

**STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6**

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
JUNE 30, 2014**

Woodard, Cowen & Co.

Certified Public Accountants

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6
 JUNE 30, 2014

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STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6
JUNE 30, 2014

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STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6
JUNE 30, 2014

OFFICIAL ROSTER

GOVERNING BOARD

Jim Daugherty	President
Miles Mitchell	Vice President
Jamie Widner	Secretary
Colin Taylor	Member
Ted Trice	Member
Paul Benoit	Member
Steve Barron	Member
Freda Daugherty	Member
Lecil Richards	Member
Dennis Roch	Member

CENTER OFFICIALS

Scott McMath	Director
Connie Jackson	Business Manager

Woodard, Cowen & Co.

Certified Public Accountants

Independent Auditor's Report

Mr. Hector H. Balderas
New Mexico State Auditor
The Coordinating Council
Regional Educational Center #6

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Regional Educational Center #6 (the Center), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Center's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Center's nonmajor governmental funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Center, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with

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accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Center as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons for the and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Center's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Changes in Assets and Liabilities – Agency Fund, Schedule of Pledged Collateral, Bank Summary, and Bank Reconciliation are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Changes in Assets and Liabilities – Agency Fund, The Schedule of Expenditures of Federal Awards, Schedule of Pledged Collateral, Bank Summary, and Bank Reconciliation are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Changes in Assets and Liabilities – Agency Fund, Schedule of Pledged Collateral, Bank Summary, and Bank Reconciliation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Woodward, Raven & Co." The signature is written in dark ink and is positioned above the typed name and date.

Portales, New Mexico
September 30, 2014

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6
 STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 29,841
Due from other governments	815,150
Non-current:	
Capital Assets-Net	<u>12,898</u>
Total Assets	<u>857,889</u>
<u>LIABILITIES</u>	
Accounts Payable	224,863
Total Liabilities	<u>224,863</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unearned Revenue	30,717
Total deferred inflows of resources	<u>30,717</u>
<u>NET POSITION</u>	
Invested in capital assets	12,898
Restricted	
Medicaid	90,109
Unrestricted	<u>499,302</u>
Total Net Position	<u>\$ 602,309</u>

The accompanying footnotes are an integral part of these financial statements

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue & Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary government:					
Governmental activities:					
Instruction	\$ 950,031	\$ -	\$ 950,031	\$ -	\$ -
Support Services-Students	725,160	-	330,187	-	(394,973)
Support Services-Instruction	152,319	-	86,238	-	(66,081)
Support Services-School Administration	411,169	-	211,151	-	(200,018)
Support Services-General Administration	638,626	-	486,395	-	(152,231)
Central Services	307,862	-	215,038	-	(92,824)
Operation & Maintenance of plant	23,922	-	-	-	(23,922)
Student Transportation	4,499	-	4,499	-	-
Food Service Operations	-	-	-	-	-
Other Support Services	70,310	-	-	-	(70,310)
Community Services	10,000	-	10,000	-	-
Depreciation	7,717	-	-	-	(7,717)
Unallocated	-	-	-	-	-
Total governmental activities	<u>\$ 3,301,615</u>	<u>\$ -</u>	<u>\$ 2,293,539</u>	<u>\$ -</u>	<u>\$ (1,008,076)</u>

General revenues:

REC State Funding	\$ 1,067,974
Donations/Private Grants	-
Refunds	79
Total General Revenues	<u>1,068,053</u>
Change in Net Position	59,977
Net Position beginning	547,157
Restatement of net position	(4,825)
Net Position - beginning Restated	<u>542,332</u>
Net Position - ending	<u>\$ 602,309</u>

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

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6

BALANCE SHEET-- GOVERNMENTAL FUNDS

June 30, 2014

	24119 21ST CENTURY COMMUNITY LEARNING	27149 PRE K INITIATIVE	27200 STATE DIRECTED ACTIVITIES
GENERAL FUND			
ASSETS			
Cash on Deposit	\$ -	\$ -	\$ -
Due from other Governments	-	277,518	257,576
Due From Other Funds	657,032	-	-
Total Assets	<u>\$ 657,032</u>	<u>\$ 277,518</u>	<u>\$ 257,576</u>
LIABILITIES			
Due to Other Funds	\$ 131,399	\$ 243,209	\$ 206,191
Accounts Payable	26,331	34,309	91,656
Total Liabilities	<u>157,730</u>	<u>277,518</u>	<u>257,576</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
Deferred Inflows of Resources	-	-	-
FUND BALANCE			
Unassigned	499,302	-	-
Assigned to:			
Medicaid			
Total Fund Balance	<u>499,302</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 657,032</u>	<u>\$ 277,518</u>	<u>\$ 257,576</u>

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

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<u>MEDICAID</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>Total GOVERNMENTAL FUNDS</u>
\$ 29,841	\$ -	\$ 29,841
-	112,567	815,150
64,628	66,771	788,431
<u>\$ 94,469</u>	<u>\$ 179,338</u>	<u>\$ 1,633,422</u>
\$ -	\$ 131,799	\$ 788,431
4,360	16,822	224,863
<u>4,360</u>	<u>148,621</u>	<u>1,013,294</u>
-	30,717	30,717
-	30,717	30,717
-	-	499,302
90,109		90,109
<u>90,109</u>	<u>-</u>	<u>589,411</u>
<u>\$ 94,469</u>	<u>\$ 179,338</u>	<u>\$ 1,633,422</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6
RECONCILIATION OF THE BALANCE SHEET
ALL GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

June 30, 2014

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

Fund Balance - total governmental funds	\$	589,411
		<u>-</u>
Net Change in Fund Balance		589,411
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		12,898
Net position of governmental activities	\$	<u><u>602,309</u></u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6

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

Year Ended June 30, 2014

	24119 21ST CENTURY GENERAL COMMUNITY FUND	27149 PRE K INITIATIVE	27200 STATE DIRECTED ACTIVITIES
REVENUE			
Federal Program	\$ -	\$ 506,952	\$ -
State Program	1,067,974	-	881,363
Intergovernmental	-	-	-
Donations	-	-	-
Refunds	-	-	-
TOTAL REVENUES	1,067,974	506,952	881,363
EXPENDITURES			
Current			
Instruction	-	387,466	177,403
Support Services-Students	394,973	7,698	97,042
Support Services-Instruction	66,081	-	-
Support Services-School Administration	200,018	-	-
Support Services-General Administration	152,231	-	2,681
Central Services	46,492	97,289	-
Operation & Maintenance of Plant	23,922	-	-
Student Transportation	-	4,499	-
Other Support Services	70,310	-	-
Food Services - Operations	-	-	-
Community Services - Operations	-	10,000	-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	954,027	506,952	277,126
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	113,947	-	-
OTHER FINANCING SOURCES			
Transfers In/Out	-	-	-
Net Change In Fund Balances	113,947	-	-
FUND BALANCE			
June 30, 2013	390,180	-	-
Restatement	(4,825)	-	-
Restated Fund Balance	385,355	-	-
FUND BALANCE June 30, 2014	\$ 499,302	\$ -	\$ -

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

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MEDICAID	OTHER GOVERNMENTAL FUNDS	Total GOVERNMENTAL FUNDS
\$ -	\$ 40,237	\$ 547,189
329,509	258,352	2,814,324
-	-	-
-	-	-
79	-	79
<u>329,588</u>	<u>298,589</u>	<u>3,361,592</u>
-	-	950,031
225,447	-	725,160
86,238	-	152,319
-	-	411,169
-	298,589	638,626
64,156	-	307,862
-	-	23,922
-	-	4,499
-	-	70,310
-	-	-
-	-	10,000
-	-	-
<u>375,841</u>	<u>298,589</u>	<u>3,293,898</u>
<u>(46,253)</u>	<u>-</u>	<u>67,694</u>
-	-	-
<u>(46,253)</u>	<u>-</u>	<u>67,694</u>
<u>136,362</u>	<u>-</u>	<u>526,542</u>
<u>-</u>	<u>-</u>	<u>(4,825)</u>
<u>136,362</u>	<u>-</u>	<u>521,717</u>
<u>\$ 90,109</u>	<u>\$ -</u>	<u>\$ 589,411</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE -
ALL GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

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

Net change in fund balance - total governmental funds	\$	67,694
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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

		(7,717)
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Change In Net Position	\$	<u>59,977</u>
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The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6

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

Year Ended June 30, 2014

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 513,548	\$ 513,548	\$ 238,455	\$ (275,093)
Forest Reserve				-
TOTAL REVENUE	<u>513,548</u>	<u>513,548</u>	<u>\$ 238,455</u>	<u>\$ (275,093)</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 513,548</u>	<u>\$ 513,548</u>		
EXPENDITURES				
Current				
Instruction	\$ 375,910	425,777	387,466	\$ 38,311
Support Services				-
Support Services-Students	9,450	7,858	7,698	160
Central Services	94,666	105,916	97,289	8,627
Student Transportation	23,522	6,412	4,499	1,913
Community Services-operations	10,000	10,000	10,000	-
TOTAL EXPENDITURES	<u>\$ 513,548</u>	<u>\$ 555,963</u>	<u>\$ 506,952</u>	<u>\$ 49,011</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 238,455
Differences-Budget to GAAP	
Current Year Receivable	277,518
Prior Year Receivable	(9,021)
Total Revenues (GAAP Basis)	<u>\$ 506,952</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 506,952
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 506,952</u>

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

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--SPECIAL REVENUE FUND--PRE-K INITIATIVE

Year Ended June 30 2014

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ 286,097	\$ 286,097	\$ 171,541	\$ (114,556)
TOTAL REVENUE	<u>286,097</u>	<u>286,097</u>	<u>171,541</u>	<u>(114,556)</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 286,097</u>	<u>\$ 286,097</u>		
EXPENDITURES				
Current				
Instruction	\$ 179,377	\$ 183,514	\$ 177,403	\$ 6,111
Support Services				
Support Services-Students	104,039	99,902	97,042	2,860
Support Services-General Administration	2,681	2,681	2,681	-
TOTAL EXPENDITURES	<u>\$ 286,097</u>	<u>\$ 286,097</u>	<u>\$ 277,126</u>	<u>\$ 8,971</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 171,541
Differences-Budget to GAAP	
Current Year Receivable	167,489
Prior Year Receivable	(61,904)
Total Revenues (GAAP Basis)	<u>\$ 277,126</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 277,126
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 277,126</u>

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

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6

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

Year Ended June 30, 2014

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ -	\$ 1,149,254	\$ 813,602	\$ (335,652)
TOTAL REVENUE	<u>-</u>	<u>1,149,254</u>	<u>813,602</u>	<u>(335,652)</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ -</u>	<u>\$ 1,149,254</u>		
EXPENDITURES				
Current				
Instruction	\$ -	\$ 385,254	\$ 385,162	\$ 92
Support Services				
Support Services-General Administration	-	414,000	185,125	228,875
Support Services-School Administration	-	250,000	211,151	38,849
Central Services	-	100,000	99,925	75
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ 1,149,254</u>	<u>\$ 881,363</u>	<u>\$ 267,891</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 813,602
Differences-Budget to GAAP	
Current Year Receivable	257,576
Prior Year Receivable	(189,815)
Total Revenues (GAAP Basis)	<u>\$ 881,363</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 881,363
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 881,363</u>

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

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6

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

Year Ended June 30, 2014

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Fees - Educational	\$ 313,710	\$ 604,750	\$ 329,509	\$ (275,241)
Refunds			-	-
TOTAL REVENUE	<u>313,710</u>	<u>604,750</u>	<u>\$ 329,509</u>	<u>\$ (275,241)</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 313,710</u>	<u>\$ 604,750</u>		
EXPENDITURES				
Current				
Support Services-Students	\$ 215,899	\$ 428,166	\$ 227,901	\$ 200,265
Support Services-Instruction	55,493	87,168	86,238	930
Central Services	42,318	89,416	64,156	25,260
TOTAL EXPENDITURES	<u>\$ 313,710</u>	<u>\$ 604,750</u>	<u>\$ 378,295</u>	<u>\$ 226,455</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 329,509
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	<u>\$ 329,509</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 378,295
Differences-budget to GAAP	
Inventory Adjustment	(2,454)
Total Expenditures (GAAP Basis)	<u>\$ 375,841</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6

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

Year Ended June 30, 2014

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ 751,744	\$ 979,848	\$ 1,067,974	\$ 88,126
Refunds			-	-
Private Grants			-	-
Indirect Cost - (Flow Through Grants)			-	-
TOTAL REVENUE	<u>751,744</u>	<u>979,848</u>	<u>\$ 1,067,974</u>	<u>\$ 88,126</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 751,744</u>	<u>\$ 979,848</u>		
EXPENDITURES				
Current				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services-Students	399,763	438,768	394,973	43,795
Support Services-Instruction	62,622	100,274	67,392	32,882
Support Services-General Administration	156,721	155,721	152,231	3,490
Support Services-School Administration	2,205	204,537	200,018	4,519
Central Services	54,425	53,210	46,492	6,718
Operation & Maintenance of Plant	36,008	36,008	23,922	12,086
Other Support Services	40,000	70,310	70,310	-
TOTAL EXPENDITURES	<u>\$ 751,744</u>	<u>\$ 1,058,828</u>	<u>\$ 955,338</u>	<u>\$ 103,490</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 1,067,974
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	<u>\$ 1,067,974</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 955,338
Differences-budget to GAAP	
Prior Year Accounts Payable	(1,311)
Total Expenditures (GAAP Basis)	<u>\$ 954,027</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	<u>AGENCY FUNDS</u>
ASSETS	
Cash in Bank	\$ 8,945
TOTAL ASSETS	<u>\$ 8,945</u>
Net Position	
Cash Held for other Entities	\$ 8,945
TOTAL NET POSITION	<u>\$ 8,945</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

I. Summary of Significant Accounting Policies

A. Reporting Entity

The ten Regional Education Cooperatives 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 Centers 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. Regional Educational Center #6, 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 Center includes all funds and account groups that are controlled by or dependent on the Center for financial support. The Center has no component units.

The summary of significant accounting policies of the Center is presented to assist in the understanding of the Center's financial statements. The financial statements and notes are the representation of Regional Educational Center #6's management who is responsible for their integrity and objectivity. The financial statements of the Center 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 position and the statement of changes in net position) report information on all of the non-fiduciary activities of the Center. 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. Grant revenues and deferrals are recognized in accordance with GASB 33. Deferred inflows of resources and deferred outflows of resources are accounted for in accordance with GASB 63.

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

I. Summary of Significant Accounting Policies (continued)

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

The Center reports the following major governmental funds:

General Fund – The general fund is comprised of the State REC Funding 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.

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.

PRE K INITIATIVE — To account for state program used to provide center-based education services to four-year-olds within the district. This state fund initiative was established in 2005.

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, 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.

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 Center.

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

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 Center. 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 Center 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 Center 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 Center are depreciated using the straight line method over the following estimated useful lives:

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

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2012, 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 Center has no bonded debt.

6. Fund equity

In the fund financial statements, fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned upon the use of the resources in the government funds. Designations of fund balance represent tentative management plans that are subject to change.

Net position on the statement of net position includes 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 position 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 \$3,685 difference are as follows:

Capital Outlay	\$	0
Depreciation expense		<u>7,717</u>
Net adjustment to decrease net changes in fund balances — total government funds to arrive at changes in net position of Governmental activities	\$	(7,717)

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 'function', this may be accomplished with only the Coordinating Council approval. If a transfer between 'function' 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 Center follows these procedures in establishing the budgetary data reflected in the financial statements:

In April or May, the director submits to the Coordinating Council 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 council 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 council 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, 2014 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item.

Budget comparison statements have been omitted on those funds that had no cash (receipts or expense) activity during the fiscal year.

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

IV. Detailed Notes on all Funds

A. Cash and temporary investments

At June 30, 2014, the carrying amount of the Center's deposits was \$38,786 and the bank balance was \$176,995. 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 Center 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 returned to it. The government does not have a deposit policy for custodial credit risk, As of June 30, 2014, 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>30,717</u>
Total deferred/unearned revenue for governmental funds	\$ <u>30,717</u>

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

IV. Detailed Notes on all Funds

C. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

REGIONAL EDUCATIONAL CENTER #6

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, being depreciated				
Equipment	\$ 38,719	\$ -	\$ -	\$ 38,719
Total Capital Assets, being depreciated	<u>38,719</u>	<u>-</u>	<u>-</u>	<u>38,719</u>
Less: accumulated depreciation for				
Equipment	<u>18,104</u>	<u>7,717</u>	<u>-</u>	<u>25,821</u>
Total accumulated depreciation	<u>18,104</u>	<u>7,717</u>	<u>-</u>	<u>25,821</u>
Capital Assets, Net	<u>\$ 20,615</u>	<u>\$ (7,717)</u>	<u>\$ -</u>	<u>\$ 12,898</u>

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

D. Long-Term Debt

For the fiscal year ended June 30, 2014, the Center had neither long-term debt nor compensated absences.

V. Other information

A. Risk Management

It is the policy of Regional Educational Center #6 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
REGIONAL EDUCATIONAL CENTER #6
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

V. Other information (continued)

C. Employee retirement plan

Plan Description. Substantially all of the Center's full-time employees participate in an educational 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, other employees of state public school districts, colleges and universities, and some state agency employees) 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.

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 10.10% of their gross salary in fiscal year 2014; 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions

The Center contributed 13.15% of gross covered salary in fiscal year 2014. In fiscal year 2015 the Center will contribute 13.9% of gross covered salary.

The contribution requirements of plan members and the Center are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Center's contributions to ERB for the fiscal years ending June 30, 2014, 2013, and 2012, were \$88,082, \$62,791, and \$44,175, respectively, which equal the amount of the required contributions for each fiscal year.

D. Post-retirement health care benefits

Plan Description. The Center 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 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.

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

V. Other information (continued)

D. Post-retirement health care benefits (continued)

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.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Center's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$13,435, \$5,761 and \$8,671, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

V. Other information (continued)

E. Interfund Balances

Due to	Due from		
General Fund	Carl Perkins Secondary	\$	13,280
	21 st Century		243,209
	Title I		6,316
	Entitlement		606
	Discretionary		22,757
	Preschool		3,014
	Teacher/Principal Training		39,253
	Reading First		1,235
	Pre K Initiative		75,833
	State Directed Activities		206,191
	Parents As Teachers		45,338
		\$	657,032
Discretionary	General Fund		22,757
Carl Perkins Secondary	General Fund		13,280
School Based Health Center	General Fund		30,734
Medicaid	General Fund		64,628
Total Due to/from			788,431

The balance of \$788,431 resulted from loans made to establish working capital for the individual funds. All loans are considered to be repaid within one year.

F. Restatement of Beginning Net Position for Governmental Activities.

The restatement of net position is the result of indirect cost reported as revenue within the respective funds. This resulted in deferred revenue in Parents as Teachers and Gear Up NM being overstated by \$4,625 and \$200 respectively.

	Governmental Activities
Net Position – Governmental Activities at June 30, 2013	\$ 547,157
Net Position affect from operating fund collections of indirect cost reported as receipts in other funds.	4,825
Restated Balance at July 1, 2013	\$ 542,332

G. Effects of GASB 68, *Accounting and Financial Reporting for Pensions*

In implementing the reporting requirements for accounting and reporting for pensions, the Center will present on its June 30, 2015 financial statements its portion of the ERB pension liability. It is anticipated that ERB will provide the Center with this amount.

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-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.

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.

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.

Carl Perkins Secondary – This fund is funded through the Carl Perkins Secondary Redistribution program. The purpose is to develop more fully the academic, career, and technical skills of secondary and post-secondary students who elect to enroll in career and technical education programs. Authority for this fund comes from the Carl D. Perkins Career Technical Education Act of 2006, Title I.

GEAR UP NM – To increase the number of low-income students who graduate from high school who are prepared to succeed in college. Funding and authorization is provided through the US Department of Education and the New Mexico Higher Education Department.

Parents as Teachers – This fund is used to account for the program designed to provide evidence-based home visits to at-risk families. Funding and authorization comes from the Affordable Care Act.

School Based Health Center – To account for monies received for School Based Health Clinics in the member districts. The fund was created by the authority of the grant provisions.

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6

COMBINING BALANCE SHEET-SPECIAL REVENUE FUNDS
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	24101	24106	24107	24109	24154
	TITLE I	ENTITLEMENT	IDEA-B DISCRETIONARY	PRESCHOOL	TEACHER/ PRINCIPAL TRAINING
ASSETS					
Cash on Deposit	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other Governments	6,316	606	-	3,014	39,253
Due from other Funds	-	-	22,757	-	-
TOTAL ASSETS	\$ 6,316	\$ 606	\$ 22,757	\$ 3,014	\$ 39,253
LIABILITIES					
Due to Other Funds	\$ 6,316	\$ 606	\$ 22,757	\$ 3,014	\$ 39,253
Accounts Payable	-	-	-	-	-
Total Liabilities	6,316	606	22,757	3,014	39,253
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenues	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-
FUND BALANCE					
Total Fund Balance	-	-	-	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 6,316	\$ 606	\$ 22,757	\$ 3,014	\$ 39,253

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

24167	24174	25205	28167	29130	TOTAL NON MAJOR SPECIAL REVENUE FUNDS
READING FIRST	CARL PERKINS SECONDARY	GEAR UP NM	PARENTS AS TEACHERS	SCHOOL BASED HEALTH CENTER	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,235	-	-	62,143	-	112,567
-	13,280	-	-	30,734	66,771
<u>\$ 1,235</u>	<u>\$ 13,280</u>	<u>\$ -</u>	<u>\$ 62,143</u>	<u>\$ 30,734</u>	<u>\$ 179,338</u>
\$ 1,235	\$ 13,280	\$ -	\$ 45,338	\$ -	\$ 131,799
-	-	-	16,805	17	16,822
<u>1,235</u>	<u>13,280</u>	<u>-</u>	<u>62,143</u>	<u>17</u>	<u>148,621</u>
-	-	-	-	30,717	30,717
-	-	-	-	30,717	30,717
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,235</u>	<u>\$ 13,280</u>	<u>\$ -</u>	<u>\$ 62,143</u>	<u>\$ 30,734</u>	<u>\$ 179,338</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6

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

JUNE 30, 2014

	24101	24106	24107	24109	24154
	TITLE I	ENTITLEMENT	IDEA-B DISCRETIONARY	PRESCHOOL	TEACHER/ PRINCIPAL TRAINING
REVENUES					
Federal Program	\$ -	\$ -	\$ -	\$ -	\$ -
State Program	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-
EXPENDITURES					
Current					
Support Services-Students	-	-	-	-	-
Support Services-School Administration	-	-	-	-	-
Support Services-General Administration	-	-	-	-	-
Central Services	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-
Other Financing Sources					
Transfers In (Out)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE					
June 30, 2013	-	-	-	-	-
FUND BALANCE June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -

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

24167	24174	25205	28167	29130	TOTAL NON MAJOR SPECIAL REVENUE FUNDS
READING FIRST	CARL PERKINS SECONDARY	GEAR UP NM	PARENTS AS TEACHERS	SCHOOL BASED HEALTH CENTER	
\$ -	\$ -	\$ 40,237	\$ -	\$ -	\$ 40,237
-	-	-	202,895	55,457	258,352
-	-	40,237	202,895	55,457	298,589
-	-	-	-	-	-
-	-	-	-	-	-
-	-	40,237	202,895	55,457	298,589
-	-	-	-	-	-
-	-	40,237	202,895	55,457	298,589
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying footnotes are an integral part of these financial statements.
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STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6

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

Year Ended June 30 2014

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ -	\$ 49,585	42,237	\$ (7,348)
TOTAL REVENUE	<u>-</u>	<u>49,585</u>	<u>\$ 42,237</u>	<u>\$ (7,348)</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ -</u>	<u>\$ 49,585</u>		
EXPENDITURES				
Current				
Support Services-General Administration	\$ -	\$ 49,585	\$ 40,237	\$ 9,348
TOTAL EXPENDITURES	<u>-</u>	<u>49,585</u>	<u>40,237</u>	<u>9,348</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 42,237
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	<u>\$ 42,237</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 40,237
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 40,237</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--SPECIAL REVENUE FUND--PARENTS AS TEACHERS

Year Ended June 30, 2014

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Flow Through Grants	\$ 222,065	\$ 409,565	\$ 174,193	\$ (235,372)
TOTAL REVENUE	<u>222,065</u>	<u>409,565</u>	<u>174,193</u>	<u>(235,372)</u>
 Cash Balance Budgeted	 <u>-</u>	 <u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 222,065</u>	<u>\$ 409,565</u>		
EXPENDITURES				
Current				
Support Services-General Administration	\$ 222,065	\$ 409,565	\$ 236,336	\$ 173,229
TOTAL EXPENDITURES	<u>222,065</u>	<u>409,565</u>	<u>236,336</u>	<u>173,229</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 174,193
Differences-Budget to GAAP	
Current Year Receivable	62,143
Prior Year Receivable	(33,441)
Current Year Deferral	
Prior Year Deferral	
 Total Revenues (GAAP Basis)	 <u>\$ 202,895</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 236,336
Differences-budget to GAAP	
Prior Year Accounts Payable	(33,441)
Total Expenditures (GAAP Basis)	<u>\$ 202,895</u>

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

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--SPECIAL REVENUE FUND--SCHOOL BASED HEALTH CENTER

Year Ended June 30, 2014

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Fees - Educational	\$ 63,487	\$ 89,945	\$ 56,979	\$ (32,966)
TOTAL REVENUE	<u>63,487</u>	<u>89,945</u>	<u>56,979</u>	<u>(32,966)</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 63,487</u>	<u>\$ 89,945</u>		
EXPENDITURES				
Current				
Support Services-General Administration	\$ 63,487	\$ 89,945	\$ 55,457	\$ 34,488
TOTAL EXPENDITURES	<u>63,487</u>	<u>89,945</u>	<u>55,457</u>	<u>34,488</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 56,979
Differences-Budget to GAAP	
Current Year Deferral	(30,717)
Prior Year Deferral	29,195
Total Revenues (GAAP Basis)	<u>\$ 55,457</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 55,457
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 55,457</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6

Statement of Changes in Fiduciary Net Position - Agency Fund

Year Ended June 30, 2014

	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2014</u>
EPAC	\$ <u>6,158</u>	\$ <u>26,092</u>	\$ <u>23,305</u>	\$ <u>8,945</u>
Total	\$ <u><u>6,158</u></u>	\$ <u><u>26,092</u></u>	\$ <u><u>23,305</u></u>	\$ <u><u>8,945</u></u>

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

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2014

	<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			
21ST CENTURY COMMUNITY LEARNING <1>	84.287	24119	506,952
GEAR UP NM	84.334	25205	40,237
Total U.S. Department of Education			<u>547,189</u>

Reconciliation to Federal Revenues In Financial Statements:

Federal Revenues Per Financial Statements	\$ <u>547,189</u>
	<u>\$ 547,189</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
 REGIONAL EDUCATIONAL CENTER #6

SCHEDULE OF PLEDGED COLLATERAL

JUNE 30, 2014

	TOTAL DEPOSITS	FDIC INSURANCE	UNINSURED DEPOSITS	COLLATERAL PLEDGED	SECURITY DEFICIT	UNINSURED & UNCOLLATERALIZED DEPOSITS
Portales National Bank	\$ 168,050	\$ 250,000	\$ (81,950)	\$ 150,000	\$ -	\$ -
<u>COLLATERAL</u>		<u>MATURES</u>				
Santa Fe Co. NM 801889LN4	\$ 150,000	2/1/2015				
	<u>\$ 150,000</u>					

COLLATERAL IS HELD BY INDEPENDENT BANKERS BANK IN DALLAS, TX

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

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6

BANK SUMMARY

JUNE 30, 2014

Bank	ACCT TYPE	FUND	BANK BALANCE	OUTSTANDING CHECKS	OUTSTANDING DEPOSITS	NET CASH BALANCE
PORTALES NATIONAL BANK	Checking	OPERATING	\$ 168,050	\$ 138,209	\$ -	\$ 29,841
PORTALES NATIONAL BANK	Checking	AGENCY	8,945	-	-	8,945
Total All Accounts			<u>\$ 176,995</u>	<u>\$ 138,209</u>	<u>\$ -</u>	<u>\$ 38,786</u>

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6

BANK RECONCILIATION

JUNE 30, 2014

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE</u>	<u>AGENCY</u>
Audited Net Cash JUNE 30, 2013	\$ (652,720)	\$ 883,972	\$ 6,158
TOTAL CASH BALANCE JUNE 30, 2013	(652,720)	883,972	6,158
Add:			
2013 - 2014 Revenue	1,067,974	1,843,603	26,092
Prior Year Interfund Loans	355,003	(355,003)	-
Refunds	-	79	-
Transfers In	-	-	-
TOTAL AVAILABLE CASH	770,257	2,372,651	32,250
2013 - 2014 Expenditures	955,337	2,377,768	23,305
Less: Held Checks	26,331	198,532	-
Transfers Out	-	-	-
Current Year Interfund Loans	(525,633)	525,633	-
Cash Adjustment	(4,825)	-	-
TOTAL CASH, JUNE 30, 2014	<u>\$ (689,207)</u>	<u>\$ 719,048</u>	<u>\$ 8,945</u>

Woodard, Cowen & Co.

Certified Public Accountants

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* (*With Material Weaknesses and Significant Deficiencies Identified; and Reportable Instances of Noncompliance, and Other Matters Identified*)

Independent Auditor's Report

Mr. Hector H. Balderas
New Mexico State Auditor
Coordinating Council
Regional Educational Center #6

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of the Regional Educational Center #6 (the Center) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Center's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Center, presented as supplemental information, and have issued our report thereon dated September 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. 2012-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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

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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 responses as items 2012-002.

The Center's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Woodard, Cowen & Co." The signature is written in dark ink on a white background.

Woodard, Cowen, & Company
Portales, New Mexico
September 30, 2014

Woodard, Cowen & Co.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Mr. Hector Balderas, State Auditor
Coordinating Council
Regional Educational Center #6
Portales, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Regional Educational Center #6's (the Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Center's major federal programs for the year ended June 30, 2014. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the Center, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Center's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Woodard, Cowen & Co." The signature is written in dark ink and is positioned above the printed name of the firm.

Woodard, Cowen & Company

Portales, New Mexico

September 30, 2014

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2014

PRIOR YEAR AUDIT FINDINGS

Missing documentation for stipends and pay increases – 13-01 (control) (Significant Deficiency)

Statement of Condition: During the review of personnel files the auditor noted that five of the fourteen files were missing documentation of stipends and/or pay increases.

Recommendation: Management should secure signed addendums to employment contracts stating the changes to regular pay and the term for which the changes are made.

Status: Resolved.

Missing documentation request for reimbursements – 13-02 (control) (Significant Deficiency)

Statement of Condition: During the review of per diem and employee travel expenditures, two out of six expenditures reviewed lacked the reimbursement request form. One expenditure was for \$60 while the other was for \$50.

Recommendation: Management should adhere and expect adherence to its control policies. While the lapse in controls appears to be only with these two incidences, management should tighten controls now so nothing gets out of hand.

Status: Resolved.

IPA recommendation and contract not submitted by the due date 13-03 (compliance)

Statement of Condition: The IPA recommendation and contract was not received by the Office of the State Auditor by the due date.

Recommendation: The IPA should insure the firm is listed as approved. The Center should submit the recommendation and contract by the due date.

Status: Resolved.

Actual expenditures exceed adjusted budgeted expenditures 12-01 (revised and repeated) (compliance and control) (Significant Deficiency)

Statement of Condition: The Center had the following funds with these over expended functions: REC State Funding – Other Support Services \$597

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

Status: Resolved.

Cash Balances by fund did not agree to the reconciled bank balance 12-02 (revised and repeated) (compliance and control) (Significant Deficiency)

Statement of Condition: The total cash balances in the individual funds did not reconcile to the bank balance. Center personnel worked to correct the balances which resulted in \$15,810 (net) in cash adjustments within funds. Two funds had adjustments that affected the financial statements. Those funds were 21st Century Community Learning for \$104, REC State Funding for \$15,634 (net), and Medicaid for \$72.

Recommendation: The Center should reset the beginning cash balances to audited and verified amounts which agree in total to the reconciled bank balance. When reconciled balance discrepancies appear, they should be investigated and corrected or adjusted within the month they occur.

Status: Revised and repeated.

STATE OF NEW MEXICO
 REGIONAL EDUCATIONAL CENTER #6
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

I. SUMMARY OF AUDITORS RESULTS:

Report on Financial Statements	Unmodified
Significant Deficiencies on GAGAS	12-02
Material Weakness involving Significant Deficiency	None
Material Noncompliance	Non
Questioned Cost	None
Type A & Type B dollar threshold	\$300,000
Entity Risk	Low Risk
Major Federal Programs	21 st Century Community Learning Centers CFDA# 84.287A
Significant Deficiencies on Internal Control over Major Programs	None
Report on Compliance with Major Programs	Unmodified

II. FEDERAL PROGRAM FINDINGS:

None

III. FINANCIAL STATEMENT FINDINGS:

Cash Balances by fund did not agree to the reconciled bank balance 2012-002 (revised and repeated) (compliance and control) (Significant Deficiency)

Statement of Condition:	The total cash balances in the individual funds did not reconcile to the bank balance. Center personnel worked to correct the balances which resulted in \$4,825 (net) in cash adjustments within funds. Two funds had adjustments that affected the financial statements. Those funds were Parents as Teachers for \$4,625 and Gear Up NM for \$200.
Criteria:	Prudent accounting practice would have any variances investigated and corrected when the bank is reconciled. Center personnel were reconciling the bank statements, but could not correct variances.
Cause:	Bank adjustments and input errors were not corrected even when the bank reconciliation showed a discrepancy.
Effect:	Deposits were input twice, once into the incorrect funds noted above and correctly into the General fund.
Recommendation:	The Center should reset the beginning cash balances to audited and verified amounts which agree in total to the reconciled bank balance. When reconciled balance discrepancies appear, they should be investigated and corrected or adjusted within the month they occur.
Response:	The beginning cash balances have been reset and the computed bank balance will now agree to the bank statements. Corrections were made during the fieldwork of the audit.

STATE OF NEW MEXICO
REGIONAL EDUCATIONAL CENTER #6

Year Ended JUNE 30, 2014

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 Center'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 115.

EXIT CONFERENCE

An exit conference to discuss the contents of this report was held on September 30, 2014. Those in attendance were Scott McMath, Director for the Regional Educational Center #6; Connie Jackson, Finance Director; and Jim Daugherty, Governing Board. John McKinley, Jr., C.P.A. represented our firm.