

Southwest Regional Education Center #10

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT THEREON**

For The Fiscal Year Ended June 30, 2012

Southwest Regional Education Center # 10
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Southwest Regional Education Center #10
BOARD OF DIRECTORS
June 30, 2012

School District Superintendents

Truth of Consequences	Tom Burris
Deming	Harvilee Moore
Hatch	Linda Hale
Lordsburg	Jim Barentine
Reserve	Christine Rigstrup
Animas	Betsy Ward
Cobre	George Peru, Interim

Regional Education Center Officials

Director	Bruce Hegwer to 4/4/12 Bill Coker, Interim
Business Manager	Geralyn Bennett

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.
KELLEY WYATT, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas, State Auditor
and
Board of Superintendents
Southwest Regional Education Center #10
Truth or Consequences, New Mexico

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 the Southwest Regional Education Center #10 as of and for the year ended June 30, 2012, which collectively comprise the Center's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Center's nonmajor governmental funds and the budgetary comparisons for the nonmajor special revenue funds presented as other supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Center'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 Southwest Regional Education Center #10 as of June 30, 2012, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of Southwest Regional Education Center #10 as of June 30, 2012, and the respective changes in financial position,

where applicable, thereof and the respective budgetary comparisons for the nonmajor special revenue funds for the year then 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 20, 2012, on our consideration of Southwest Regional Education Center #10's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in a appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for inconsistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements, and the combining and individual fund financial statements and budgetary comparisons presented as other supplementary information. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. In addition, the accompanying financial information listed as other supplemental data in the table of contents is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stone, McGee Co CPAs

September 20, 2012

Stone, McGee & Co.
Certified Public Accountants

**STATE OF New Mexico SOUTHWEST REGIONAL
EDUCATION CENTER #10
MANAGEMENTS DISCUSSION AND ANALYSIS
JUNE 30, 2012**

The following is an overview of the financial condition for the Southwest Regional Education Center #10 (Center), for the fiscal year ended June 30, 2012. This narrative highlights the major aspects of the Center's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

Financial Highlights

The overall fund cash budget balance was \$1,832,233.88 for the year ending June 30, 2012; with an overall \$3,420,733.52 budget for the fiscal year 2011/2012. This represents support funding for member districts in the federal funding programs of Title I, II, Migrant and for the IDEA-B funding of State Directed, Preschools and Entitlement. The SWREC has continued support in the Medicaid funding as the administrative time claims funding, continued another year. The SWREC continued to work in conjunction with the New Mexico Public Education Department with additional funding for Educational Technologies Bureau, IDEALNM, 21st Century Grant, and Department of Health Program.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Center's basic financial statements. The Center's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government Wide Financial Statements

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

The statement of activities presents information showing how the Center's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify the functions of the Center that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Center include direct instruction, instructional support, administration, operation of plant, business support services, and community services. The government-wide financial statements can be found on pages ten and eleven of this report.

**STATE OF NEW MEXICO SOUTHWEST REGIONAL
EDUCATION CENTER #10
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Fund Financial Statements

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

Governmental Funds

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

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

In addition to the general fund, the Center maintains twenty-three other individual governmental funds of which all are classified as special revenue funds. Information for the general fund, Title I, Entitlement IDEA-B, State Directed IDEA-B, Title II, Advanced Placement, and Medicaid special revenue funds, which all are considered to be major funds is presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for each of the non-major governmental funds is provided in the form of combining statement following the notes to the financial statements.

The Center adopts an annual appropriated budget for all of its funds. Budgetary comparison statements for the general and special revenue major funds are located on pages eighteen through twenty-four. Budgetary comparison statements for the special revenue non-major, are located on pages forty-eight through sixty-nine. The basic governmental fund financial statements can be found on page twelve through seventeen of this report.

Notes to the Financial Statements

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

**STATE OF NEW MEXICO SOUTHWEST REGIONAL
EDUCATION CENTER #10
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Other Information

The combining statements referred to earlier in connection with non-major are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages forty-four through forty-seven of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position, In the case of the Center, assets exceeded liabilities by \$253,694 at the close of the most recent fiscal year. Ninety-five percent of the Center's net assets are composed of unrestricted net assets. The Center uses these assets to provide various services to the member school districts, while grant reimbursement forms are being processed and paid.

Overall, the Center has improved their financial condition, in comparison with the previous fiscal year. The Center has continued to closely monitor the expenditures in the general fund and ail other funds.

FUND	BUDGET	ACTUAL- EXPENDITURES	VARIANCE
24119- 21 st CCLC	80,400	80,400	0.00
25122-DOH	38,360	29,296	9,064
27101-Operating	783,378	757,362	26,015
27117-IDEAL Technology	64,800	59,927	4,873
27200-State Directed	367,343	367,343	0.00
28144-Medicaid	637,056	595,496	41,560
34103-Migrant	321,808	321,808	0.00
37101-DUAL LENM	554,711	523,333	31,378
37117-IDEAL-E-teacher	500,000	416,583	83,417
67117-IDEAL Ed Tech	72,878	72,878	0.00

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION CENTER #10
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

Financial Analysis of the Center's Funds

Southwest Regional Education Center's Net Assets

	Governmental Activities	
	06/30/12	06/30/11
Assets:		
Current and other assets	\$2,392,104	\$2,224,392
Capital assets, net of accumulated		
Depreciation	<u>81,910</u>	<u>94,147</u>
Total Assets	2,474,014	2,318,539
Liabilities:		
Current Liabilities	253,694	194,874
Net Assets:		
Invested in capital assets	\$ 81,910	\$94,147
Restricted-Education	303,565	1,072,493
Restricted-Social Service	1,017,683	
Unrestricted	<u>817,162</u>	<u>957,025</u>
Total Net Assets	\$2,220,320	\$2,123,665

Capital Asses and Debt Administration

Capital Assets

The Center's investment in capital assets for the government as of June 30, 2012 amounts to \$81,910 (net of accumulated depreciation).

This investment in capital assets includes equipment and vehicles. During the fiscal year, the Center did not purchase any capital assets items. The capital assets on hand will allow the Center to provide more efficient services to the member's districts. Funding is provided

by the federal and state grant revenues

	2012	2011
Equipment	\$81,910	\$147,138

Long-Term Debt

As of June 30, 2012, the Center did not have any long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

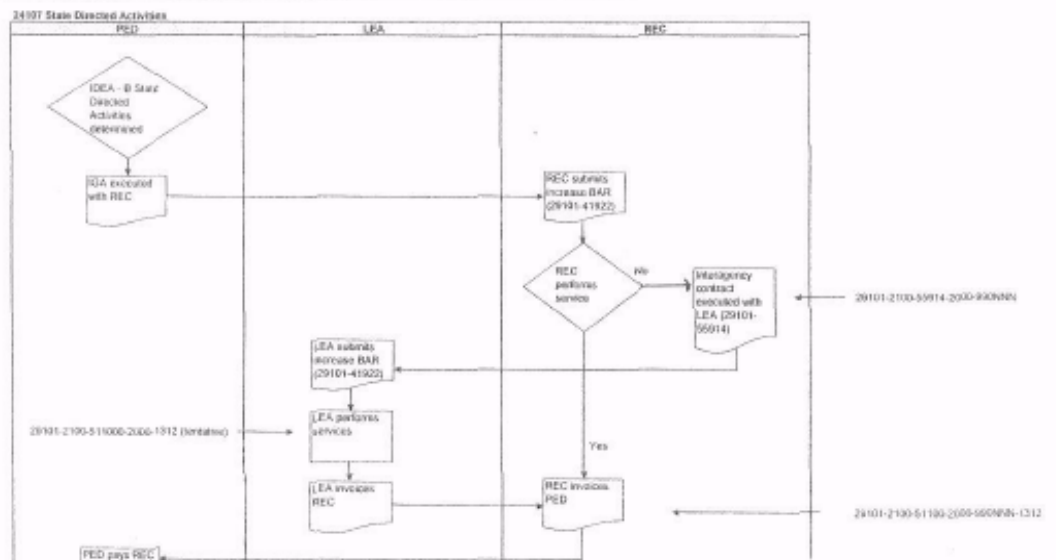
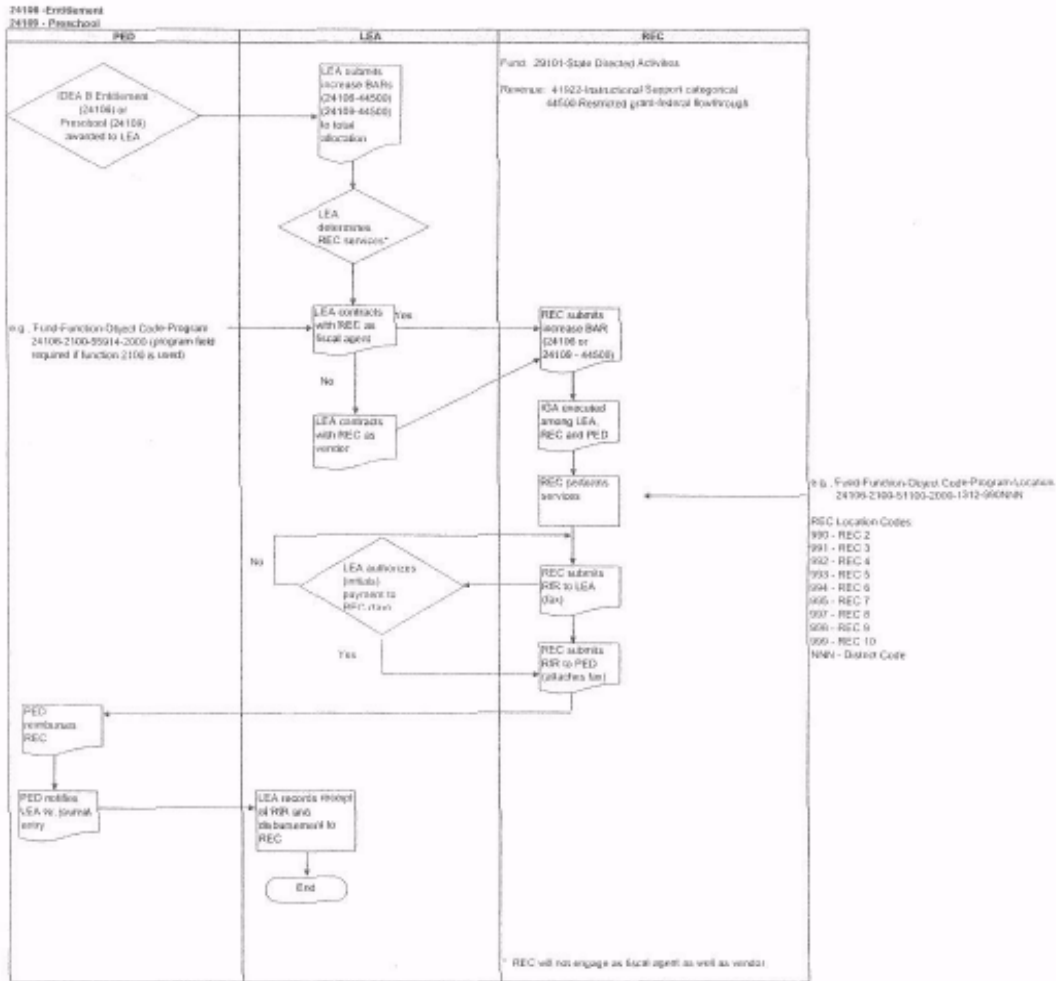
The Southwest Regional Educational Center was established in 1984 under the SBE Regulation No. 84-6. The SWREC will assist member districts with compliance with IDEA-B. Since this time we have expanded to offer a variety of additional services to our districts including literacy training, teacher mentorship. The SWREC also serves as flow through for Federal Funds for most of our districts.

Our 2011-2012 operating budget was passed on an allocation from the State of new Mexico and indirect costs the SWREC received from various programs/grants we administer. Additional operating funding is based on \$19,000.00 membership fee from the seven districts as well as the \$107,744.00 allocation form the State of new Mexico. Entrepreneurial activities with several Charter Schools and a variety of projects from PED also contribute to the operational funds of the SWREC

Funding from the State of New Mexico will continue to be an issue and the Administration for the SWREC in cooperation with the other Regional Education Cooperatives in the state will continue to lobby for continued support.

The SWREC continues to look for entrepreneurial activities that can contribute to the REC's operating budget to help keep dues charged to member district as low as possible. In fact, membership fees have not increased over the last thirteen year we have been in operation. The staff of the SWREC will continue to research grant opportunities, provide professional development, after school tutoring and technology to the member districts at the lowest cost possible to your district.

The decrease and ending of federal stimulus funding has brought a decrease to the SWREC overall budget. The Center continues to operate at the same speed maintaining the operating budget to continue to support the member districts, staff and students.



Request for Information

This financial report is designed to provide a general overview of the SWREC finances and to show the SWREC's accountability for the revenue it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Business Manager, 405 N. Date Street Suite #8, Truth or Consequences, New Mexico 87901.

Southwest Regional Education Center # 10
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,043,940
Interest receivable	31
Due from other governments	348,133
	\$ 2,392,104
Capital assets:	
Furniture and equipment	203,367
Less accumulated depreciation	(121,457)
Total capital assets, net of depreciation	\$ 81,910
Total assets	\$ 2,474,014
Liabilities	
Accounts payable	\$ 101,624
Deferred revenue	150,000
Compensated absences	2,070
Total liabilities	\$ 253,694
Net Assets	
Invested in capital assets	\$ 81,910
Restricted for:	
Education	303,565
Social services	1,017,683
Unrestricted	817,162
Total net assets	\$ 2,220,320

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Center # 10
STATEMENT OF ACTIVITIES
For the Fical Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Governmental activities:		
Instruction	\$ 194,504	\$ -
Support services - Students	415,733	
Support services - Instruction	1,232,809	206,985
General administration	931,759	124,137
School administration	31,882	
Central services	216,712	99,099
Operation of plant	61,996	39,481
Community services	80,231	
Other support services	133,964	91,902
	<u>\$ 3,299,590</u>	<u>\$ 561,604</u>

General revenues:

State aid - formula grant
Unrestricted investment earnings

Total general revenues and special items

Change in net assets

Net assets - beginning

Net assets - ending

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

<u>Program Revenues</u>		<u>Net (Expense)</u>
<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
<u>Grants and</u>	<u>Grants and</u>	<u>Changes in Net</u>
<u>Contributions</u>	<u>Contributions</u>	<u>Assets</u>
		<u>Total</u>
		<u>Governmental</u>
		<u>Activities</u>
\$ 194,636	\$ -	\$ 132
482,695		66,962
948,792		(77,032)
884,009		76,387
31,882		-
89,861		(27,752)
5,530		(16,985)
80,231		-
		(42,062)
<u>\$ 2,717,636</u>	<u>\$ -</u>	<u>\$ (20,350)</u>
		\$ 117,005
		<u>\$ 117,005</u>
		\$ 96,655
		<u>2,123,665</u>
		<u><u>\$ 2,220,320</u></u>

Southwest Regional Education Center #10
BALANCE SHEET--GOVERNMENTAL FUNDS
 June 30, 2012

	General	Technology for Education	Medicaid	State Level Discretionary
Assets				
Cash and investments	\$ 816,174	\$ -	\$ 922,421	\$ -
Interfund receivables	236,410			
Due from other governments		59,927	113,503	151,584
Interest receivable	22		9	
Total assets	\$ 1,052,606	\$ 59,927	\$ 1,035,933	\$ 151,584
Liabilities and Fund Balance				
Accounts payable	\$ 83,374	\$ -	\$ 18,250	\$ -
Interfund payables		59,927		151,584
Deferred revenue	150,000			
Total liabilities	\$ 233,374	\$ 59,927	\$ 18,250	\$ 151,584
Fund balances:				
Restricted for:				
Education	\$ -	\$ -	\$ -	\$ -
Social services			1,017,683	
Unassigned	819,232			
Total fund balances	\$ 819,232	\$ -	\$ 1,017,683	\$ -
Total liabilities and fund balances	\$ 1,052,606	\$ 59,927	\$ 1,035,933	\$ 151,584

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

<u>Dual LENM</u>	<u>Ideal NM</u>	<u>Other Funds</u>	<u>Total</u>
\$ 48,055	\$ 257,290	\$ -	\$ 2,043,940
		1,820	238,230
		23,119	348,133
			31
<u>\$ 48,055</u>	<u>\$ 257,290</u>	<u>\$ 24,939</u>	<u>\$ 2,630,334</u>
\$ -	\$ -	\$ -	\$ 101,624
	1,800	24,919	238,230
			150,000
<u>\$ -</u>	<u>\$ 1,800</u>	<u>\$ 24,919</u>	<u>\$ 489,854</u>
\$ 48,055	\$ 255,490	\$ 20	\$ 303,565
			1,017,683
			819,232
<u>\$ 48,055</u>	<u>\$ 255,490</u>	<u>\$ 20</u>	<u>\$ 2,140,480</u>
<u>\$ 48,055</u>	<u>\$ 257,290</u>	<u>\$ 24,939</u>	<u>\$ 2,630,334</u>

Southwest Regional Education Center # 10
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**
June 30, 2012

Total governmental fund balances	\$ 2,140,480
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	81,910
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(2,070)</u>
<i>Net assets of governmental activities</i>	<u><u>\$ 2,220,320</u></u>

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

Southwest Regional Education Center # 10
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**
For The Fiscal Year Ended June 30, 2012

	<u>General Fund</u>	<u>Technology for Education</u>	<u>Medicaid</u>
Revenues:			
Federal sources	\$ -	\$ -	\$ 742,003
State sources	117,005	39,273	
Local sources	561,604		
Earnings on investments			
	<u>678,609</u>	<u>39,273</u>	<u>742,003</u>
Total revenues	\$ 678,609	\$ 39,273	\$ 742,003
Expenditures:			
Current:			
Instruction	\$ -	\$ -	\$ -
Support services - Students			274,863
Support services - Instruction	301,718		
General administration	180,952	57,585	245,081
School administration			
Central services	144,454		72,258
Operation of plant	57,550		4,446
Other support services	133,964		
Community services			
	<u>818,638</u>	<u>57,585</u>	<u>596,648</u>
Total expenditures	\$ 818,638	\$ 57,585	\$ 596,648
Revenues over (under) expenditures	\$ (140,029)	\$ (18,312)	\$ 145,355
Other financing sources:			
Operating transfers in (out)	<u>78</u>	<u>18,312</u>	
Net change in fund balance	\$ (139,951)	\$ -	\$ 145,355
Fund balance, July 1, 2011	<u>959,183</u>		<u>872,328</u>
Fund balance, June 30, 2012	<u>819,232</u>	<u>-</u>	<u>1,017,683</u>

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

<u>State Level Discretionary</u>	<u>Dual LENM</u>	<u>Ideal NM</u>	<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ - 384,244	\$ - 541,000	\$ - 520,624	\$ 156,491 304,392 29,609	\$ 898,494 1,365,538 1,132,213 -
<u>\$ 384,244</u>	<u>\$ 541,000</u>	<u>\$ 520,624</u>	<u>\$ 490,492</u>	<u>\$ 3,396,245</u>
\$ 194,592 140,870 16,900 31,882	\$ - 523,333	\$ - 416,583	\$ - 407,758 2,421 80,231	\$ 194,592 415,733 1,232,809 919,522 31,882 216,712 61,996 133,964 80,231
<u>\$ 384,244</u>	<u>\$ 523,333</u>	<u>\$ 416,583</u>	<u>\$ 490,410</u>	<u>\$ 3,287,441</u>
\$ -	\$ 17,667	\$ 104,041	\$ 82	\$ 108,804
			(18,390)	-
\$ -	\$ 17,667	\$ 104,041	\$ (18,308)	\$ 108,804
	<u>\$ 30,388</u>	<u>\$ 151,449</u>	<u>\$ 18,328</u>	<u>\$ 2,031,676</u>
<u>\$ -</u>	<u>\$ 48,055</u>	<u>\$ 255,490</u>	<u>\$ 20</u>	<u>\$ 2,140,480</u>

Southwest Regional Education Center # 10
**RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
June 30, 2012

Net change in fund balances - total governmental funds \$ 108,804

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

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 as depreciation expense:

Capital outlay	
Depreciation expense	(12,237)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in these resources for the year:

Governmental grants not received within the 60 day availability period

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the net change for the year.

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Change in Net Assets of Governmental Activities

\$ 96,655

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

Southwest Regional Education Center #10
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ 117,005	\$ 117,005
Local sources	783,058	783,378	561,604	(221,774)
Interest income				-
Total revenues	\$ 783,058	\$ 783,378	\$ 678,609	\$ (104,769)
Expenditures:				
Current:				
Support services - Instruction	\$ 291,939	\$ 314,830	\$ 301,031	\$ 13,799
General administration	214,672	194,046	183,162	10,884
Central services	137,537	145,563	144,433	1,130
Operation of plant	57,410	58,939	58,009	930
Other support services	81,000	70,000	70,000	-
Capital outlay	500	-		-
Total expenditures	\$ 783,058	\$ 783,378	\$ 756,635	\$ 26,743
Revenues over (under) expenditures	\$ -	\$ -	\$ (78,026)	\$ (78,026)
Other financing sources (uses)				
Transfers in	\$ -	\$ -	\$ 4,393	\$ 4,393
Net change in fund balance	\$ -	\$ -	\$ (73,633)	\$ (73,633)
Fund balance, July 1, 2011			1,126,217	1,126,217
Fund balance, June 30, 2012	\$ -	\$ -	\$ 1,052,584	\$ 1,052,584

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Center #10
SPECIAL REVENUE - IDEAL NM
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 520,624</u>	<u>\$ 20,624</u>
Expenditures:				
Current:				
General administration	\$ 500,000	\$ 500,000	\$ 416,583	\$ 850
School administration	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 416,583</u>	<u>\$ 83,417</u>
Net change in fund balance	\$ -	\$ -	\$ 104,041	\$ 104,041
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>	<u>153,249</u>	<u>153,249</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 257,290</u></u>	<u><u>\$ 257,290</u></u>

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

Southwest Regional Education Center #10
SPECIAL REVENUE FUND - MEDICAID
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 637,056	\$ 637,056	\$ 723,604	\$ 86,548
Interest income				-
Total revenues	\$ 637,056	\$ 637,056	\$ 723,604	\$ 86,548
Expenditures:				
Current:				
Support services - Students	\$ 291,550	\$ 305,088	\$ 279,039	\$ 26,049
General administration	272,271	251,088	239,943	11,145
Central services	69,235	76,880	72,258	4,622
Operation of plant	4,000	4,000	4,000	-
Capital outlay		-		-
Total expenditures	\$ 637,056	\$ 637,056	\$ 595,240	\$ 41,816
Revenues over (under) expenditures	\$ -	\$ -	\$ 128,364	\$ 128,364
Other financing sources (uses)				
Transfers in	\$ -	\$ -	\$ 12,668	\$ 12,668
Net change in fund balance	\$ -	\$ -	\$ 141,032	\$ 141,032
Fund balance, July 1, 2011			781,389	781,389
Fund balance, June 30, 2012	\$ -	\$ -	\$ 922,421	\$ 922,421

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Center #10
SPECIAL REVENUE - DUAL LENM
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2012

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 554,711	\$ 554,711	\$ 541,000	\$ (13,711)
Expenditures:				
Current:				
Support services - Instruction	554,711	554,711	523,333	31,378
Net change in fund balance	\$ -	\$ -	\$ 17,667	\$ 17,667
Fund balance, July 1, 2011	-	-	30,388	30,388
Fund balance, June 30, 2012	\$ -	\$ -	\$ 48,055	\$ 48,055

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

Southwest Regional Education Center #10
SPECIAL REVENUE FUND - TECHNOLOGY FOR EDUCATION PED
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 64,800	\$ 64,800	\$ 6,883	\$ (57,917)
Expenditures:				
Current:				
General administration	\$ 64,800	\$ 64,800	\$ 59,926	\$ 4,874
Capital outlay	-	-	-	-
Total expenditures	\$ 64,800	\$ 64,800	\$ 59,926	\$ 4,874
Revenues over (under) expenditures	\$ -	\$ -	\$ (53,043)	\$ (53,043)
Other financing sources (uses)				
Transfers in	\$ -	\$ -	\$ 20,653	\$ 20,653
Net change in fund balance	\$ -	\$ -	\$ (32,390)	\$ (32,390)
Fund balance, July 1, 2011	-	-	(27,537)	(27,537)
Fund balance, June 30, 2012	\$ -	\$ -	\$ (59,927)	\$ (59,927)

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Center #10
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 **Summary of Significant Accounting Policies**

Regional Educational Cooperatives (REC's) are established by the Regional Cooperative Education Act, 22-2B-1 to 22-2B-6, NMSA 1978.

The purpose of a REC is to provide education-related services to students of participating education entities.

In 1984, the New Mexico State Board of Education (SBE) established ten Regional Center Cooperatives (RCC's) under SBE Regulation No. 84-6. The purpose of the Regional Center Cooperative's is to provide services for local education agencies and eligible state supported schools under Public Law 94-142, the Education of the Handicapped Act (IDEA-B). SBE Regulation No. 84.6 permits districts to submit consolidated applications to the State Department of Education (SDE) for certain entitlement and discretionary funds under IDEA-B. Since 1984, Regional Center Cooperatives have also established cooperative programs of education services with funds other than IDEA-B entitlement or discretionary funds, including Drug Free School and Communities Act of 1986, Title II-Critical Skills Improvement, Medicaid in the Schools, and the Carl D. Perkins Vocational and Applied Technology Education Act of 1990, as well as other direct federal and state/local funding sources.

The 41st Legislative Session authorized the establishment of Regional Education Cooperatives (REC's) and the State Board of Education adopted SBE Regulation 93-23, which establishes the minimum criteria for the establishment, operation, and oversight of Regional Education Center's. Regional Education Center's are state agencies administratively attached to the State Department of Education. The State Board of Education authorizes the existence and operation of Regional Education Cooperatives (REC's) formed by local school boards joining with other school boards or other state-supported education institutions. Regional education cooperatives are exempt from the provisions of the Personnel Act [10-9-1 to 10-9-25 NMSA 1978].

The Regional Education Center's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Regional Education Center are discussed below.

A. REPORTING ENTITY

These financial statements present the Regional Education Center (the primary government). As defined by GASBS No. 14, component units are legally separate entities that are included in the Regional Education Center's reporting entity because of the

significance of their operating or financial relationships with the Regional Education Center. Based on the criterion in GASBS No. 14, the Regional Education Center had no component units.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Regional Education Center has no business-type activities, nor any fiduciary funds.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into one major category: governmental. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the Regional Education Center or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Regional Education Center and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

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

Major-Fund Description

Special Revenue Funds:

State Level Discretionary – to account for the State grant from NMPED to support students with disabilities.

IDEAL NM E Training – to account for State grant revenue for innovative digital

education and learning to New Mexico K-12 schools

Dual LENM– to account for the grant from the dual language of New Mexico to provide support to schools in implementing dual language education.

Technology for Education PED - are used to assist the District with State funding to develop and implement a strategic, long-term plan for utilizing educational technology in the School System Authority for creation NMSA 22-15A-1 to 22-1.5A-10.

Medicaid– accounts for the federal revenues and expenditures to provide health related services to students receiving special education as well as for outreach and case coordination activities provided to all students at risk. The creation of this fund was authorized by the Social Security act Title XIX, as amended; Public Law 89-97, OP-248, 91-56 and (42 U.S.A. 1396, et. seq.).

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item “b” below.

In the fund financial statements, the “current financial resources” measurement focus is used.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The government-wide financial statements utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

Basis of Accounting

1. Accrual:

The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient. Grant revenues not collected within 60 days of year end are recorded as receivables and deferred revenue. Such amounts are recorded net of estimated uncollectible amounts.

In the government-wide Statement of Net Assets, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Regional Education Center's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Regional Education Center first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Regional Education Center's functions. The functions are also supported by general government revenues (certain intergovernmental revenues, and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function, and are typically charges for services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (intergovernmental revenues, interest income, etc.).

The Regional Education Center does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Regional Education Center as an entity and the change in the Regional Education Center's net assets resulting from the current year's activities.

D. Budgets

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

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

Actual expenditures may not exceed the budget on a functional category 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 Member approval. If a transfer between "series" or a budget increase is required, approval must also be obtained from Public Education Department.

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

The Southwest Regional Education Center follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April or May, the Executive Director submits 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.
2. In May or June, the budget is approved by the Members.
3. The Executive 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 Members and the State of New Mexico Public Education Department.
4. Formal budgetary integration is employed as a management control device during the year for the Special Revenue Funds.
5. Budgets for the Special Revenues 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 Members 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, 2012 was properly amended by the Board through the year.

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest-bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by

other financial institutions, with safekeeping receipts held by the Regional Education Center. The pledged securities remain in the name of the financial institution.

F. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment	5-10 years
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The accounting treatment over property, plant and equipment depends on whether they are reported in the government-wide financial statements or fund financial statements. In the government-wide financial statements, fixed assets are accounted for as capital assets. In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

G. Compensated Absences

The Regional Education Center's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

H. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

- c. Unrestricted net assets - all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

During the year ended June 30, 2011, the Center implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Board. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes). Expenditures eligible to be paid from committed, assigned or unassigned funds are charges first to committed, secondly to assigned, and finally to unassigned.

I. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

J. Use of Estimates

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

Note 2 Custodial Credit Risk

Custodial credit risk is the risk 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 credit risk beyond that disclosed in Note 1. As of June 30, 2012, \$-0- of the governments bank balance of \$1,942,515 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	-0-
Uninsured and collateral held by pledging banks		
Trust department not in Center's name		<u>-0-</u>
Total	\$	<u><u>-0-</u></u>

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	\$ 250,000	\$ 250,000
Collateral held by the pledging bank's agent in the Center's name	<u>1,692,515</u>	<u>1,582,234</u>
	<u>\$ 1,942,515</u>	<u>\$ 1,832,234</u>

The Education Center invests in the State Treasurer Local Governmental Investment Pool, a New Mexico sponsored investment alternative.

The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer, with the advice and consent of the State Board of Finance, is authorized to invest money held in the short-term investment fund in accordance with Sections 6-10-101 through 6-10-10P and Sections 6-10-10.1 A and E, NMSA 1978. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments;

The pool does not have unit shares. Per Section 6-10-10.IF, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts fund were invested.

Investments are valued at fair value based on quoted market prices as of the valuation date.

Participation in the pool is voluntary. The Center has \$211,706 on deposit in the pool at June 30, 2012, which is AAAM rated with a weighted average maturity of 60 days.

Note 3 Intergovernmental Receivables

Amounts due from government at June 30, 2012 consisted of the following:

Medicaid	\$ 113,503
State Level Discretionary	151,584
21 st Century	23,099
Technology for Education	59,927
WIA Sierra	<u>20</u>
	<u>\$ 348,133</u>

No allowance for doubtful accounts has been recorded as the Southwest Regional Education Center anticipates all receivables will be collected.

Note 4 Capital Assets

The following is summary of capital asset activity during the fiscal year:

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2012</u>
<u>Assets Being Depreciated</u>				
Furniture and equipment	\$203,367	\$ -0-	\$ -0-	\$203,367
Less accumulated depreciation	<u>(109,220)</u>	<u>(12,237)</u>	<u>-0-</u>	<u>(121,457)</u>
Net capital assets	<u>\$ 94,147</u>	<u>\$(12,237)</u>	<u>\$ -0-</u>	<u>\$ 81,910</u>

Depreciation expense was charged to the governmental activities as follows:

Administration	<u>\$ 12,237</u>
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Note 5 Budgetary Reconciliation

The Statements of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of legally adopted budgets with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of

net changes in fund balances for major funds for the year ended June 30, 2012 is as follows:

	<u>General</u>	<u>Medicaid</u>	State Level <u>Discretionary</u>	<u>Ideal NM</u>	Dual <u>LENM</u>	Technology for Education <u>PED</u>
Net change in fund balance, GAAP basis	\$(139,951)	\$ 145,355	\$ -0-	\$ 104,041	\$ 17,667	\$ -0-
Increases (decreases):						
Revenue accruals (net)	-0-	(18,399)	44,449	-0-	-0-	32,390
Expenditure accruals (net)	62,003	1,408	(16,900)	-0-	-0-	2,341
Operations transfers (net)	<u>4,315</u>	<u>12,668</u>	<u>16,900</u>	<u>-0-</u>	<u>-0-</u>	<u>(2,341)</u>
Net change in fund balance (NON-GAAP) budgetary basis	<u>\$(73,633)</u>	<u>\$ 141,032</u>	<u>\$ 44,449</u>	<u>\$ 104,041</u>	<u>\$ 17,667</u>	<u>\$ 32,390</u>

Note 6 Risk Management

Southwest Regional Education Center #10 is a member of the New Mexico Public School Insurance authority (NMPSIA). The Authority was created to provide comprehensive care insurance program by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The Southwest Regional Education Center #10 pays an annual premium to the NPSIA, and risk of loss is transferred. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under risk management program are Boiler, Machinery and Student Accident Insurance.

Note 7 Retirement Plan

Plan Description

Substantially all of the Southwest Regional Education Center #10'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, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy

Plan members earning \$20,000 or less annually are required by statute to contribute 7.9% of their gross salary. Plan members earning over \$20,000 annually were required to contribute 11.15% of their gross salary in fiscal year 2012 and will be required to contribute 9.40% of their gross salary in fiscal year 2013. The Southwest Regional Education Center #10 has been and is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, in fiscal years 2012 and 2013. In fiscal year 2012 the Southwest Regional Education Center #10 contributed 9.15% of the gross covered salary of employees earning more than \$20,000 annually. In fiscal year 2013 the Southwest Regional Education Center #10 will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the Southwest Regional Education Center #10 are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Southwest Regional Education Center #10's contributions to ERB for the fiscal years ending June 30, **2012, 2011, and 2010**, were \$91,876, \$88,213, and \$65,998, respectively, which equal the amount of the required contributions for each fiscal year.

Note 8 Retiree Health Care Plan

Plan Description

Southwest Regional Education Center #10 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.

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.

1) 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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal years ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employee Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY2013	2.000%	1.000%

Also, employers joining the program after 1/01/98 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 Southwest Regional Education Center #10's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$15,226, \$12,321 and \$6,810, respectively, which equal the required contributions for each year.

Note 9 Contingencies

The Southwest Regional Education Center #10 participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Southwest Regional Education Center #10 may be required to reimburse the grantor government. As of June 30, 2006, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Southwest Regional Education Center #10.

Note 10 Joint Powers Agreement

The Regional Education Center #10 does not participate in any joint powers agreements.

Note 11 Interfund Transactions

<u>Interfund Payables</u>	<u>Interfund Receivable</u>		<u>Total</u>
	<u>General Fund</u>	<u>Other Funds</u>	
State Level Discretionary	\$ 151,584	\$	\$ 151,584
IDEAL NM	1,800		1,800
Technology for Education	59,927		59,927
Other Funds	<u>23,099</u>	<u>1,820</u>	<u>24,919</u>
	<u>\$ 236,410</u>	<u>\$ 1,820</u>	<u>\$ 238,230</u>

All interfund balances are expected to be repaid within one year. The purpose of these loans was to provide cash for operating purposes, while reimbursements are collected.

Interfund transfers were as follows during the year ended June 30, 2012:

<u>Transfers to</u>	<u>Transfers from other funds</u>
General	\$ 78
Technology for education	<u>18,312</u>
	<u>\$ 18,390</u>

The transfers were made to close dormant funds.

Note 12 Compensated Absences

Compensated absence activity was as follows for the year ended June 30, 2012.

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>
Compensated absences	<u>\$ 2,158</u>	<u>\$ 2,681</u>	<u>\$ (2,769)</u>	<u>\$ 2,070</u>

The amount of compensated absences due within the next year are not estimable. The liabilities will be paid from the fund which is charged with the employee as a direct cost, and will be paid from available funds. Typically, the general fund bears the majority of compensated absences cost.

Note 13 Restricted Net Assets

Net assets restricted for other purposes consist of Special Revenue Fund balances which are restricted by enabling legislation, as listed in the fund descriptions elsewhere in this report. Restrictions are as follows:

Social Services:	
Medicaid	\$1,017,683
Education:	
Dual LENM	48,055
IDEAL NM	255,490
Other	<u>20</u>
	<u>\$1,321,248</u>

SPECIAL REVENUE FUNDS

21st Century – To account for federal resources administered by the State Department of Education to enable public schools to plan, implement or expand projects that benefit the community. Authority for creation of this fund is P.L. 103-382.

DOH TUPAC Fund – To account for the state grant revenues administered by the New Mexico Department of Health for Teen Tobacco Use Prevention. Authority for creation of this fund is the New Mexico Public Education Department's *Manual of Procedures for School Districts*.

WIA-Sierra Fund – To account for the federal grant revenues administered by Southwest Area Workforce Investment Board to operate a job training program in Sierra County, New Mexico. The funding aids in providing youth development programs that help eligible youth prepare for and find employment. (Authority for creation of this fund is the provision of the 1998 Workforce Investment Act, P.L. 105-220).

WIA-Sierra Summer Program Fund – To account for the federal grant revenues and expenditures administered by Southwest Area Workforce Investment Board to operate a job training program in Sierra County, New Mexico. The funding aids in providing youth development programs that help eligible youth prepare for and fund summer employment. Authority for the creation of this fund is from the 2008 American Recovery and Reinvestment Act.

NMSU and TESOL IDEAL NM Fund – To account for state revenues that provide funding to provide online courses between the member school districts. Authority for the creation of the fund is the New Mexico Public Education Department's *Manual of Procedures for School Districts*.

HELP Project - To account for the State resources administered by the New Mexico Department of Education for the improvement of public education. Authorization is the New Mexico Department of Education *Manual of Procedures for School Districts*.

State Migrant - Used to account for federal assistance administered by the New Mexico State Department of Education for migrant education. Required by the New Mexico Department of Education *Manual of Procedures for New Mexico School Districts* to be accounted for as a separate fund with the Special Revenue Funds (P.L. 103-382).

Education Technology ARRA – To account for the state grant to improve student academic achievement through the use of technology, to assist students in technological literacy and to encourage integration with teacher training. Authorization is SEA Act of 1965 and ARRA Act of 2009.

Substance Abuse and Mental Health – To account for the federal grant revenues and expenditures to educate students in the areas of substance abuse and mental health issue.

Graduate NM Stimulus - To account for the federal grant to improve student academic achievement in schools with a graduation rate below 60% over a number of years. Authorization is PL 107-110 and the American Recovery and Reinvestment Act of 2009.

Public Health Services Health Education – To account for local source revenue to improve students awareness in the areas of health education. Authorization is the governing board.

Southwest Regional Education Center #10
COMBINING BALANCE SHEET-
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2012

	21st Centruy	DOH Tupac	WIA Sierra	Total
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Interfund receivables	1,800	20		1,820
Due from other governments	23,099		20	23,119
 Total assets	\$ 24,899	\$ 20	\$ 20	\$ 24,939
 Liabilities and Fund Balances				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interfund payables	24,899		20	24,919
Deferred revenue				-
 Total liabilities	\$ 24,899	\$ -	\$ 20	\$ 24,919
 Fund balances:				
Restricted for:				
Education	\$ -	\$ 20	\$ -	\$ 20
 Total fund balances	\$ -	\$ 20	\$ -	\$ 20
 Total liabilities and fund balances	\$ 24,899	\$ 20	\$ 20	\$ 24,939

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

Southwest Regional Education Center # 10
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2012

	21st Century	Public Health Services	DOH TUPAC
Revenues:			
Federal sources	\$ 80,231	\$ -	\$ -
State sources			84
Local sources		29,609	
Earnings on investments			
	<hr/>	<hr/>	<hr/>
Total revenues	<u>\$ 80,231</u>	<u>\$ 29,609</u>	<u>\$ 84</u>
Expenditures:			
Current:			
Instruction	\$ -	\$ -	\$ -
Support services - Students			
Support services - Instruction		29,609	
General administration			80
School administration			
Central services			
Operation of plant			
Other support services			
Community services	80,231		
	<hr/>	<hr/>	<hr/>
Total expenditures	<u>\$ 80,231</u>	<u>\$ 29,609</u>	<u>\$ 80</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ 4
Other financing sources:			
Operating transfers in (out)			
	<hr/>	<hr/>	<hr/>
Net change in fund balance	\$ -	\$ -	\$ 4
Fund balance, July 1, 2011			16
	<hr/>	<hr/>	<hr/>
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20</u>

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

<u>WIA Summer</u>	<u>State Migrant</u>	<u>NMSU Ideal NM</u>	<u>TESOL Ideal NM</u>	<u>Education Technology</u>	<u>Total</u>
\$ 44	\$ - 304,308	\$ -	\$ -	\$ 76,216	\$ 156,491 304,392 29,609 -
<u>\$ 44</u>	<u>\$ 304,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,216</u>	<u>\$ 490,492</u>
\$ -	\$ - 304,274	\$ -	\$ -	\$ - 73,875 2,341	\$ - - 407,758 2,421 - - - - 80,231
<u>\$ -</u>	<u>\$ 304,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,216</u>	<u>\$ 490,410</u>
\$ 44	\$ 34	\$ -	\$ -	\$ -	\$ 82
<u>(44)</u>	<u>(34)</u>	<u>(16,237)</u>	<u>(2,075)</u>		<u>(18,390)</u>
\$ -	\$ -	\$ (16,237)	\$ (2,075)	\$ -	\$ (18,308)
		<u>16,237</u>	<u>2,075</u>		<u>18,328</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20</u>

Southwest Regional Education Center #10
SPECIAL REVENUE FUND - STATE MIGRANT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 175,000	\$ 321,808	\$ 305,390	\$ (16,418)
Expenditures:				
Current:				
Support services - Instruction	\$ 175,000	\$ 321,808	\$ 321,774	\$ 34
Capital outlay				-
Total expenditures	<u>\$ 175,000</u>	<u>\$ 321,808</u>	<u>\$ 321,774</u>	<u>\$ 34</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,384)</u>	<u>\$ (16,384)</u>
Other financing sources (uses)				
Transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (34)</u>	<u>\$ (34)</u>
Net change in fund balance	\$ -	\$ -	\$ (16,418)	\$ (16,418)
Fund balance, July 1, 2011			<u>16,418</u>	<u>16,418</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			1,082	
Expenditure accruals (net)			<u>(17,500)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (16,418)</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Center #10
SPECIAL REVENUE -21ST CENTURY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 80,400	\$ 80,400	\$ 74,668	\$ (5,732)
Expenditures:				
Current:				
General administration	\$ -	\$ -	\$ -	\$ -
Community services	80,400	80,400	80,400	-
Total expenditures	<u>\$ 80,400</u>	<u>\$ 80,400</u>	<u>\$ 80,400</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (5,732)	\$ (5,732)
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>	<u>(19,167)</u>	<u>(19,167)</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (24,899)</u></u>	<u><u>\$ (24,899)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(5,563)	
Expenditure accruals (net)			<u>(169)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (5,732)</u></u>	

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

Southwest Regional Education Center #10
SPECIAL REVENUE - DOH TUPAC
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2012

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ 84	\$ 84
Expenditures:				
Current:				
General administration	\$ -	\$ -	\$ -	\$ -
Operation of plant	-	-	-	-
Total expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ 84	\$ 84
Fund balance, July 1, 2011	-	-	(84)	(84)
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 4	
Revenue accruals (net)			80	
Expenditure accruals (net)			<u>80</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 84</u>	

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

Southwest Regional Education Center #10
SPECIAL REVENUE FUND - WIA SIERRA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Support services - Instruction	\$ -	\$ -	\$ -	\$ -
Capital outlay				-
Total expenditures	\$ -	\$ -	\$ -	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses)				
Transfers out	\$ -	\$ -	\$ (80)	\$ (80)
Net change in fund balance	\$ -	\$ -	\$ (80)	\$ (80)
Fund balance, July 1, 2011			80	80
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Other financing uses (net)			<u>(80)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (80)</u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Center #10
SPECIAL REVENUE - SUBSTANCE ABUSE AND MENTAL HEALTH
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ 6,569	\$ 6,569
Expenditures:				
Current:				
Support services - Instruction	\$ -	\$ -	\$ -	\$ -
General administration	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ 6,569	\$ 6,569
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>	<u>(6,569)</u>	<u>(6,569)</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			6,569	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 6,569</u></u>	

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

Southwest Regional Education Center #10
SPECIAL REVENUE FUND - NMSU IDEAL NM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Support services - Instruction	\$ -	\$ -	\$ -	\$ -
Capital outlay	-	-	-	-
Total expenditures	\$ -	\$ -	\$ -	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses)				
Transfers out	\$ -	\$ -	\$ (16,237)	\$ (16,237)
Net change in fund balance	\$ -	\$ -	\$ (16,237)	\$ (16,237)
Fund balance, July 1, 2011	-	-	16,237	16,237
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (16,237)	
Revenue accruals (net)				
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (16,237)</u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Center #10
SPECIAL REVENUE FUND - TESOL IDEAL NM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Support services - Instruction	\$ -	\$ -	\$ -	\$ -
Capital outlay	-	-	-	-
Total expenditures	\$ -	\$ -	\$ -	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses)				
Transfers out	\$ -	\$ -	\$ (2,075)	\$ (2,075)
Net change in fund balance	\$ -	\$ -	\$ (2,075)	\$ (2,075)
Fund balance, July 1, 2011	-	-	2,075	2,075
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (2,075)	
Revenue accruals (net)				
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (2,075)</u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Center #10
SPECIAL REVENUE FUND - EDUCATION TECHNOLOGY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 72,878	\$ 72,878	\$ 105,591	\$ 32,713
Expenditures:				
Current:				
Support services - Instruction	\$ 72,878	\$ 72,878	\$ 72,878	\$ -
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 72,878</u>	<u>\$ 72,878</u>	<u>\$ 72,878</u>	<u>\$ -</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,713</u>	<u>\$ 32,713</u>
Other financing sources (uses)				
Transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,101)</u>	<u>\$ (7,101)</u>
Net change in fund balance	\$ -	\$ -	\$ 25,612	\$ 25,612
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>	<u>(25,612)</u>	<u>(25,612)</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			29,375	
Expenditure accruals (net)			<u>(3,763)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 25,612</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Center #10
SPECIAL REVENUE - GRADUATE NM STIMULUS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ 303,616	\$ 303,616
Expenditures:				
Current:				
Support services - Instruction	\$ -	\$ -	\$ -	\$ -
General administration	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ 303,616	\$ 303,616
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>	<u>(303,616)</u>	<u>(303,616)</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			303,616	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 303,616</u></u>	

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

Southwest Regional Education Center #10
SPECIAL REVENUE FUND - IDEAL NM E TRAINING
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ 152,447	\$ 152,447
Expenditures:				
Current:				
Support services - Instruction	\$ -	\$ -	\$ -	\$ -
Capital outlay	-	-	-	-
Total expenditures	\$ -	\$ -	\$ -	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ 152,447	\$ 152,447
Other financing sources (uses)				
Transfers in	\$ -	\$ -	\$ 4,760	\$ 4,760
Net change in fund balance	\$ -	\$ -	\$ 157,207	\$ 157,207
Fund balance, July 1, 2011	-	-	(157,207)	(157,207)
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			152,447	
Expenditure accruals (net)			4,760	
Other financing sources (net)			<u>4,760</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 157,207</u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Center #10
SPECIAL REVENUE -PUBLIC HEALTH SERVICES HEALTH EDUCATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2012

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 38,360	\$ 38,360	\$ 29,609	\$ (8,751)
Expenditures:				
Current:				
Support services - Instruction	\$ 38,360	\$ 38,360	\$ 29,609	\$ 8,751
Community services	-	-	-	-
Total expenditures	\$ 38,360	\$ 38,360	\$ 29,609	\$ 8,751
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2011	-	-	-	-
Fund balance, June 30, 2012	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)				
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Southwest Regional Education Center #10
SCHEDULE OF DEPOSITORY COLLATERAL
 June 30, 2012

	<u>Compass Bank</u>
Total Deposits	\$ 1,942,515
Less: FDIC insurance	<u>(250,000)</u>
 Total uninsured public funds	 <u><u>\$ 1,692,515</u></u>
 50% collateralization requirement (Section 6-10-17 NMSA)	 <u>\$ 846,258</u>
Pledged Securities: FNMA 31410DWD8 7/1/36	<u>\$ 1,788,639</u>
 Total pledged securities	 <u>\$ 1,788,639</u>
 Pledged securities over (under) requirement	 <u><u>\$ 942,382</u></u>

* These securities are pledged to Southwest Regional Education Center, and are held at the Federal Home Loan Bank in Atlanta, GA. The securities remain in the name of the financial institution, with safekeeping receipts held by the Center.

Southwest Regional Education Center #10
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2012

	<u>Account Type</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Compass Bank</u>			
SW Regional Education Center	Checking	\$ 1,942,500	\$ 1,832,219
SW Regional Education Center	Checking	15	15
Total State National Bank		\$ 1,942,515	\$ 1,832,234
<u>NM LGIP</u>			
SW Regional Education Center	Investment	\$ 211,604	\$ 211,604
SW Regional Education Center	Investment	102	102
Total NM LGIP		\$ 211,706	\$ 211,706
Total cash and investments		\$ 2,154,221	\$ 2,043,940

Southwest Regional Education Center #10
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS BY PUBLIC EDUCATION DEPARTMENT CLASSIFICATION
For The Fiscal Year Ended June 30, 2012

	<u>Federal Flowthrough</u>	<u>Federal Direct</u>	<u>State Flowthrough</u>
Total cash as of July 1, 2011	\$ (2,749)	\$ (310,143)	\$ 764,868
Add: Current year receipts	380,058	339,565	2,076,134
Prior year warrants voided			
Less: Current year expenditures	(402,208)	(29,422)	(1,851,476)
Chargebacks/(Overdrafts)			
Abatements			
Transfers			
	<hr/>	<hr/>	<hr/>
Total cash as of June 30, 2012 per cash report	\$ (24,899)	\$ -	\$ 989,526
Investments			211,721
	<hr/>	<hr/>	<hr/>
Cash and investments per audit report	<u>\$ (24,899)</u>	<u>\$ -</u>	<u>\$ 1,201,247</u>

<u>State Direct</u>	<u>Total</u>
\$ 726,555	\$ 1,178,531
1,097,672	3,893,429
	-
(956,635)	(3,239,741)
	-
	-
	-
<hr/>	<hr/>
\$ 867,592	\$ 1,832,219
	211,721
<hr/>	<hr/>
<u>\$ 867,592</u>	<u>\$ 2,043,940</u>

Southwest Regional Education Center #10
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

<u>Federal Grantor/Pass-through grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through N.M. Department of Education:			
21st Century Learning	84.287	24.119	\$ 80,231
ARRA-Education Technology State Grants	84.386	67.117	<u>76,216</u>
Total U.S. Department of Education			<u>\$ 156,447</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through N.M. Department of Human Services:			
Medicaid	93.778	N/A	<u>\$ 596,648</u>
Total U.S. Department of Health and Human Services			<u>\$ 596,648</u>
Total expenditures of federal awards			<u><u>\$ 753,095</u></u>

See the accompanying notes to Schedule of Expenditures of Federal Awards.

Southwest Regional Education Center #10
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Fiscal Year Ended June 30, 2012

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southwest Regional Education Center #10 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 Insurance

The Center is a member of the New Mexico Public School Insurance Authority to which it pays an annual premium in exchange for insurance in varying amounts based on the type of risk, as follows:

General liability	\$ 10,000,000
Medical malpractice	1,050,000
Boiler and machinery	100,000,000
Property	550,000,000
Workman's compensation	Statutory limit
Crime	5,000,000
Fine arts	200,000,000

Note 3 Sub-Recipients

The Center is a conduit of federal funds from the New Mexico Department of Education to the member school districts. Substantially all federal expenditures were passed-through to the member school districts.

Southwest Regional Education Center #10
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2012

Findings - Financial Statement Audit

None.

Findings - Major Federal Awards Programs Audit

None.

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LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.
KELLEY WYATT, C.P.A.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Hector H. Balderas, State Auditor
and
Board of Superintendents
Southwest Regional Education Center #10
Truth or Consequences, New Mexico

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southwest Regional Education Center #10 as of and for the year ended June 30, 2012, which collectively comprise Southwest Regional Education Center #10's basic financial statements and have issued our report thereon dated September 20, 2012. We have also audited the financial statements of each of the Center's nonmajor governmental funds and the budgetary comparisons for the nonmajor special revenue funds as of and for the year ended June 30, 2012, and have issued our report thereon dated September 21, 2012. 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

Management of the Southwest Regional Education Center #10 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Southwest Regional Education Center #10'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 Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southwest Regional Education center #10's internal control over financial reporting.

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.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Southwest Regional Education Center #10's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Superintendents, others within the entity, the Public Education Department, the New Mexico State Auditor, the New Mexico Legislature, and 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.

Stone, McGee & Co CPAs

September 20, 2012

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas, State Auditor
and
Board of Superintendents
Southwest Regional Education Center #10
Truth or Consequences, New Mexico

Compliance

We have audited Southwest Regional Education Center #10's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Southwest Regional Education Center #10's major federal programs for the year ended June 30, 2012. Southwest Regional Education Center #10'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 Southwest Regional Education Center #10's management. Our responsibility is to express an opinion on Southwest Regional Education Center #10'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 Southwest Regional Education Center #10'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 Southwest Regional Education Center #10's compliance with those requirements.

In our opinion, Southwest Regional Education Center #10 complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

The management of Southwest Regional Education Center #10 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Southwest Regional Education Center #10's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for 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 Southwest Regional Education Center #10'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.

This report is intended solely for the information and use of management, the Board of Superintendents, others within the entity, the Public Education Department, the New Mexico State Auditor, the New Mexico Legislature, and 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.

Stone, McGee & Co CPAs

September 20, 2012

Stone, McGee & Co.
Certified Public Accountants

Southwest Regional Education Center #10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2012

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Southwest Regional Education Center #10.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *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*.
3. No instances of noncompliance material to the financial statements of the Southwest Regional Education Center #10, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs are reported in the *Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133*.
5. The auditors' report on compliance for the major federal awards programs for the Southwest Regional Education Center #10 expresses an unqualified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 were noted during the audit.
7. The programs tested as major programs included: Medicaid, CFDA No. 93.778
8. The threshold for distinguishing types A and B programs was \$300,000.
9. The Southwest Regional Education Center #10 was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS

None

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s with substantial assistance and approval from Center personnel.

EXIT CONFERENCE

The contents of this report were discussed August 23, 2012. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Dr. Craig Cummins	Board Chairman	SW Regional Education Center #10
Loren Cushman	Asst. Superintendent	T or C Schools
Vicki Chavez	Director	SW Regional Education Center #10
Geralyn Bennett	Business Manager	SW Regional Education Center #10
Mike Stone	Shareholder	Stone, McGee & Co., CPAs
Kay Stone	Shareholder	Stone, McGee & Co., CPAs