303	25,040	43,263
Fiscal Services	37,125	37,125	37,125	-
TOTAL EXPENDITURES	<u>\$ 109,112</u>	<u>\$ 230,436</u>	<u>\$ 125,218</u>	<u>\$ 105,218</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 133,980
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	<u>\$ 133,980</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 125,218
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 125,218</u>

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

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--GENERAL FUND--REC STATE FUNDING

Year Ended June 30 2010

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Fees	\$ 632,818	\$ 903,155	\$ 710,258	\$ (192,897)
TOTAL REVENUE	<u>632,818</u>	<u>903,155</u>	<u>710,258</u>	<u>(192,897)</u>
Cash Balance Budgeted	-	-		
TOTAL REVENUE & CASH	<u>\$ 632,818</u>	<u>\$ 903,155</u>		
EXPENDITURES				
Current				
Instruction	\$ 23,439	\$ 23,439	\$ 19,852	\$ 3,587
Support Services-Students	368,371	423,244	375,278	47,966
Support Services-Instruction	27,772	60,323	71,867	(11,544)
Support Services-General Administration	137,522	248,238	225,329	22,909
Support Services-School Administration	5,000	5,000	5,402	(402)
Central Services	70,345	100,303	89,104	11,199
Operation & Maintenance of Plant	28,808	42,608	28,493	14,115
TOTAL EXPENDITURES	<u>\$ 661,257</u>	<u>\$ 903,155</u>	<u>\$ 815,325</u>	<u>\$ 87,830</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 710,258
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	<u>\$ 710,258</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 815,325
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 815,325</u>

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

NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
REGION VI EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

I. Summary of Significant Accounting Policies

A. Reporting Entity

The ten Regional Cooperative Centers established throughout New Mexico in 1984 were originally organized to provide supplementary special education services to local education agencies utilizing federal PL 94-142 funds. The role of the Cooperatives has expanded under the authorization of the regional Coordinating Councils to include a variety of other projects, both federally funded and funded from other sources. Region VI Education Cooperative, through the governing council, has established as its purpose the delivery to local districts and communities those services deemed critical to the ongoing success of regular and special education programs provided by the local agencies. For financial reporting purposes, the Cooperative includes all funds and account groups that are controlled by or dependent on the Cooperative for financial support. The Cooperative has no component units.

The summary of significant accounting policies of the Cooperative is presented to assist in the understanding of the Cooperative's financial statements. The financial statements and notes are the representation of Region VI Education Cooperative's management who is responsible for their integrity and objectivity. The financial statements of the Cooperative conform to generally accept accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the cooperative. For the most part, the effect of interfund activity has been removed from these statements.

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. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. No property tax revenue is available. 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. Grant revenues and deferrals are recognized in accordance with GASB 33.

STATE OF NEW MEXICO
REGION VI EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

I. Summary of Significant Accounting Policies (continued)

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

The Cooperative reports the following major governmental funds:

General Fund – The general fund is comprised of the State REC Funding special revenue fund. The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

IDEA B Entitlement – P.L. 94-142, Individuals with Disabilities Education Act—to account for a federal grant restricted to the operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public Laws 91-230,93-380,94-142,98-199,99-457,100-630 and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17

Twenty-First Century Community Learning Centers – To account for state funds used to establish or expand community learning centers that provide academic enrichment opportunities for children, particularly those attending high-poverty and low-performing schools, to meet state and local standards in core academic subjects. This fund is funded by the State of New Mexico through the Title I program.

State Directed Activities – 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, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U.S.C. 1411-1420. The fund was created by the authority of federal grant provisions.

Medicaid HSD – The purpose of this fund is to account for reimbursement of health-related services of Medicaid eligible students receiving related services, for administrative time study, and for a statement of service costs study. Authorized by the Social Security Act.

Similar to private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Program revenues reported as operating grants and contributions consist of federal and state grant program revenues used to administer federal and state directed programs. Fees charged to participating school districts are for technical assistance, professional development, and/or direct services provided by the Cooperative.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments.

State statutes authorize the investment of the cooperative's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The cooperative is also allowed to invest in United States Government obligations. All funds of the cooperative must follow the above investment policies.

STATE OF NEW MEXICO
REGION VI EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

I. Summary of Significant Accounting Policies (continued)

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

1. Deposits and investments (continued)

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 cooperative. 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.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Amounts shown as "due from other Governments" are amounts due from pass through agencies and are fully collectible.

3. Inventories

None

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life extending beyond a single reporting period. The Cooperative is capitalizing qualifying software as required. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Cooperative does not have a library.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Vehicles	5

JUNE 30, 2010

I. Summary of Significant Accounting Policies (continued)

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

5. Long-Term obligations

Employees are not compensated for accumulated sick leave upon termination of employment. Unused vacation is accounted for in the fund from which the employee's salary was paid. As of June 30, 2010, there was no compensated absences liability to report.

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. The cooperative has no bonded debt.

6. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net assets on the statement of net assets include the following: Investments in Capital Assets, the component of net assets that reports the difference between capital assets less the accumulated depreciation. These funds are restricted for use of the related fund.

7. Comparative data/reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

8. 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.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this \$16,265 difference are as follows:

Capital Outlay	\$	19,950
Depreciation expense		<u>3,685</u>
Net adjustment to increase net changes in fund balances — total government funds to arrive at changes in net assets of Governmental activities	\$	16,265

STATE OF NEW MEXICO
REGION VI EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

III. Stewardship, Compliance, and accountability

A. Budgetary information

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

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 reappropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

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 Board approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures. The Cooperative follows these procedures in establishing the budgetary data reflected in the financial statements:

In April or May, the director submits to the Board a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.

In May or June, the budget is approved by the Coordinating Council.

The board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.

The director is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the board and the State of New Mexico Department of Education.

The director is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the board and the State of New Mexico Department of Education.

Budgets for the Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.

The Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2010 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item.

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

IV. Detailed Notes on all Funds

A. Cash and temporary investments

At June 30, 2010, the carrying amount of the Cooperative's deposits was \$135,409 and the bank balance was \$240,752. This balance was covered by federal depository insurance. Any balance over \$250,000 is covered under the bank's deposit guarantee program which assigns securities as collateral to insure public funds.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the cooperative for at least one half of the amount on deposit with the institution.

The collateral pledged is shown as listed in the table of contents 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, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools. 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

Custodial Credit Risk — Deposits.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be reed to it. The government does not have a deposit policy for custodial credit risk, As of June 30, 2009, none of the government's bank balance was exposed to custodial credit risk as follows:

Uninsured	\$	0
Collateralized by bank, held in entity's name		0
Amount Exposed	\$	<u>0</u>

A. Deferred Revenue

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable Grant
Draw downs prior to meeting all eligibility requirements	\$ <u>11,155</u>
Total deferred/unearned revenue for governmental funds	\$ <u>11,155</u>

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

IV. Detailed Notes on all Funds

C. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

REGION VI EDUCATION COOPERATIVE

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, being depreciated				
Equipment	\$ 8,000	\$ 19,950	\$ 8,000	\$ 19,950
Total Capital Assets, being depreciated	8,000	19,950	8,000	19,950
Less: accumulated depreciation for				
Equipment	8,000	3,685	8,000	3,685
Total accumulated depreciation	8,000	3,685	8,000	3,685
Capital Assets, Net	<u>\$ -</u>	<u>\$ 16,265</u>	<u>\$ -</u>	<u>\$ 16,265</u>

Depreciation is attributed to the General Fund Support Services – General Administration.

D. Long-Term Debt

For the fiscal year ended June 30, 2010, the Cooperative had neither long-term debt nor compensated absences.

V. Other information

A. Risk Management

It is the policy of Region VI Education Cooperative to purchase insurance for the risks of losses to which it is exposed through the General Services Administration risk management insurance. Risk management insurance includes coverage for general liability, property, casualty and employee health and accident.

B. Contingent liabilities

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

STATE OF NEW MEXICO
REGION VI EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

V. Other information (continued)

C. Employee retirement plan

Plan Description. Substantially all of the Cooperative's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy. Effective July 1, 2009, plan members were required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.4% of their gross salary. The Cooperative was required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The employer contribution is increasing by .75% each year until effective July 1, 2011; the employer contribution will be 13.9% of the gross covered salary. The contribution requirements of plan members and the Cooperative are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Cooperative's contributions to ERB for the fiscal years ending June 30, 2010, 2009, and 2008, were \$59,061, \$51,336, and \$47,667, respectively, which equal the amount of the required contributions for each fiscal year.

D. Post-retirement health care benefits

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

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

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

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

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

V. Other information (continued)

D. Post-retirement health care benefits (continued)

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

Fiscal Year Employer Contribution Rate Employee Contribution Rate

FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals. The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. The Cooperative's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$6,111, \$5,738 and \$6,267, respectively, which equal the required contributions for each year.

E. Interfund Balances

Due to	Due from		
General Fund	Discretionary	\$	53,624
	21 st Century		68,376
	State Directed Activities		215,200
	Title I		6,316
	Entitlement		606
	Preschool		2,708
	Teacher/Principal Training		39,254
	Advanced Placement		1,500
	Program		
	IDEAL NM		200
Total Due to		\$	389,019
Medicaid 0 to 2	General Fund		65,173
Total Due to/Due from		\$	454,192

The balance of \$454,192 resulted from loans made to establish working capital for the individual funds. All loans are considered to be repaid within one year.

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

V. Other information (continued)

F. Restatement of Beginning Net Assets for Governmental Activities.

	Governmental Activities
Net Assets – Governmental Activities at June 30, 2009	\$ 604,787
Prior year voided checks	4,791
Restated Balance at July 1, 2009	\$ <u>609,578</u>

G. Budget Violations

As of the fiscal year ended June 30, 2010, the Cooperative had the following overspent budgets:

<u>FUND</u>	<u>LINE ITEM</u>	<u>AMOUNT OVERSPENT</u>
State REC Funding	Support Services – Instruction	\$ 11,544
	Support Services – School Administration	402
21 st Century	Instruction	1
	Total	\$ <u>11,946</u>

See related finding 08-01 on page 42.

NON-MAJOR FUNDS

SPECIAL REVENUE FUNDS

Title I – IASA – to provide supplemental educational opportunity for academically disadvantaged children in the area of residence. 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 district percentage becomes eligible for program participation. Any student whose test scores fall below District 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; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the district through the New Mexico Public Education Department. Authority for creation of this fund is Part A of Title I of the Elementary and Secondary Education Act (ESEA) of 1965 as amended and was reauthorized by the Improving American Schools Act of 1994.

Idea B-Discretionary - P.L. 94-142, Individuals with Disabilities Education Act—to account for a federal grant restricted to the operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public Laws 91-230,93-380,94-142,98-199,99-457,100-630 and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17.

Idea B Preschool - P.L. 94-142, Individuals with Disabilities Education Act - to account for a federal grant restricted to the operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

Teacher/Principal Training – To provide grants to State Education Agencies on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

Safe and Drug Free Schools – To offer a disciplined environment conducive to learning, by preventing violence in and around schools and strengthen programs that prevent the illegal use of alcohol, tobacco and drugs, involve parents, and coordinated with related Federal, State and community efforts and resources.

Reading First – To ensure that every student can read at grade level or above by the end of third grade. The Reading First program will provide assistance to States and districts in establishing reading programs for students in kindergarten through third grade that are based on scientifically based reading research. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965, as amended, Title I, Part B, Subpart 1.

Advanced Placement Program – To account for state funds received to provide training for teachers and staff in the public schools to improve the educational process. The fund was created under the authority of the federal grant provisions.

Ideal NM – To account for the funds and program expenditures used in a program designed to provide eLearning services to PK-12 schools, higher education institutions, and government agencies. Also the program seeks to reduce geographic and other barriers to educational opportunity while increasing the digital literacy skills youth and adult learners need to participate in a global economy.

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE

COMBINING BALANCE SHEET-SPECIAL REVENUE FUNDS
 NON MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	<u>TITLE I</u>	<u>ENTITLEMENT</u>	<u>PRESCHOOL</u>	<u>TEACHER PRINCIPAL TRAINING</u>
ASSETS				
Cash on Deposit	\$ -	\$ -	\$ -	\$ -
Due from other Governments	6,316	606	2,708	39,254
Due from other Funds	-	-	-	-
TOTAL ASSETS	<u>\$ 6,316</u>	<u>\$ 606</u>	<u>\$ 2,708</u>	<u>\$ 39,254</u>
LIABILITIES				
Due to Other Funds	\$ 6,316	\$ 606	\$ 2,708	\$ 39,254
Accounts Payable	-	-	-	-
Deferred Revenue	-	-	-	-
TOTAL LIABILITIES	<u>6,316</u>	<u>606</u>	<u>2,708</u>	<u>39,254</u>

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

SAFE & DRUG FREE SCHOOLS	READING FIRST	ADVANCED PLACEMENT PROGRAM	IDEAL NM	TOTAL NON MAJOR SPECIAL REVENUE FUNDS
\$ 11,155	\$ -	\$ -	\$ -	\$ 11,155
-	1,235	1,500	200	51,819
-	-	-	-	-
<u>\$ 11,155</u>	<u>\$ 1,235</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 62,974</u>
\$ -	\$ 1,235	\$ 1,500	\$ 200	\$ 51,819
-	-	-	-	-
11,155	-	-	-	11,155
<u>11,155</u>	<u>1,235</u>	<u>1,500</u>	<u>\$ -</u>	<u>\$ 62,974</u>

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

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND BALANCE-SPECIAL REVENUE FUNDS
 NON MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2010

	<u>TITLE I</u>	<u>ENTITLEMENT</u>	<u>PRESCHOOL</u>	<u>TEACHER PRINCIPAL TRAINING</u>
REVENUES				
Federal Program	\$ -	\$ -	\$ -	\$ 518
State Program	-	-	-	-
Donations	-	-	-	-
Intergovernmental	-	-	-	-
Fees	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>518</u>
EXPENDITURES				
Current				
Instruction	-	-	-	518
Support Services-Students	-	-	-	-
Support Services-Instruction	-	-	-	-
Support Services-School Administration	-	-	-	-
Support Services-General Administration	-	-	-	-
Community Services Operations	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Central Services	-	-	-	-
Food Services - Operations	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>518</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	-	-	-	-
Other Financing Sources				
Transfers In (Out)	-	-	-	-
NET CHANGE IN FUND BALANCE				
	-	-	-	-
FUND BALANCE				
June 30, 2009	-	-	-	-
FUND BALANCE				
June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SAFE & DRUG FREE SCHOOLS	READING FIRST	ADVANCED PLACEMENT PROGRAM	IDEAL NM	TOTAL NON MAJOR SPECIAL REVENUE FUNDS
\$ -	\$ -	\$ -	\$ -	\$ 518
		2,100	600	2,700
		-	-	-
		-	-	-
<u>-</u>	<u>-</u>	<u>2,100</u>	<u>600</u>	<u>3,218</u>
-	-	-	600	1,118
-	-	-	-	-
-	-	2,100	-	2,100
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>2,100</u>	<u>600</u>	<u>3,218</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--SPECIAL REVENUE FUND--TEACHER/PRINCIPAL TRAINING & RECRUITING

Year Ended June 30 2010

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ -	\$ -	\$ 2,755	\$ 2,755
Forest Reserve	-	-	-	-
TOTAL REVENUE	<u>-</u>	<u>-</u>	<u>\$ 2,755</u>	<u>\$ 2,755</u>
Cash Balance Budgeted	-	-		
TOTAL REVENUE & CASH	<u>\$ -</u>	<u>\$ -</u>		
EXPENDITURES				
Current				
Instruction	\$ -	\$ -	\$ 518	\$ (518)
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 518</u>	<u>\$ (518)</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 2,755
Differences-Budget to GAAP	
Current Year Receivable	39,254
Prior Year Receivable	(41,491)
Total Revenues (GAAP Basis)	<u>\$ 518</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 518
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 518</u>

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

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--SPECIAL REVENUE FUND--ADVANCED PLACEMENT PROGRAM

Year Ended June 30 2010

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ -	\$ 17,000	\$ 600	\$ (16,400)
TOTAL REVENUE	<u>-</u>	<u>17,000</u>	<u>600</u>	<u>(16,400)</u>
Cash Balance Budgeted	-	-		
TOTAL REVENUE & CASH	<u>\$ -</u>	<u>\$ 17,000</u>		
EXPENDITURES				
Current				
Support Services-Instruction	\$ 6,000	\$ 6,000	\$ 2,100	\$ 3,900
TOTAL EXPENDITURES	<u>17,000</u>	<u>17,000</u>	<u>2,100</u>	<u>14,900</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 600
Differences-Budget to GAAP	
Current Year Receivable	1,500
Total Revenues (GAAP Basis)	<u>\$ 2,100</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 2,100
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 2,100</u>

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

STATE OF NEW MEXICO
 REGION 6 EDUCATION COOPERATIVE

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--SPECIAL REVENUE FUND-IDEAL NM

Year Ended June 30 2010

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ -	\$ 600	\$ 400	\$ (200)
TOTAL REVENUE	<u>-</u>	<u>600</u>	<u>400</u>	<u>(200)</u>
Cash Balance Budgeted	-	-		
TOTAL REVENUE & CASH	<u>\$ -</u>	<u>\$ 600</u>		
EXPENDITURES				
Current				
Instruction	\$ 600	\$ 600	\$ 600	\$ -
TOTAL EXPENDITURES	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ -</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 400
Differences-Budget to GAAP	
Current Year Receivable	200
Total Revenues (GAAP Basis)	<u>\$ 400</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 600
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 600</u>

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

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
<u>US DEPARTMENT OF EDUCATION</u>			
Passed through the State Department of Education			
IDEA-B DISCRETIONARY	<1> 84.027	24107	200,000
21ST CENTURY COMMUNITY LEARNING	84.287	24119	356,596
TEACHER/PRINCIPAL TRAINING	84.367	24154	<u>518</u>
Total U.S. Department of Education			<u>557,114</u>
TOTAL FEDERAL ASSISTANCE			\$ <u><u>557,114</u></u>

Reconciliation to Federal Revenues In Financial Statements:

Federal Revenues Per Financial Statements	\$ <u>557,114</u>
	\$ <u><u>557,114</u></u>

<1> Major Program

Note 1 This schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE

SCHEDULE OF PLEDGED COLLATERAL

JUNE 30, 2010

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED DEPOSITS	COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
Portales National Bank	\$ <u>240,752</u>	\$ <u>250,000</u>	\$ <u>(9,248)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Account balances are covered by the bank's deposit guarantee program when account balances exceed \$250,000.

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE

BANK SUMMARY

JUNE 30, 2010

<u>Bank</u>	<u>ACCT TYPE</u>	<u>FUND</u>	<u>BANK BALANCE</u>	<u>OUTSTANDING CHECKS</u>	<u>OUTSTANDING DEPOSITS</u>	<u>NET CASH BALANCE</u>
PORTALES NATIONAL BANK	Checking	OPERATING	\$ 240,752	\$ 105,343	\$ -	\$ 135,409
Total All Accounts			<u>\$ 240,752</u>	<u>\$ 105,343</u>	<u>\$ -</u>	<u>\$ 135,409</u>

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE

BANK RECONCILIATION

JUNE 30, 2010

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL</u>
Audited Net Cash JUNE 30, 2009	\$ 449,729	\$ (247,204)	\$ 202,525
			-
TOTAL CASH BALANCE JUNE 30, 2009	449,729	(247,204)	202,525
Add:			
2009-2010 Revenue	710,258	1,217,726	1,927,984
Prior Year Void Check	4,785	6	4,791
Transfers In	-	25,601	25,601
TOTAL AVAILABLE CASH	1,164,772	996,129	2,160,901
2009-2010 Expenditures	815,325	1,184,566	1,999,891
Less: Held Checks	-	-	-
Transfers Out	25,601	-	25,601
Cash Adjustment	-	-	-
TOTAL CASH, JUNE 30, 2010	<u>\$ 323,846</u>	<u>\$ (188,437)</u>	<u>\$ 135,409</u>

Woodard, Cowen & Co.

Certified Public Accountants

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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

Mr. Hector H. Balderas
The Coordinating Council
Region VI Education Cooperative
Portales, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Region VI Educational Cooperative as of and for the year ended June 30, 2010, and have issued our report thereon dated September 30, 2010. 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 Region VI 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 Region VI Education Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Region VI Education Cooperative's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily 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 accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet is important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned cost to be significant deficiencies. 07-02, 08-01, and 09-02

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Region VI Education 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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Region VI Education Cooperative's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Region VI Education Cooperative's response and, accordingly, we express no opinion on it

This report is intended solely for the information and use of management, others within Region VI Education Cooperative, the Coordinating Council, the State Auditor, the Public Education Department, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Woodard, Cowan & Co.

Portales, New Mexico
September 30, 2010

SINGLE AUDIT SECTION

Woodard, Cowen & Co.

Certified Public Accountants

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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

Mr. Hector H. Balderas, State Auditor
The Coordinating Council
Region VI Education Cooperative

We have audited the compliance of Region VI Education Cooperative with the types of compliance requirement described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Region VI Education 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 Region VI Education Cooperative's management. Our responsibility is to express an opinion on Region VI Education 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 Region VI Education 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 Region VI Education Cooperative's compliance with those requirements.

In our opinion, Region VI Education Cooperative 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

Management of Region VI Education Cooperative 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 Region VI Education Cooperative's internal control over compliance with the 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 Region VI Education Cooperative's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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.

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund. This report is intended solely for the information and use of Management, Coordinating Council, others within the entity, the Office of the State Auditor, the New Mexico Public Education Department, the New Mexico State 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.

Portales, New Mexico
September 30, 2010

Woodard, Cowen & Co.

STATE OF NEW MEXICO
REGION VI EDUCATION COOPERATIVE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2010

PRIOR YEAR AUDIT FINDINGS

Late Audit Report – Compliance 07-02

Statement of Condition: The audit report was filed after the due date. The State Auditor's Office received the report on 6/30/09.
Recommendation: The audit report should be filed timely per the New Mexico Administrative Code
Status: Revised and repeated

Budgeted Expenditures exceed revenues 08-01

Statement of Condition: There were several line items over expended as noted in the prior year footnote L on page 37 of the prior year report.
Recommendation: Budgets should be amended before expenditures are approved.
Status: Resolved.

LATE SUBMISSION OF THE DATA COLLECTION FORM 09-01

Statement of Condition: The data collection form and reporting package will not be submitted to the federal clearinghouse or to federal agencies within nine months of the fiscal year end.
Recommendation: Auditors should be hired and fieldwork performed with enough time to complete the audit and submit all reports in a timely fashion.
Status: Resolved.

LACK OF MAINTENANCE OF CAPITAL ASSET RECORDS – 09-02

Statement of Condition: The capital asset detail has not been maintained by Cooperative personnel. Additions, retirements, and transfers had not been input or verified for accuracy
Recommendation: The Cooperative had but one capital asset at the time of the audit. Therefore the Cooperative staff should easily be able to reestablish a capital asset inventory and maintain it in the accounting system.
Status: Revised and Repeated.

Actual expenditures exceed adjusted budgeted expenditures 08-01 - Repeated

Statement of Condition: The Cooperative had the following fund with these over expended functions: State REC Funding – Instruction \$6,460, Support Services Instruction \$661, Support Services – School Administration \$247, and Operation and Maintenance of Plant \$758.
Recommendation: Those charged with budget maintenance should monitor spending versus the budget balance. Budget adjustment request should be made where possible. When funding runs out in a function, spending should cease out of that function.
Status: Revised and repeated.

Lack of organized budget records 09-03

Statement of Condition: Copies of the original budget and budget adjustment request were not available to the auditor from the Cooperative.
Recommendation: Cooperative personnel should keep all hard copies of transactions to support the original budget and all budget adjustments.
Status: Resolved.

STATE OF NEW MEXICO
REGION VI EDUCATION COOPERATIVE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2010

PRIOR YEAR AUDIT FINDINGS (continued)

Budgeted Expenditures exceed revenues 09-04

Statement of Condition: The Cooperative had seven funds with adjusted budgeted expenditures that exceeded the adjusted budgeted revenues. Those funds with the respective amounts were Title I, \$250; IDEA-B Entitlement, \$606; IDEA-B Preschool, \$449; Safe & Drug Free Schools, \$6,596; State REC Funding, \$4,000, Advanced Placement, \$11,000, and State Directed Activities, \$501,894

Recommendation: Those charged with budget maintenance should record authorized adjustments to both the revenue accounts and effected expenditure accounts. Additionally, budget amounts should be reviewed to ensure that a fund is not overspent in its budget.

Status: Resolved.

Preparation of financial statements 09-05

Statement of Condition: The financial statements and related disclosures are not being prepared by the Cooperative, but by the auditor.

Recommendation: Cooperative personnel should receive the training necessary to gain an understanding of the elements of external reporting. Not only should Cooperative personnel receive training in financial statement preparation and footnote disclosure, but in addition gain an understanding of the pronouncement produced by GASB, GAAS, and FASB and the requirements of the Office of the State Auditor and PED.

Response: Resolved.

STATE OF NEW MEXICO
 REGION VI EDUCATION COOPERATIVE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

I. SUMMARY OF AUDITORS RESULTS:

Report on Financial Statements	Unqualified
Significant Deficiencies on GAGAS	07-02, 08-01 and 9-02
Material Weakness involving Significant Deficiency	None
Material Noncompliance	None
Questioned Cost	None
Type A & Type B dollar threshold	\$300,000
Entity Risk	Low Risk
Major Federal Programs	IDEA B Discretionary CFDA# 84.027
Significant Deficiencies on Internal Control over Major Programs	None
Report on Compliance with Major Programs	Unqualified
II. FEDERAL PROGRAM FINDINGS:	None

III. FINANCIAL STATEMENT FINDINGS:

LATE REPORT – 09-05

Statement of Condition:	The audit report for the Cooperative's fiscal year ended June 30, 2010 was not submitted by the September 30, 2010 due date. The audit report was not accepted by the due date.
Criteria:	SAO Rule 2.2.2.9.A.1(a) establishes a due date of September 30, 2010 for submission of this audit report to the Office of the State Auditor.
Cause:	The audit report was submitted by the due date. However, the report was rejected by the Office of the State Auditor. The rejection notice was received by the auditors on October 14 with correction submitted on October 20.
Effect:	The report was not submitted as required. Without the audit report being delivered on time, funding and regulatory agencies as well as legislative committees do not have the financial data available to make funding decisions.
Recommendation:	Audit firm should submit the audit report with enough time to make any corrections.
Response:	Management concurs with recommendation.

STATE OF NEW MEXICO
REGION VI EDUCATION COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

JUNE 30, 2010

Actual expenditures exceed adjusted budgeted expenditures 08-01 - Repeated

Statement of Condition: The Cooperative had the following funds with these over expended functions: 21st Century Learning – Instruction \$1; State REC Funding – Support Services Instruction \$11,544 and Support Services – School Administration \$402, and Teacher/Principal Training – Instruction \$518.

Criteria: 22-8-11(B) NMSA 1978 states “No school board officer or employee of a school district shall make any expenditure or incur any obligation unless it is made in accordance with an operating budget approved by the state department. This prohibition does not prohibit the transfer of funds pursuant to the department’s rules and procedures.

Cause: Budget adjustment requests submitted on June 16 for State REC Funding were declined by PED and not approved until July 15. The Instruction budget for 21st Century and Teacher/Principal Training was simply overspent by the respective amounts.

Effect: These functions are over expended. .

Recommendation: The Cooperative management should submit budget adjustment request early enough for PED to approve them before year end.

Response: Management concurs with the recommendation.

LACK OF MAINTENANCE OF CAPITAL ASSET RECORDS – 09-02

Statement of Condition: The capital asset detail has not been maintained by Cooperative personnel. Additions, retirements, and transfers had not been input or verified for accuracy

Criteria: GASB 34 required the recording, maintenance and depreciation of assets.

Cause: The Cooperative owns a single capital asset subject to depreciation, but has not input that asset into the capital asset system.

Effect: Depreciation is not being calculated for this capital asset.

Recommendation: The Cooperative had but one capital asset at the time of the audit. Therefore the Cooperative staff should easily be able to reestablish a capital asset inventory and maintain it in the accounting system.

Response: The Cooperative staff will reestablish the capital asset records.

STATE OF NEW MEXICO
REGION VI EDUCATION COOPERATIVE

Year Ended JUNE 30, 2010

OTHER DISCLOSURES

AUDITOR PREPARED FINANCIAL STATEMENTS

These financial statements and related footnotes and supplemental information were prepared by the auditor. The auditor cannot be a part of the Cooperative's internal control, thus the preparation of the report is not a substitute for managements internal control and is not considered in the auditors evaluation of the severity of the internal control deficiency.

We prepared the draft financial statements based on management's chart of accounts and trial balances and any adjusting, correcting, and closing entries have been approved by management. We also have prepared the draft footnotes based on the information determined and approved by management. These services are allowable under SAS 112.

EXIT CONFERENCE

An exit conference to discuss the contents of this report was held on September 30, 2010. Those in attendance were Patti Harrelson, Director for the Region VI Education Cooperative; Connie Jackson, Finance Director; Steve Barron, Governing Board, and Paul Benoit, Governing Board President. Gayland Cowen, C.P.A. and John McKinley, Jr., C.P.A. represented our firm.