

**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2013**

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## **INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**

OFFICIAL ROSTER  
June 30, 2013

| <u>Name</u>            | <u>REC Council</u> | <u>Title</u>           |
|------------------------|--------------------|------------------------|
| Mr. Bill Ward          |                    | Chairperson            |
| Dr. Gregg McMann       |                    | Vice-chair             |
| Mr. James Gallegos     |                    | Member                 |
| Dr. Tena Hoyle         |                    | Member                 |
| Dr. Charles Harrison   |                    | Member                 |
| Mr. David Willden      |                    | Member                 |
| Mr. Secundino Esquibel |                    | Secretary              |
| Mr. Richard Anderson   |                    | Member                 |
| <u>REC Officials</u>   |                    |                        |
| R. Stephen Aguirre     |                    | Executive Director     |
| Mary L. Gonzales       |                    | Business Manager       |
| Gary Gabriele          |                    | Human Resource Manager |

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Council  
High Plains Regional Education Cooperative #3  
Raton, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and the major special revenue funds of High Plains Region Educational Cooperative #3 (the "REC") as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise High Plains Region Educational Cooperative #3 basic financial statements as listed in the table of contents. We also have audited the financial statements of each of High Plains Region Educational Cooperative #3 nonmajor governmental funds and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, 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 for 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 of material misstatement. An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to High Plains Region Educational Cooperative #3 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 High Plains Region Educational Cooperative #3 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.

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## 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 High Plains Region Educational Cooperative #3, as of June 30, 2013, and the respective changes in financial position where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of High Plains Region Educational Cooperative #3 as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor 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 that the *Management's Discussion and Analysis* on pages 13-17 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 the 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 High Plains Region Educational Cooperative #3 financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules as required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 2.2.2 NMAC are the responsibility of management and was derived from and relates 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 statement 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 other schedules as required by 2.2.2 NMAC is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2013 on our consideration of the High Plains Region Educational Cooperative #3' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering High Plains Region Educational Cooperative #3 internal control over financial reporting and compliance.



*Precision Accounting, LLC*  
Albuquerque, New Mexico  
August 2, 2013

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**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3 – RATON, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

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, 2013. 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, 2013. 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, 2013 was **\$3,415,050**.
- Overall revenue (including transfers in and other sources) totaled **\$2,724,502**. Total expenditures were **\$2,946,891**.
- Net Assets decreased **\$222,389**.
- Fund Balance decreased **\$149,112**.
- 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 POSITION AND STATEMENT OF ACTIVITIES**

The Statement of Net Position 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 Position 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 position may serve as a useful indicator of HPREC's financial position.

The Statement of Activities presents information showing how HPREC's net position 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 \$4,483,431. Net position may serve over time as a useful indicator of a government's financial position. HPREC continues to expand its entrepreneurial & professional development activities.

**NET POSITION FOR THE PERIOD ENDING JUNE 30, 2013**

The Statement of Net Position provides perspective on the Agency as a whole. Table 1 provides a summary of HPREC's net position as of June 30, 2011 through June 30, 2013.

**Table 1**

|                               | 2011      | 2012      | 2013      |
|-------------------------------|-----------|-----------|-----------|
| <b>Total Assets</b>           | 4,618,896 | 4,759,469 | 4,507,157 |
| <b>Total Liabilities</b>      | 78,043    | 55,928    | 25,329    |
| <b>Net Position Beginning</b> | 4,521,593 | 4,540,853 | 4,703,541 |
| <b>Restatement</b>            | -         | -         | -         |
| <b>Net Change</b>             | 19,260    | 162,688   | (221,713) |
| <b>Net Position End</b>       | 4,540,853 | 4,703,541 | 4,481,828 |

HPREC's total revenues for the fiscal year ending June 30, 2013 were **\$2,724,502**. The total cost of all programs and services was **\$2,875,219**. Table 2 presents a summary of revenues and expenses for the fiscal years ending June 30, 2010 through June 30, 2013.

**Table 2**

|                                    | <b>Governmental Activities</b> |           |           |           |
|------------------------------------|--------------------------------|-----------|-----------|-----------|
|                                    | 2010                           | 2011      | 2012      | 2013      |
| <b>Revenue</b>                     |                                |           |           |           |
| Federal Sources                    | 871,560                        | 447,426   | 484,151   | 204,270   |
| State Sources                      | 672,848                        | 237,543   | 249,362   | 698,625   |
| Local Sources                      | 5,249,218                      | 2,444,501 | 2,177,606 | 1,821,607 |
| <b>Total Revenue</b>               | 6,793,626                      | 3,129,770 | 2,911,119 | 2,724,502 |
| <b>Expenditures</b>                |                                |           |           |           |
| Current                            |                                |           |           |           |
| Instruction                        | 73,534                         | 0.00      | 0.00      | 520,707   |
| Support Services: Students         | 1,584,701                      | 1,561,396 | 1,233,163 | 1,291,459 |
| Support Services: Instruction      | 706,596                        | 635,152   | 555,234   | 0.00      |
| Support Services: General Admin    | 932,238                        | 502,507   | 847,336   | 638,640   |
| Support Services: School Admin     | 0.00                           | 0.00      | 0.00      | 0.00      |
| Support Services: Central Services | 155,940                        | 146,538   | 151,932   | 153,348   |
| Operation & Maintenance of Plant   | 44,887                         | 170,815   | 118,808   | 204,129   |
| Non-current                        |                                |           |           |           |
| Debt Principal                     | 342,673                        | 0.00      | 0.00      | 0.00      |
| Debt Interest                      | 4,962                          | 0.00      | 0.00      | 0.00      |
| Capital Outlay/Other Support Svc.  | 28,336                         | 25,809    | 53,818    | 66,936    |
| <b>Total Expenditures</b>          | 3,873,867                      | 3,042,217 | 2,959,654 | 2,875,219 |

**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 | 355,788          | 0.00             | 355,788          | 230,494          | 125,294        |
| 27101 | 4,255,568        | 2,050,427        | 2,205,141        | 2,018,924        | 186,217        |
| 27200 | 346,324          | 0.00             | 346,324          | 346,324          | 0.00           |
| 28144 | 231,902          | 0.00             | 231,902          | 167,200          | 64,702         |
| 29102 | 329,500          | 0.00             | 329,500          | 147,460          | 182,040        |
|       | <u>5,519,082</u> | <u>2,050,427</u> | <u>3,468,655</u> | <u>2,910,402</u> | <u>558,253</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.

### Request for information

This financial report is designed to provide a general overview of the REC's finances. Questions concerning any of the information provided in this report or request of additional information should be addresses to the Executive Director, High Plains Education Cooperative #3, 101 North Second Street, Raton, New Mexico 87740.

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**BASIC  
FINANCIAL STATEMENTS**

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

Exhibit A-1

|  | <u><b>Governmental<br/>Activities</b></u> |
|--|---|
| <b>ASSETS</b>                                    |   |
| Cash and cash equivalents                        | \$ 3,415,050                              |
| Intergovernmental Receivables                    | 239,690                                   |
| Prepaid Assets                                   | 9,412                                     |
| Capital assets (net of accumulated depreciation) |   |
| Equipment  | <u>843,914</u>                            |
| Total assets                                     | <u><u>\$ 4,508,066</u></u>                |
| <b>LIABILITIES AND NET POSITION</b>              |   |
| Accounts payable                                 | \$ 2,948                                  |
| Accrued Liabilities                              | 10,466                                    |
| Accrued Compensated Absences                     | 694                                       |
| Total current liabilities                        | <u>14,108</u>                             |
| Accrued Compensated Absences                     | 10,527                                    |
| Total liabilities                                | <u>24,635</u>                             |
| Invested in capital assets                       | 829,470                                   |
| Restricted                                       | 517,418                                   |
| Unrestricted                                     | <u>3,136,543</u>                          |
| Total net position                               | <u>4,483,431</u>                          |
| Total liabilities and net position               | <u><u>\$ 4,508,066</u></u>                |

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit A-2

| <u>Functions/Programs</u>        | <u>Program Revenues</u>    |                                |   | <u>Net (Expenses) Revenue and<br/>Changes in Net Position</u> |                                    |
|----------------------------------|----------------------------|--------------------------------|---|---|------------------------------------|
|                                  | <u>Expenses</u>            | <u>Charges for<br/>Service</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u>               | <u>Governmental<br/>Activities</u> |
| <b>Primary government:</b>       |                            |                                |   |   |                                    |
| Governmental activities:         |                            |                                |   |   |                                    |
| Instruction:                     |                            |                                |   |   |                                    |
| Direct instruction               | \$ -                       | \$ -                           | \$ -  | \$ -  | \$ -                               |
| Support services:                |                            |                                |   |   |                                    |
| Students                         | 1,289,854                  | 1,867,447                      | 857,055   | -   | 1,434,648                          |
| Instruction                      | 520,707                    | -                              | -   | -   | (520,707)                          |
| General Administration           | 711,917                    | -                              | -   | -   | (711,917)                          |
| School Administration            | -                          | -                              | -   | -   | -                                  |
| Central Services                 | 153,348                    | -                              | -   | -   | (153,348)                          |
| Operation & Maintenance of Plant | 204,129                    | -                              | -   | -   | (204,129)                          |
| Student Transportation           | -                          | -                              | -   | -   | -                                  |
| Other Support Services           | 66,936                     | -                              | -   | -   | (66,936)                           |
| Non-instructional support        | -                          | -                              | -   | -   | -                                  |
| Capital Outlay                   | -                          | -                              | -   | -   | -                                  |
| <b>Total primary government</b>  | <b><u>\$ 2,946,891</u></b> | <b><u>\$ 1,867,447</u></b>     | <b><u>\$ 857,055</u></b>                          | <b><u>\$ -</u></b>  | <b><u>\$ (222,389)</u></b>         |
|                                  |                            |                                |   |   | -                                  |
|                                  |                            |                                |   |   | (222,389)                          |
|                                  |                            |                                |   |   | 4,703,541                          |
|                                  |                            |                                |   |   | 2,279                              |
|                                  |                            |                                |   |   | <u>4,705,820</u>                   |
|                                  |                            |                                |   |   | <u>\$ 4,483,431</u>                |

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2013

Exhibit B-1  
(Page 1 of 2)

|  | Operational<br>Fund | State Directed<br>Activities | Non-Categorical<br>Local Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|------------------------------|-------------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                              |                     |                              |                               |                                |                                |
| <i>Current Assets</i>                      |                     |                              |                               |                                |                                |
| Cash and cash equivalents                  | \$ 2,171,587        | \$ -                         | \$ 772,510                    | \$ 470,953                     | \$ 3,415,050                   |
| Accounts receivable                        |                     |                              |                               |                                |                                |
| Taxes                                      | -                   | -                            | -                             | -                              | -                              |
| Due from other governments                 | 45,010              | 148,207                      | -                             | 46,473                         | 239,690                        |
| Internal balances                          | 148,207             | -                            | -                             | -                              | 148,207                        |
| Prepaid Assets                             | 3,503               | 909                          | 5,000                         | -                              | 9,412                          |
| Inventory                                  | -                   | -                            | -                             | -                              | -                              |
| <i>Total assets</i>                        | <u>\$ 2,368,307</u> | <u>\$ 149,116</u>            | <u>\$ 777,510</u>             | <u>\$ 517,426</u>              | <u>\$ 3,812,359</u>            |
| <b>LIABILITIES AND FUND BALANCES</b>       |                     |                              |                               |                                |                                |
| <i>Current Liabilities</i>                 |                     |                              |                               |                                |                                |
| Accounts payable                           | \$ 2,031            | \$ -                         | \$ -                          | \$ 917                         | \$ 2,948                       |
| Accrued salaries and benefits              | 10,466              | -                            | -                             | -                              | 10,466                         |
| Accrued Compensated Absences               | 694                 | -                            | -                             | -                              | 694                            |
| Internal Balances                          | -                   | 148,207                      | -                             | -                              | 148,207                        |
| Deferred revenue                           | -                   | -                            | -                             | -                              | -                              |
| <i>Total liabilities</i>                   | <u>13,191</u>       | <u>148,207</u>               | <u>-</u>                      | <u>917</u>                     | <u>162,315</u>                 |
| <i>Fund Balances</i>                       |                     |                              |                               |                                |                                |
| Fund Balances                              |                     |                              |                               |                                |                                |
| Restricted for:                            |                     |                              |                               |                                |                                |
| General Fund                               | -                   | -                            | -                             | -                              | -                              |
| Special Revenue Funds                      | -                   | 909                          | 777,510                       | 516,509                        | 1,294,928                      |
| Capital Projects Funds                     | -                   | -                            | -                             | -                              | -                              |
| Debt Service Funds                         | -                   | -                            | -                             | -                              | -                              |
| Committed for:                             |                     |                              |                               |                                |                                |
| General Fund                               | -                   | -                            | -                             | -                              | -                              |
| Special Revenue Funds                      | -                   | -                            | -                             | -                              | -                              |
| Capital Projects Funds                     | -                   | -                            | -                             | -                              | -                              |
| Assigned for:                              |                     |                              |                               |                                |                                |
| General Fund                               | 2,355,116           | -                            | -                             | -                              | 2,355,116                      |
| Special Revenue Funds                      | -                   | -                            | -                             | -                              | -                              |
| Capital Projects Funds                     | -                   | -                            | -                             | -                              | -                              |
| Unassigned for:                            |                     |                              |                               |                                |                                |
| General Fund                               | -                   | -                            | -                             | -                              | -                              |
| <i>Total fund balances</i>                 | <u>2,355,116</u>    | <u>909</u>                   | <u>777,510</u>                | <u>516,509</u>                 | <u>3,650,044</u>               |
| <i>Total liabilities and fund balances</i> | <u>\$ 2,368,307</u> | <u>\$ 149,116</u>            | <u>\$ 777,510</u>             | <u>\$ 517,426</u>              | <u>\$ 3,812,359</u>            |

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**STATE OF NEW MEXICO**  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
June 30, 2013

Exhibit B-1  
(Page 2 of 2)

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

|   |    |                 |
|---|----|-----------------|
| Net assets - total governmental funds   | \$ | 3,650,044       |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. |    | 843,914         |
| Certain liabilities are not reported as liabilities in the funds. These liabilities at year end consist of :              |    |                 |
| Compensated Absences  |    | <u>(10,527)</u> |

Net position of governmental activities \$ 4,483,431

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit B-2  
(Page 1 of 2)

|  | Operational/State<br>Appropriations | State Directed<br>Activities | Non-Categorical<br>Local Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------------------------|------------------------------|-------------------------------|--------------------------------|--------------------------------|
| <i>Revenues:</i>   |                                     |                              |                               |                                |                                |
| Taxes  |                                     |                              |                               |                                |                                |
| Taxes levied/assessed  | \$ -                                | \$ -                         | \$ -                          | \$ -                           | \$ -                           |
| Local sources  |                                     |                              |                               |                                |                                |
| Tuition  | -                                   | -                            | -                             | -                              | -                              |
| Investment Income  | 9,374                               | -                            | -                             | -                              | 9,374                          |
| Food services  | -                                   | -                            | -                             | -                              | -                              |
| District activities  | -                                   | -                            | -                             | -                              | -                              |
| Other Revenue  | 1,663,177                           | -                            | 149,056                       | -                              | 1,812,233                      |
| State sources  |                                     |                              |                               |                                |                                |
| Unrestricted Grants  | -                                   | -                            | -                             | -                              | -                              |
| Restricted Grants  | 185,171                             | 346,324                      | -                             | 167,130                        | 698,625                        |
| Federal sources  |                                     |                              |                               |                                |                                |
| Unrestricted Grants  | -                                   | -                            | -                             | -                              | -                              |
| Unrestricted -state passthrough                              | -                                   | -                            | -                             | -                              | -                              |
| Restricted Grants  | -                                   | -                            | -                             | 204,270                        | 204,270                        |
| Restricted -state passthrough                                | -                                   | -                            | -                             | -                              | -                              |
| Department of Interior                                       | -                                   | -                            | -                             | -                              | -                              |
| Other items  | -                                   | -                            | -                             | -                              | -                              |
| <i>Total revenues</i>  | <u>\$ 1,857,722</u>                 | <u>\$ 346,324</u>            | <u>\$ 149,056</u>             | <u>\$ 371,400</u>              | <u>\$ 2,724,502</u>            |
| <i>Expenditures:</i>   |                                     |                              |                               |                                |                                |
| Current:   |                                     |                              |                               |                                |                                |
| Instruction  | \$ -                                | \$ -                         | \$ -                          | \$ -                           | \$ -                           |
| Support Services   |                                     |                              |                               |                                |                                |
| Students   | 953,460                             | -                            | -                             | 336,394                        | 1,289,854                      |
| Instruction  | 378,247                             | -                            | 142,460                       | -                              | 520,707                        |
| General Administration                                       | 232,132                             | 345,415                      | -                             | 61,093                         | 638,640                        |
| School Administration  | -                                   | -                            | -                             | -                              | -                              |
| Central Services   | 153,348                             | -                            | -                             | -                              | 153,348                        |
| Operation & Maintenance of F                                 | 204,129                             | -                            | -                             | -                              | 204,129                        |
| Student Transportation                                       | -                                   | -                            | -                             | -                              | -                              |
| Other Support Services                                       | 66,936                              | -                            | -                             | -                              | 66,936                         |
| Operation of non-instructional se                            | -                                   | -                            | -                             | -                              | -                              |
| Capital Outlay   | -                                   | -                            | -                             | -                              | -                              |
| Debt Service   | -                                   | -                            | -                             | -                              | -                              |
| <i>Total expenditures</i>                                    | <u>1,988,252</u>                    | <u>345,415</u>               | <u>142,460</u>                | <u>397,487</u>                 | <u>2,873,614</u>               |
| <i>Excess (deficiency) of revenues<br/>over expenditures</i> | <u>(130,530)</u>                    | <u>909</u>                   | <u>6,596</u>                  | <u>(26,087)</u>                | <u>(149,112)</u>               |
| <i>Other financing sources (uses)</i>                        |                                     |                              |                               |                                |                                |
| Transfers  | -                                   | -                            | -                             | -                              | -                              |
| <i>Total other financing<br/>sources (uses)</i>              | <u>-</u>                            | <u>-</u>                     | <u>-</u>                      | <u>-</u>                       | <u>-</u>                       |
| <i>Net changes in Fund Balances</i>                          | <u>(130,530)</u>                    | <u>909</u>                   | <u>6,596</u>                  | <u>(26,087)</u>                | <u>(149,112)</u>               |
| <i>Fund Balances - beginning of year</i>                     | <u>2,485,646</u>                    | <u>-</u>                     | <u>770,914</u>                | <u>542,596</u>                 | <u>3,799,156</u>               |
| <i>Fund Balances - end of year</i>                           | <u>\$ 2,355,116</u>                 | <u>\$ 909</u>                | <u>\$ 777,510</u>             | <u>\$ 516,509</u>              | <u>\$ 3,650,044</u>            |

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit B-2  
 (Page 2 of 2)

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

|  |    |           |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | (149,112) |
|--|----|-----------|

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:

Capital expenditures:

|                                   |  |          |
|-----------------------------------|--|----------|
| Current year capital expenditures |  | -        |
| Depreciation expense              |  | (77,194) |

Certain operating expenses, such as compensated absences payable are measured by the amounts incurred during the year. In the fund financial statements, however, expenditures are measured by the amount of financial resources used. The (increase)/decrease in the liabilities for the year were:

|                              |  |              |
|------------------------------|--|--------------|
| Compensated absences payable |  | <u>3,917</u> |
|------------------------------|--|--------------|

|   |    |                  |
|---|----|------------------|
| Change in Net Position of governmental activities | \$ | <u>(222,389)</u> |
|---|----|------------------|

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**OPERATIONAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit C-1

|  | Budgeted Amounts: |              |              | Variance with<br>Final Budget-<br>Positive<br>(Negative) |
|--|-------------------|--------------|--------------|--|
|  | Original Budget   | Final Budget | Actual       |  |
| <i>Revenues:</i>   |                   |              |              |  |
| Local and county sources   | \$ 1,438,424      | \$ 1,438,424 | \$ 1,618,167 | \$ 179,743   |
| State sources  | 104,244           | 104,244      | 185,171      | 80,927   |
| Federal sources  | -                 | -            | -            | -  |
| Interest   | 18,500            | 18,500       | 9,374        | (9,126)  |
| <i>Total revenues</i>  | 1,561,168         | 1,561,168    | 1,812,712    | 251,544  |
| <i>Expenditures:</i>   |                   |              |              |  |
| <i>Current:</i>  |                   |              |              |  |
| Instruction  | -                 | -            | -            | -  |
| Support Services   |                   |              |              |  |
| Students   | 1,218,250         | 1,024,365    | 977,501      | 46,864   |
| Instruction  | 309,605           | 394,190      | 378,247      | 15,943   |
| General Administration   | 256,400           | 337,200      | 235,050      | 102,150  |
| School Administration  | -                 | -            | -            | -  |
| Central Services   | 2,205,141         | 154,714      | 153,348      | 1,366  |
| Operation & maintenance of plant                                 | 211,172           | 227,672      | 207,842      | 19,830   |
| Student transportation   | -                 | -            | -            | -  |
| Other Support Services   | 55,000            | 67,000       | 66,936       | 64   |
| Operation of Non-instructional Services                          |                   |              |              |  |
| Food services operations   | -                 | -            | -            | -  |
| Capital outlay   | -                 | -            | -            | -  |
| Debt Service:  |                   |              |              |  |
| Principal  | -                 | -            | -            | -  |
| Interest   | -                 | -            | -            | -  |
| <i>Total expenditures</i>  | 4,255,568         | 2,205,141    | 2,018,924    | 186,217  |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | (2,694,400)       | (643,973)    | (206,212)    | 437,761  |
| <i>Other financing sources (uses):</i>                           |                   |              |              |  |
| Transfers  |                   |              | 13,149       | 13,149   |
| Designated Cash  | 2,694,400         | 643,973      | -            | (643,973)  |
| <i>Total other financing sources (uses)</i>                      | 2,694,400         | 643,973      | 13,149       | (630,824)  |
| <i>Net change in fund balances</i>                               | -                 | -            | (193,063)    | (193,063)  |
| <i>Cash balances - beginning of year</i>                         | -                 | -            | 2,364,650    | 2,364,650  |
| <i>Cash balances - end of year</i>                               | \$ -              | \$ -         | \$ 2,171,587 | \$ 2,171,587   |
| Excess (deficiency) of revenues over expenditures (Budget Basis) |                   |              | \$ (206,212) |  |
| Adjustments to revenues  |                   |              | 45,010       |  |
| Adjustments to expenditures                                      |                   |              | 30,672       |  |
| Excess (deficiency) of revenues over expenditures (GAAP Basis)   |                   |              | \$ (130,530) |  |

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**STATE DIRECTED ACTIVITIES SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit C-2

|  | Budgeted Amounts |                | Actual              | Variance            |
|--|------------------|----------------|---------------------|---------------------|
|  | Original Budget  | Final Budget   |                     |                     |
| <i>Revenues:</i>   |                  |                |                     |                     |
| Local and county sources   | \$ -             | \$ -           | \$ -                | \$ -                |
| State sources  | 346,324          | 346,324        | 359,473             | 13,149              |
| Federal sources  | -                | -              | -                   | -                   |
| Interest   | -                | -              | -                   | -                   |
| <i>Total revenues</i>  | <u>346,324</u>   | <u>346,324</u> | <u>359,473</u>      | <u>13,149</u>       |
| <i>Expenditures:</i>   |                  |                |                     |                     |
| Current:   |                  |                |                     |                     |
| Instruction  | -                | -              | -                   | -                   |
| Support Services   |                  |                |                     |                     |
| Students   | -                | -              | -                   | -                   |
| Instruction  | -                | -              | -                   | -                   |
| General Administration   | 346,324          | 346,324        | 346,324             | -                   |
| School Administration  | -                | -              | -                   | -                   |
| Central Services   | -                | -              | -                   | -                   |
| Operation & maintenance of plant                                 | -                | -              | -                   | -                   |
| Student transportation   | -                | -              | -                   | -                   |
| Other Support Services   | -                | -              | -                   | -                   |
| Operation of Non-instructional Services                          |                  |                |                     |                     |
| Food services operations   | -                | -              | -                   | -                   |
| Capital outlay   | -                | -              | -                   | -                   |
| Debt Service:  |                  |                |                     |                     |
| Principal  | -                | -              | -                   | -                   |
| Interest   | -                | -              | -                   | -                   |
| <i>Total expenditures</i>  | <u>346,324</u>   | <u>346,324</u> | <u>346,324</u>      | <u>-</u>            |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <u>-</u>         | <u>-</u>       | <u>13,149</u>       | <u>13,149</u>       |
| <i>Other financing sources (uses):</i>                           |                  |                |                     |                     |
| Operating transfers  | -                | -              | -                   | -                   |
| Proceeds from bonds  | -                | -              | -                   | -                   |
| Designated Cash  | -                | -              | -                   | -                   |
| <i>Total other financing sources (uses)</i>                      | <u>-</u>         | <u>-</u>       | <u>-</u>            | <u>-</u>            |
| <i>Net change in fund balances</i>                               | <u>-</u>         | <u>-</u>       | <u>13,149</u>       | <u>13,149</u>       |
| <i>Cash balances - beginning of year</i>                         | <u>-</u>         | <u>-</u>       | <u>(161,356)</u>    | <u>(161,356)</u>    |
| <i>Cash balances - end of year</i>                               | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ (148,207)</u> | <u>\$ (148,207)</u> |
| Excess (deficiency) of revenues over expenditures (Budget Basis) |                  |                | \$ 13,149           |                     |
| Adjustments to revenues  |                  |                | (12,240)            |                     |
| Adjustments to expenditures                                      |                  |                | -                   |                     |
| Excess (deficiency) of revenues over expenditures (GAAP Basis)   |                  |                | <u>\$ 909</u>       |                     |

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**NON-CATEGORICAL LOCAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit C-3

|  | Budgeted Amounts |                | Actual            | Variance          |
|--|------------------|----------------|-------------------|-------------------|
|  | Original Budget  | Final Budget   |                   |                   |
| <i>Revenues:</i>   |                  |                |                   |                   |
| Local and county sources   | \$ 329,500       | \$ 329,500     | \$ 149,056        | \$ (180,444)      |
| State sources  | -                | -              | -                 | -                 |
| Federal sources  | -                | -              | -                 | -                 |
| Interest   | -                | -              | -                 | -                 |
| <i>Total revenues</i>  | <u>329,500</u>   | <u>329,500</u> | <u>149,056</u>    | <u>(180,444)</u>  |
| <i>Expenditures:</i>   |                  |                |                   |                   |
| <i>Current:</i>  |                  |                |                   |                   |
| Instruction  | -                | -              | -                 | -                 |
| Support Services   |                  |                |                   |                   |
| Students   | -                | -              | -                 | -                 |
| Instruction  | 329,500          | 329,500        | 147,460           | 182,040           |
| General Administration   | -                | -              | -                 | -                 |
| School Administration  | -                | -              | -                 | -                 |
| Central Services   | -                | -              | -                 | -                 |
| Operation & maintenance of plant                                 | -                | -              | -                 | -                 |
| Student transportation   | -                | -              | -                 | -                 |
| Other Support Services   | -                | -              | -                 | -                 |
| Operation of Non-instructional Services                          |                  |                |                   |                   |
| Food services operations   | -                | -              | -                 | -                 |
| Capital outlay   | -                | -              | -                 | -                 |
| <i>Debt Service:</i>   |                  |                |                   |                   |
| Principal  | -                | -              | -                 | -                 |
| Interest   | -                | -              | -                 | -                 |
| <i>Total expenditures</i>  | <u>329,500</u>   | <u>329,500</u> | <u>147,460</u>    | <u>182,040</u>    |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <u>-</u>         | <u>-</u>       | <u>1,596</u>      | <u>1,596</u>      |
| <i>Other financing sources (uses):</i>                           |                  |                |                   |                   |
| Operating transfers  | -                | -              | -                 | -                 |
| Proceeds from bonds  | -                | -              | -                 | -                 |
| Designated Cash  | -                | -              | -                 | -                 |
| <i>Total other financing sources (uses)</i>                      | <u>-</u>         | <u>-</u>       | <u>-</u>          | <u>-</u>          |
| <i>Net change in fund balances</i>                               | <u>-</u>         | <u>-</u>       | <u>1,596</u>      | <u>1,596</u>      |
| <i>Cash balances - beginning of year</i>                         | <u>-</u>         | <u>-</u>       | <u>770,914</u>    | <u>770,914</u>    |
| <i>Cash balances - end of year</i>                               | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ 772,510</u> | <u>\$ 772,510</u> |
| Excess (deficiency) of revenues over expenditures (Budget Basis) |                  |                | \$ 1,596          |                   |
| Adjustments to revenues  |                  |                | 5,000             |                   |
| Adjustments to expenditures                                      |                  |                | -                 |                   |
| Excess (deficiency) of revenues over expenditures (GAAP Basis)   |                  |                | <u>\$ 6,596</u>   |                   |

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
Notes to the Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies**

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 fund and accounts groups that are controlled by or dependent on the Cooperative for financial support. The Cooperative has no component units. The financial statements of High Plains Regional Education Cooperative #3 (REC) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the REC's accounting policies are described below.

Authority for the operation of the High Plains Regional Education Cooperative #3 (REC) is based upon Chapter 232 of the Laws of 1993, State of New Mexico, and the State Board of Education Regulation 93-23, which authorize the establishment of Regional Educational Cooperatives in the State of New Mexico. The member organizations undertake a Joint Powers Agreement, whereby they will submit a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico pursuant to the Individual with Disabilities Education Act, Part B- (IDEA-B).

The Cooperative Council will oversee the function and the operation of the Cooperative. The Council will adopt a budget and administrative guidelines as necessary to carry out the purposes of the Cooperative; hire an Executive Director and necessary additional staff; Approve an annual proposal/budget for each project; approve all fiscal arrangements, policies and agreements; approve reports; maintain "education records" in accordance with 34 CFR 300.560-300.576; permit authorized representatives of regulatory agencies to inspect and audit all data and records relating to the Cooperative; annually evaluate cooperative projects and determine which are to be continued; and subject to any applicable requirements of state or federal laws and regulation, including the Procurement Code of the State of New Mexico, take action on any other matters which the Council considers necessary or desirable in furtherance of Cooperative programs, operations or interest.

**A. Reporting Entity**

GASB Statement No. 61 established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the REC is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 61, fiscally independent means that the REC may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The REC also has no component units, as defined by GASB Statement No. 61, as there are no other legally separate organizations for which the elected REC Council members are financially accountable. There are no other primary governments with which the REC Council Members are financially accountable. There are no other primary governments with which the REC has a significant relationship.

**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
Notes to the Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental funds are used to account for the REC's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of long-term debt. Governmental funds include:

The Operational Fund is the previous operating fund of the REC, that accounted for all financial resources, except those required to be accounted for in other funds.

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

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**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

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

Under the requirements of GASB #34, the REC is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which include funds that were not required to be presented as major but were at the discretion of management:

Operational Fund: The Operational Fund (27101) is used to account for state funds granted to the REC operating fund for the REC per the request of NM Public Education Department. Authorized by Laws 2005, Chapter 33.

Special Revenue Fund: The State Directed Activities Fund (27200) is used to account for a program funded by a State grant to assist the REC in providing free appropriate public education to all handicapped children. Funding authorized by the individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 936-380 ,94-142 ,98-199 ,99-457, 100-639, and 101-476, 20 U.S.C. 1411-1420. The fund was created by the authority of federal grant provisions.

Special Revenue Fund: Non-Categorical Local Fund (29102) the purpose of this program is to account for the entrepreneurial revenues and expenditures generated by the REC. The fund was created by the NM Public Education Department.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Private-sector standards of accounting and financial reporting under FASB and AICPA guidance are included in GASB Statement No. 62.

Program revenues included in the Statement of Activities derive directly from the program itself or from outside parties, as a whole; program revenues reduce the cost of the function to be financed from the REC's donations. Program revenues are categorized as (a) charges for services, (b) program-specific operating grants, which includes revenues received from state and federal sources such as, State Directed Activities (Idea B Discretionary) funding to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

The REC reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities.

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**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

D. Assets, Liabilities and Net Assets or Equity

Cash and Temporary Investments: The REC's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The REC is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

State statutes authorize the REC to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the REC are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Certain Special Revenue funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. However, infrastructure assets have not been included in the June 30, 2013 financial statements of REC, since the REC did not own any infrastructure assets as of June 30, 2013. Information technology equipment, including software, is being capitalized and included in furniture and equipment as the REC did not maintain internally developed software. Donated capital assets are recorded at estimated fair market value at the date of donation. During the year ended June 30, 2013, the REC had not received any donated capital assets.

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

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**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

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

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

|                      |            |
|----------------------|------------|
| Equipment            | 5-10 years |
| Vehicles             | 12 years   |
| Buildings            | 50 years   |
| Building Renovations | 50 years   |

Deferred Revenues: The REC recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be "available" under the current financial resources measurement focus are reported as deferred revenues in the governmental fund financial statements. GASB 63 amended previous guidance on deferred revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period.

Compensated Absences: Qualified employees are entitled to accumulate annual leave at a rate of two weeks for the first three years and one additional day for years four through eight up to a maximum of three weeks. Employees may only carry over up to a maximum of 40 hours per year. Upon termination, employees will be paid for accrued annual leave up to a maximum of 40 hours.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the operational fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Fund Equity

Restricted fund balance represents amounts that are constrained:

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

Imposed by law through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority.

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high-level body or official whom the governing body has delegated.

Unassigned fund balance is the residual classification for the general fund and represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes.

The REC's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

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

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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. Significant estimates affecting the REC's financial statements include management's estimate of the useful lives of capital assets.

Federal Grants: The REC receives revenues from various Federal Departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operated under its own budget, which has been approved by the Federal Department or the flow through agency (usually the New Mexico Public Education Department). The various budgets are approved by the REC Council and the New Mexico Public Education Department.

**NOTE 2. Stewardship, Compliance and Accountability**

Budgetary Information

Budgets for the General and Special Revenue Funds are prepared by management and are approved by the local Board of Education and the REC 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 line item basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series,' this may be accomplished with only local Council approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public Education Department.

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

The REC follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 15, the REC Council submits to the School Budget Planning Unit (SBPU) of the New Mexico Public Education Department a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the REC shall contain headings and details as described by law and have been approved by the Public Education Department.

2. Prior to June 20 of each year, the proposed "operating" budget will be reviewed and approved by



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**NOTE 2. Stewardship, Compliance and Accountability - (Continued)**

Budgetary Information - (continued)

the DBPU and certified and approved by the local Council at a public hearing of which notice has been published by the local REC board which fixes the estimated budget for the REC for the ensuing fiscal year.

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

4. The "operating" budget will be used by the REC until they have been notified that the budget has been approved by the SBPU and the local board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.

5. The REC shall make corrections, revisions and amendments to the estimated budgets fixed by the local board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.

6. The board 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 REC board and the State of New Mexico Public Education Department.

7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public REC Accounting and Budgeting. Such changes are initiated by the REC and approved by the SBPU.

8. Legal budget control for expenditures is by function.

9. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of REC has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

11. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are not utilized for GAAP purposes or for budget purposes.

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**NOTE 2. Stewardship, Compliance and Accountability - (Continued)**

Budgetary Information - (continued)

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2013, is presented.

**NOTE 3. Cash and Temporary Investments**

State statutes authorize the investment of REC funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the REC properly followed state investment requirements as of June 30, 2013.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the REC. 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.

The collateral pledged is listed on Schedule I 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, REC or political subdivision of the State of New Mexico.

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

Deposits

New Mexico 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 REC for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

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**NOTE 3. Cash and Temporary Investments (continued)**

| International Bank   | <u>Type</u> | Bank Balance<br><u>6/30/2013</u> | Reconciled<br><u>Balance</u> |
|--|-------------|----------------------------------|------------------------------|
| General  | Checking    | \$ <u>3,483,150</u>              | \$ <u>3,415,050</u>          |
| Total Deposits   |             | 3,483,150                        | \$ <u>3,415,050</u>          |
| Less: FDIC Coverage  |             | <u>(250,000)</u>                 |                              |
| Uninsured Amount   |             | 3,233,150                        |                              |
| 50% Collateral requirement                                     |             | 1,616,575                        |                              |
| Pledged Securities   |             | <u>1,786,402</u>                 |                              |
| (Over) Under collateralized                                    |             | <u><u>\$ (169,827)</u></u>       |                              |
|  |             |                                  |                              |
| Custodial Credit Risk-Deposits<br>Account Balance              | \$          | 3,483,150                        |                              |
| FDIC Insured   |             | 250,000                          |                              |
| Collateral:  |             |                                  |                              |
| Collateral held by the pledging<br>bank, not in the REC's name |             | 1,786,402                        |                              |
| Uninsured and uncollateralized                                 |             | <u>1,446,748</u>                 |                              |
| Total Deposits   | \$          | <u><u>3,483,150</u></u>          |                              |

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$1,446,748 of the REC's bank balance of \$3,483,150 was exposed to custodial credit risk.

Reconciliation of Cash and Temporary Investments

|   |    |                         |
|---|----|-------------------------|
| Governmental Funds - Balance Sheet        |    |                         |
| Cash and cash equivalents per Exhibit A-1 | \$ | 3,415,050               |
| Add outstanding checks                    |    | <u>68,100</u>           |
| Bank balance of deposits                  | \$ | <u><u>3,483,150</u></u> |



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**NOTE 7. Long-term Debt**

During the year ended June 30, 2013, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

|                      | Balance<br>June 30, 2012 | Additions        | Deletions        | Balance<br>June 30, 2013 | Current<br>Portion |
|----------------------|--------------------------|------------------|------------------|--------------------------|--------------------|
| Compensated Absences | \$ <u>16,049</u>         | \$ <u>13,863</u> | \$ <u>18,691</u> | \$ <u>11,221</u>         | \$ <u>694</u>      |
| Total                | \$ <u>16,049</u>         | \$ <u>13,863</u> | \$ <u>18,691</u> | \$ <u>11,221</u>         | \$ <u>694</u>      |

Compensated Absences - Administrative employees of the REC are able to accrue vacation and other compensatory time during the year. During fiscal year June 30, 2013, compensated absences decreased \$4,828 from the prior year accrual. The current portion of the compensated absences is estimated at \$694. Any liability would be liquidated out of the Operational Fund. See Note 1 for more details.

**NOTE 8. Risk Management**

The REC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The REC, as a State entity, is insured through the State of New Mexico, General Services Department, Risk Management Division. Annual premiums are paid by the REC to the General Services Department, Risk Management Division for coverage provided in the following areas:

Workers Compensation  
Property and Automobile Liability and Physical Damage Liability and Civil Rights and Personal Injury; and  
Crime

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**NOTE 9. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures as part of the combined statements of certain information concerning individual funds including:

Deficit Fund Balances. There are no deficit fund balances as of June 30, 2013.

Excess Expenditures over budget. There are no instances of excess expenditures over budget as of June 30, 2013.

**NOTE 10. Pension Plan- Educational Retirement Board**

*Plan Description.* Substantially all of the REC's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at [www.nmerb.org](http://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: 9.40% of their gross salary in fiscal year 2013; 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

In the future, the REC will contribute the following percentages of the gross covered salary of employees: 13.5% of gross covered salary in fiscal year 2014; and 13.9% of gross covered salary in fiscal year 2015.

The contribution requirements of plan members and the REC are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The REC's contributions to the ERB for the years ended June 30, 2013, 2012 and 2011 were \$20,939 \$27,659, and \$30,897, respectively, which equal the required contributions for each year.

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**NOTE 11. Post-Employment Benefits-State Retiree Healthcare Plan**

*Plan description:* High Plains Regional Education Cooperative #3 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 Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (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 RCHA 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 RCHA or viewed on their website at [www.nmrhca.stat.nm.us](http://www.nmrhca.stat.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 3, 4 or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, 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, 2013, the statute required each participating employer to contribute 2.0% 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, 2013, the statute required each participating employer to contribute 2.0% of each employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15 (G) NMSA 1978, at the first

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**NOTE 11. Post-Employment Benefits-State Retiree Healthcare Plan (continued)**

session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The REC's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$ 30,663, \$ 27,659, and \$30,897, respectively, which equal the required contributions for each year.

**NOTE 12. Economic Dependency**

The primary source of funding for the REC consists of IDEA-B (Individuals with Disabilities Education Act, Part B) Entitlement and Discretionary funds passed through the State of New Mexico Department of Education. The amount of these revenues is subject to change.

**NOTE 13. Contingent Liabilities**

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

The REC, by its nature, may be subjected to claims and lawsuits arising in the normal course of business. Currently, there are no such pending claims or lawsuits to which the REC is a party.

**NOTE 14. Joint Powers Agreements and Intergovernmental Agreements**

Medicaid JPA

Purpose : Medicaid billing for member RECs.

Participants: The High Plains Regional Education Cooperative #3 and the New Mexico Human Services Department.

Responsible Party for Operation and Audit: High Plains Regional Education Cooperative

Beginning and Ending Date of Agreement: Until terminated

Total Estimated Amount of Project and Actual Amount Contributed: Not determinable



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**NOTE 14. Joint Powers Agreements and Intergovernmental Agreements (continued)**

IDEA B Discretionary IGA/ State Directed Activities (27200)

Purpose: to assist local educational agencies in providing positive behavioral interventions and supports and appropriate mental health services for children with disabilities, to provide support and direct services, including technical assistance, personnel preparation and professional development and training. To support capacity building activities and improve the delivery of services by local educational agencies to improve result for children with disabilities. To provide alternative programming for children with disabilities who have been expelled from school, and services for children with disabilities in correction facilities, children enrolled in State-operated or State-supported schools and children with disabilities in charters schools and to provide technical assistance to schools and LEAs, and direct services including supplemental educational services as defined in Section 1116 9e) of the Elementary and Secondary Education Act of 1965 to children with disabilities, in schools or local education agencies identified for improvement under Section 1116 for the Elementary disaggregated subgroup of children with disabilities, including providing professional development to special and regular education teachers, who teach children with disabilities, based on scientifically based research to improve education instruction in order to improve academic achievement to meet or exceed the objectives established by the State under Section 1111 (b)(2)(G) of the Elementary and Secondary Education Act of 1965.

Participants: High Plains Regional Education Cooperative #3 and the New Mexico Public Education Department.

Responsible Party for Operation and Audit: Although the New Mexico Public Education Department is responsible for the audit, High Plains Regional Education Cooperative #3 records all revenues and expenditures for this agreement.

Beginning and Ending Date of Agreement: July 1, 2012 to June 30, 2013.

Total Estimated Amount of Project and Actual Amount Contributed: \$346,327.

**NOTE 15. Subsequent Accounting Standard Pronouncements**

The GASB issued Statement No. 64. Statement 64 is effective for financial statements for periods beginning after December 15, 2012, with early application encouraged. The objective of this statement is clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider is replaced. The REC is reviewing the effects of the implementation of this statement but does not believe it will have an impact on their financial statements.

**STATE OF NEW MEXICO**  
HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3  
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June 30, 2013

**NOTE 15. Subsequent Accounting Standard Pronouncements (continued)**

The GASB issued Statement No. 65, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position* which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The REC is reviewing the effects of the implementation of this statement.

The GASB issued Statement No. 66, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this statement is to amend Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government’s risk financing activities to the general fund and the internal service fund type. As a result, government would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and that principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee. These changes would eliminate any uncertainty regarding the application of Statement No. 13, *Accounting for Operating Leases with Schedule Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales of Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The REC is reviewing the effects of the implementation of this statement.

**NOTE 16. Subsequent Events Review**

A review of subsequent events through July 2, 2013, which is the date of the financial statements were available to be issued, indicated nothing of audit significance.

**NOTE 17. Restatement**

The prior year financial statements contained an overstatement of capital assets in the amount of \$208,193 and an overstatement of accumulated depreciation of \$210,472 for a net restatement to capital assets of \$2,279.

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**SPECIAL REVENUE FUNDS- MEDICAID IN SCHOOLS 25153**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

|  | Cimarron<br>Valley<br>Schools | Mosquero<br>Municipal<br>Schools | Raton<br>Independent<br>Schools |
|--|-------------------------------|----------------------------------|---------------------------------|
| <i>Revenues:</i>   |                               |                                  |                                 |
| Taxes  |                               |                                  |                                 |
| Taxes levied/assessed  | \$ -                          | \$ -                             | \$ -                            |
| Local sources  |                               |                                  |                                 |
| Tuition  | -                             | -                                | -                               |
| Investment Income  | -                             | -                                | -                               |
| Food services  | -                             | -                                | -                               |
| District activities  | -                             | -                                | -                               |
| Other Revenue  | -                             | -                                | -                               |
| State sources  |                               |                                  |                                 |
| Unrestricted Grants  | -                             | -                                | -                               |
| Restricted Grants  | -                             | -                                | -                               |
| Federal sources  |                               |                                  |                                 |
| Unrestricted Grants  | -                             | -                                | -                               |
| Unrestricted -state passthrough                              | -                             | -                                | -                               |
| Restricted Grants  | 21,936                        | 12,899                           | 48,828                          |
| Restricted -state passthrough                                | -                             | -                                | -                               |
| Department of Interior                                       | -                             | -                                | -                               |
| Other items  | -                             | -                                | -                               |
| <i>Total revenues</i>  | <u>\$ 21,936</u>              | <u>\$ 12,899</u>                 | <u>\$ 48,828</u>                |
| <i>Expenditures:</i>   |                               |                                  |                                 |
| Current:   |                               |                                  |                                 |
| Instruction  | \$ -                          | \$ -                             | \$ -                            |
| Support Services   |                               |                                  |                                 |
| Students   | 32,971                        | 8,067                            | 29,882                          |
| Instruction  | -                             | -                                | -                               |
| General Administration                                       | -                             | -                                | -                               |
| School Administration  | -                             | -                                | -                               |
| Central Services   | -                             | -                                | -                               |
| Operation & Maintenance of Plant                             | -                             | -                                | -                               |
| Student Transportation                                       | -                             | -                                | -                               |
| Other Support Services                                       | -                             | -                                | -                               |
| Capital Outlay   | -                             | -                                | -                               |
| Debt Service   | -                             | -                                | -                               |
| <i>Total expenditures</i>                                    | <u>32,971</u>                 | <u>8,067</u>                     | <u>29,882</u>                   |
| <i>Excess (deficiency) of revenues<br/>over expenditures</i> | <u>(11,035)</u>               | <u>4,832</u>                     | <u>18,946</u>                   |
| <i>Net changes in fund balances</i>                          | (11,035)                      | 4,832                            | 18,946                          |
| <i>Fund Balances - beginning of year</i>                     | -                             | -                                | -                               |
| <i>Fund Balances - end of year</i>                           | <u>\$ -</u>                   | <u>\$ -</u>                      | <u>\$ -</u>                     |

| Springer<br>Public<br>Schools | Des Moines<br>Municipal<br>Schools | Maxwell<br>Municipal<br>Schools | Roy<br>Municipal<br>Schools | Clayton<br>Municipal<br>Schools | Total<br>Special Revenue<br>r Medicaid Fund |
|-------------------------------|------------------------------------|---------------------------------|-----------------------------|---------------------------------|---|
| \$ -                          | \$ -                               | \$ -                            | \$ -                        | \$ -                            | \$ -  |
| -                             | -                                  | -                               | -                           | -                               | -   |
| -                             | -                                  | -                               | -                           | -                               | -   |
| -                             | -                                  | -                               | -                           | -                               | -   |
| -                             | -                                  | -                               | -                           | -                               | -   |
| -                             | -                                  | -                               | -                           | -                               | -   |
| -                             | -                                  | -                               | -                           | -                               | -   |
| -                             | -                                  | -                               | -                           | -                               | -   |
| -                             | -                                  | -                               | -                           | -                               | -   |
| 30,136                        | 13,381                             | 21,276                          | 13,540                      | 42,274                          | 204,270                                     |
| -                             | -                                  | -                               | -                           | -                               | -   |
| -                             | -                                  | -                               | -                           | -                               | -   |
| -                             | -                                  | -                               | -                           | -                               | -   |
| <u>\$ 30,136</u>              | <u>\$ 13,381</u>                   | <u>\$ 21,276</u>                | <u>\$ 13,540</u>            | <u>\$ 42,274</u>                | <u>\$ 204,270</u>                           |
| \$ -                          | \$ -                               | \$ -                            | \$ -                        | \$ -                            | \$ -  |
| 50,961                        | 4,752                              | 15,887                          | 26,251                      | 60,599                          | 229,370                                     |
| -                             | -                                  | -                               | -                           | -                               | -   |
| -                             | -                                  | -                               | -                           | -                               | -   |
| -                             | -                                  | -                               | -                           | -                               | -   |
| -                             | -                                  | -                               | -                           | -                               | -   |
| -                             | -                                  | -                               | -                           | -                               | -   |
| -                             | -                                  | -                               | -                           | -                               | -   |
| -                             | -                                  | -                               | -                           | -                               | -   |
| <u>50,961</u>                 | <u>4,752</u>                       | <u>15,887</u>                   | <u>26,251</u>               | <u>60,599</u>                   | <u>229,370</u>                              |
| <u>(20,825)</u>               | <u>8,629</u>                       | <u>5,389</u>                    | <u>(12,711)</u>             | <u>(18,325)</u>                 | <u>(25,100)</u>                             |
| (20,825)                      | 8,629                              | 5,389                           | (12,711)                    | (18,325)                        | (25,100)                                    |
| -                             | -                                  | -                               | -                           | -                               | 290,014                                     |
| <u>\$ -</u>                   | <u>\$ -</u>                        | <u>\$ -</u>                     | <u>\$ -</u>                 | <u>\$ -</u>                     | <u>\$ 264,914</u>                           |

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**NONMAJOR GOVERNMENTAL FUNDS**

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the REC with the purpose of accomplishing specific educational tasks. Grants accounted for in the Special Revenue Funds include:

Special Revenue Fund: The Medicaid in Schools Fund (25153) is used to account for amounts billed, received, and paid for member schools as reimbursements for services to Medicaid-eligible children. Funding is authorized by the State of New Mexico Human Services Department under the Medicaid Program (42 USC 1396a (a)5).

Special Revenue Fund: The Medicaid HSD (28144) is used to account for amounts billed, received, and paid for member schools as reimbursements for services to Medicaid-eligible children. Funding is authorized by the State of New Mexico Human Services Department under the Medicaid Program (42 USC 1396a (a)5).

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2013

Statement A-1

|   | Medicaid<br>in our Schools | Medicaid<br>HSD   | Total Nonmajor<br>Governmental<br>Funds |
|---|----------------------------|-------------------|---|
| <b>ASSETS</b>                           |                            |                   |   |
| <i>Current Assets</i>                   |                            |                   |   |
| Cash and cash equivalents               | \$ 239,354                 | \$ 231,599        | \$ 470,953                              |
| Accounts receivable                     |                            |                   |   |
| Taxes                                   | -                          | -                 | -                                       |
| Intergovernmental receivable            | 25,560                     | 20,913            | 46,473                                  |
| Internal Balances                       | -                          | -                 | -                                       |
| Inventory                               | -                          | -                 | -                                       |
|   | <hr/>                      | <hr/>             | <hr/>                                   |
| <i>Total assets</i>                     | <u>\$ 264,914</u>          | <u>\$ 252,512</u> | <u>\$ 517,426</u>                       |
| <br><b>LIABILITIES AND NET ASSETS</b>   |                            |                   |   |
| <i>Current Liabilities</i>              |                            |                   |   |
| Accounts payable                        | \$ -                       | \$ 917            | \$ 917                                  |
| Accrued salaries and benefits           | -                          | -                 | -                                       |
| Internal Balances                       | -                          | -                 | -                                       |
| Deferred revenue                        | -                          | -                 | -                                       |
|   | <hr/>                      | <hr/>             | <hr/>                                   |
| <i>Total liabilities</i>                | -                          | 917               | 917                                     |
| <br><i>Net Assets</i>                   |                            |                   |   |
| Net Assets                              |                            |                   |   |
| Restricted for:                         |                            |                   |   |
| General Fund                            | -                          | -                 | -                                       |
| Special Revenue Funds                   | 264,914                    | 251,595           | 516,509                                 |
| Capital Projects Funds                  | -                          | -                 | -                                       |
| Debt Service Funds                      | -                          | -                 | -                                       |
| Committed for:                          |                            |                   |   |
| General Fund                            | -                          | -                 | -                                       |
| Special Revenue Funds                   | -                          | -                 | -                                       |
| Capital Projects Funds                  | -                          | -                 | -                                       |
| Assigned for:                           |                            |                   |   |
| General Fund                            | -                          | -                 | -                                       |
| Special Revenue Funds                   | -                          | -                 | -                                       |
| Capital Projects Funds                  | -                          | -                 | -                                       |
| Unassigned for:                         |                            |                   |   |
| General Fund                            | -                          | -                 | -                                       |
|   | <hr/>                      | <hr/>             | <hr/>                                   |
| <i>Total Net Assets</i>                 | <u>264,914</u>             | <u>251,595</u>    | <u>516,509</u>                          |
| <i>Total liabilities and net assets</i> | <u>\$ 264,914</u>          | <u>\$ 252,512</u> | <u>\$ 517,426</u>                       |

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Statement A-2

|  | Medicaid<br>in our Schools | Medicaid<br>HSD   | Total Nonmajor<br>Governmental<br>Funds |
|--|----------------------------|-------------------|---|
| <i>Revenue</i>   |                            |                   |   |
| Taxes  |                            |                   |   |
| Taxes levied/assessed  | \$ -                       | \$ -              | \$ -                                    |
| Local sources  |                            |                   |   |
| Tuition  | -                          | -                 | -                                       |
| Investment Income  | -                          | -                 | -                                       |
| Food services  | -                          | -                 | -                                       |
| District activities  | -                          | -                 | -                                       |
| Other Revenue  | -                          | -                 | -                                       |
| State sources  |                            |                   |   |
| Unrestricted Grants  | -                          | -                 | -                                       |
| Restricted Grants  | -                          | 167,130           | 167,130                                 |
| Federal sources  |                            |                   |   |
| Unrestricted Grants  | -                          | -                 | -                                       |
| Unrestricted -state passthrough                              | -                          | -                 | -                                       |
| Restricted Grants  | 204,270                    | -                 | 204,270                                 |
| Restricted -state passthrough                                | -                          | -                 | -                                       |
| Department of Interior                                       | -                          | -                 | -                                       |
| Other items  | -                          | -                 | -                                       |
|  | <u>          </u>          | <u>          </u> | <u>          </u>                       |
| <i>Total revenues</i>  | <u>\$ 204,270</u>          | <u>\$ 167,130</u> | <u>371,400</u>                          |
| <i>Expenditures:</i>   |                            |                   |   |
| Current:   |                            |                   |   |
| Instruction  | \$ -                       | \$ -              | \$ -                                    |
| Support Services   |                            |                   |   |
| Students   | 229,370                    | 107,024           | 336,394                                 |
| Instruction  | -                          | -                 | -                                       |
| General Administration                                       | -                          | 61,093            | 61,093                                  |
| School Administration  | -                          | -                 | -                                       |
| Central Services   | -                          | -                 | -                                       |
| Operation & Maintenance of Plant                             | -                          | -                 | -                                       |
| Student Transportation                                       | -                          | -                 | -                                       |
| Other Support Services                                       | -                          | -                 | -                                       |
| Operation of non-instructional services                      | -                          | -                 | -                                       |
| Capital Outlay   | -                          | -                 | -                                       |
| Debt Service   | -                          | -                 | -                                       |
|  | <u>          </u>          | <u>          </u> | <u>          </u>                       |
| <i>Total expenditures</i>                                    | <u>229,370</u>             | <u>168,117</u>    | <u>397,487</u>                          |
| <i>Excess (deficiency) of revenues<br/>over expenditures</i> | <u>(25,100)</u>            | <u>(987)</u>      | <u>(26,087)</u>                         |
| <i>Other financing sources (uses)</i>                        |                            |                   |   |
| Transfers  | -                          | -                 | -                                       |
| <i>Total other financing<br/>sources (uses)</i>              | <u>-</u>                   | <u>-</u>          | <u>-</u>                                |
| <i>Net changes in fund balances</i>                          | (25,100)                   | (987)             | (26,087)                                |
| <i>Fund balances - beginning of year</i>                     | <u>290,014</u>             | <u>252,582</u>    | <u>542,596</u>                          |
| <i>Fund balances - end of year</i>                           | <u>\$ 264,914</u>          | <u>\$ 251,595</u> | <u>\$ 516,509</u>                       |

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**MEDICAID IN OUR SCHOOLS SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Statement B-1

|   | Budgeted Amounts |            | Actual<br>Amounts | Variance with<br>Final Budget-<br>Positive<br>(Negative) |
|---|------------------|------------|-------------------|--|
|   | Original         | Final      |                   |  |
| <i>Revenues:</i>  |                  |            |                   |  |
| Local sources   | \$ -             | \$ -       | \$ -              | \$ -   |
| State sources   | -                | -          | -                 | -  |
| Federal sources   | 355,788          | 355,788    | 178,710           | (177,078)  |
| Other Financing sources   | -                | -          | -                 | -  |
| Other Items   | -                | -          | -                 | -  |
| Total revenues  | \$ 355,788       | \$ 355,788 | \$ 178,710        | \$ (177,078)   |
| <i>Expenditures:</i>  |                  |            |                   |  |
| <i>Current:</i>   |                  |            |                   |  |
| Instruction   | \$ -             | \$ -       | \$ -              | \$ -   |
| Support Services  |                  |            |                   |  |
| Students  | 355,788          | 355,788    | 230,494           | 125,294  |
| Instruction   | -                | -          | -                 | -  |
| General Administration  | -                | -          | -                 | -  |
| School Administration   | -                | -          | -                 | -  |
| Central Services  | -                | -          | -                 | -  |
| Operation & Maintenance of Plant  | -                | -          | -                 | -  |
| Student Transportation  | -                | -          | -                 | -  |
| Other Support Services  | -                | -          | -                 | -  |
| Operation of non-instructional services   | -                | -          | -                 | -  |
| Capital Outlay  | -                | -          | -                 | -  |
| Debt Service  | -                | -          | -                 | -  |
| Non-Operating Emergency Reserves  | -                | -          | -                 | -  |
| Total instructional support   | 355,788          | 355,788    | 230,494           | 125,294  |
| Total expenditures  | 355,788          | 355,788    | 230,494           | 125,294  |
| <i>Excess (deficiency) of revenues<br/>over expenditures</i>  | -                | -          | (51,784)          | (51,784)   |
| <i>Other financing sources (uses):</i>  |                  |            |                   |  |
| Transfers   | -                | -          | -                 | -  |
| Designated cash balance   | -                | -          | -                 | -  |
| Total other financing<br>sources (uses)   | -                | -          | -                 | -  |
| <i>Excess (deficiency) of revenues<br/>and other sources (uses)<br/>over expenditures</i>               | -                | -          | (51,784)          | (51,784)   |
| <i>Cash balances - beginning of year</i>  | -                | -          | 291,138           | 291,138  |
| <i>Cash balances - end of year</i>  | \$ -             | \$ -       | \$ 239,354        | \$ 239,354   |
| <i>Excess (deficiency of revenues and<br/>other sources (uses) over<br/>expenditures (Budget Basis)</i> |                  |            | \$ (51,784)       |  |
| Adjustments to revenues   |                  |            | 25,560            |  |
| Adjustments to expenditures   |                  |            | 1,124             |  |
| <i>Excess (deficiency of revenues and<br/>other sources (uses) over<br/>expenditures (GAAP Basis)</i>   |                  |            | \$ (25,100)       |  |

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**STATE OF NEW MEXICO** Statement B-2  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**MEDICAID HSD SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

|  | Budgeted Amounts |            | Actual<br>Amounts | Variance with<br>Final Budget-<br>Positive<br>(Negative) |
|--|------------------|------------|-------------------|--|
|  | Original         | Final      |                   |  |
| <i>Revenues:</i>   |                  |            |                   |  |
| Local sources  | \$ -             | \$ -       | \$ -              | \$ -   |
| State sources  | 231,902          | 231,902    | 146,217           | (85,685)   |
| Federal sources  | -                | -          | -                 | -  |
| Other Financing sources  | -                | -          | -                 | -  |
| Other Items  | -                | -          | -                 | -  |
| Total revenues   | \$ 231,902       | \$ 231,902 | \$ 146,217        | \$ (85,685)  |
| <i>Expenditures:</i>   |                  |            |                   |  |
| <i>Current:</i>  |                  |            |                   |  |
| Instruction  | \$ -             | \$ -       | \$ -              | \$ -   |
| Support Services   |                  |            |                   |  |
| Students   | 151,466          | 151,466    | 107,024           | 44,442   |
| Instruction  | -                | -          | -                 | -  |
| General Administration   | 80,436           | 80,436     | 60,176            | 20,260   |
| School Administration  | -                | -          | -                 | -  |
| Central Services   | -                | -          | -                 | -  |
| Operation & Maintenance of Plant   | -                | -          | -                 | -  |
| Student Transportation   | -                | -          | -                 | -  |
| Other Support Services   | -                | -          | -                 | -  |
| Operation of non-instructional services  | -                | -          | -                 | -  |
| Capital Outlay   | -                | -          | -                 | -  |
| Debt Service   | -                | -          | -                 | -  |
| Non-Operating Emergency Reserves   | -                | -          | -                 | -  |
| Total instructional support  | 231,902          | 231,902    | 167,200           | 64,702   |
| Total expenditures   | 231,902          | 231,902    | 167,200           | 64,702   |
| <i>Excess (deficiency) of revenues over expenditures</i>   | -                | -          | (20,983)          | (20,983)   |
| <i>Other financing sources (uses):</i>   |                  |            |                   |  |
| Designated cash balance  | -                | -          | -                 | -  |
| Total other financing sources (uses)   | -                | -          | -                 | -  |
| <i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>                | -                | -          | (20,983)          | (20,983)   |
| <i>Cash balances - beginning of year</i>   | -                | -          | 252,582           | 252,582  |
| <i>Cash balances - end of year</i>   | \$ -             | \$ -       | \$ 231,599        | \$ 231,599   |
| <i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i> |                  |            | \$ (20,983)       |  |
| Adjustments to revenues  |                  |            | 20,913            |  |
| Adjustments to expenditures  |                  |            | (917)             |  |
| <i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>   |                  |            | \$ (987)          |  |

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**SUPPORTING SCHEDULES**

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY**  
June 30, 2013

Schedule I

| Name of Depository | Description of Pledged Collateral                             | Fair Market Value<br>June 30, 2013 | Name and Location<br>of Safekeeper            |
|--------------------|---|------------------------------------|---|
| International Bank | FHLB Non CBL<br>Cusip# 313370JS8<br>1.375%, matures 9/1/2014  | 1,013,221                          | Federal Reserve Bank<br>Kansas City, Missouri |
|                    | FNMA CBL<br>Cusip# 3136FPBB2<br>matures 8/25/2015             | 310,927                            | Federal Reserve Bank<br>Kansas City, Missouri |
|                    | FHLB Non CBL<br>Cusip# 313381DN2<br>1.46%, matures 12/13/19   | 47,410                             | Federal Reserve Bank<br>Kansas City, Missouri |
|                    | FNMA<br>Cusip# 3135G0GY3<br>1.25%, matures 1/30/2017          | 75,254                             | Federal Reserve Bank<br>Kansas City, Missouri |
|                    | FHLB Non CBL<br>Cusip# 3133XKTV7<br>4.875%, matures 6/13/2014 | 78,367                             | Federal Reserve Bank<br>Kansas City, Missouri |
|                    | FHLB Non CBL<br>Cusip# 3133XKTV7<br>4.875%, matures 6/13/2014 | 261,223                            | Federal Reserve Bank<br>Kansas City, Missouri |
|                    | <b>Total Collateral Pledged</b>                               | <b>\$ 1,786,402</b>                |   |

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS**  
 June 30, 2013

Schedule II

| Deposit or Investment<br>Account Type                         | International<br>Bank | Total        |
|---|-----------------------|--------------|
| Checking, Interest Bearing                                    | \$ 3,646,266          | \$ 3,646,266 |
| Checking, Interest Bearing                                    | 100,000               | 100,000      |
| Total On Deposit  | 3,746,266             | 3,746,266    |
| Reconciling Items   | (244,537)             | (244,537)    |
| Reconciled Balance June 30, 2013                              | \$ 3,501,729          | \$ 3,501,729 |
| Reconciliation to financial statements:                       |                       |              |
| Cash and cash equivalents:                                    |                       |              |
| Total cash and cash equivalents per Statement of Net Position |                       | \$ 3,415,050 |
|   |                       | \$ 3,415,050 |

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**CASH RECONCILIATION**  
**FOR THE YEAR ENDED JUNE 30, 2013**

|                                     | Operational         | State Directed<br>Activities | Medicaid<br>In our Schools | Medicaid<br>HSD   | Non-Categorical<br>Conference    | Total               |
|-------------------------------------|---------------------|------------------------------|----------------------------|-------------------|----------------------------------|---------------------|
| Cash per June 30, 2012 audit report | \$ 2,526,006        | \$ (161,355)                 | \$ 291,138                 | \$ 252,582        | \$ 770,914                       | \$ 3,679,285        |
| Add:                                |                     |                              |                            |                   |                                  |                     |
| 2012-13 revenues                    | 1,812,712           | 359,472                      | 178,710                    | 146,217           | 149,056                          | 2,646,167           |
| Cash Transfers                      | <u>(148,207)</u>    | <u>148,207</u>               | <u>-</u>                   | <u>-</u>          | <u>-</u>                         | <u>-</u>            |
| Total cash available                | 4,190,511           | 346,324                      | 469,848                    | 398,799           | 919,970                          | 6,325,452           |
| Less:                               |                     |                              |                            |                   |                                  |                     |
| 2012-13 expenditures                | <u>(2,018,924)</u>  | <u>(346,324)</u>             | <u>(230,494)</u>           | <u>(167,200)</u>  | <u>(147,460)</u>                 | <u>(2,910,402)</u>  |
| Cash June 30, 2013                  | <u>\$ 2,171,587</u> | <u>\$ -</u>                  | <u>\$ 239,354</u>          | <u>\$ 231,599</u> | <u>\$ 772,510</u>                | <u>\$ 3,415,050</u> |
|                                     |                     |                              |                            |                   |                                  |                     |
|                                     |                     |                              |                            |                   | Bank balance end of year         | \$ 3,535,560        |
|                                     |                     |                              |                            |                   | Deposits in transit              | 577                 |
|                                     |                     |                              |                            |                   | Outstanding checks               | (121,087)           |
|                                     |                     |                              |                            |                   | Balance per Books, June 30, 2013 | <u>\$ 3,415,050</u> |

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**COMPLIANCE SECTION**

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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***

**INDEPENDENT AUDITOR'S REPORT**

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Board  
High Plains Regional Education Cooperative #3  
Raton, New Mexico

We have audited, 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual fund and related budgetary comparisons presented as supplemental information of the High Plains Regional Education Cooperative as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise High Plains Regional Education Cooperative's basic financial statements, and the combining and individual funds and related budgetary comparisons of High Plains Regional Education Cooperative presented as supplemental information, and have issued our report thereon dated August 2, 2013.

**Internal Control Over Financial Reporting**

Management of High Plains Regional Education Cooperative #3 is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit of the financial statements, we considered High Plains Regional Education Cooperative #3's internal control over financial reporting to determine the auditing 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 High Plains Regional Education Cooperative #3's internal control. Accordingly, we do not express an opinion on the effectiveness of the High Plains Regional Education Cooperative #3'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 function, 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 a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of the internal control over 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 significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. However, as described in the accompanying Schedule of findings and responses as FS 2013-01, we did identify certain deficiencies in internal control that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether High Plains Regional Education Cooperative #3'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 one instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses at FS 2013-01.

### **High Plains Regional Educational Cooperative #3's Responses to Findings**

High Plains Regional Educational Cooperative #3's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. High Plains Regional Education Cooperative responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying management letter.

### **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 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.



*Precision Accounting LLC*  
Albuquerque, New Mexico  
August 2, 2013

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**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2013**

**B. FINDINGS-FINANCIAL STATEMENT AUDIT**

**FS 2013-01 Payroll Deduction (significant deficiency)**

**CONDITION:** Three pay periods were tested (a total of \$101,759.61) out of 26, where across the pay periods, a total of 28 samples were selected out of 37 (payroll population) for testing. Basic life and dependent life insurances were incorrectly deducted in pay periods #2 and 25 for an employee using an incorrect salary base, which was underpayment of \$0.30 by the employee (and an overpayment by the employer). The exception projected across 26 pay periods resulted in an error of \$7.80.

**CRITERIA:** No process or procedure is in place to prevent this event from reoccurring. The Organization does not appear to be compliant with NMAC 6.20.2.11 C-Internal Control structure standards: "An internal control structure is required to demonstrate the school district's ability to record, process, summarize and report financial data consistent with the following financial statement assertions: 1) rights and ownership, 2) existence and occurrence, 3) valuation and allocations, 4) completeness, and 5) presentation and disclosure."

**CAUSE:** The Organization inadvertently missed adjusting the insurance deductions for basic life and dependent life when there was a salary increase which was at the borderline of a step up in rates.

**EFFECT:** The Organization overpaid the employee (since the employee's deduction was an underpayment) by \$0.30, which did not reflect the correct payroll expenses.

**RECOMMENDATION:** The Organization should review and implement procedures to ensure payroll changes such as salary increases and relevant affected deductions and/or withholdings are adjusted appropriately and accurately. Adding a supervisory or secondary review may assist with this issue.

**CLIENT RESPONSE:** To ensure benefit deductions are entered correctly, the organization will print deduction lines from the Visions program, which will be verified for accuracy by the Business Manager and/or the Executive Director.

**C. PRIOR YEAR AUDIT FINDINGS**

None

**STATE OF NEW MEXICO**  
**HIGH PLAINS REGIONAL EDUCATION COOPERATIVE #3**  
**OTHER DISCLOSURES**  
**YEAR ENDED JUNE 30, 2013**

**A. AUDITOR PREPARED FINANCIAL STATEMENTS**

The REC has the capability of preparing, understanding and accepting responsibility for its own GAAP-basis financial statements, however, the REC's personnel do not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes with assistance from High Plains Regional Education Cooperative #3 for inclusion in the annual audit report. Management is responsible for the contents of this report.

**B. EXIT CONFERENCE**

The contents of this report were discussed on July 31, 2013. The following individuals were in attendance.

High Plains Regional Education Cooperative #3  
R. Stephen Aguirre, Executive Director  
Mary Lisa Gonzales, Business Manager  
Neil Terhune, Member

Precision Accounting LLC  
Melissa R. Santistevan, CPA, CFE, CGMA  
Mei Y. To, Staff Accountant II  
Michelle Jaramillo, Staff Accountant