

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2008**

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## **INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**

**OFFICIAL ROSTER**  
June 30, 2008

<b><u>Name</u></b>	<b><u>REC Council</u></b>	<b><u>Title</u></b>
Mr. Mike Chambers		Chairperson
Dr. Bruce Peterson		Vice Chairperson
Mr. Henry Gardner		Member
Ms. Lorena Garcia		Member
Mr. Jay Mortensen		Member
Mr. Bill Green		Member
Ms. Sandra Henson		Member
Ms. Carolyn Renteria		Member
Ms. Diana Spriggs		Member
Ms. Gail Oliver		Member
Mr. Jean Rightley		Member
<b><u>REC Officials</u></b>		
Nina K. Tafoya		Executive Director
Maria Jaramillo		Related Services and Program Coordinator
Michael Sisneros		Business Manager

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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  
Central Region Educational Cooperative  
Albuquerque, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparison statements of the major funds' activities of Central Region Educational Cooperative (REC) as of and for the year ended June 30, 2008, which collectively comprise the REC's basic financial statements as listed in the table of contents. We also have audited the financial statements and budgetary comparison statements of each of the REC's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of Central Region Educational Cooperative's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the REC's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Central Region Educational Cooperative, as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison statements 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 Central Region Educational Cooperative, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison statements for each nonmajor governmental fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2008 on our consideration of the Central Region Educational Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 13-18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Region Educational Cooperative's basic financial statements, the combining and individual fund financial statements, and the budgetary comparison statements. The accompanying Schedule of Expenditures of Federal Awards (Schedule IV) is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying financial information listed as supporting Schedules I through III in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Central Region Educational Cooperative. Such information has been subjected to the auditing procedures applied in the audit of the basic and each of the nonmajor governmental fund financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

*Precision Accounting, LLC*  
Albuquerque, New Mexico  
September 8, 2008

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## For the Fiscal Year Ended June 30, 2008

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As management of the Central Region Educational Cooperative (CREC's), we offer the reader of the financial statements this narrative overview and analysis of the financial activities of the CREC for the fiscal year ended June 30, 2008. Please read this discussion and analysis in conjunction with the CREC's basic financial statements, which are presented immediately following this Management's Discussion and Analysis (MD&A).

### Financial Highlights

- The CREC's total net assets at June 30, 2008 were \$621,700 resulting in an increase of \$98,137.00 when compared to the prior year. This increase was mainly due to the charges for services (ancillary services) to member districts, which has historically exceeded the actual cost of providing those services.
- General revenues accounted for \$1,749,710 in revenue or 57% of all revenues. Program specific revenues in the form of restricted state pass-through accounted for \$1,345,618 or 43% of total revenues of \$3,095,328.
- Over all Revenues for the CREC has decreased by (\$626,037) compared to prior year. While there was an increase of \$112,427 in charges for services. There was a decrease of (\$894,748) in funding from grants. The net impact was an overall decrease in funding of (16.82%).
- *At the end of the current fiscal year, the CREC's governmental activity funds showed current assets of \$1,163,780 (including \$787,622 in cash and cash equivalents) this represents a significant change in the yearend cash position of the CREC when compared to prior year the percentage change was 52%. (Note the New Mexico Public Education Department (NMPED) provided a loan "float" fund to the CREC in the amount of \$200,000. When netting the float fund out the cash position at yearend for 2008 would total to \$587,622.*
- At the end of the current fiscal year, the CREC's governmental unreserved fund balance for the general fund was \$372,619 or 21% percent of total general fund expenditures. The increase to the general fund amounted to \$113,352
- As of the close of the fiscal year ended June 30, 2008, the CREC's Accounts receivable was \$356,066 or a 66% increase when compared to the prior year amount of \$214,215. This change is directly related to improved tracking and posting of accounts receivable at year end.

### Overview of the Financial Statements

The MD&A is provided at the beginning to the annual report and is intended to serve as an introduction to the CREC's basic financial statements. The financial section of this annual report consists of three parts 1.) Independent Auditor's Report; 2.) Required supplementary information which includes the MD&A (this sections; and 3.) The basic financial statements comprising of three components: A.) government-wide financial statements, B) fund financial statements, and C) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements -** The government-wide financial statements are designed to provide readers with a broad overview of the CREC's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the CREC's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets

## For the Fiscal Year Ended June 30, 2008

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may serve as a useful indicator of whether the financial position of the CREC is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing or related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements can be found on pages 21 to 31 of this report.

**Fund financial statements - A** fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The CREC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the CREC are considered governmental funds.

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

The governmental funds use the modified accrual basis of accounting whereby revenues are recognized when they become available and measurable as net current assets. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

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

In addition to the two accounts that comprise the General fund (operational and instructional materials), the CREC maintains ten (8) individual governmental funds these funds are classified as Special Revenue funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the IDEA B Entitlement fund, the IDEA B Discretionary fund and the Medicaid fund. These funds are considered to be major funds. Individual fund data for each of the non-major funds is provided in the form of combining statements in this report.

**Notes to the basic financial statements - The** notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 to 54 of this report.

**Budgetary Comparison** GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules present both the original and the final approved budgets for the reporting

**For the Fiscal Year Ended June 30, 2008**

period as well as the actual inflows, outflows and balances, stated on the CREC's budgetary (cash) basis. As required by the Office of the New Mexico State Auditor under 2.2.2 NMAC "Requirements for Contracting and Conducting Audits of Agencies" the budgetary comparison statements of the non-major governmental funds are presented as supplementary data. Budgetary information is provided at the approved budget level to demonstrate compliance with legal requirements. Reconciliation between the fund financial statements and the budgetary financial statements is provided in the Notes of Financial Statements (Note 2on pages 45-46)

**Other Information** The combining statements referred to earlier in connection with non-major government funds are presented immediately following the Notes of the Financial Statements. Combining and individual fund statements and schedules can be found on pages 77 to 89 of this report

**Government-wide Financial Analysis**

The CREC has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34) **Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments.**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the CREC, assets exceeded liabilities by \$621,700 at the close of the most recent fiscal year. Of the CREC's assets cash represented 68% of the total, and accounts receivable accounting for 31%. When compared to June 30, 2007 cash represented 65% of the total and accounts receivable accounted for 27%.

A summary of the CREC's net assets for FY 2008 and FY 2007 follows:

*Two-Year Comparative Statement of Net Assets*

**CENTRAL REGION EDUCATIONAL COOPERATIVE**

Financial statements in U.S. dollars	June 30, 2008	June 30, 2007	Increase / (Decrease)	Percent Change
<b>Assets</b>				
Cash and cash equivalents	787,622	517,600	270,022	0.52
Intergovernmental Receivables	356,066	214,215	141,851.00	0.66
Capital assets (net of accumulated depreciation)				
Equipment	20,092.00	69,496	(49,404)	-71.09%
<b>Total Assets</b>	<b>1,163,780</b>	<b>801,311</b>	<b>362,469</b>	<b>45.23%</b>
<b>Liabilities and Net Assets</b>				
Accounts payable	66,450	82,580	(16,130)	-19.53%
Accrued payroll and taxes	209,863	0	209,863	
Intergovernmental accounts payable	0	11,553	(11,553)	-100.00%
Deferred revenue	248,029	22,075	225,954	1023.57%
Emergency funding payabel	0	150,000	(150,000)	-100.00%
Compensated absences	4,947.00	11,540	(6,593)	-57.13%
Total current liabilities	529,289	277,748	251,541	90.56%
Accrued Compensated Absences	12,791	0	12,791	
Total liabilities	542,080	277,748	264,332	95.17%
Investment in capital assets	20,092	69,496	(49,404)	-71.09%
Unrestricted	601,608	454,067	147,541	32.49%
Total net assets	621,700	523,563	98,137	18.74%
<b>Total liabilities and net assets</b>	<b>\$ 1,163,780</b>	<b>\$ 801,311</b>	<b>\$ 362,469</b>	<b>45.23%</b>

(See page 21 of this report)

For the Fiscal Year Ended June 30, 2008

*Two-Year Comparative of Revenue, Expenses and  
Changes in Net Assets*

CENTRAL REGION EDUCATIONAL COOPERATIVE

Financial statements in U.S. dollars	June 30, 2008	June 30, 2007	Increase / (Decrease)	Percent Change
<b>Revenue</b>				
Taxes				
Taxes Levied/assessed				
Local Sources				
Tuition				
Investment Income	16,293	-	16,293	
Food Services	-	-	-	
District Activities	1,730,404	1,617,977	112,427	6.95%
Other Revenue	3,013	-	3,013	
State Sources				
Unrestricted Grants	112,679	34,426	78,253	227.31%
Restricted Grants	106,954	63,460	43,494	68.54%
Federal Sources				
Unrestricted Grants	120,760	105,529	15,231	14.43%
Unrestricted-State Passthrough	-	-	-	
Restricted Grants	-	-	-	
Restricted-State Passthrough	1,005,225	1,899,973	(894,748)	-47.09%
Department of Interior	-	-	-	
Other Items	-	-	-	
<b>Total Revenues</b>	<b>3,095,328</b>	<b>3,721,365</b>	<b>(626,037)</b>	<b>-16.82%</b>
<b>Expenditures</b>				
Current				
Instruction	78,498	465,839	(387,341)	-83.15%
Support Services			0	
Students	2,615,028	2,832,348	(217,320)	-7.67%
Instructions	-	1,667	(1,667)	-100.00%
General Administration	130,950	151,177	(20,227)	-13.38%
School Administration	12,210	88,982	(76,772)	-86.28%
Central Services	81,033	32,418	48,615	149.96%
Operational & Maintenance	23,870	59,996	(36,126)	-60.21%
Student Transportation	-	-	-	
Other Support Services	-	-	-	
Operation of non-instructional	-	-	-	
Capital Outlay	-	-	-	
Debt Service	-	-	-	
<b>Total Expenses</b>	<b>2,941,589</b>	<b>3,632,427</b>	<b>(690,838)</b>	<b>-19.02%</b>
Excess (deficiency) of Revenues over (under) Expenditures	153,739	88,938	64,801	72.86%
Net change in fund balance	153,739	88,938	64,801	72.86%
Fund balances- beginning of year	465,607	376,669	88,938	23.61%
Fund balance- end of year	<u>\$ 619,346</u>	<u>\$ 465,607</u>	<u>\$ 153,739</u>	<u>33.02%</u>

**Governmental Funds** The focus of the CREC, governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the CREC's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**For the Fiscal Year Ended June 30, 2008**

- As of June 30, 2008 the CREC's general fund increased by \$113,352. The primary factor contributing to this growth is directly related to the increase in billing for services rendered by the CREC to member and nonmember organizations combined with lower than expected incurred expenditures during the year.

**General Fund Budgetary Highlights**

During the year ending June 30, 2008, actual revenues exceeded anticipated revenues ( ancillary service revenue was greater than expected) and expenditures were less than budgetary estimates. Because revenues were greater than anticipated the actual expenditure savings were greater than projected, the CREC had an overall cash savings of \$134,580. See page 33)

A summary of the CREC's revenues for FY 2008 and FY 2007 follows:

*Two-Year Comparative Revenue to Expenditure by Fund*

**CENTRAL REGION EDUCATIONAL COOPERATIVE**

Financial statements in U.S. dollars

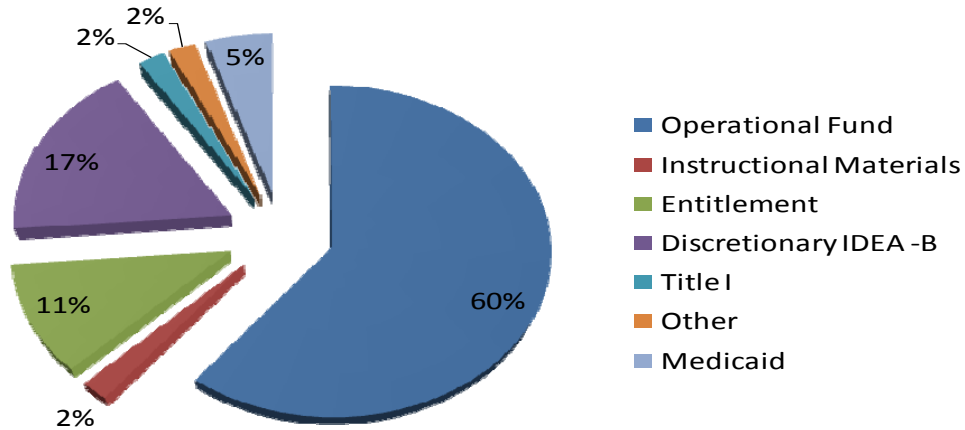
	June 30, 2008	June 30, 2007	Increase / (Decrease)	Percent Change
<b>Revenues</b>				
11000- Operational Fund	1,908,803	1,663,063	245,740	0.15
14000- Instructional Materials	75,651	63,460	12,191.00	0.19
24102- Javits Gifted	16,105	163,577	(147,472.00)	(0.90)
24106- Entitlement	358,579	848,640	(490,061.00)	(0.58)
24107- Discretionary IDEA -B	513,586	510,313	3,273.00	0.01
24108- Competitive IDEA-B	-	93,715	(93,715.00)	(1.00)
24109- Preschool	11,953	17,266	(5,313.00)	(0.31)
24123- Title I	66,446	56,210	10,236.00	0.18
24151- Transition	38,556	1,130	37,426.00	33.12
24167- Reading First	-	201,222	(201,222.00)	(1.00)
25153- Title XIX Medicaid 3/21 Years	105,649	94,869	10,780.00	0.11
27129- Advanced Placement	0	7,900	(7,900.00)	-100.00%
<b>Total Revenues</b>	<b>\$ 3,095,328.00</b>	<b>\$ 3,721,365.00</b>	<b>\$ (626,037.00)</b>	<b>-16.82%</b>
<b>Expenditures</b>				
11000- Operational Fund	1,795,451	1,517,867	277,584	18.29%
14000- Instructional Materials	50	74,444	(74,394)	-99.93%
24102- Javits Gifted	16,105	163,577	(147,472)	-90.15%
24106- Entitlement	358,579	848,640	(490,061)	-57.75%
24107- Discretionary IDEA -B	539,754	510,313	29,441	5.77%
24108- Competitive IDEA-B	0	93,715	(93,715)	-100.00%
24109- Preschool	11,953	17,266	(5,313)	-30.77%
24123- Title I	66,445	56,210	10,235	18.21%
24151- Transition	38,556	1,130	37,426	3312.04%
24167- Reading First	0	201,222	(201,222)	-100.00%
25153- Title XIX Medicaid 3/21 Years	105,649	140,143	(34,494)	-24.61%
27129- Advanced Placement	9,047.00	7,900.00	1,147	14.52%
<b>Total Expenditures</b>	<b>\$ 2,941,589.00</b>	<b>\$ 3,632,427.00</b>	<b>\$ (690,838.00)</b>	<b>-19.02%</b>

(See page 28-29 and 78-79)

**For the Fiscal Year Ended June 30, 2008**

The following chart shows the CREC's revenues for fiscal year ended June 30, 2008 by source:

**Revenue by Fund Fiscal Year 2007-2008**



**Changes in Cooperative Capital Assets**

The CREC's investment in capital assets as of June 30, 2008 amounted to \$20,092 (net of accumulated depreciation). The CREC did not have any debt. The investment in capital assets is almost exclusively an investment in office equipment. The changes to capital during the year ending June 30, 2008 are summarized below.

*Two-Year Comparative of Changes in CREC Capital Assets*

**CENTRAL REGION EDUCATIONAL COOPERATIVE**

Financial statements in U.S. dollars	Balance as June 30, 2007	Additions & Adjustments	Deletions & Adjustments	Balance as June 30, 2008
<b>Capital Assets</b>				
Capital Assets, being depreciated:				
Furniture, fixtures & equipment	189,233	-	149,440.00	39,793.00
Less Accumulated Depreciation for:				
Furniture, fixtures & equipment	119,737	6,465	106,501.00	19,701.00
<b>Governmental activities capital assets, net:</b>	<u>\$ 69,496.00</u>	<u>\$ 6,465.00</u>	<u>\$ 42,939.00</u>	<u>\$ 20,092.00</u>

See note 6 on page 50

**Request for Information**

This financial report is designed to provide a general overview of the CREC's finances. Questions concerning any of the information provided in this report or request of additional financial information should be address to the Executive Director, Central Region Educational Cooperative, Candelaria Rd. NE, Albuquerque, NM 87107

**BASIC  
FINANCIAL STATEMENTS**

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

Exhibit A-1

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 787,622
Intergovernmental Receivables	356,066
Capital assets (net of accumulated depreciation)	
Equipment	<u>20,092</u>
Total assets	<u><u>\$ 1,163,780</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
Accounts payable	\$ 66,450
Accrued payroll and taxes	209,863
Deferred revenue	248,029
Compensated absences	<u>4,947</u>
Total current liabilities	529,289
Accrued Compensated Absences	12,791
Total liabilities	<u>542,080</u>
Invested in capital assets	20,092
Restricted	118,321
Unrestricted	<u>483,287</u>
Total net assets	<u>621,700</u>
Total liabilities and net assets	<u><u>\$ 1,163,780</u></u>

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

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STATE OF NEW MEXICO  
CENTRAL REGION EDUCATIONAL COOPERATIVE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit A-2

<u>Functions/Programs</u>	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary government:</b>					
Governmental activities:					
Instruction:					
Direct instruction	\$ 84,963	\$ -	\$ 1,332,924	\$ -	\$ 1,247,961
Support services:					
Students	2,615,028	1,743,890	-	-	(871,138)
Instruction	6,198	-	-	-	(6,198)
General Administration	130,950	-	-	-	(130,950)
School Administration	12,210	-	-	-	(12,210)
Central Services	88,097	-	-	-	(88,097)
Operation & Maintenance of Plant	59,745	-	-	-	(59,745)
Student Transportation	-	-	-	-	-
Other Support Services	-	-	-	-	-
Non-instructional support	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total primary government	\$ 2,997,191	\$ 1,743,890	\$ 1,332,924	\$ -	\$ 79,623
					Interest 16,293
					Miscellaneous 2,221
					Change in net assets 98,137
					Net assets - beginning 523,563
					Net assets - ending \$ 621,700

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

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2008

	REC Fund	Instructional Materials	IDEA B Entitlement	IDEA B Discretionary
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 505,522	\$ 118,321	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	180,947	-	10,891	46,094
Internal balances	179,583	-	-	-
Inventory	-	-	-	-
	<u>\$ 866,052</u>	<u>\$ 118,321</u>	<u>\$ 10,891</u>	<u>\$ 46,094</u>
<i>Total assets</i>	<u>\$ 866,052</u>	<u>\$ 118,321</u>	<u>\$ 10,891</u>	<u>\$ 46,094</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<i>Current Liabilities</i>				
Accounts payable	\$ 4,530	\$ -	\$ -	\$ -
Accrued salaries and benefits	175,551	-	1,874	2,085
Intergovernmental AP	-	-	-	-
Internal balances	-	-	9,017	44,009
Deferred revenue	200,000	-	-	26,168
	<u>380,081</u>	<u>-</u>	<u>10,891</u>	<u>72,262</u>
<i>Total liabilities</i>	<u>380,081</u>	<u>-</u>	<u>10,891</u>	<u>72,262</u>
 <i>Fund Balances</i>				
Fund Balance:				
Reserved:				
Reserved for inventory	-	-	-	-
Reserved for debt service	-	-	-	-
Unreserved:				
Designated for subsequent year's expenditures, reported in:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Undesignated, reported in:				
General Fund	485,971	118,321	-	(26,168)
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
	<u>485,971</u>	<u>118,321</u>	<u>-</u>	<u>(26,168)</u>
<i>Total fund balances</i>	<u>485,971</u>	<u>118,321</u>	<u>-</u>	<u>(26,168)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 866,052</u>	<u>\$ 118,321</u>	<u>\$ 10,891</u>	<u>\$ 46,094</u>

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

Medicaid in Schools	Other Governmental Funds	Total Governmental Funds
\$ 140,033	\$ 23,746	\$ 787,622
-	-	-
15,744	102,390	356,066
-	-	179,583
-	-	-
<u>\$ 155,777</u>	<u>\$ 126,136</u>	<u>\$ 1,323,271</u>
\$ 60,045	\$ 1,875	\$ 66,450
30,353	-	209,863
-	-	-
15,111	111,446	179,583
-	21,861	248,029
<u>105,509</u>	<u>135,182</u>	<u>703,925</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	578,124
50,268	(9,046)	41,222
-	-	-
<u>50,268</u>	<u>(9,046)</u>	<u>619,346</u>
<u>\$ 155,777</u>	<u>\$ 126,136</u>	<u>\$ 1,323,271</u>

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

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

Exhibit B-1  
(Page 2 of 2)

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
June 30, 2008

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

Fund balances - total governmental funds	\$ 619,346
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,092
Certain liabilities are not reported as liabilities in the funds. These liabilities at year end consist of :	
Compensated Absences	<u>(17,738)</u>
Net assets of governmental activities	<u>\$ 621,700</u>

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

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	REC Fund	Instructional Materials	IDEA B Entitlement	IDEA B Discretionary
<i>Revenues:</i>				
Taxes				
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -
Local sources				
Tuition	-	-	-	-
Investment Income	16,293	-	-	-
Food services	-	-	-	-
District activities	1,730,404	-	-	-
Other Revenue	3,013	-	-	-
State sources				
Unrestricted Grants	112,679	-	-	-
Restricted Grants	31,303	75,651	-	-
Federal sources				
Unrestricted Grants	15,111	-	-	-
Unrestricted -state passthrough	-	-	-	-
Restricted Grants	-	-	-	-
Restricted -state passthrough	-	-	358,579	513,586
Department of Interior	-	-	-	-
Other items	-	-	-	-
<i>Total revenues</i>	<u>\$ 1,908,803</u>	<u>\$ 75,651</u>	<u>\$ 358,579</u>	<u>\$ 513,586</u>
<i>Expenditures:</i>				
Current:				
Instruction	\$ 17,500	\$ -	\$ 42,106	\$ 11,567
Support Services				
Students	1,760,155	50	304,263	348,686
Instruction	-	-	-	-
General Administration	13,600	-	-	104,918
School Administration	-	-	12,210	-
Central Services	-	-	-	67,519
Operation & Maintenance of Plant	4,196	-	-	7,064
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
<i>Total expenditures</i>	<u>1,795,451</u>	<u>50</u>	<u>358,579</u>	<u>539,754</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>113,352</u>	<u>75,601</u>	<u>-</u>	<u>(26,168)</u>
<i>Net changes in fund balances</i>	113,352	75,601	-	(26,168)
<i>Fund balances - beginning of year</i>	<u>372,619</u>	<u>42,720</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 485,971</u>	<u>\$ 118,321</u>	<u>\$ -</u>	<u>\$ (26,168)</u>

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



Medicaid in Schools	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -
-	-	-
-	-	16,293
-	-	-
-	-	1,730,404
-	-	3,013
-	-	-
-	-	112,679
-	-	106,954
105,649	-	120,760
-	-	-
-	-	-
-	133,060	1,005,225
-	-	-
-	-	-
<u>\$ 105,649</u>	<u>\$ 133,060</u>	<u>\$ 3,095,328</u>
\$ -	\$ 7,325	\$ 78,498
105,649	-	-
-	96,225	2,615,028
-	-	-
-	12,432	130,950
-	-	12,210
-	13,514	81,033
-	12,610	23,870
-	-	-
-	-	-
-	-	-
-	-	-
<u>105,649</u>	<u>142,106</u>	<u>2,941,589</u>
-	(9,046)	153,739
-	(9,046)	153,739
<u>50,268</u>	<u>-</u>	<u>465,607</u>
<u>\$ 50,268</u>	<u>\$ (9,046)</u>	<u>\$ 619,346</u>

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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	\$	153,739
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures:

Current year capital expenditures		-
Depreciation expense		(6,465)
Adjustments to Assets		(42,939)

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>(6,198)</u>
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Change in net assets of governmental activities	\$	<u><u>98,137</u></u>
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The accompanying notes are an integral part of these financial statements.

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**REC FUND**

Exhibit C-1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ 1,458,920	\$ 1,749,710	1,733,417	\$ (16,293)
State sources	-	249,724	143,982	(105,742)
Federal sources	-	-	15,111	15,111
Interest	-	-	16,293	16,293
<i>Total revenues</i>	<u>1,458,920</u>	<u>1,999,434</u>	<u>1,908,803</u>	<u>(90,631)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	1,579,900	1,870,293	1,777,655	92,638
Instruction	-	-	-	-
General Administration	13,600	13,600	13,600	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	14,196	4,196	10,000
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>1,593,500</u>	<u>1,898,089</u>	<u>1,795,451</u>	<u>102,638</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(134,580)</u>	<u>101,345</u>	<u>113,352</u>	<u>12,007</u>
<i>Other financing sources (uses):</i>				
Designated Cash	134,580	(101,345)	377,171	478,516
<i>Total other financing sources (uses)</i>	<u>134,580</u>	<u>(101,345)</u>	<u>377,171</u>	<u>478,516</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>490,523</u>	<u>490,523</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>372,618</u>	<u>372,618</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 863,141</u>	<u>\$ 863,141</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>				
			113,352	
<i>Adjustments to revenues</i>				
<i>Adjustmentss to expenditures</i>				
			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>				
			113,352	

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

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**INSTRUCTIONAL MATERIALS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Exhibit C-2

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	75,651	75,651
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>75,651</u>	<u>75,651</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	68,351	71,002	50	70,952
Instruction	-	-	-	-
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	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>68,351</u>	<u>71,002</u>	<u>50</u>	<u>70,952</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(68,351)</u>	<u>(71,002)</u>	<u>75,601</u>	<u>4,699</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	68,351	71,002	42,720	(113,722)
<i>Total other financing sources (uses)</i>	<u>68,351</u>	<u>71,002</u>	<u>42,720</u>	<u>(113,722)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>118,321</u>	<u>(109,023)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>42,720</u>	<u>42,720</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,041</u>	<u>\$ 161,041</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ 75,601	
Adjustments to revenues			-	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			\$ 75,601	

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

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**IDEA B ENTITLEMENT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Exhibit C-3

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	527,426	527,426	428,001	(99,425)
Interest	-	-	-	-
<i>Total revenues</i>	<u>527,426</u>	<u>527,426</u>	<u>428,001</u>	<u>(99,425)</u>
<i>Expenditures:</i>				
Current:				
Instruction	14,635	89,293	42,106	47,187
Support Services				
Students	228,977	445,272	307,797	137,475
Instruction	1,500	1,500	-	1,500
General Administration	-	-	-	-
School Administration	-	16,342	12,210	4,132
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>245,112</u>	<u>552,407</u>	<u>362,113</u>	<u>190,294</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>282,314</u>	<u>(24,981)</u>	<u>65,888</u>	<u>90,869</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	(282,314)	24,981	24,681	(49,662)
<i>Total other financing sources (uses)</i>	<u>(282,314)</u>	<u>24,981</u>	<u>24,681</u>	<u>(49,662)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>90,569</u>	<u>90,569</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,569</u>	<u>\$ 90,569</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>				
			\$ 90,569	
Adjustments to revenues			(104,359)	
Adjustments to expenditures			13,790	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>				
			\$ -	

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

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**IDEA B DISCRETIONARY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Exhibit C-4

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	535,599	535,599	565,922	30,323
Interest	-	-	-	-
<i>Total revenues</i>	<u>535,599</u>	<u>535,599</u>	<u>565,922</u>	<u>30,323</u>
<i>Expenditures:</i>				
Current:				
Instruction	17,142	22,936	11,567	11,369
Support Services				
Students	333,457	446,375	359,365	87,010
Instruction	-	-	-	-
General Administration	107,547	104,919	104,918	1
School Administration	-	-	-	-
Central Services	72,104	67,520	-	67,520
Operation & maintenance of plant	-	14,129	7,064	7,065
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>530,250</u>	<u>655,879</u>	<u>482,914</u>	<u>172,965</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>5,349</u>	<u>(120,280)</u>	<u>83,008</u>	<u>203,288</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	(5,349)	120,280	1,396	(118,884)
<i>Total other financing sources (uses)</i>	<u>(5,349)</u>	<u>120,280</u>	<u>1,396</u>	<u>(118,884)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>84,404</u>	<u>84,404</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,404</u>	<u>\$ 84,404</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>				
			\$ 84,404	
Adjustments to revenues			(75,157)	
Adjustments to expenditures			(35,415)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>				
			\$ (26,168)	

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



**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**MEDICAID IN SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Exhibit C-5

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	136,002	136,002
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>136,002</u>	<u>136,002</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	65,395	105,649	105,649	-
Instruction	-	-	-	-
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	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>65,395</u>	<u>105,649</u>	<u>105,649</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(65,395)</u>	<u>(105,649)</u>	<u>30,353</u>	<u>136,002</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	65,395	105,649	67,558	(38,091)
<i>Total other financing sources (uses)</i>	<u>65,395</u>	<u>105,649</u>	<u>67,558</u>	<u>(38,091)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>97,911</u>	<u>97,911</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>50,268</u>	<u>50,268</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,179</u>	<u>\$ 148,179</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>				
			\$ 97,911	
Adjustments to revenues			(53,384)	
Adjustments to expenditures			(44,527)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>				
			\$ -	

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2008

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

The financial statements of Central Region Educational Cooperative (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 Central Region Educational Cooperative (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 organization 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 and member organizations will establish and maintain a cooperative program of special education services funded by each participating member's available IDEA-B Entitlement and Discretionary funds, other federal or private grants and/or New Mexico Appropriations.

The Cooperative is organized within IDEA-B guidelines to locate, identify, and evaluate or refer for evaluation, children within the cooperative area who may be disabled; conduct personnel development and information dissemination activities; make available free appropriate public education to all school age students with disabilities, including those enrolled in private schools through equitable federal funding; provide for equitable participation in projects under IDEA-B; administer all IDEA- B programs; develop special education service programs; develop drug free schools programs; develop other cooperative support programs as deemed necessary by participating Cooperatives and/or institutions; and provide for equitable participation of member Cooperatives and/ or institutions.

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 and 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 continues; and subject to any applicable requirements of state of 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. 14 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. 14, 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. 14 and/or GASB Statement No. 39, 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**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2008

**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 assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary 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 REC Fund is the primary operating fund of the REC, and accounts for all financial resources, except those required to be accounted for in other funds.

The Instructional Materials Fund, is a special revenue fund that accounts for the proceeds from the State of New Mexico for Instructional Materials allocations.

The Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2008

**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:

REC Funds: The REC Fund (26107) is the primary operating fund of the REC, and accounts for all financial resources, except those required to be accounted for in other funds.

Special Revenue Fund: The Instructional Materials Fund (14000) accounts for the proceeds from the State of New Mexico for Instructional Materials allocations.

Special Revenue Fund: The IDEA B Entitlement (24106) is used to account for a program funded by a Federal 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: The IDEA B Discretionary (24107) is used to account for a program funded by a Federal 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: The Medicaid 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).

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 issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The REC has elected not to follow subsequent private-sector guidance.

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2008

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

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

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, IDEA-B, Title I, Part D and Reading First 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.

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

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.

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.

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2008

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

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

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, 2008 financial statements of REC, since the REC did not own any infrastructure assets as of June 30, 2008. Information technology equipment, including software, is being capitalized and included in furniture and equipment as the REC did not maintain internally developed software. The REC expenses the cost of library books when purchased. Donated capital assets are recorded at estimated fair market value at the date of donation. During the year ended June 30, 2008, 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.

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

Furniture and equipment	3-7 years
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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.

Compensated Absences: Qualified employees are entitled to accumulate annual leave at a rate of 6.76 hours per two-week pay period. This amount is fully vested. There is no restriction on when the time earned must be used. Upon termination, employees will be paid for accrued annual leave up to a maximum of 240 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 general 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.

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2008

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

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

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

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

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.

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.

**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 nonroutine 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 Board and the New Mexico Public Education Department.



**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2008

**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 Board of Education 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 the DBPU and certified and approved by the local board 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.

**STATE OF NEW MEXICO**  
CENTRAL REGION EDUCATIONAL COOPERATIVE  
Notes to the Financial Statements  
June 30, 2008

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

Budgetary Information - (continued)

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 treated the same way for GAAP purposes and for budget purposes.

The Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico state law prohibits a Governmental Agency from exceeding an individual line item.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (NonGAAP 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, 2008, is presented.

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2008

**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, 2008.

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 \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

**Deposits**

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the 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.

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
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Bank of America	<u>Type</u>	Bank Balance <u>6/30/2008</u>	Reconciled <u>Balance</u>
General	Checking	\$ <u>822,435</u>	\$ <u>787,622</u>
Total Deposits		822,435	<u>\$ 787,622</u>
Less: FDIC Coverage		<u>(100,000)</u>	
Uninsured Amount		722,435	
50% Collateral requirement		361,218	
Pledged Securities		<u>757,941</u>	
(Over) Under collateralized		<u>\$ (396,723)</u>	
Custodial Credit Risk-Deposits			
Account Balance	\$	822,435	
FDIC Insured		100,000	
Collateral:			
Collateral held by the pledging bank, not in the REC's name		722,435	
Uninsured and uncollateralized		<u>-</u>	
Total Deposits	\$	<u>822,435</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, 2008, none of the REC's bank balance of \$722,435 was exposed to custodial credit risk.

Reconciliation of Cash and Temporary Investments

Governmental Funds - Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 787,622
Add outstanding checks	193,242
Adjustment for Held Checks	<u>(158,429)</u>
Bank balance of deposits	<u>\$ 822,435</u>

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2008

**NOTE 4. Receivables**

Receivables as of June 30, 2008, are as follows:

	<u>REC Fund</u>	<u>IDEA B</u>	<u>Medicaid in Schools</u>	<u>Other Governmental</u>	<u>Total</u>
Due from other governments	\$ 180,947	\$ 56,985	\$ 15,744	\$ 102,390	\$ 356,066
Totals	<u>\$ 180,947</u>	<u>\$ 56,985</u>	<u>\$ 15,744</u>	<u>\$ 102,390</u>	<u>\$ 356,066</u>

As of June 30, 2008, the above receivables are deemed collectible. The Reading First receivable totaling \$32,475 is outstanding from the 2005-06 fiscal year. The REC has followed up with the NM PED regarding this outstanding receivable and there has been no determination by NMPED as to whether this will be reimbursed or if the REC will have to utilize REC funds to cover the interfund payable.

Deferred Revenues

Deferred revenue represents advances on grants which have not been earned at June 30, 2008.

	<u>REC Fund</u>	<u>IDEA B Discretionary</u>	<u>Other Governmental</u>	<u>Total</u>
Federal Awards	\$ 200,000	\$ 26,168	\$ 21,861	\$248,029

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
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**NOTE 5. Interfund Receivables, Payables, and Transfers**

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the REC is waiting for grant reimbursements. The composition of interfund balances as of June 30, 2008 is as follows:

Governmental Activities:	Interfund Receivables	Interfund Payables
Major Funds:		
REC Fund	\$ 179,583	\$ —
IDEA B Entitlement	—	9,017
IDEA B Discretionary	—	44,009
IDEA B Preschool	—	7,085
Medicaid	—	15,111
Nonmajor Funds:		
Negligent, Delinquent or At Risk	—	62,839
Reading First	—	32,475
Advanced Placement	—	9,047
Total Governmental Activities	\$ <u>179,583</u>	\$ <u>179,583</u>

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2008, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	<u>Balance June 30, 2007</u>	<u>Additions &amp; Adjustments</u>	<u>Deletions &amp; Adjustments</u>	<u>Balance June 30, 2008</u>
Capital Assets, being depreciated:				
Furniture, fixtures & equipment	\$ 189,233	\$ —	\$ 149,440	\$ 39,793
Less Accumulated Depreciation for:				
Furniture, fixtures & equipment	<u>119,737</u>	<u>6,465</u>	<u>106,501</u>	<u>19,701</u>
Governmental activities capital assets, net:	<u>\$ 69,496</u>	<u>\$ 6,465</u>	<u>\$ 42,939</u>	<u>\$ 20,092</u>

Capital assets, net of accumulated depreciation, at June 30, 2008 appear in the Statement of Net Assets and/or the Fund Statements Balance Sheets as follows:

Governmental activities	\$20,092
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Depreciation expense for the year ended June 30, 2008 was charged to governmental activities as follows:

Instructional Support	\$ 6,465
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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
Notes to the Financial Statements  
June 30, 2008

**NOTE 7. Long-term Debt**

During the year ended June 30, 2008, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due in one year
Compensated Absences	\$ <u>11,540</u>	\$ <u>16,454</u>	\$ <u>10,256</u>	\$ <u>17,738</u>	\$ <u>4,947</u>
Total	\$ <u>11,540</u>	\$ <u>16,454</u>	\$ <u>10,256</u>	\$ <u>17,738</u>	\$ <u>4,947</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, 2008, compensated absences increased \$6,198 from the prior year accrual. The current portion of the compensated absences is estimated at 4,947. Any liability would be liquidated out of the REC Fund. See Note 1 for more details.

Operating Leases - The REC leases office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2008 was \$26,640.

The annual lease requirements are as follows:

Fiscal Year	Total
2009	<u>22,110</u>
Total	<u>\$ 22,110</u>

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due in one year
Emergency Funds Loan	\$ <u>150,000</u>	\$ <u>50,000</u>	\$ <u>200,000</u>	\$ <u>—</u>	\$ <u>—</u>
Total	\$ <u>150,000</u>	\$ <u>50,000</u>	\$ <u>200,000</u>	\$ <u>—</u>	\$ <u>—</u>

Note: The REC obtained emergency funding identified as a short term note of \$150,000 in 2007. This amount was increased to \$200,000 in 2008 and was forgiven in the January 2008 Legislative Session. Central Regional Educational Cooperative has reclassified the note to deferred revenue as of June 30, 2008.

**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

**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. The Advanced Placement fund had a deficit fund balance of \$9,047 for the year ended June 30, 2008 that will be transferred from the REC fund. The IDEA B Discretionary Fund had a deficit fund balance of \$26,168 as of June 30, 2008.

**NOTE 10. ERA Pension Plan**

Plan Description. Substantially all of RECs' full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (ERA) (Chapter 22, Article 11 NMSA 1978.) The Educational Retirement Board is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, and cost-of-living adjustments to plan members and beneficiaries. ERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ERA, P. O. Box 26129, Santa Fe, New Mexico 87502.

Funding Policy. Plan members are required to contribute 7.825% of their gross salary. The REC is required to contribute 10.9% of the gross covered salary. The contribution requirements of plan members and the REC are established under Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The REC's contributions to ERA for the years ended June 30, 2008, 2007 and 2006 were \$165,128, \$156,695 and \$130,977, respectively.

**NOTE 11. Post-Employment Benefits**

The Retiree Health Care Act (the "Act") (Chapter 10, Article 7C, NMSA, 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into Retiree Health Care Fund and by co-payments or out-of-pocket payments to eligible retirees. Monies flow to the Retiree Health Care Fund on pay-as-you-go basis from eligible employers and eligible retirees.

Eligible employers are institutions of higher education, Schools, or other entities participating in the Public REC Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act (ERA), Public Employees Retirement Association (PERA), Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. 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; and former legislators who served at least two years. Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an employee



**NOTE 11. Post-Employment Benefits (continued)**

contribution in an amount equal to 0.65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issued a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd NE, Suite 104, Albuquerque NM 87107.

For the years ended June 30, 2008, 2007 and 2006, the REC remitted \$19,572, \$21,551, and \$18,109 in employer contributions and \$9,126, \$10,775, and \$9,055 in employee contributions, respectively.

**NOTE 12. Tax Sheltered Annuity Plan**

The REC offers its employees a tax sheltered annuity plan created in accordance with Internal Revenue Code Section 403 (b). The Plan, available to all employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan are remitted by the Cooperative to the various plan administrators and the REC has no further claim on these funds.

Investments are managed by respective Plan trustees. All contributions withheld from employees have been transferred to the annuity companies with which the employee has selected to invest the funds.

**NOTE 13. 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 14. 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 is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the REC's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the REC.

**NOTE 15. Joint Powers Agreements and Intergovernmental Agreements**

Medicaid JPA

Purpose : Medicaid billing for member RECs.

Participants: The Central Region Educational Cooperative and the New Mexico Human Services Department.

Responsible Party for Operation and Audit: Central Region Educational Department

Beginning and Ending Date of Agreement: February 16, 2003 until terminated

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

IDEA B Discretionary IGA

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: Central Region Educational Cooperative 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, Central Region Educational Cooperative records are revenues and expenditures for this agreement.

Beginning and Ending Date of Agreement: July 1, 2007 to June 30, 2008.

Total Estimated Amount of Project and Actual Amount Contributed: \$520,053.

**NOTE 15. Joint Powers Agreements and Intergovernmental Agreements (continued)**

Instructional Materials IGA

Purpose: To provide technical assistance and professional development and training to local education agencies (LEAs) in accordance with the requirements of the NM Individual with Disabilities Education Act (IDEA), Application Part B, Item J.

Participants: the Central Region Educational Cooperative 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, Central Region Educational Cooperative records are revenues and expenditures for this agreement.

Beginning and Ending Date of Agreement: July 1, 2007 to June 30, 2008

Total Estimated Amount of Project and Actual Amount Contributed: \$105,000.

**NOTE 16. Subsequent Accounting Standard Pronouncements**

In April 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* which amends GASB Statements No. 14, 25, 26, 27, 31, and 34, which is effective for financial statements for periods beginning after December 15, 2005. The Statement establishes uniform financial reporting standards for other post employment benefit plans and supersedes the interim guidance included in Statement No. 26. The Retiree Health Care Authority incorporated this statement for the current fiscal year, and management believes it had no significant effect on the financial statements for the year.

In June, 2004, the Governmental accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, which is effective for financial statements for periods beginning after December 15, 2006, with earlier application encouraged. The Statement establishes standards for the measurement, recognition, and display of other post employment benefits expense/expenditures and related liabilities, note disclosures and, if applicable, required supplementary information in the financial reports of state and local government employers. The Cooperative is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming year.

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**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SPECIAL REVENUE FUNDS- IDEA B ENTITLEMENT 24106**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue Funds				
	Estancia Municipal Schools	Jemez Valley Public Schools	Magdalena Municipal Schools	Mountainair Public Schools	Quemado Independent 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	55,996	10,043	24,810	95,457	10,154
Restricted -state passthrough	-	-	-	-	-
Department of Interior	-	-	-	-	-
Other items	-	-	-	-	-
<i>Total revenues</i>	<u>\$ 55,996</u>	<u>\$ 10,043</u>	<u>\$ 24,810</u>	<u>\$ 95,457</u>	<u>\$ 10,154</u>
<i>Expenditures:</i>					
Current:					
Instruction	\$ -	\$ -	\$ 3,385	\$ 28,312	\$ 159
Support Services					
Students	55,996	10,043	21,425	54,935	9,995
Instruction	-	-	-	-	-
General Administration	-	-	-	-	-
School Administration	-	-	-	12,210	-
Central Services	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Student Transportation	-	-	-	-	-
Other Support Services	-	-	-	-	-
Operation of non-instructional services	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service	-	-	-	-	-
<i>Total expenditures</i>	<u>55,996</u>	<u>10,043</u>	<u>24,810</u>	<u>95,457</u>	<u>10,154</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Special Revenue Funds

Vaughn Municipal Schools	Sequoyah Adolescent Treatment Ctr	UNM Children's Psychiatric Ctr	NM Department of Corrections	Juvenile Justice Services	REC	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,177	35,279	37,118	1,669	83,876	-	358,579
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 4,177</u>	<u>\$ 35,279</u>	<u>\$ 37,118</u>	<u>\$ 1,669</u>	<u>\$ 83,876</u>	<u>\$ -</u>	<u>\$ 358,579</u>
\$ -	\$ 2,324	\$ 5,237	\$ 1,440	\$ 1,249	\$ -	\$ 42,106
4,177	32,955	31,881	229	82,627	-	304,263
-	-	-	-	-	-	-
-	-	-	-	-	-	12,210
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>4,177</u>	<u>35,279</u>	<u>37,118</u>	<u>1,669</u>	<u>83,876</u>	<u>-</u>	<u>358,579</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SPECIAL REVENUE FUNDS- IDEA B DISCRETIONARY 24107**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue Funds				
	Estancia Municipal Schools	Jemez Valley Public Schools	Magdalena Municipal Schools	Mountainair Public Schools	Quemado Independent 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	5,543	4,573	7,672	4,604	4,291
Restricted -state passthrough	-	-	-	-	-
Department of Interior	-	-	-	-	-
Other items	-	-	-	-	-
<i>Total revenues</i>	<u>\$ 5,543</u>	<u>\$ 4,573</u>	<u>\$ 7,672</u>	<u>\$ 4,604</u>	<u>\$ 4,291</u>
<i>Expenditures:</i>					
Current:					
Instruction	\$ 5,543	\$ -	\$ -	\$ 1,868	\$ -
Support Services					
Students	-	4,573	7,672	2,736	4,291
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	-	-	-	-	-
<i>Total expenditures</i>	<u>5,543</u>	<u>4,573</u>	<u>7,672</u>	<u>4,604</u>	<u>4,291</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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



Special Revenue Funds

Vaughn Municipal Schools	Sequoyah Adolescent Treatment Ctr	UNM Children's Psychiatric Ctr	NM Department of Corrections	Juvenile Justice Services	REC	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,433	4,460	967	3,778	8,968	-	48,289
-	-	-	-	-	465,297	465,297
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 3,433</u>	<u>\$ 4,460</u>	<u>\$ 967</u>	<u>\$ 3,778</u>	<u>\$ 8,968</u>	<u>\$ 465,297</u>	<u>\$ 513,586</u>
\$ -	\$ -	\$ 795	\$ 851	\$ -	\$ 2,510	\$ 11,567
3,433	4,460	172	2,927	8,968	309,454	348,686
-	-	-	-	-	-	-
-	-	-	-	-	104,918	104,918
-	-	-	-	-	-	-
-	-	-	-	-	67,519	67,519
-	-	-	-	-	7,064	7,064
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>3,433</u>	<u>4,460</u>	<u>967</u>	<u>3,778</u>	<u>8,968</u>	<u>491,465</u>	<u>539,754</u>
-	-	-	-	-	(26,168)	(26,168)
-	-	-	-	-	(26,168)	(26,168)
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,168)</u>	<u>\$ (26,168)</u>

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SPECIAL REVENUE FUNDS- TRANSITION SPECIALIST CADRE 24108**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	REC
<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	-
Restricted -state passthrough	38,556
Department of Interior	-
Other items	-
	-
<i>Total revenues</i>	\$ 38,556
 <i>Expenditures:</i>	
Current:	
Instruction	\$ -
Support Servivces	
Students	-
Instruction	-
General Administration	12,432
School Administration	-
Central Services	13,514
Operation & Maintenance of Plant	12,610
Student Transportation	-
Other Support Services	-
Operation of non-instructional services	-
Capital Outlay	-
Debt Service	-
	-
<i>Total expenditures</i>	38,556
 <i>Excess (deficiency) of revenues over expenditures</i>	-
 <i>Net changes in fund balances</i>	-
 <i>Fund balances - beginning of year</i>	-
 <i>Fund balances - end of year</i>	\$ -

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SPECIAL REVENUE FUNDS- MEDICAID IN SCHOOLS 25153**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	REC
<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	105,649
Unrestricted -state passthrough	-
Restricted Grants	-
Restricted -state passthrough	-
Department of Interior	-
Other items	-
	-
<i>Total revenues</i>	\$ 105,649
 <i>Expenditures:</i>	
Current:	
Instruction	\$ -
Support Services	
Students	105,649
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	-
	-
<i>Total expenditures</i>	105,649
 <i>Excess (deficiency) of revenues over expenditures</i>	-
 <i>Net changes in fund balances</i>	-
 <i>Fund balances - beginning of year</i>	-
 <i>Fund balances - end of year</i>	\$ -

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SPECIAL REVENUE FUNDS- JAVITS GIFTED & TALENTED STUDENTS 24102**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	REC
<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	-
Restricted -state passthrough	16,105
Department of Interior	-
Other items	-
	-
<i>Total revenues</i>	\$ 16,105
 <i>Expenditures:</i>	
Current:	
Instruction	\$ -
Support Services	
Students	16,105
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	-
	-
<i>Total expenditures</i>	16,105
 <i>Excess (deficiency) of revenues over expenditures</i>	-
 <i>Net changes in fund balances</i>	-
 <i>Fund balances - beginning of year</i>	-
 <i>Fund balances - end of year</i>	\$ -

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SPECIAL REVENUE FUNDS- NEGLIGENT, DELINQUENT or AT RISK 24123**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue Funds				
	REC Funds	Sequoyah Adolescent Center	UNM Children's Psychiatric Ctr	NM Department of Corrections	Total Special Revenue Funds
<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	-	9,480	31,755	25,210	66,445
Restricted -state passthrough	-	-	-	-	-
Department of Interior	-	-	-	-	-
Other items	-	-	-	-	-
<i>Total revenues</i>	<u>\$ -</u>	<u>\$ 9,480</u>	<u>\$ 31,755</u>	<u>\$ 25,210</u>	<u>\$ 66,445</u>
<i>Expenditures:</i>					
Current:					
Instruction	\$ -	\$ 131	\$ -	\$ -	\$ 131
Support Services					
Students	-	9,349	31,755	25,210	66,314
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	-	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>9,480</u>	<u>31,755</u>	<u>25,210</u>	<u>66,445</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SPECIAL REVENUE FUNDS- IDEA B PRESCHOOL 24109**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Jemez Valley Public Schools	Magdalena Municipal Schools	Mountainair Public Schools	Quemado Public Schools	Vaughn Public Schools	Total Special Revenue Funds
<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	-	616	6,578	2,795	1,964	11,953
Restricted -state passthrough	-	-	-	-	-	-
Department of Interior	-	-	-	-	-	-
Other items	-	-	-	-	-	-
<i>Total revenues</i>	<u>\$ -</u>	<u>\$ 616</u>	<u>\$ 6,578</u>	<u>\$ 2,795</u>	<u>\$ 1,964</u>	<u>\$ 11,953</u>
<i>Expenditures:</i>						
Current:						
Instruction	\$ -	\$ 616	\$ 6,578	\$ -	\$ -	\$ 7,194
Support Services						
Students	-	-	-	2,795	1,964	4,759
Instruction	-	-	-	-	-	-
General Administration	-	-	-	-	-	-
School Administration	-	-	-	-	-	-
Central Services	-	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-	-
Student Transportation	-	-	-	-	-	-
Other Support Services	-	-	-	-	-	-
Operation of non-instructional service	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>616</u>	<u>6,578</u>	<u>2,795</u>	<u>1,964</u>	<u>11,953</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SPECIAL REVENUE FUNDS- READING FIRST 24167**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	REC
<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	-
Restricted -state passthrough	-
Department of Interior	-
Other items	-
	-
<i>Total revenues</i>	\$ -
 <i>Expenditures:</i>	
Current:	
Instruction	\$ -
Support Servivces	
Students	-
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	-
	-
<i>Total expenditures</i>	-
 <i>Excess (deficiency) of revenues over expenditures</i>	-
 <i>Net changes in fund balances</i>	-
 <i>Fund balances - beginning of year</i>	-
 <i>Fund balances - end of year</i>	\$ -

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

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**STATE OF NEW MEXICO**  
 CENTRAL REGION EDUCATIONAL COOPERATIVE  
 SPECIAL REVENUE FUNDS- ADVANCED PLACEMENT 27129  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008

	REC
<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	-
Restricted -state passthrough	-
Department of Interior	-
Other items	-
	-
<i>Total revenues</i>	\$ -
 <i>Expenditures:</i>	
Current:	
Instruction	\$ -
Support Servivces	
Students	9,047
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	-
	-
<i>Total expenditures</i>	9,047
<i>Excess (deficiency) of revenues   over expenditures</i>	(9,047)
<i>Net changes in fund balances</i>	(9,047)
<i>Fund balances - beginning of year</i>	-
<i>Fund balances - end of year</i>	\$ (9,047)

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

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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:

**Javits Gifted & Talented Students** – The purpose of this program is to provide financial assistance to State and local educational agencies, institutions of higher education, and other public and private agencies and organizations, to stimulate research, development, training, and similar activities designed to build a nationwide capability in elementary and secondary schools to meet the special educational needs of gifted and talented students. Authority for this fund is the Elementary and Secondary Education Act of 1965, as amended, Title V, Part D, Subpart 61, 108 Stat. 3820: 20 U.S.C. 8031.

**Transition Specialist Cadre** – The purpose of this program is to provide administrators and program directors with information and strategies that will support licensed and waived teachers in the areas of special education with day-to-day functions of the classroom. Authority for creation of this fund is Individuals with Disabilities Education Act (IDEA), Part B, Sections 611-617, and Part D, Section 674 as amended, 20 U.S.C. 1411-1417 and 1420, Public Law 105-17.

**IDEA-B Preschool** - The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the REC through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

**Title I, Part D Negligent, Delinquent or At Risk**– This fund’s major objectives are to provide supplemental educational opportunities for academically disadvantaged children in the area where they reside. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total REC percentage becomes eligible for program participation. Any student whose test scores fall below REC established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; education need determines the students to be served. Federal revenues accounted for in this fund are allocated to the REC through the New Mexico Department of Education. Authority for the creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

**Enhancing Education thru Technology** – The purpose of this fund is to account for funds used to purchase technology utilized in schools for children. Funding is authorized by Public Law 105-277, Elementary and Secondary Education Act.

**SPED IM Gifted Technology** – The purpose of this fund is to account for funds targeted at improving services to students identified as gifted and utilizing technology. Funding is authorized by Public Law 105-277, Elementary and Secondary Education Act.

**Reading First** – To account for resources to provide technical and program assistance to member schools to assist in the implementation of the Reading First Program. Authorized by the ESEA, Title I, Part B, P.L. 107-110.

**Advanced Placement** – The purpose of this fund is to account for state funds provided to identify and implement activities to promote and expand Advance Placement education programs in rural school REC’s. Authorized by Laws 2005, Chapter 33.

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2008

<b>ASSETS</b>	Javits Gifted & Talented Students	Transition Specialist Cadre	IDEA-B Preschool	Negligent Delinquent At Risk
<i>Current Assets</i>				
Cash and cash equivalents	\$ 3,807	\$ 18,054	\$ -	\$ 10
Accounts receivable				
Taxes	-	-	-	-
Inter-governmental receivable	-	-	7,085	62,830
Interfund receivable	-	-	-	-
Inventory	-	-	-	-
	<u>\$ 3,807</u>	<u>\$ 18,054</u>	<u>\$ 7,085</u>	<u>\$ 62,840</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<i>Current Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-
Intergovernmental Account Payable	-	-	-	-
Interfund payable	-	-	7,085	62,839
Deferred revenue	3,807	18,054	-	-
	<u>3,807</u>	<u>18,054</u>	<u>7,085</u>	<u>62,839</u>
 <i>Fund Balances</i>				
Reserved:				
Reserved for inventory	-	-	-	-
Unreserved:				
Designated for subsequent year's expenditures reported in:				
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Undesignated, reported in:				
Special Revenue Funds	-	-	-	1
Capital Projects Funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
 <i>Total liabilities and fund balances</i>	<u>\$ 3,807</u>	<u>\$ 18,054</u>	<u>\$ 7,085</u>	<u>\$ 62,840</u>

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

Enhancing Education Thru Technology	Reading First	Advanced Placement	Total Nonmajor Governmental Funds
\$ 1,875	\$ -	\$ -	\$ 23,746
-	-	-	-
-	32,475	-	102,390
-	-	-	-
-	-	-	-
<u>\$ 1,875</u>	<u>\$ 32,475</u>	<u>\$ -</u>	<u>\$ 126,136</u>
\$ 1,875	\$ -	\$ -	\$ 1,875
-	-	-	-
-	-	-	-
-	32,475	9,047	111,446
-	-	-	21,861
<u>1,875</u>	<u>32,475</u>	<u>9,047</u>	<u>135,182</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	(9,047)	(9,046)
-	-	-	-
<u>-</u>	<u>-</u>	<u>(9,047)</u>	<u>(9,046)</u>
<u>\$ 1,875</u>	<u>\$ 32,475</u>	<u>\$ -</u>	<u>\$ 126,136</u>

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Javits Gifted & Talented Students	Transition Specialist Cadre	IDEA-B Preschool	Negligent Delinquent or At Risk
<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	-	-	-	-
Restricted -state passthrough	16,105	38,556	11,953	66,446
Department of Interior	-	-	-	-
Other items	-	-	-	-
<i>Total revenues</i>	<u>\$ 16,105</u>	<u>\$ 38,556</u>	<u>\$ 11,953</u>	<u>\$ 66,446</u>
<i>Expenditures:</i>				
Current:				
Instruction	\$ -	\$ -	\$ 7,194	\$ 131
Support Services				
Students	16,105	-	4,759	66,314
Instruction	-	-	-	-
General Administration	-	12,432	-	-
School Administration	-	-	-	-
Central Services	-	13,514	-	-
Operation & Maintenance of Plant	-	12,610	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
<i>Total expenditures</i>	<u>16,105</u>	<u>38,556</u>	<u>11,953</u>	<u>66,445</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
<i>Net changes in fund balances</i>	-	-	-	1
<i>Fund balances - beginning of year</i>	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>

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

Enhancing Ed Thru Technology	Reading First	Advanced Placement	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	133,060
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,060</u>
\$ -	\$ -	\$ -	\$ 7,325
-	-	9,047	-
-	-	-	96,225
-	-	-	-
-	-	-	12,432
-	-	-	-
-	-	-	13,514
-	-	-	12,610
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>9,047</u>	<u>142,106</u>
<u>-</u>	<u>-</u>	<u>(9,047)</u>	<u>(9,046)</u>
<u>-</u>	<u>-</u>	<u>(9,047)</u>	<u>(9,046)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (9,047)</u></u>	<u><u>\$ (9,046)</u></u>

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STATE OF NEW MEXICO

Statement B-1

CENTRAL REGION EDUCATIONAL COOPERATIVE  
 JAVITS GIFTED & TALENTED STUDENTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	8,455	19,912	11,457
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ 8,455</u>	<u>\$ 19,912</u>	<u>\$ 11,457</u>
<i>Expenditures:</i>				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services				
Students	-	16,105	16,105	-
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	<u>-</u>	<u>16,105</u>	<u>16,105</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>16,105</u>	<u>16,105</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(7,650)</u>	<u>3,807</u>	<u>11,457</u>
Other financing sources (uses):				
Designated cash balance	<u>-</u>	<u>7,650</u>	<u>-</u>	<u>(7,650)</u>
Total other financing sources (uses)	<u>-</u>	<u>7,650</u>	<u>-</u>	<u>(7,650)</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures	-	-	3,807	3,807
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,807</u>	<u>\$ 3,807</u>
Excess (deficiency of revenues and other sources (uses) over expenditures (Budget Basis)			\$ 3,807	
Adjustments to revenues			(15,110)	
Adjustmentss to expenditures			11,303	
Excess (deficiency of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ -	

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

STATE OF NEW MEXICO

Statement B-2

CENTRAL REGION EDUCATIONAL COOPERATIVE  
 TRANSITION SPECIALIST CADRE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	20,944	56,610	35,666
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ 20,944</u>	<u>\$ 56,610</u>	<u>\$ 35,666</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	14,500	12,432	2,068
School Administration	-	-	-	-
Central Services	-	13,516	13,514	2
Operation & Maintenance of Plant	-	13,272	12,610	662
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional service:	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Non-Operating Emergency Reserves	-	-	-	-
Total instructional support	<u>-</u>	<u>41,288</u>	<u>38,556</u>	<u>2,732</u>
Total expenditures	<u>-</u>	<u>41,288</u>	<u>38,556</u>	<u>2,732</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(20,344)</u>	<u>18,054</u>	<u>38,398</u>
<i>Other financing sources (uses):</i>				
Designated cash balance	<u>-</u>	<u>20,344</u>	<u>-</u>	<u>(20,344)</u>
Total other financing sources (uses)	<u>-</u>	<u>20,344</u>	<u>-</u>	<u>(20,344)</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures	-	-	18,054	18,054
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,054</u>	<u>\$ 18,054</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)			\$ 18,054	
Adjustments to revenues			-	
Adjustments to expenditures			(18,054)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ -	

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

STATE OF NEW MEXICO

Statement B-3

CENTRAL REGION EDUCATIONAL COOPERATIVE

IDEA B PRESCHOOL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	10,312	45,741	10,245	(35,496)
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	<u>\$ 10,312</u>	<u>\$ 45,741</u>	<u>\$ 10,245</u>	<u>\$ (35,496)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	\$ 1,402	\$ 20,149	\$ 7,194	\$ 12,955
Support Services				
Students	8,910	26,147	4,759	21,388
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional service:	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Non-Operating Emergency Reserves	-	-	-	-
Total instructional support	<u>8,910</u>	<u>26,147</u>	<u>4,759</u>	<u>21,388</u>
Total expenditures	<u>10,312</u>	<u>46,296</u>	<u>11,953</u>	<u>34,343</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(555)</u>	<u>(1,708)</u>	<u>(1,153)</u>
<i>Other financing sources (uses):</i>				
Designated cash balance	-	555	2,198	1,643
Total other financing sources (uses)	<u>-</u>	<u>555</u>	<u>2,198</u>	<u>1,643</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures	-	-	490	490
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 490</u>	<u>\$ 490</u>
Excess (deficiency of revenues and other sources (uses) over expenditures (Budget Basis)			\$ 490	
Adjustments to revenues			7,085	
Adjustments to expenditures			(7,575)	
Excess (deficiency of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ -	

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

STATE OF NEW MEXICO

Statement B-4

CENTRAL REGION EDUCATIONAL COOPERATIVE  
 TITLE 1, PART D NEGLIGENT, DELINQUENT OR AT RISK FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	130,821	130,821	70,060	(60,761)
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	<u>\$ 130,821</u>	<u>\$ 130,821</u>	<u>\$ 70,060</u>	<u>\$ (60,761)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	\$ 9,000	\$ 19,000	\$ 131	\$ 18,869
Support Services				
Students	119,821	220,374	66,314	154,060
Instruction	2,000	2,000	-	2,000
General Administrator	-	-	-	-
School Administrator	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plan	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional service	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Non-Operating Emergency Reserve:	-	-	-	-
Total instructional support	<u>121,821</u>	<u>222,374</u>	<u>66,314</u>	<u>156,060</u>
Total expenditures	<u>130,821</u>	<u>241,374</u>	<u>66,445</u>	<u>174,929</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(110,553)</u>	<u>3,615</u>	<u>114,168</u>
<i>Other financing sources (uses):</i>				
Designated cash balance	-	110,553	-	(110,553)
Total other financing sources (uses)	<u>-</u>	<u>110,553</u>	<u>-</u>	<u>(110,553)</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures	<u>-</u>	<u>-</u>	<u>3,615</u>	<u>3,615</u>
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,615</u>	<u>\$ 3,615</u>
Excess (deficiency of revenues and other sources (uses) over expenditures (Budget Basis)			3,615	
Adjustments to revenues			62,839	
Adjustments to expenditure:			(66,453)	
Excess (deficiency of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ 1	

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

STATE OF NEW MEXICO

Statement B-5

CENTRAL REGION EDUCATIONAL COOPERATIVE  
 ENHANCING EDUCATION THRU TECHNOLOGY FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services				
Students	-	-	-	-
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Designated cash balance	-	-	1,875	1,875
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,875</u>	<u>1,875</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures	-	-	1,875	1,875
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,875</u>	<u>\$ 1,875</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)			\$ 1,875	
Adjustments to revenues			-	
Adjustments to expenditures			(1,875)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ -	

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

STATE OF NEW MEXICO

Statement B-6

CENTRAL REGION EDUCATIONAL COOPERATIVE

READING FIRST FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Expenditures:</i>				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional service:	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Non-Operating Emergency Reserves	-	-	-	-
Total instructional support	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Designated cash balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures	-	-	-	-
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency of revenues and other sources (uses) over expenditures (Budget Basis)			\$ -	
Adjustments to revenues			(44,610)	
Adjustments to expenditures			44,610	
Excess (deficiency of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ -	

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

STATE OF NEW MEXICO

Statement B-7

CENTRAL REGION EDUCATIONAL COOPERATIVE  
 ADVANCED PLACEMENT FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	(6,000)	(5,921)	79
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ (6,000)</u>	<u>\$ (5,921)</u>	<u>\$ 79</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services				
Students	-	3,200	3,126	74
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional service	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Non-Operating Emergency Reserves	-	-	-	-
Total instructional support	<u>-</u>	<u>3,200</u>	<u>3,126</u>	<u>74</u>
Total expenditures	<u>-</u>	<u>3,200</u>	<u>3,126</u>	<u>74</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(9,200)</u>	<u>(9,047)</u>	<u>153</u>
<i>Other financing sources (uses):</i>				
Designated cash balance	<u>-</u>	<u>9,200</u>	<u>-</u>	<u>(9,200)</u>
Total other financing sources (uses)	<u>-</u>	<u>9,200</u>	<u>-</u>	<u>(9,200)</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures	<u>-</u>	<u>-</u>	<u>(9,047)</u>	<u>(9,047)</u>
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,047)</u>	<u>\$ (9,047)</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)			\$ (9,047)	
Adjustments to revenues:			-	
Adjustments to expenditure:			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ (9,047)	

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

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**SUPPORTING SCHEDULES**

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Schedule I

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2008	Name and Location of Safekeeper
Bank of America	FNMA 555424, 5.0% 31385XAZ0, Due 5/1/2033	\$ 565,151	Federal Reserve Bank Richmond VA
Bank of America	FNCL 555743, 5.0% 31385XLY1, Due 9/1/2033	192,789	Federal Reserve Bank Richmond VA
	Total Collateral Pledged	<u>\$ 757,940</u>	

The accompanying notes are an integral part of these financial statements

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS**  
 June 30, 2008

Schedule II

Deposit or Investment Account Type	Bank of America	Total
Checking	\$ 822,435	\$ 822,435
Total On Deposit	822,435	822,435
Reconciling Items	(34,813)	(34,813)
Reconciled Balance June 30, 2008	\$ <u>787,622</u>	\$ <u>787,622</u>
 Reconciliation to financial statements:		
Cash and cash equivalents:		
Total cash and cash equivalents per Statement of Net Assets		\$ <u>787,622</u>
		\$ <u>787,622</u>

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

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**CASH RECONCILIATION**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Schedule III

	REC	Instructional Materials	Federal Projects	Medicaid in the Schools	Advanced Placement	Total
Cash per June 30, 2007 audit report	\$ 377,171	\$ 42,721	\$ 36,071	\$ 67,558	\$ (5,921)	\$ 517,600
Add:						
2007-08 revenues	1,907,990	75,651	1,042,327	163,013	-	3,188,981
Total cash available	2,285,161	118,372	1,078,398	230,571	(5,921)	3,706,581
Less:						
2007-08 expenditures	(1,779,639)	(51)	(1,045,605)	(105,649)	(3,126)	(2,934,070)
Cash June 30, 2008	<u>\$ 505,522</u>	<u>\$ 118,321</u>	<u>\$ 32,793</u>	<u>\$ 124,922</u>	<u>\$ (9,047)</u>	<u>\$ 772,511</u>

Bank balance end of year	\$ 822,435
Deposits in transit	-
Outstanding checks	(193,242)
Held Checks	158,429
Balance per Books, June 30, 2008	787,622
Per Financial Statements:	
Cash	<u>787,622</u>
Total	<u>\$ 787,622</u>

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

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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***

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Council  
Central Region Educational Cooperative  
Albuquerque, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparison statements of the major fund activities of Central Region Educational Cooperative, as of and for the year ended June 30, 2008, which collectively comprise the REC's basic financial statements as listed in the table of contents and have issued our report thereon dated September 8, 2008. We also have audited the combining and individual fund financial statements and budgetary comparison schedules of each of the REC's nonmajor governmental funds presented as supplementary information for the year ended June 30, 2008 as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central Region Educational Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Central Region Educational Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Central Region Educational Cooperative's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, the auditors identified certain deficiencies in internal control over financial reporting that they consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as item 2007-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entities internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and , accordingly, would not necessarily disclose all significant deficiencies that are also be considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Region Educational Cooperative'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. No instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Central Region Educational Cooperative's response to the findings identified in our audit is described in the accompanying schedule of findings and question costs. We did not audit CREC's responses and accordingly, we do not express an opinion on them.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Office of the State Auditor, New Mexico Legislature, its committees and the New Mexico Public Education Department, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Precision Accounting LLC*

Albuquerque, New Mexico

September 8, 2008

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**FEDERAL FINANCIAL ASSISTANCE**

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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Council  
Central Region Educational Cooperative  
Albuquerque, New Mexico

Compliance

We have audited the compliance of Central Region Educational Cooperative, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Central Region Educational Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Central Region Educational Cooperative's management. Our responsibility is to express an opinion on Central Region Educational Cooperative's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Region Educational Cooperative's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Central Region Educational Cooperative's compliance with those requirements.

In our opinion, Central Region Educational Cooperative complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Central Region Educational Cooperative is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Central Region Educational Cooperative's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Central Region Educational Cooperative's internal control over compliance.

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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. However, we noted no instances of non compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entities internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and question costs to be material weaknesses.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Central Region Educational Cooperative's internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Office of the State Auditor, the New Mexico Legislature, its committees and the New Mexico Public Education Department, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Precision Accounting LLC*  
Albuquerque, New Mexico  
September 8 2008

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**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE, 30, 2008**

Schedule IV

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through NM Public Education Department:			
Javits Gifted & Talented Students	84.206A	24102	\$ 16,105
IDEA B Entitlement (1)	84.027	24106	358,579
IDEA B Discretionary (1)	84.027	24107	539,754
Transition Specialist Cadre (1)	84.027	24108	38,556
IDEA B Preschool (1)	84.173	24109	11,953
Negligent, Delinquent or At Risk, Title 1 Part D	84.013	24123	66,445
Goals 2000 Local Ed Reform	84.276A	24131	-
Enhancing Education Thru Technology (E2T2-F)	84.318X	24133	-
Special Ed pro In Grants for Children with disabilities	84.323A	24151	-
Reading First	84.357A	24167	-
Total U.S. Department of Education			<u>1,031,392</u>
Total Federal Financial Assistance			<u>\$ 1,031,392</u>
Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:			
Total Expenditures- Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds			\$ 2,941,589
Less:			
REC Fund Expenditures			1,795,501
Medicaid in the Schools expenditures			105,649
Advanced Placement expenditures			<u>9,047</u>
Total Expenditures of Federal Awards			<u>\$ 1,031,392</u>

Notes to Schedule of Expenditures of Federal Awards

1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Central Region Educational Cooperative (REC) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2 Insurance Requirements

There are no insurance requirements on the federal awards disclosed on the Schedule of Expenditures of Federal Awards.

3 Loans or Loan Guarantees

There were no loans or loan guarantees outstanding at year end.

(1) Major program

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

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

**Schedule V**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Central Region Educational Cooperative.
2. One significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Central Region Educational Cooperative were disclosed during the audit.
4. There were no audit findings required to be reported under A-133.510(a).
5. The auditor's report on compliance for major federal award programs for Central Region Educational Cooperative expresses an unqualified opinion.
6. The programs tested as major were the IDEA B Entitlement CFDA No. 84.027, Transition Specialist Cadre CFDA No. 84.027, and IDEA B Preschool CFDA No. 84.173,
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. Central Region Educational Cooperative was determined to be a low-risk auditee.

**B. FINDINGS-FINANCIAL STATEMENT AUDIT**

2007-01: Payroll-revised and repeated

CONDITION: During our review of Payroll, we noted that six out of ten employee files tested showed that they were incorrectly withholding insurance premiums.

CRITERIA: NMAC 6.20.2.18 states the council shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP.

CAUSE OF CONDITION: They calculated the insurance premiums based on salary range; however CREC had no internal controls in place to insure that as salaries change, the withholding rated have been updated.

EFFECT OF CONDITION: Six out of the ten employees selected were not paying as much for the insurance withholdings, thus causing CREC to pay the difference in the premium rates. Although the amount cannot be determined, it is insignificant.

RECOMMENDATION: We recommend that CREC implement a preventative control process to review the insurance premiums are updated annually with the new contracts.

COSTS AND BENEFITS OF RECOMMENDED ACTION: If a review process is implemented, CREC will benefit by being in compliance without additional cost.

CLIENT RESPONSE: Management agrees with the finding and will implement a control process to ensure that all data is updated annually with all contracts.

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

**Schedule V**

**D. PRIOR YEAR AUDIT FINDINGS**

- 2007-01 Payroll-revised and repeated
- 2007-02 Lack of segregation of duties-cleared
- 2007-03 Travel & Per Diem-cleared
- 2007-04 Excess expenditures over budget-cleared

**STATE OF NEW MEXICO**  
**CENTRAL REGION EDUCATIONAL COOPERATIVE**  
**OTHER DISCLOSURES**  
**YEAR ENDED JUNE 30, 2008**

**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 for inclusion in the annual audit report.

**B. EXIT CONFERENCE**

The contents of this report were discussed on September 8, 2008. The following individuals were in attendance.

Central Region Educational Cooperative  
Nina K. Tafoya, Executive Director  
Michael Chambers, Chairman  
Michael Sisneros, Business Manager

Precision Accounting LLC  
Melissa R. Santistevan, CPA