

STATE OF NEW MEXICO  
HIGH PLAINS REGIONAL EDUCATION  
COOPERATIVE

*Audit Report*

For the Year Ended June 30, 2012

RONNY FOUTS  
CERTIFIED PUBLIC ACCOUNTANT  
Melrose, New Mexico

STATE OF NEW MEXICO  
High Plains Regional Education Cooperative

**Official Roster**  
For the year ended June 30, 2012

COORDINATING COUNCIL

Jack Wiley..... Chairman  
Bill Ward..... Vice-Chairman  
James Gallegos .....Secretary  
Dr. Tena Hoyle ..... Member  
Dr. Charles Harrison ..... Member  
David Willden ..... Member  
Tom Sullivan ..... Member  
Dr. Gregg McMann..... Member

COOPERATIVE OFFICIALS

R. Stephen Aguirre..... Executive Director  
Mary L. Gonzales .....Business Manager  
Gary Gabriele..... Human Resource Manager

STATE OF NEW MEXICO  
High Plains Regional Education Cooperative

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June 30, 2012

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**RONNY FOUTS**  
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**INDEPENDENT AUDITOR'S REPORT**

Hector Balderas, State Auditor  
And the Board of Advisors  
High Plains Regional Education Cooperative  
Raton, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the High Plains Regional Education Cooperative, as of and for the year ended June 30, 2012, which collectively comprise the High Plains Regional Education Cooperative's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the High Plains Regional Education Cooperative's nonmajor governmental funds, and the budgetary comparisons for all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express opinions on these financial statements based on our audit.

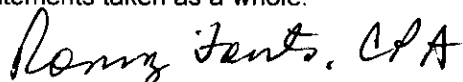
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cooperative, as of June 30, 2011, and the respective changes in financial position and the budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Cooperative as of June 30, 2012 and the respective changes in financial position, and the respective budgetary comparisons for the nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

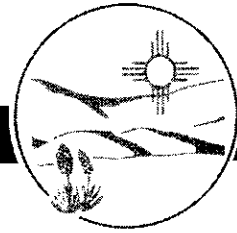
In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2012, on our consideration of High Plains Regional Education Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis on pages i through v be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be 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 consisted 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United states of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ronny Fouts, CPA  
Melrose, New Mexico  
September 7, 2012



**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3 – RATON, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

Management of the **High Plains Regional Education Cooperative #3 (HPREC)** offers readers of HPREC's financial statements this narrative overview and analysis of the financial activities of HPREC for the fiscal year ending June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**

High Plains Regional Education Cooperative #3 (HPREC), located in Raton, is one of nine regional education cooperatives in New Mexico. HPREC is a state agency administratively attached to the Public Education Department responsible for regional education services to eight school districts in Colfax, Union, and Harding counties. Our mission is to research and implement sound educational practices in order to be responsive to our clients needs. HPREC does this by engaging in researched-based practices, developing relationships and implementing systems to transform education. HPREC does this so all of our clients are successful and effective.

HPREC reduces costs to member school districts by using a cooperative system of shared services and programs. These are best managed on a regional basis because they are too costly for an individual district to maintain. As a result, HPREC provides education related services to member school districts as well as direct services to children, families and communities.

HPREC also offers professional development, technical assistance, program coordination, and services to school districts, other agencies and the New Mexico Public Education Department. HPREC provides quality professional development, support, and services to member districts that may otherwise be cost prohibitive.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis provides a review of HPREC's overall financial activities, using the accrual basis of accounting for the year ending June 30, 2012. Fund financial statements are reported on a modified accrual basis of accounting. The analysis focuses on the financial performance of the agency as a whole. This report also contains other supplementary information in addition to the basic financial statements themselves.

## FINANCIAL / OPERATIONAL HIGHLIGHTS

- The ending cash balance at June 30, 2012 was **\$3,679,285**.
- Overall revenue (including transfers in and other sources) totaled **\$2,911,119**. Total expenditures were **\$2,959,654**.
- Net Assets increased **\$162,688**.
- Fund Balance decreased **\$48,535**.
- Direct Educational Services included **14** Related Service Providers; **291** students with IEP's were served by Related Service Providers.
- **43** Professional Development workshops were offered; **1,037** Educators attended Professional Development Workshops.
- Successfully developed and implemented a statewide, online bus driver training piloted to **6** districts within New Mexico. **823** modules were taken by qualified bus drivers across New Mexico.
- Provided over **35** customized coaching, mentoring, and modeling sessions in classrooms in all **8** districts to increase teacher effectiveness.
- Provided more than **500** hours of technical assistance to districts on topics including sound fiscal practices, special education compliance, effective instruction, leadership, Web EPSS, STARS, and other areas.
- Presented at statewide and national conferences.
- Provided over **\$363,000** worth of Value Added support and services to member districts.
- **73** infants, children, and adults were provided services at the HPREC Audiology Clinic. Provided **153** Tympanometry screenings for middle ear function at the Colfax County Health Fair.
- For 2011-2012, **70%** of the schools within the HPREC region maintained or improved their grade, in comparison with **66%** of schools statewide.

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### High Plains Regional Education Cooperative

101 North Second Street, Raton, New Mexico 87740 575-445-7090 Visit: [www.hprec.com](http://www.hprec.com)



## **STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES**

The Statement of Net Assets and the Statement of Activities are designed to provide readers with a broad overview of HPREC's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of HPREC'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 HPREC's financial position.

The Statement of Activities presents information showing how HPREC's net assets changed during the most recent fiscal year.

The Governmental Activities of HPREC include instruction, support services, central services, operation and maintenance of plant, and operation of non-instructional services.

## **FUND FINANCIAL STATEMENTS**

The Fund Financial Statements give detailed information about the most significant funds, not HPREC as a whole. Some funds are required to be established by State Statute, while other funds are established by HPREC to help manage funds for particular purposes and compliance with grant provisions.

## **GOVERNMENTAL FUNDS**

Most of HPREC's activities are reported in governmental funds, which focus on how money flows into and out of funds and the year-end balances available for spending in future years. The modified accrual accounting method is used to report these funds. This method measures cash and other financial assets that can be readily converted to cash. The Governmental Fund Statements provide a detailed short-view of HPREC's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are financial resources available to spend in the near future to finance HPREC's programs. The relationship/differences between governmental activities (reported in the Statements of Net Assets and Activities) and the governmental funds are reconciled in the basic financial statements.

## **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 fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

At the end of the fiscal year, HPREC assets exceeded liabilities by \$3,800,761. Net assets may serve over time as a useful indicator of a government's financial position. HPREC continues to expand its entrepreneurial & professional development activities.

**NET ASSETS FOR THE PERIOD ENDING JUNE 30, 2012**

The Statement of Net Assets provides perspective on the Agency as a whole. Table 1 provides a summary of HPREC's net assets as of June 30, 2010 through June 30, 2012.

**Table 1**

	2010	2011	2012
<b>Total Assets</b>	<u>4,543,576</u>	<u>4,618,896</u>	<u>4,759,469</u>
<b>Total Liabilities</b>	<u>21,983</u>	<u>78,043</u>	<u>55,928</u>
<b>Net Assets Beginning</b>	1,334,505	4,521,593	4,540,853
<b>Restatement</b>	-	-	-
<b>Net Change</b>	<u>3,187,088</u>	<u>19,260</u>	<u>162,688</u>
<b>Net Assets End</b>	<u>4,521,593</u>	<u>4,540,853</u>	<u>4,703,541</u>

HPREC's total revenues for the fiscal year ending June 30, 2012 were **\$2,911,119**. The total cost of all programs and services was **\$2,959,651**. Table 2 presents a summary of revenues and expenses for the fiscal years ending June 30, 2009 through June 30, 2012.

**Table 2**

	<b>Governmental Activities</b>			
	2009	2010	2011	2012
<b>Revenue</b>				
Federal Sources	<u>717,765</u>	<u>871,560</u>	<u>447,426</u>	<u>484,151</u>
State Sources	<u>845,128</u>	<u>672,848</u>	<u>237,543</u>	<u>249,362</u>
Local Sources	<u>2,327,995</u>	<u>5,249,218</u>	<u>2,444,501</u>	<u>2,177,606</u>
<b>Total Revenue</b>	<u>3,890,888</u>	<u>6,793,626</u>	<u>3,129,770</u>	<u>2,911,119</u>
<b>Expenditures</b>				
Current				
Instruction	<u>142,200</u>	<u>73,534</u>	<u>0.00</u>	<u>0.00</u>
Support Services: Students	<u>1,536,885</u>	<u>1,584,701</u>	<u>1,561,396</u>	<u>1,233,163</u>
Support Services: Instruction	<u>697,363</u>	<u>706,596</u>	<u>635,152</u>	<u>555,234</u>
Support Services: General Admin	<u>711,281</u>	<u>932,238</u>	<u>502,507</u>	<u>847,336</u>
Support Services: School Admin	<u>155,556</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Support Services: Central Services	<u>517,285</u>	<u>155,940</u>	<u>146,538</u>	<u>151,932</u>
Operation & Maintenance of Plant	<u>50,288</u>	<u>44,887</u>	<u>170,815</u>	<u>118,808</u>
Non-current				
Debt Principal	<u>35,103</u>	<u>342,673</u>	<u>0.00</u>	<u>0.00</u>
Debt Interest	<u>17,697</u>	<u>4,962</u>	<u>0.00</u>	<u>0.00</u>
Capital Outlay/Other Support Svc.	<u>0.00</u>	<u>28,336</u>	<u>25,809</u>	<u>53,818</u>
<b>Total Expenditures</b>	<u>3,863,598</u>	<u>3,873,867</u>	<u>3,042,217</u>	<u>2,959,654</u>

**High Plains Regional Education Cooperative**

101 North Second Street, Raton, New Mexico 87740 575-445-7090 Visit: [www.hprec.com](http://www.hprec.com)

## CAPITAL ASSETS

See Notes to the Financial Statements: D. Capital Assets.

## BUDGETARY INFORMATION

Fund	Adopted	Adjustments	Budget	YTD Expend	Balance
25153	330,417	25,315	355,782	174,289	181,444
27101	2,688,307	266,936	2,955,243	2,082,442	872,801
27200	322,711	0.00	322,711	322,711	0.00
28144	223,975	0.00	223,975	168,649	55,326
29102	267,500	100,000	367,500	233,568	133,932
	<u>3,832,910</u>	<u>392,251</u>	<u>4,225,161</u>	<u>2,981,658</u>	<u>1,243,503</u>

The budget for HPREC is prepared in accordance with requirements from New Mexico Statutes and the New Mexico Public Education Department. The budget is prepared on a **cash basis** of accounting.

HPREC's year-end financials reflect capital improvements to Plant, Property & Equipment as a result of the loss of property due to water infiltration from its roofing re-construction project. Insurance proceeds offset the financial loss.

HPREC continues to receive its allocation from the Laws of 2012, Chapter 19, Section 4(I) by meeting the requirements of timely quarterly reporting and by being in compliance with state and federal reporting requirements, including annual audit requirements pursuant to the Audit Act, and, is otherwise financially stable.

Board action that impacted the budget included a pay increase for the usual experience step for all employees.

STATE OF NEW MEXICO  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE  
STATEMENT OF NET ASSETS

June 30, 2012

<b>ASSETS</b>	<u>Governmental Activities</u>
Cash and Cash Equivalents	\$ 3,679,284
Due from other Governments	161,356
Non-current Capital Assets - Net	<u>918,829</u>
TOTAL ASSETS	<u>\$ 4,759,469</u>
 <b>LIABILITIES</b>	
Current:	
Accounts Payable	\$ 6,668
Accrued Salaries	33,211
Debt Due Within One Year	<u>1,605</u>
Total Current Liabilities	41,484
Non-current Debt Due in More Than One Year	<u>14,444</u>
TOTAL LIABILITIES	<u>55,928</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	918,829
Restricted for Medicaid	542,596
Unassigned	<u>3,242,116</u>
TOTAL NET ASSETS	<u>\$ 4,703,541</u>

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

STATE OF NEW MEXICO  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE  
STATEMENT OF ACTIVITIES

Year ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue & Changes in Net Assets
Primary Government:					
Governmental activities:					
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -
Support Services - Students	1,233,413	1,233,413	733,513	-	733,513
Support Services - Instruction	470,303	635,152	-	-	164,849
Support Services - General Administration	672,151	309,041	-	-	(363,110)
Support Services - Sch Administration	-	-	-	-	-
Support Services - Central Services	151,932	-	-	-	(151,932)
Operation & Maintenance of Plant	167,451	-	-	-	(167,451)
Other Support Services	53,181	-	-	-	(53,181)
Total Governmental Activities	<u>\$ 2,748,431</u>	<u>\$ 2,177,606</u>	<u>\$ 733,513</u>	<u>\$ -</u>	<u>162,688</u>

General Revenues

Gain On Capital Asset	-
Total General Revenues	<u>-</u>

Change in net assets	162,688
Net assets beginning	<u>4,540,853</u>
Net Assets- ending	<u>\$ 4,703,541</u>

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

STATE OF NEW MEXICO  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

	GENERAL FUND REC 27101	STATE DIRECTED ACTIVITIES 27200	LAW CONFERENCE 29102	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash on Deposit	\$ 2,364,650	\$ -	\$ 770,914	\$ 543,720	\$ 3,679,284
Due from other funds	161,356	-	-	-	161,356
Due from other Governments	-	161,356	-	-	161,356
<b>TOTAL ASSETS</b>	<b>\$ 2,526,006</b>	<b>\$ 161,356</b>	<b>\$ 770,914</b>	<b>\$ 543,720</b>	<b>\$ 4,001,996</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Accounts Payable	\$ 5,544	\$ -	\$ -	\$ 1,124	\$ 6,668
Accrued Salaries	33,211	-	-	-	33,211
Due to other funds	-	161,356	-	-	161,356
Deferred Revenue	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>38,755</b>	<b>161,356</b>	<b>-</b>	<b>1,124</b>	<b>201,235</b>
<b>FUND BALANCE</b>					
Fund Balance					
Restricted				542,596	542,596
Unassigned	2,487,251	-	770,914	-	3,258,165
<b>TOTAL FUND BALANCE</b>	<b>2,487,251</b>	<b>-</b>	<b>770,914</b>	<b>542,596</b>	<b>3,800,761</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,526,006</b>	<b>\$ 161,356</b>	<b>\$ 770,914</b>	<b>\$ 543,720</b>	<b>\$ 4,001,996</b>

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

STATE OF NEW MEXICO  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE  
RECONCILIATION OF THE BALANCE SHEET  
ALL GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS

June 30, 2012

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

Fund Balance - total governmental funds	\$ 3,800,761
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	918,829
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(16,049)</u>
Net assets of governmental activities	<u>\$ 4,703,541</u>

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

STATE OF NEW MEXICO  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE

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

Year ended June 30, 2012

	GENERAL FUND REC 27101	STATE DIRECTED ACTIVITIES 27200	LAW CONFERENCE 29102	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUE</b>					
Federal Grants	\$ -	\$ 322,711	\$ -	\$ 161,440	\$ 484,151
State Grants	117,275	-	-	132,087	249,362
Charges for Services	2,057,328	-	120,278	-	2,177,606
Ancillary Fees	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>2,174,603</b>	<b>322,711</b>	<b>120,278</b>	<b>293,527</b>	<b>2,911,119</b>
<b>EXPENDITURES</b>					
Current					
Instruction	-	-	-	-	-
Support Services - Students	960,881	-	-	272,282	1,233,163
Support Services - Instruction	321,666	-	233,568	-	555,234
Support Services - General Administration	452,846	322,711	-	71,779	847,336
Support Services - Sch Administration	-	-	-	-	-
Support Services - Central Services	151,932	-	-	-	151,932
Operation & Maintenance of Plant	118,808	-	-	-	118,808
Other Support Services	53,181	-	-	-	53,181
<b>TOTAL EXPENDITURES</b>	<b>2,059,314</b>	<b>322,711</b>	<b>233,568</b>	<b>344,061</b>	<b>2,959,654</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>115,289</b>	<b>-</b>	<b>(113,290)</b>	<b>(50,534)</b>	<b>(48,535)</b>
<b>FUND BALANCE - JUNE 30, 2011</b>	<b>2,371,962</b>	<b>-</b>	<b>884,204</b>	<b>593,130</b>	<b>3,849,296</b>
<b>FUND BALANCE - JUNE 30, 2012</b>	<b>\$ 2,487,251</b>	<b>\$ -</b>	<b>\$ 770,914</b>	<b>\$ 542,596</b>	<b>\$ 3,800,761</b>

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



STATE OF NEW MEXICO  
HIGH PLAINS REGIONAL EDUCATIONAL COOPERATIVE

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE-  
ALL GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

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

Net change in fund balance - total governmental funds	\$ (48,535)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.	211,112
Long Term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources fo governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which Principal retirements exceeded long term debt in the current period.	<u>111</u>
Change in Net Assets	<u>\$ 162,688</u>

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

STATE OF NEW MEXICO  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE

STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)  
AND ACTUAL - GENERAL FUND -REC OPERATING - 27101

Year Ended June 30, 2012

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
State Revenue	\$ 104,244	\$ 117,274	\$ 117,275	\$ 1
Local Sources	2,036,712	2,290,618	2,057,328	(233,290)
<b>TOTAL REVENUE</b>	<b>2,140,956</b>	<b>2,407,892</b>	<b>\$ 2,174,603</b>	<b>\$ (233,289)</b>
<b>BUDGETED CASH BALANCE</b>	<b>547,351</b>	<b>547,351</b>		
<b>TOTAL REVENUE &amp; CASH</b>	<b>\$ 2,688,307</b>	<b>\$ 2,955,243</b>		
<b>EXPENDITURES</b>				
Current				
Support Services - Students	\$ 1,242,030	\$ 1,243,030	\$ 960,692	\$ 282,338
Support Services - Instruction	476,855	473,195	321,666	151,529
Support Services - General Administration	576,500	839,936	417,667	422,269
Support Services - Central Services	148,470	152,060	151,932	128
Operation & Maintenance of Plant	192,452	190,022	177,304	12,718
Other Support Services	52,000	57,000	53,181	3,819
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,688,307</b>	<b>\$ 2,955,243</b>	<b>\$ 2,082,442</b>	<b>\$ 872,801</b>

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

**Sources/Inflows of Resources**

Actual amounts (budgetary basis)	\$ 2,174,603
Differences budget to GAAP	
Prior Year Deferral	-
Current Year Deferral	-
<b>Total Revenues (GAAP Basis)</b>	<b>\$ 2,174,603</b>

**Uses/Outflows of Resources**

Actual amounts (budgetary basis)	\$ 2,082,442
Differences-budget to GAAP	
Actual amounts (budgetary basis)	(61,883)
Current Year Accrued Salaries	33,211
Current Year Accounts Payable	5,544
<b>Total Expenditures (GAAP Basis)</b>	<b>\$ 2,059,314</b>

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

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HIGH PLAINS REGIONAL EDUCATION COOPERATIVE

STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)  
AND ACTUAL - SPECIAL REVENUE FUND -STATE DIRECTED ACTIVITIES - 27200

Year Ended June 30, 2012

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Revenue	\$ -	\$ 322,711	\$ 161,355	\$ (161,356)
TOTAL REVENUE	-	322,711	161,355	(161,356)
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	\$ -	\$ 322,711		
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services - General Administration	-	322,711	322,711	-
TOTAL EXPENDITURES	\$ -	\$ 322,711	\$ 322,711	\$ -

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

**Sources/Inflows of Resources**

Actual amounts (budgetary basis)	\$ 161,355
Differences budget to GAAP	
Prior Year Deferral	-
Current Year Receivable	161,356
Total Revenues (GAAP Basis)	\$ 322,711

**Uses/Outflows of Resources**

Actual amounts (budgetary basis)	\$ 322,711
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	\$ 322,711

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

STATE OF NEW MEXICO  
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STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)  
AND ACTUAL - SPECIAL REVENUE FUND -LAW CONFERENCE - 29102

Year Ended June 30, 2012

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Local Revenue	\$ 165,840	\$ 265,840	\$ 120,278	\$ (145,562)
TOTAL REVENUE	165,840	265,840	<u>120,278</u>	<u>(145,562)</u>
BUDGETED CASH BALANCE	101,660	101,660		
TOTAL REVENUE & CASH	<u>\$ 267,500</u>	<u>\$ 367,500</u>		
<b>EXPENDITURES</b>				
Current				
Support Services - Instruction	\$ 267,500	\$ 367,500	\$ 233,568	\$ 133,932
TOTAL EXPENDITURES	<u>\$ 267,500</u>	<u>\$ 367,500</u>	<u>\$ 233,568</u>	<u>\$ 133,932</u>

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

**Sources/Inflows of Resources**

Actual amounts (budgetary basis)	\$ 120,278
Differences budget to GAAP	-
	-
Total Revenues (GAAP Basis)	<u>\$ 120,278</u>

**Uses/Outflows of Resources**

Actual amounts (budgetary basis)	\$ 233,568
Differences-budget to GAAP	-
Prior Year Accounts Payable	-
Current Year Accounts Payable	-
Total Expenditures (GAAP Basis)	<u>\$ 233,568</u>

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

STATE OF NEW MEXICO  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE  
JUNE 30, 2012  
NOTES TO FINANCIAL STATEMENTS

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Reporting Entity**

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

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

B. **Government-Wide and Fund Financial Statements**

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

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

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. No property tax revenue is available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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NOTES TO FINANCIAL STATEMENTS**

judgments, are recorded only when payment is due. Grant revenues and deferrals are recognized in accordance with GASB 33.

The Cooperative reports the following major governmental funds:

**General Fund REC)** – to account for revenue and to administer the cost of operating the program. The authority for the creation of this fund is the New Mexico Department of Education.

**Law Conference (Special Revenue)** – to account for funds received to provide training and workshops to explain the law as it pertains to Special Education Programs. The authority for this fund is the State Department of Education.

**State Directed Activities (Special Revenue)** To account for funds received from the Federal Government passed through the State of New Mexico to provide services and materials to further the education of students included in the districts that are members of the cooperative. Authority of the IDEA B PL194-142.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, particularly fees for workshops, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

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

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

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings or loan associations within the geographical boundaries of the cooperative. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution. The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

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

**STATE OF NEW MEXICO  
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2. Receivables and Payables

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

3. Inventories

None

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life extending beyond a single reporting period. Effective June 17, 2005, the value of capital assets that must be inventoried and listed was increased to \$5,000 (amount not rounded). Old inventory items that do not meet the updated capitalization threshold will remain on the inventory list and will continue to be depreciated. The Cooperative is capitalizing qualifying software as required. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Cooperative does not have a library.

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

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

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

<u>Assets</u>	<u>Years</u>
Equipment	5, 10
Buildings	50
Building Renovations	50
Computers & Electronics	5, 10
Vehicles	12

5. Long-Term Obligations

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

Employees are not compensated for accumulated sick leave upon termination of employment. Unused vacation leave is accounted for and is shown in the long term debt obligations section of these notes.

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6. Fund Equity

Reservations of fund balance represent amounts that are not appropriate for expenditures or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. These designations are established to earmark resources for specific future use and to indicate that the fund equity does not represent available spendable resources.

Restricted Net Assets: For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net assets used are either:

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

Imposed by law through constitutional provisions or enabling legislation.

7. Estimates

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

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(58,268) difference are as follows:

Capital Outlay	\$	292,494
Depreciation Expense		<u>(81,382)</u>
Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net assets of Governmental activities		<u>\$ 211,112</u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

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



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These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be reappropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

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

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

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

In May or June, the budget is approved by the Board of Education.

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

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

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

The Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2012 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

	Original Budget	Final Budget	Performance
Special Revenue Fund	\$ 821,892	\$ 1,169,918	\$ 665,648

**B. Deficit Fund Equity**

There were not any deficit fund balances at June 30, 2012.

**IV. Detailed Notes on all Funds**

**A. Cash and Temporary Investments**

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At June 30, 2012, the carrying amount of the Cooperative's deposits was \$3,679,284 and the bank balance was \$3,746,266. Of this balance \$350,000 was covered by federal depository insurance and \$1,942,850 was covered by collateral held in the entities name and in joint safekeeping by a third party. The remaining \$1,453,416 is comprised of amounts in excess of those required to be collateralized under State law.

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

The collateral pledged is shown as listed in the table of contents of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

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

**B. Custodial Credit Risk – Deposits**

Custodial Credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2012, \$3,396,266 of the government's bank balance of \$3,746,266 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	3,396,266
Collateralized by bank, not in entity's name		(1,942,850)
		\$ 1,453,416

**C. Deferred Revenue**

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

Grant draw downs prior to meeting all eligibility requirements	\$	-
Total deferred/unearned revenue for governmental funds	\$	-

**D. Capital Assets**

A summary of Changes in general capital assets follows:

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	Balance per Prior Year	Additions	Retirements	Balance at End of Year
Capital assets not being depreciated:				
Land	\$ 15,190	\$ -	\$ -	\$ 15,190
Total assets not being depreciated	15,190	-	-	15,190
Capital Assets Being Depreciated:				
Buildings	588,448	285,050	-	873,498
Equipment & Furniture	602,588	7,444	-	610,032
Total Assets being Depreciated	1,191,036	292,494	-	1,483,530
Less accumulated depreciation for:				
Buildings	66,238	16,747		82,985
Equipment & Furniture	432,271	64,635	-	496,906
Total Accumulated depreciation	498,509	81,382	-	579,891
Total Assets being depreciated, net	692,527	211,112	-	903,639
Capital Assets, Net	\$ 707,717	\$ 211,112	\$ -	\$ 918,829

**E. Long-Term Obligations**

Accumulated compensated leave is shown as follows

Date	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Amount Due in 1 Year
June 30, 2011	\$ 16,160	\$ -	\$ 111	\$ 16,049	\$ 1,605

**V. Other Information**

**A. Risk Management**

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The Cooperative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The Cooperative is one of state members that participate in GSD/Risk Management Division. The Cooperative pays an annual premium to the pool for its general insurance coverage.

**B. Contingent Liabilities**

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

The government is not currently involved in any lawsuits or litigation nor have they been in the previous years as was previously reported.

**C. Pension Plan – Educational Retirement Board**

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

*Funding Policy* –Plan members earning \$20,000 or less annually are required by statute to contribute 7.9% of their gross salary. Plan members earning over \$20,000 annually were required to contribute 11.15% of their gross salary in fiscal year 2012 and will be required to contribute 9.40% of their gross salary in fiscal year 2013. The High Plains Regional Educational Cooperative has been and is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, in fiscal years 2012 and 2013. In fiscal year 2012 the High Plains Regional Educational Cooperative contributed 9.15% of the gross covered salary of employees earning more than \$20,000 annually. In fiscal year 2013 the High Plains Regional Educational Cooperative will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the High Plains Regional Education Cooperative are established in Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of legislature. The High Plains Regional Educational Cooperative's contributions to the ERA for the years ended June 30, 2012, 2011, and 2010 were: \$197,851, \$246,296, and \$293,270, respectively, which equal the amount of the required contributions for each fiscal year.

**D. Post-Employee Benefits – State Retiree Health Care Plan**

*Plan Description* – High Plains Regional Education Cooperative contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post employment 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,

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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 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 RHA 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](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012 the statute requires each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee is required to contribute .917% of their salary. In the fiscal years ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.000%	1.000%

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Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The High Plains Regional Education Cooperative's contributions to the RHCA for the years ended June 30, 2012, 2011, and 2010 were \$27,659, \$30,897 and \$28,193 respectively, which equal the required contributions for each year.

**E. Subsequent Event**

During July of 2012 the Cooperative was issued a request from a law firm requesting various items of information. There was not an explanation of the reason for the request, however the Cooperative engaged an attorney in case there was a possibility of any litigation. At the conclusion of the audit there was no further inquiries and the original information requested had been submitted. It is not anticipated there would be any claims or contingencies possible

**F. Joint Powers Agreement**

The High Plains Regional Education Cooperative has a joint powers agreement with school districts; Springer, Roy, Clayton, Mosquero, Raton, Des Moines, Cimarron, and Maxwell. The purpose of the agreement is to form a consortium known as High Plains Regional Education Cooperative to establish and maintain a cooperative program of various federal and state grants.

*Responsible Party for Operations and Audit*

HIGH PLAINS REGIONAL EDUCATION COOPERATIVE

*Beginning and Ending Date of Agreement*

The agreement shall take effect when signed by all parties and continue until it is rescinded or terminated by a majority vote of the participating School Districts.

## **SPECIAL REVENUE FUNDS**

**Medicaid XIX** – to account for federal reimbursement of health-related services for Medicaid eligible children receiving related services and for administrative time study. The fund was created by the authority of Title XIX of the Social Security Act.

**Medicaid** – to account for federal reimbursement of health-related services for Medicaid eligible children receiving related services and for administrative time study. The fund was created by the authority of Title XIX of the Social Security Act.

## SUPPLEMENTAL INFORMATION



STATE OF NEW MEXICO  
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COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2012

	MEDICAID 25153	MEDICAID REC 28144	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
<b>ASSETS</b>			
Cash on Deposit	\$ 291,138	\$ 252,582	\$ 543,720
Due from other Governments	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 291,138</b>	<b>\$ 252,582</b>	<b>\$ 543,720</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 1,124	\$ -	\$ 1,124
Due to Other Funds	-	-	-
Deferred Revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>1,124</b>	<b>-</b>	<b>1,124</b>
<b>FUND BALANCE</b>			
Fund Balance Restricted	290,014	252,582	542,596
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 291,138</b>	<b>\$ 252,582</b>	<b>\$ 543,720</b>

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

STATE OF NEW MEXICO  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - SPECIAL REVENUE FUNDS  
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2012

	MEDICAID 25153	MEDICAID REC 28144	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
<b>REVENUES</b>			
Federal Grants	\$ 161,440	\$ -	\$ 161,440
State Grants	-	132,087	132,087
<b>TOTAL REVENUES</b>	<b>161,440</b>	<b>132,087</b>	<b>293,527</b>
<b>EXPENDITURES</b>			
Current			
Instruction	-	-	-
Support Services - Students	175,412	96,870	272,282
Support Services - Instruction	-	-	-
Support Services - General Administration	-	71,779	71,779
Support Services - Sch Administration	-	-	-
Support Services - Central Services	-	-	-
Operation & Maintenance of Plant	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>175,412</b>	<b>168,649</b>	<b>344,061</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(13,972)</b>	<b>(36,562)</b>	<b>(50,534)</b>
<b>FUND BALANCE- JUNE 30, 2011</b>	<b>303,986</b>	<b>289,144</b>	<b>593,130</b>
<b>FUND BALANCE - JUNE 30, 2012</b>	<b>\$290,014</b>	<b>\$ 252,582</b>	<b>\$ 542,596</b>

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

STATE OF NEW MEXICO  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE

STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)  
AND ACTUAL - SPECIAL REVENUE FUND -MEDICAID - 25153

Year Ended June 30, 2012

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Revenue	\$ 330,417	\$ 355,732	\$ 161,440	\$ (194,292)
TOTAL REVENUE	330,417	355,732	<u>161,440</u>	<u>(194,292)</u>
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	<u>\$ 330,417</u>	<u>\$ 355,732</u>		
<b>EXPENDITURES</b>				
Current				
Support Services - Students	\$ 330,417	\$ 355,732	\$ 174,288	\$ 181,444
TOTAL EXPENDITURES	<u>\$ 330,417</u>	<u>\$ 355,732</u>	<u>\$ 174,288</u>	<u>\$ 181,444</u>

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

**Sources/Inflows of Resources**

Actual amounts (budgetary basis)	\$ 161,440
Differences budget to GAAP	
Prior Year Deferral	-
Current Year Deferral	-
Total Revenues (GAAP Basis)	<u>\$ 161,440</u>

**Uses/Outflows of Resources**

Actual amounts (budgetary basis)	\$ 174,288
Differences-budget to GAAP	
Prior Year Accounts Payable	-
Current Year Accounts Payable	1,124
Total Expenditures (GAAP Basis)	<u>\$ 175,412</u>

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

STATE OF NEW MEXICO  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE

STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)  
AND ACTUAL - SPECIAL REVENUE FUND -MEDICAID REC - 28144

Year Ended June 30, 2012

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
State Revenue	\$ 110,000	\$ 110,000	\$ 132,087	\$ 22,087
<b>TOTAL REVENUE</b>	<u>110,000</u>	<u>110,000</u>	<u>\$ 132,087</u>	<u>\$ 22,087</u>
<b>BUDGETED CASH BALANCE</b>	<u>113,975</u>	<u>113,975</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ 223,975</u>	<u>\$ 223,975</u>		
<b>EXPENDITURES</b>				
Current				
Support Services - Students	\$ 128,560	\$ 128,560	\$ 96,870	\$ 31,690
Support Services - General Administration	95,415	95,415	71,779	23,636
<b>TOTAL EXPENDITURES</b>	<u>\$ 223,975</u>	<u>\$ 223,975</u>	<u>\$ 168,649</u>	<u>\$ 55,326</u>

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

**Sources/Inflows of Resources**

Actual amounts (budgetary basis)	\$ 132,087
Differences budget to GAAP	
Prior Year Deferral	-
Current Year Deferral	-
<b>Total Revenues (GAAP Basis)</b>	<u>\$ 132,087</u>

**Uses/Outflows of Resources**

Actual amounts (budgetary basis)	\$ 168,649
Differences-budget to GAAP	
	-
<b>Total Expenditures (GAAP Basis)</b>	<u>\$ 168,649</u>

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

STATE OF NEW MEXICO  
 HIGH PLAINS REGIONAL EDUCATIONAL COOPERATIVE

SCHEDULE OF PLEDGED COLLATERAL

June 30, 2012

	TOTAL DEPOSITS	FDIC INSURANCE	UNISURED DEPOSITS	COLLATERAL PLEGGED	UNINSURED & UNCOLLATERIZED DEPOSITS
INTERNATIONAL BANK	<u>\$ 3,746,266</u>	<u>\$ 350,000</u>	<u>\$3,396,266</u>	<u>\$ 1,942,850</u>	<u>\$ 1,453,416</u>
<u>COLLATERAL</u>				<u>MATURES</u>	
FHLB Non CBL 313370JS8 CUSIP#	1,019,500			9/1/2014	
FHLB Non CBL 3136FPBB2 CUSIP#	314,640			9/9/2011	
FHLB Non CBL 3133XDTB7 CUSIP#	51,100			12/14/2012	
FHLB Non CBL 3133XDTB7 CUSIP#	204,400			12/14/2012	
FHLB Non CBL 3133XKTV7 CUSIP#	81,510			6/13/2014	
FHLB Non CBL 3133XKTV7 CUSIP#	271,700			6/13/2014	
	<u>\$ 1,942,850</u>				

COLLATERAL IS HELD BY FEDERAL RESERVE BANK IN KANSAS CITY, MISSOURI

STATE OF NEW MEXICO  
HIGH PLAINS REGIONAL EDUCATIONAL COOPERATIVE

BANK SUMMARY

June 30, 2012

BANK	ACCT TYPE	FUND	BANK BALANCE	DEPOSITS IN TRANSIT	OUTSTANDING CHECKS	NET CASH BALANCE
INTERNATIONAL BANK	CHECKING C.D.	SPECIAL REVENUE GENERAL & SPECIAL REV	\$ 100,000	\$ -	\$ 66,982	\$ 33,018
			3,646,266	-	-	3,646,266
			<u>\$ 3,746,266</u>	<u>\$ -</u>	<u>\$ 66,982</u>	<u>3,679,284</u>
Total Cash per financial statements						<u>\$ 3,679,284</u>

STATE OF NEW MEXICO  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE  
CASH RECONCILIATION  
June 30, 2012

	Beginning Cash	Receipts	Distributions
<b>HIGH PLAINS REGIONAL EDUCATION COOPERATIVE</b>			
Fund 27200 State Directed Activities	\$ -	\$ 161,355	\$ 322,711
Fund 24154 Title II	-	-	-
Fund 25153 Title XIX Medicaid 3/21 Years	303,986	161,440	174,288
Fund 26107 Ancillary (Operational)	2,433,845	2,174,603	2,082,442
Fund 28144 Medicaid HSD	289,144	132,087	168,649
Fund 29102 Law Conference	884,204	120,278	233,568
	<u>3,911,179</u>	<u>2,749,763</u>	<u>2,981,658</u>
Total Grady Municipal Schools	<u>\$ 3,911,179</u>	<u>\$ 2,749,763</u>	<u>\$ 2,981,658</u>

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>
High Plains Regional Education Cooperative			
Operating	Checking	International Bank	\$ 100,000
Operating	CD	International Bank	3,646,266
Total High Plains Regional Education Cooperative			<u>\$ 3,746,266</u>
Total Bank Balances			\$ 3,746,266
Reconciling Items			(66,982)
Report Balance			<u>\$ 3,679,284</u>

Other	Net Cash end of Period	Adjustments to the report	Total Cash on Report
\$ 161,356	\$ -	\$ -	\$ -
-	-	-	-
-	291,138	-	291,138
(161,356)	2,364,650	-	2,364,650
-	252,582	-	252,582
-	770,914	-	770,914
<u>\$ -</u>	<u>\$ 3,679,284</u>	<u>\$ -</u>	<u>\$ 3,679,284</u>



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

Hector Balderas, State Auditor  
High Plains Regional Education Cooperative and  
Board of Advisors  
Raton, New Mexico

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of High Plains Regional Educational Cooperative as of and for the year ended June 30, 2012, and have issued our report thereon dated September 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of High Plains Regional Education Cooperative is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered High Plains Regional Educational Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the High Plains Regional Educational Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the High Plains Regional Educational Cooperative's internal control over financial reporting.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether High Plains Regional Education Cooperative 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 disclose no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink that reads "Ronny Fouts, CPA". The signature is written in a cursive style with a large initial 'R'.

Ronny Fouts, CPA  
Melrose, New Mexico  
September 7, 2012

STATE OF NEW MEXICO  
High Plains Regional Education Cooperative No. 3

Schedule of Findings and Responses  
For the Year Ended June 30, 2012

PRIOR YEAR AUDIT FINDINGS

None

CURRENT YEAR FINDINGS

None

STATE OF NEW MEXICO  
High Plains Regional Education Cooperative

**Exit Conference**  
For the Year Ended June 30, 2012

The financial statements were prepared by Ronny Fouts, CPA with assistance from High Plains Regional Education Cooperative. Management is responsible for the contents of this report.

EXIT CONFERENCE

The contents of this report were discussed with Stephen Aguirre, Executive Director; Gary Gabriele, Payroll Human Resources; Bill Ward, Board Member, Mary Lisa Gonzales, Business Manager, and Ronny Fouts, CPA on September 7, 2012



Ronny Fouts, CPA  
Melrose, New Mexico  
September 7, 2012