

Southwest Regional Education Cooperative #10

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

For The Fiscal Year Ended June 30, 2014

Southwest Regional Education Cooperative # 10
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Southwest Regional Education Center #10
DIRECTORY OF OFFICIALS
June 30, 2014

School District Superintendents

Truth of Consequences	Craig Cummins
Deming	Harvilee Moore
Hatch	Linda Hale
Lordsburg	Randy Piper
Reserve	Bill Green
Animas	Betsy Ward
Cobre	Robert Mendoza

Regional Education Center Officials

Director	Vicki Chavez
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.

RYAN MONTOYA, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregated remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Southwest Regional Education Cooperative #10, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Southwest Regional Education Cooperative #10's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Southwest Regional Education Cooperative #10's nonmajor governmental funds and the budgetary comparisons for the nonmajor special revenue funds presented as other supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Regional Education Cooperative #10, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Southwest Regional Education Cooperative #10 as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons for the nonmajor special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis on pages 5 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Southwest Regional Education Cooperative #10's financial statements that collectively comprise the Cooperative's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by the Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedules presented as other supplemental data as listed in the table of

contents are presented for purposed of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the other supplemental data are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal awards and the other supplemental data are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014, on our consideration of the Southwest Regional Education Cooperative #10's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southwest Regional Education Cooperative #10's internal control over financial reporting and compliance.

Stone, McGee & Co., CPAs

Silver City, New Mexico
September 22, 2014

Stone, McGee & Co.
Certified Public Accountants

**STATE OF New Mexico SOUTHWEST REGIONAL
EDUCATION COOPERATIVE #10
MANAGEMENTS DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The following is an overview of the financial condition for the Southwest Regional Education Cooperative #10 (Cooperative), for the fiscal year ended June 30, 2014. This narrative highlights the major aspects of the Cooperative'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, 671,601 for the year ending June 30, 2014; with an overall \$4,491,896 budget for the fiscal year 2013/2014. 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, Reads to Lead, and STEM.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Cooperative's basic financial statements. The Cooperative'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 Cooperative's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the Cooperative'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 Cooperative is improving or deteriorating.

The statement of activities presents information showing how the Cooperative'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 Cooperative that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Cooperative include direct instruction, instructional support, administrative, operation of plant, business support services, and community services. The government-wide financial statements can be found on pages eleven through thirteen of this report.

**STATE OF NEW MEXICO SOUTHWEST REGIONAL
EDUCATION COOPERATIVE #10
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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 Cooperative, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Cooperatives 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 Cooperative'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 Cooperative maintains other individual governmental funds of which all are classified as special revenue funds. Information for the general fund and major 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 Cooperative 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 twenty through twenty-six. Budgetary comparison statements for the special revenue non-major are located on pages forty-six through fifty-two. The basic governmental fund financial statements can be found on page fourteen through nineteen 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-seven through forty of this report.

**STATE OF NEW MEXICO SOUTHWEST REGIONAL
EDUCATION COOPERATIVE #10
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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-two through forty-five 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 Cooperative, assets exceeded liabilities by \$2,772,098 at the close of the most recent fiscal year. Thirty eight percent of the Cooperative's net assets are composed of unrestricted net assets. The Cooperative 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 all other funds.

FUND	BUDGET	ACTUAL- EXPENDITURES	VARIANCE
Operating	915,058	791,881	123,177
IDEALNM Technology	168,300	161,899	6,401
State Directed Activity	338,905	338,905	0.00
Pre-School CYFD	5,000	5,000	0.00
Medicaid	771,282	755,874	15,408
Private Direct	22,851	22,851	0.00
Duel LENM	770,976	761,843	9133
IDEALNM-eteacher	500,000	424,561	75,439
Reads to Lead	198,720.00	198,245	475
STEM-PED	140,516	118,178	22,338
STEM-Participants	640,000	640,000	0.00
Reading Recovery	20,288	20,288	0.00

**STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION
COOPERATIVE #10
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Financial Analysis of the Cooperative's Funds

Southwest Regional Education Cooperative's Net Assets

	Governmental Activities	
	06/30/14	06/30/13
Assets:		
Current and other assets	\$2,813,751	\$2,572,132
Capital assets, net of accumulated Depreciation	<u>60,448</u>	<u>60,531</u>
Total Assets	2,874,199	2,632,663
Liabilities:		
Current Liabilities	96,775	255,798
Deferred Inflows of Resources		
	5,326	
Net Assets:		
Invested in capital assets	\$ 60,448	\$60,531
Restricted-Education	482,891	380,568
Restricted-Social Service	1,172,282	1,064,343
Unrestricted	<u>1,056,477</u>	<u>871,423</u>
Total Net Assets	\$2,772,098	\$2,376,865

Net assets increased \$395,233, which included \$245,233 from current operations and \$150,000 from a restatement due to adoption of GASBS 65.

Southwest Regional Education Cooperative's change in net assets

	<u>6/30/14</u>	<u>6-30-13</u>
Governmental Activities:		
Charges for services	\$ 731,906	\$ 595,897
Operating grants	3,596,799	2,584,110
General revenues	<u>104,467</u>	<u>104,562</u>
Total revenue	<u>\$4,433,172</u>	<u>\$3,284,569</u>

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Expenditures:		
Instruction	\$ 851,155	\$ 330,527
Support services	1,408,855	1,038,082
Administration	1,478,915	1,326,653
Central services	219,490	178,571
Operation of plant	62,931	39,413
Other support services	<u>166,593</u>	<u>214,778</u>
Total expenditures	<u>\$4,187,939</u>	<u>\$3,128,024</u>
Change in net position	\$ 245,233	\$ 156,545

The increase in the net change in financial position is due primarily to additional contracts undertaken to provide various services.

Capital Assets and Debt Administration

Capital Assets

The Cooperative's investment in capital assets for the government as of June 30, 2014 amounts to \$60,448 (net of accumulated depreciation).

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

	2014	2013
Equipment	\$60,448	\$60,531

Long-Term Debt

As of June 30, 2014, the Cooperative did not have any long-term debt.

STATE OF NEW MEXICO
SOUTHWEST REGIONAL EDUCATION COOPERATIVE #10
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Southwest Regional Educational Cooperative 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 and teacher mentorship. The SWREC also serves as flow through for Federal Funds for most of our districts.

Our 2013-2014 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 to equal \$133,000.00, as well as the \$104,000.00 allocation from 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

Decrease for Nonrenewable 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 Cooperative in the state, will continue to advocate 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 fourteen years. 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.

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 in this report or request for additional information should be addressed to the Business Manager, 405 N. Date Street, Suite #8, Truth or Consequences, NM 87901.

Southwest Regional Education Cooperative # 10
STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 1,883,693
Interest receivable	19
Due from other governments	<u>930,039</u>
	<u>\$ 2,813,751</u>
Capital assets:	
Furniture and equipment	228,269
Less accumulated depreciation	<u>(167,821)</u>
Total capital assets, net of depreciation	<u>\$ 60,448</u>
Total assets	<u>\$ 2,874,199</u>
Liabilities	
Accounts payable	\$ 66,370
Compensated absences	<u>30,405</u>
Total liabilities	<u>\$ 96,775</u>
Deferred Inflows of Resources	
Unavailable revenue	<u>\$ 5,326</u>
Total deferred inflows of resources	<u>\$ 5,326</u>
Net Position	
Net Investment in capital assets	\$ 60,448
Restricted for:	
Education	482,891
Social services	1,172,282
Unrestricted	<u>1,056,477</u>
Total net position	<u><u>\$ 2,772,098</u></u>

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative # 10
STATEMENT OF ACTIVITIES
For the Fical Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Governmental activities:		
Instruction	\$ 851,155	\$ -
Support services - Students	331,860	
Support services - Instruction	1,076,995	203,319
General administration	1,390,839	184,986
School administration	88,076	
Central services	219,490	133,851
Operation of plant	62,931	52,501
Community services		
Other support services	166,593	157,249
	<u>\$ 4,187,939</u>	<u>\$ 731,906</u>

General revenues:

State aid - formula grant
Unrestricted investment earnings

Total general revenues and special items

Change in net position

Net position, July 1, 2013 as originally reported

Restatement

Net position, July 1, 2013 as restated

Change in net position for the year ended June 30, 2014

Net position, June 30, 2014

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

<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
\$ 851,155	\$ -	\$ -
377,784		45,924
854,420		(19,256)
1,325,701		119,848
88,076		-
90,405		4,766
9,258		(1,172)
		-
		(9,344)
<u>\$ 3,596,799</u>	<u>\$ -</u>	<u>\$ 140,766</u>
		\$ 104,244
		223
		<u>\$ 104,467</u>
		<u>\$ 245,233</u>
		\$ 2,376,865
		150,000
		\$ 2,526,865
		245,233
		<u>\$ 2,772,098</u>

Southwest Regional Education Cooperative #10
BALANCE SHEET--GOVERNMENTAL FUNDS
 June 30, 2014

	General	Medicaid	State Level Discretionary	Dual LENM
Assets				
Cash and investments	\$ 342,721	\$ 1,052,129	\$ -	\$ 60,006
Interfund receivables	801,883			
Due from other governments		119,502	157,167	
Interest receivable	14	5		
Total assets	\$ 1,144,618	\$ 1,171,636	\$ 157,167	\$ 60,006
Liabilities				
Accounts payable	\$ 57,736	\$ -	\$ -	\$ -
Interfund payables			157,167	
Total liabilities	\$ 57,736	\$ -	\$ 157,167	\$ -
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	\$ -	\$ -	\$ -	\$ -
Fund balance:				
Restricted for:				
Education	\$ -	\$ -	\$ -	\$ 60,006
Social services		1,171,636		
Unassigned	1,086,882			
Total fund balances	\$ 1,086,882	\$ 1,171,636	\$ -	\$ 60,006
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,144,618	\$ 1,171,636	\$ 157,167	\$ 60,006

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

<u>Ideal NM</u>	<u>STEM PED</u>	<u>STEM State Teacher</u>	<u>Other Funds</u>	<u>Total</u>
\$ 424,685	\$ -	\$ -	\$ 4,152	\$ 1,883,693
	117,475	381,500	1,820	803,703
			154,395	930,039
				19
<u>\$ 424,685</u>	<u>\$ 117,475</u>	<u>\$ 381,500</u>	<u>\$ 160,367</u>	<u>\$ 3,617,454</u>
\$ -	\$ -	\$ -	\$ 8,634	\$ 66,370
<u>1,800</u>	<u>117,475</u>	<u>381,500</u>	<u>145,761</u>	<u>803,703</u>
<u>\$ 1,800</u>	<u>\$ 117,475</u>	<u>\$ 381,500</u>	<u>\$ 154,395</u>	<u>\$ 870,073</u>
\$ -			\$ 5,326	\$ 5,326
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,326</u>	<u>\$ 5,326</u>
\$ 422,885	\$ -		\$ -	\$ 482,891
			646	1,172,282
				1,086,882
<u>\$ 422,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 646</u>	<u>\$ 2,742,055</u>
<u>\$ 424,685</u>	<u>\$ 117,475</u>	<u>\$ 381,500</u>	<u>\$ 160,367</u>	<u>\$ 3,617,454</u>

Southwest Regional Education Cooperative # 10
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES**
June 30, 2014

Total governmental fund balances	\$ 2,742,055
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	60,448
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(30,405)</u>
<i>Net position of governmental activities</i>	<u><u>\$ 2,772,098</u></u>

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

Southwest Regional Education Cooperative # 10
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**
For The Fiscal Year Ended June 30, 2014

	<u>General Fund</u>	<u>Medicaid</u>	<u>State Level Discretionary</u>	<u>Dual LENM</u>
Revenues:				
Federal sources	\$ -	\$ 794,272	\$ -	\$ -
State sources	104,244		338,905	
Local sources	731,906			754,000
Earnings on investments	167	56		
Total revenues	<u>\$ 836,317</u>	<u>\$ 794,328</u>	<u>\$ 338,905</u>	<u>\$ 754,000</u>
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ 211,155	\$ -
Support services - Students		292,186	39,674	
Support services - Instruction	214,732			761,843
General administration	170,468	308,077		
School administration			88,076	
Central services	141,364	78,126		
Operation of plant	54,931	8,000		
Other support services	166,593			
Capital outlay	24,902			
Total expenditures	<u>\$ 772,990</u>	<u>\$ 686,389</u>	<u>\$ 338,905</u>	<u>\$ 761,843</u>
Revenues over (under) expenditures	\$ 63,327	\$ 107,939	\$ -	\$ (7,843)
Other financing sources:				
Operating transfers in (out)				
Net change in fund balance	<u>\$ 63,327</u>	<u>\$ 107,939</u>	<u>\$ -</u>	<u>\$ (7,843)</u>
Fund balance, July 1, 2013, as originally reported	\$ 873,555	\$ 1,063,697	\$ -	\$ 67,849
Restatement	150,000			
Fund balance, July 1, 2013 as restated	\$ 1,023,555	\$ 1,063,697	\$ -	\$ 67,849
Net change in fund balance	63,327	107,939		(7,843)
Fund balance, June 30, 2014	<u>\$ 1,086,882</u>	<u>\$ 1,171,636</u>	<u>\$ -</u>	<u>\$ 60,006</u>

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

<u>Ideal NM</u>	<u>STEM PED</u>	<u>STEM State Teacher</u>	<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ - 534,527	\$ - 118,178	\$ - 640,000	\$ - 416,917	\$ 794,272 2,152,771 1,485,906 223
<u>\$ 534,527</u>	<u>\$ 118,178</u>	<u>\$ 640,000</u>	<u>\$ 416,917</u>	<u>\$ 4,433,172</u>
\$ - 424,361	\$ - 118,178	\$ 640,000	\$ - 100,420 316,497	\$ 851,155 331,860 1,076,995 1,337,581 88,076 219,490 62,931 166,593 24,902
<u>\$ 424,361</u>	<u>\$ 118,178</u>	<u>\$ 640,000</u>	<u>\$ 416,917</u>	<u>\$ 4,159,583</u>
\$ 110,166	\$ -	\$ -	\$ -	\$ 273,589
<u>\$ 110,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,589</u>
\$ 312,719	\$ -	\$ -	\$ 646	\$ 2,318,466 150,000
\$ 312,719 110,166	\$ -	\$ -	\$ 646	\$ 2,468,466 273,589
<u>\$ 422,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 646</u>	<u>\$ 2,742,055</u>

Southwest Regional Education Cooperative # 10
**RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
For The Fiscal Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ 273,589

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	24,902
Depreciation expense	(24,985)

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.

(28,273)

Change in Net Position of Governmental Activities

\$ 245,233

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

Southwest Regional Education Cooperative #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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 104,244	\$ 104,244	\$ 104,244	\$ -
Local sources	810,814	810,814	779,878	(30,936)
Interest income				-
Total revenues	\$ 915,058	\$ 915,058	\$ 884,122	\$ (30,936)
Expenditures:				
Current:				
Support services - Instruction	\$ 335,601	\$ 290,784	\$ 214,902	\$ 75,882
General administration	185,525	212,470	192,192	20,278
Central services	149,654	166,228	141,364	24,864
Operation of plant	79,278	56,813	54,660	2,153
Other support services	165,000	188,763	188,763	-
Capital outlay				-
Total expenditures	\$ 915,058	\$ 915,058	\$ 791,881	\$ 123,177
Revenues over (under) expenditures	\$ -	\$ -	\$ 92,241	\$ 92,241
Other financing sources (uses)				
Transfers in	\$ -	\$ -		\$ -
Net change in fund balance	\$ -	\$ -	\$ 92,241	\$ 92,241
Fund balance, July 1, 2013			895,289	895,289
Fund balance, June 30, 2014	\$ -	\$ -	\$ 987,530	\$ 987,530
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 63,327	
Revenue accruals (net)			47,805	
Expenditure accruals (net)			(18,891)	
Net change in fund balance, NON-GAAP budgetary basis			\$ 92,241	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 671,282	\$ 771,282	\$ 782,626	\$ 11,344
Interest income				-
Total revenues	\$ 671,282	\$ 771,282	\$ 782,626	\$ 11,344
Expenditures:				
Current:				
Support services - Students	\$ 276,083	\$ 306,610	\$ 292,186	\$ 14,424
General administration	277,771	378,086	377,562	524
Central services	109,428	78,586	78,126	460
Operation of plant	8,000	8,000	8,000	-
Capital outlay				-
Total expenditures	\$ 671,282	\$ 771,282	\$ 755,874	\$ 15,408
Revenues over (under) expenditures	\$ -	\$ -	\$ 26,752	\$ 26,752
Other financing sources (uses)				
Transfers in	\$ -	\$ -		\$ -
Net change in fund balance	\$ -	\$ -	\$ 26,752	\$ 26,752
Fund balance, July 1, 2013			970,192	970,192
Fund balance, June 30, 2014	\$ -	\$ -	\$ 996,944	\$ 996,944
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 107,939	
Revenue accruals (net)			(11,702)	
Expenditure accruals (net)			(69,485)	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 26,752</u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10
SPECIAL REVENUE FUND - STATE LEVEL DISCRETIONARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 337,263	\$ 338,905	\$ 539,351	\$ 200,446
Expenditures:				
Current:				
Instruction	\$ 209,513	\$ 211,155	\$ 211,155	\$ -
Support services - Students	39,674	39,674	39,674	-
School administration	88,076	88,076	88,076	-
Total expenditures	\$ 337,263	\$ 338,905	\$ 338,905	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ 200,446	\$ 200,446
Other financing sources (uses)				
Transfers out	\$ -	\$ -		\$ -
Net change in fund balance	\$ -	\$ -	\$ 200,446	\$ 200,446
Fund balance, July 1, 2013			(357,613)	(357,613)
Fund balance, June 30, 2014	\$ -	\$ -	\$ (157,167)	\$ (157,167)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			200,446	
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			\$ 200,446	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #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, 2014

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 770,976	\$ 770,976	\$ 754,000	\$ (16,976)
Expenditures:				
Current:				
Support services - Instruction	770,976	770,976	761,843	9,133
Net change in fund balance	\$ -	\$ -	\$ (7,843)	\$ (7,843)
Fund balance, July 1, 2013	-	-	67,849	67,849
Fund balance, June 30, 2014	\$ -	\$ -	\$ 60,006	\$ 60,006
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (7,843)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (7,843)	

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

Southwest Regional Education Cooperative #10
SPECIAL REVENUE FUND - 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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ 500,000	\$ 500,000	\$ 534,527	\$ 34,527
Expenditures:				
Current:				
General administration	\$ 500,000	\$ 500,000	\$ 424,561	\$ 75,439
Capital outlay				-
Total expenditures	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 424,561</u>	<u>\$ 75,439</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,966</u>	<u>\$ 109,966</u>
Other financing sources (uses)				
Transfers out	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ 109,966	\$ 109,966
Fund balance, July 1, 2013	<u>-</u>	<u>-</u>	<u>314,719</u>	<u>314,719</u>
Fund balance, June 30, 2014	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 424,685</u></u>	<u><u>\$ 424,685</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 110,166	
Revenue accruals (net)				
Expenditure accruals (net)			<u>(200)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 109,966</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10
SPECIAL REVENUE FUND - STEM PED DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 140,516	\$ 140,516	\$ 703	\$ (139,813)
Expenditures:				
Current:				
General administration	\$ 140,516	\$ 140,516	\$ 118,178	\$ 22,338
Capital outlay				-
Total expenditures	\$ 140,516	\$ 140,516	\$ 118,178	\$ 22,338
Revenues over (under) expenditures	\$ -	\$ -	\$ (117,475)	\$ (117,475)
Other financing sources (uses)				
Transfers in	\$ -	\$ -		\$ -
Net change in fund balance	\$ -	\$ -	\$ (117,475)	\$ (117,475)
Fund balance, July 1, 2013	-	-		-
Fund balance, June 30, 2014	\$ -	\$ -	\$ (117,475)	\$ (117,475)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(117,475)	
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			\$ (117,475)	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10
SPECIAL REVENUE FUND - STEM STATE TEACHER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 640,000	\$ 640,000	\$ 258,500	\$ (381,500)
Expenditures:				
Current:				
Instruction	\$ 640,000	\$ 640,000	\$ 640,000	\$ -
Capital outlay				-
Total expenditures	<u>\$ 640,000</u>	<u>\$ 640,000</u>	<u>\$ 640,000</u>	<u>\$ -</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (381,500)</u>	<u>\$ (381,500)</u>
Other financing sources (uses)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (381,500)	\$ (381,500)
Fund balance, July 1, 2013	<u>-</u>	<u>-</u>		<u>-</u>
Fund balance, June 30, 2014	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (381,500)</u></u>	<u><u>\$ (381,500)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(381,500)	
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (381,500)</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 Cooperatives (RCC's) under SBE Regulation No. 84-6. The purpose of the Regional 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 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 Cooperatives. Regional Education Cooperative'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].

Effective July 1, 2013, the Cooperative changed its name from Southwest Regional Education Center #10 to Southwest Regional Education Cooperative #10.

The Regional Education Cooperative'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). The more significant accounting policies established in GAAP and used by the Regional Education Cooperative are discussed below.

A. REPORTING ENTITY

These financial statements present the Regional Education Cooperative (the primary government). As defined by GASBS No. 14 & 61, component units are legally separate entities that are included in the Regional Education Cooperative's reporting entity because of the significance of their operating or financial relationships with the Regional Education Cooperative. Based on the criterion in GASBS No. 14 & 61, the Regional Education Cooperative had no component units.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position 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 Cooperative 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 Cooperative 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 Cooperative 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 – 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.

STEM/State Teacher PED – To account for the State grants to train teachers to more effectively educate students in science, technology and math. Authorization is the governing board.

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 Position 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, deferred outflow of resources, liabilities and deferred inflow of resources 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 position (or cost recovery), financial position, and cash flows. All assets, deferred outflow of resources, liabilities and deferred inflow of resources (whether current or noncurrent) associated with their activities are reported.

Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with professional standards.

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. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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 deferred outflows of resources by the provider and deferred inflow of resources by the recipient. Grant revenues not collected within 60 days of year end are recorded as receivables and deferred inflow of resources. Such amounts are recorded net of estimated uncollectible amounts.

In the government-wide Statement of Net Position, 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 Cooperative's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Regional Education Cooperative 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 Cooperative'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 Cooperative does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Regional Education Cooperative as an entity and the change in the Regional Education Cooperative's net position 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 Cooperative 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, 2014 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 Cooperative. 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 Cooperative'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 not estimable. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then. The Government had no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Government has only one type of item, which arises under both the full accrual and modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in both the statement of net position and the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Government reports unavailable revenue from the following sources:

	<u>21st Century Fund</u>
Advances received under expenditure driven grant	\$ 5,326.00

I. Equity Classifications

Government-wide Statements

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

- a. Net investment in capital assets – 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 position – consists of net position 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 position - all other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Fund Statements

During the year ended June 30, 2011, the Cooperative 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.

J. 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.

K. 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, 2014, \$.00 of the Governments bank balance of \$2,005,087 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		<u>\$ -0-</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 Cooperative's name	<u>1,755,087</u>	<u>1,421,434</u>
	<u>\$ 2,005,087</u>	<u>\$ 1,671,434</u>

The Education Cooperative 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 Cooperative has \$212,259 on deposit in the pool at June 30, 2014, which is AAAM rated with a weighted average maturity of 59 days, as of June 30, 2013.

Note 3 Intergovernmental Receivables

Amounts due from government at June 30, 2014 consisted of the following:

Medicaid	\$ 119,502
State Level Discretionary	157,167
STEM/PED	117,475
STEM/State Teacher	381,500
Other Funds	<u>154,395</u>
	<u>\$ 930,039</u>

No allowance for doubtful accounts has been recorded as the Southwest Regional Education Cooperative 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, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
<u>Assets Being Depreciated</u>				
Furniture and equipment	\$203,367	\$ 24,902	\$ -0-	\$228,269
Less accumulated depreciation	<u>(142,836)</u>	<u>(24,985)</u>	<u>-0-</u>	<u>(167,821)</u>
Net capital assets	<u>\$ 60,531</u>	<u>\$ (83)</u>	<u>\$ -0-</u>	<u>\$ 60,448</u>

Depreciation expense was charged to the governmental activities as follows:

Administration	<u>\$ 24,985</u>
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Note 5 Risk Management

Southwest Regional Education Cooperative #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 Cooperative #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 6 Retirement Plan

Plan Description

Substantially all of the Southwest Regional Education Cooperative #10's full-time employees participate in a educational employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, other employees of State public school districts, colleges and universities and some state agency employees) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions

In fiscal year 2014 the Southwest Regional Education Cooperative #10 was required to contribute 13.5% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 13.5% of the gross covered salary for employees whose annual salary is more than \$20,000.

In the future, the Southwest Regional Education Cooperative #10 will contribute the following percentages of the gross covered salary of employees: 13.9% of gross covered salary in fiscal year 2015.

The contribution requirements of plan members and the Southwest Regional Education Cooperative #10 are established in the State statute under Chapter 22, Article 11; NMSA 1978. The requirement may be amended by acts of the legislature. The Southwest Regional Education Cooperative #10's contributions to ERB for the fiscal years ending June 30, 2014, 2013, and 2012, were \$130,509, \$82,898, and \$91,876, respectively, which equal the amount of the required contributions for each fiscal year.

Note 7 Retiree Health Care Plan

Plan Description

Southwest Regional Education Cooperative #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.

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. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA Fund in the amount determined to be appropriate by the Board.

The Retiree HealthCare Act (Section 10-7C-15 NMSA 1978) is the statutory authority that established the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire members coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C-15(G), NMSA 1978, at the first session of the legislature following

July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Southwest Regional Education Cooperative #10's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$20,028, \$15,272 and \$15,226, respectively, which equal the required contributions for each year.

Note 8 Contingencies

The Southwest Regional Education Cooperative #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 Cooperative #10 may be required to reimburse the grantor government. As of June 30, 2013, 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 Cooperative #10.

During the year ended June 30, 2015, the Cooperative will be required to report a material liability for pension plan participation, due to the adoption of new professional standards. Currently, the amount is not estimable.

Note 9 Joint Powers Agreement

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

Note 10 Interfund Transactions

	<u>Interfund Receivable</u>		<u>Total</u>
	<u>General Fund</u>	<u>Other Funds</u>	
<u>Interfund Payables</u>			
STEM PED	\$ 117,475	\$	\$ 117,475
State Level Discretionary	157,167		157,167
IDEAL NM	1,800		1,800
STEM State Teacher	381,500		381,500
Other Funds	<u>143,941</u>	<u>1,820</u>	<u>145,761</u>
	<u>\$ 801,883</u>	<u>\$ 1,820</u>	<u>\$ 803,703</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.

There were no interfund transfers during the year ended June 30, 2014.

Note 11 Compensated Absences

Compensated absence activity was as follows for the year ended June 30, 2014.

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Compensated absences	\$ <u>2,132</u>	\$ <u>32,469</u>	\$ <u>4,196</u>	\$ <u>30,405</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 12 Restricted Net Position

Net Position 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	\$1,171,636
Other	<u>646</u>
Total Social Services	<u>\$1,172,282</u>
Education:	
Dual LENM	\$ 60,006
IDEAL NM	<u>422,885</u>
Total Education	<u>\$ 482,891</u>
Total Restricted Net Position	<u>\$1,655,173</u>

Note 13 Evaluation of Subsequent Events

The Cooperative has evaluated subsequent events through September 22, 2014, the date which the financial statements were available to be issued.

Note 14 Restatement

During the year ended June 30, 2014, the REC adopted GASBS 65, which redefines the classifications of certain items that were previously reported as assets and liabilities, and the recognition parameters for items previously considered deferred revenue. This resulted in a restatement of net position and the General Fund fund balance of \$150,000. The restatement had no effect on the change in net assets for the immediately preceding period.

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.

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.

Technology for Education – Used to assist the District with State funding to develop and implement strategic long-term plan for utilizing educational technology in the school system. Authority is NMSA 22-15A-1 to 22-1.5A-10.

Reads to Leads – To provide reading coaches to provide technical assistance and professional development to staff in districts served by the Southwest Regional Education Center.

Preschool CYFD - To account for the State grant from the Children, Youth and Families Department to train teachers to more effectively help developmentally disadvantaged children make the transition from preschool to first grade. Authority is the governing board.

Private DIR Grants – To account for the direct grants from private sources to be used to train teachers to more effectively teach in various subjects. Authorization is the government board.

Reading Recovery – To account for the State grant to employ a reading coach to train teachers to more effectively impart reading skills to students. Authorization is the governing board.

Southwest Regional Education Cooperative #10
COMBINING BALANCE SHEET-
NONMAJOR FUNDS
June 30, 2014

	21st Century	Public Health Services	DOH TUPAC	WIA Sierra
Assets				
Cash and investments	\$ 3,526	\$ 626	\$ -	\$ -
Interfund receivables	1,800		20	
Due from other governments				20
Interest receivable				
Total assets	\$ 5,326	\$ 626	\$ 20	\$ 20
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interfund payables				20
Total liabilities	\$ -	\$ -	\$ -	\$ 20
Deferred Inflows of Resources				
Unavailable revenue	\$ 5,326	\$ -	\$ -	\$ -
Total deferred inflows of resources	\$ 5,326	\$ -	\$ -	\$ -
Fund balance:				
Restricted for:				
Education	\$ -	\$ -	\$ -	\$ -
Social services		626	20	
Unassigned				
Total fund balances	\$ -	\$ 626	\$ 20	\$ -
Total liabilities, deferred inflows of resources and fund balances	\$ 5,326	\$ 626	\$ 20	\$ 20

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

<u>Technology For Education</u>	<u>Reads to Leads</u>	<u>Total</u>
\$ -	\$ -	\$ 4,152
99,627	54,748	1,820
		154,395
		-
<u>\$ 99,627</u>	<u>\$ 54,748</u>	<u>\$ 160,367</u>
\$ -	\$ 8,634	\$ 8,634
99,627	46,114	145,761
<u>\$ 99,627</u>	<u>\$ 54,748</u>	<u>\$ 154,395</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,326</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,326</u>
\$ -	\$ -	\$ -
		646
		-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 646</u>
<u>\$ 99,627</u>	<u>\$ 54,748</u>	<u>\$ 160,367</u>

Southwest Regional Education Cooperative # 10
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2014

	<u>Public Health Services</u>	<u>DOH TUPAC</u>	<u>Technology For Education</u>	<u>Preschool CYFD</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
State sources			161,899	5,000
Local sources				
Earnings on investments				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,899</u>	<u>\$ 5,000</u>
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services - Students				
Support services - Instruction				5,000
General administration			161,899	
School administration				
Central services				
Operation of plant				
Other support services				
Community services				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,899</u>	<u>\$ 5,000</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Other financing sources:				
Operating transfers in (out)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2013	<u>626</u>	<u>20</u>	<u> </u>	<u> </u>
Fund balance, June 30, 2014	<u><u>\$ 626</u></u>	<u><u>\$ 20</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

<u>Private DIR Grants</u>	<u>Reading Recovery</u>	<u>Reads to Leads</u>	<u>Total</u>
\$ - 22,851	\$ - 20,288	\$ - 206,879	\$ - 416,917
<hr/>	<hr/>	<hr/>	<hr/>
\$ 22,851	\$ 20,288	\$ 206,879	\$ 416,917
<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	\$ -
		95,420	100,420
22,851	20,288	111,459	316,497
			-
			-
			-
			-
<hr/>	<hr/>	<hr/>	<hr/>
\$ 22,851	\$ 20,288	\$ 206,879	\$ 416,917
\$ -	\$ -	\$ -	\$ -
<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	\$ -
<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	646
<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	\$ 646
<hr/>	<hr/>	<hr/>	<hr/>

Southwest Regional Education Cooperative #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, 2014

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
General administration	\$ -	\$ -	\$ -	\$ -
Community services	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2013	-	-	3,526	3,526
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,526</u>	<u>\$ 3,526</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)				
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ -</u>	

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

Southwest Regional Education Cooperative #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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 97,200	\$ 168,300	\$ 144,245	\$ (24,055)
Expenditures:				
Current:				
Support services - Instruction	\$ -	\$ -	\$ -	\$ -
General administration	97,200	168,300	161,899	6,401
Total expenditures	<u>\$ 97,200</u>	<u>\$ 168,300</u>	<u>\$ 161,899</u>	<u>\$ 6,401</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,654)</u>	<u>\$ (17,654)</u>
Other financing sources (uses)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (17,654)	\$ (17,654)
Fund balance, July 1, 2013	<u>-</u>	<u>-</u>	<u>(81,973)</u>	<u>(81,973)</u>
Fund balance, June 30, 2014	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (99,627)</u></u>	<u><u>\$ (99,627)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(17,654)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (17,654)</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #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, 2014

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Support services - Instruction	\$ -	\$ -	\$ -	\$ -
Community services	-	-	-	-
Total expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2013	-	-	626	626
Fund balance, June 30, 2014	\$ -	\$ -	\$ 626	\$ 626
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 Cooperative #10
SPECIAL REVENUE FUND - PRESCHOOL CYFD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Expenditures:				
Current:				
Support services - Instruction	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Capital outlay				-
Total expenditures	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses)				
Transfers in	\$ -	\$ -		\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2013	-	-	-	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ -	\$ -
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 Cooperative #10
SPECIAL REVENUE FUND - PRIVATE DIR GRANTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 22,851	\$ 22,851	\$ 22,851	\$ -
Expenditures:				
Current:				
General administration	\$ 22,851	\$ 22,851	\$ 22,851	\$ -
Capital outlay				-
Total expenditures	\$ 22,851	\$ 22,851	\$ 22,851	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses)				
Transfers in	\$ -	\$ -		\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2013	-	-	-	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ -	\$ -
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 Cooperative #10
SPECIAL REVENUE FUND - READING RECOVERY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 20,288	\$ 20,288	\$ 20,288	\$ -
Expenditures:				
Current:				
General administration	\$ 20,288	\$ 20,288	\$ 20,288	\$ -
Capital outlay				-
Total expenditures	\$ 20,288	\$ 20,288	\$ 20,288	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses)				
Transfers in	\$ -	\$ -		\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2013	-	-	-	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ -	\$ -
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 Cooperative #10
SPECIAL REVENUE FUND - READS TO LEADS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 198,720	\$ 198,720	\$ 243,756	\$ 45,036
Expenditures:				
Current:				
Support services - Instruction	\$ 106,500	\$ 95,895	\$ 95,420	\$ 475
General administration	92,220	102,825	102,825	-
Total expenditures	<u>\$ 198,720</u>	<u>\$ 198,720</u>	<u>\$ 198,245</u>	<u>\$ 475</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,511</u>	<u>\$ 45,511</u>
Other financing sources (uses)				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ 45,511	\$ 45,511
Fund balance, July 1, 2013	<u>-</u>	<u>-</u>	<u>(91,625)</u>	<u>(91,625)</u>
Fund balance, June 30, 2014	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (46,114)</u></u>	<u><u>\$ (46,114)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			36,877	
Expenditure accruals (net)			<u>8,634</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 45,511</u></u>	

The accompanying notes are an integral part of these financial statements

Southwest Regional Education Cooperative #10
SCHEDULE OF DEPOSITORY COLLATERAL
 June 30, 2014

	<u>Compass Bank</u>
Total Deposits	\$ 2,005,087
Less: FDIC insurance	<u>(250,000)</u>
 Total uninsured public funds	 <u>\$ 1,755,087</u>
 50% collateralization requirement (Section 6-10-17 NMSA)	 <u>\$ 877,544</u>
Pledged Securities:	
FHLB Letter of credit 61980 12/23/14	<u>\$ 2,500,000</u>
Total pledged securities	<u>\$ 2,500,000</u>
Pledged securities over (under) requirement	 <u>\$ 1,622,457</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 Cooperative #10
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2014

	<u>Account Type</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Compass Bank</u>			
SW Regional Education Center	Checking	\$ 2,005,072	\$ 1,671,419
SW Regional Education Center	Checking	15	15
Total State National Bank		\$ 2,005,087	\$ 1,671,434
<u>NM LGIP</u>			
SW Regional Education Center	Investment	\$ 212,157	\$ 212,157
SW Regional Education Center	Investment	102	102
Total NM LGIP		\$ 212,259	\$ 212,259
Total cash and investments		\$ 2,217,346	\$ 1,883,693

Southwest Regional Education Cooperative #10
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS BY PUBLIC EDUCATION DEPARTMENT CLASSIFICATION
For The Fiscal Year Ended June 30, 2014

	<u>Federal Flowthrough</u>	<u>Federal Direct</u>	<u>State Flowthrough</u>
Total cash as of July 1, 2013	\$ 3,526	\$ 626	\$ 746,631
Add: Current year receipts			469,925,006
Prior year warrants voided			
Less: Current year expenditures			(470,001,298)
Chargebacks/(Overdrafts)			
Abatements			
Transfers			
	<hr/>	<hr/>	<hr/>
Total cash as of June 30, 2014 per cash report	\$ 3,526	\$ 626	\$ 670,339
Investments			212,259
	<hr/>	<hr/>	<hr/>
Cash and investments per audit report	<u>\$ 3,526</u>	<u>\$ 626</u>	<u>\$ 882,598</u>

<u>State Direct</u>	<u>Local or State Fund</u>	<u>Total</u>
\$ 970,192	\$ -	\$ 1,720,975
1,828,619	23,670	471,777,295
		-
(1,801,868)	(23,670)	(471,826,836)
		-
		-
		-
<u>\$ 996,943</u>	<u>\$ -</u>	<u>\$ 1,671,434</u>
		<u>212,259</u>
<u><u>\$ 996,943</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,883,693</u></u>

Southwest Regional Education Cooperative #10
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

<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 HEALTH AND HUMAN SERVICES</u>			
Passed through N.M. Department of Human Services:			
Medicaid	93.778	N/A	<u>\$ 686,419</u>
Total U.S. Department of Health and Human Services			<u>\$ 686,419</u>
Total expenditures of federal awards			<u><u>\$ 686,419</u></u>

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

Southwest Regional Education Cooperative #10
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Fiscal Year Ended June 30, 2014

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southwest Regional Education Cooperative #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 Cooperative 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 Cooperative 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 Cooperative #10
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2014

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Southwest Regional Education Cooperative #10 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Southwest Regional Education Cooperative #10's basic financial statements, and the combining and individual fund financial statements and related budgetary comparisons of the Cooperative presented as other supplementary information, and have issued our report thereon dated September 22, 2014.

Internal Control Over financial Reporting

In planning and performing our audit of the financial statements, we considered Southwest Regional Education Cooperative #10's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southwest Regional Education Cooperative #10's internal control.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southwest Regional Education Cooperative #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*.

Purpose of this Report

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

Stone, McGee & Co., CPAs

Silver City, New Mexico
September 22, 2014

Stone, McGee & Co.
Certified Public Accountants

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the Southwest Regional Education Cooperative #10's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Southwest Regional Education Cooperative #10's major federal programs for the year ended June 30, 2014. The Southwest Regional Education Cooperative #10's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Southwest Regional Education Cooperative #10's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Southwest Regional Education Cooperative #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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Southwest Regional Education Cooperative #10's compliance.

Opinion on Each Major Federal Program

In our opinion, the Southwest Regional Education Cooperative #10 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Southwest Regional Education Cooperative #10 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Southwest Regional Education Cooperative #10's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Southwest Regional Education Cooperative #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 of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Stone, McGee & Co., CPAs

Silver City, New Mexico
September 22, 2014

Stone, McGee & Co.
Certified Public Accountants

Southwest Regional Education Cooperative #10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2014

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Southwest Regional Education Cooperative #10.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Southwest Regional Education Cooperative #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 *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133*.
5. The auditors' report on compliance for the major federal awards programs for the Southwest Regional Education Cooperative #10 expresses an unmodified 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 Cooperative #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 Cooperative personnel.

EXIT CONFERENCE

The contents of this report were discussed August 21, 2014. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Dr. Craig Cummins	Board Chairman	SW Regional Education Cooperative #10
Vicki Chavez	Director	SW Regional Education Cooperative #10
Geralyn Bennett	Business Manager	SW Regional Education Cooperative #10
Mike Stone	Shareholder	Stone, McGee & Co., CPAs
Kay Stone	Shareholder	Stone, McGee & Co., CPAs