

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
ANNUAL FINANCIAL REPORT
JUNE 30, 2012

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE

OFFICIAL ROSTER
June 30, 2012

<u>Name</u>	<u>REC Council</u>	<u>Title</u>
Mr. Mike Chambers		Chairperson
Mr. Joe Fasanella		Vice Chairperson
Ms. Anita Westbrook		Member
Mr. Johnny Cain		Member
Mr. Jay Mortensen		Member
Mr. Bill Green		Member
Mr. David Atencio		Member
Ms. Carolyn Renteria		Member
Mr. Felix Garcia		Member
<u>REC Officials</u>		
Maria Jaramillo		Executive Director
Maria Jaramillo		Related Services and Program Coordinator
Mario Guggino		Business Manager

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012
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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE

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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 general fund and the major special revenue funds of Central Region Educational Cooperative (REC) as of and for the year ended June 30, 2012, which collectively comprise the REC's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Central Region Educational Cooperative's nonmajor governmental funds and the budgetary comparisons for all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of 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, 2012, 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, 2012, 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 August 3, 2012 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.

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 13-20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



Precision Accounting, LLC
Albuquerque, New Mexico
August 3, 2012

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**CENTRAL REGION EDUCATIONAL COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012**

The Management Discussion and Analysis is a required part of the Central Region Educational Cooperative's (CREC) financial reporting, and is an objective and easily readable discussion of its financial activities. The reader will see a Statement of Net Assets and a statement of activities (Two-Year Comparative of Revenue, Expenses and Changes in Net Assets). This discussion and analysis will provide a review of the CREC's *overall* financial activities, using the accrual basis of accounting, for the year ending June 30, 2012. Fund financial statements are reported on a modified accrual basis of accounting. Rather than looking at specific areas of performance, this discussion and analysis focuses on the financial performance of the CREC, as a whole. Whenever possible this discussion and analysis will provide the reader multi-year pictures of financial performance and other pertinent information through the use of tables and other graphics information.

This annual report consists of a series of detailed, audited financial statements and the notes to those statements. Also included is the Independent Auditor's Report; 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; Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133; and the Schedule of Findings and Questioned Costs.

Please read this discussion and analysis in conjunction with the CREC's basic financial statements which are presented immediately following this Management Discussion and Analysis (MD&A).

Financial Highlights

We believe this written analysis and the accompanying financial report will indicate to the reader that the CREC is in good financial health. Indicators to the reader such as fund balances, cash on hand and budget management all are signs of a positive financial direction and management. The CREC maintains a financial and accounting staff with strong levels of technical experience and education.

In order to define and support internal controls, the Business Office utilizes a comptrollership model organizational structure. A written Business Office Policies and Procedures Manual was fully implemented last FY, and is in place to guide CREC staff through the daily fiscal and business routines. It is updated periodically to reflect any procedural, software or policy changes.

As an integral part of the CREC accountability process, the CREC Council (Board of Education) monitors CREC expenditures and budgets through a formal monthly reporting process to the full council. These reports are public documents and through this public process, the financial reporting information is provided to the community and open to public inspection

- Significant impacts to the management, operations and cash flow of the CREC are: (a) the reduction in the related services billing rate of \$10,000 to our member districts (see impact below); (b) the addition of two School Based Health Centers (with a third coming on-line in July 2012); and, (c) the addition of 16 new employees for the new fiscal year.
- The CREC's total net assets at June 30, 2012 were \$802,178, resulting in a decrease of \$131,051 when compared to the prior year. This decrease was primarily due to: (a) an annual billing rate reduction to our member districts of approximately \$10,000.00 per related service employee as stipulated by the governing council; and, (b) the acquisition of a credit recovery/self paced electronic (virtual classroom) software package for our member districts costing \$46,800.
- General revenues accounted for \$1,655,051 in revenue or 58.5% of all revenues. Program specific revenues in the form of restricted state pass-through accounted for \$1,174,298 or 41.5% of total revenues of \$2,829,349.
- Overall revenues for the CREC decreased by \$176,930 compared to the prior year, representing a net decrease in revenues of 5.89%.
- At the end of the current fiscal year, the CREC's governmental activity funds showed current assets of \$587,827 (including \$336,023 in cash and cash equivalents). This represents a decrease of \$214,351 in the year-end cash position of the CREC when compared to the prior year. This is a result of item (a) in the first bulleted note above.
- At the end of this fiscal year, the CREC's governmental unreserved fund balance for the general fund was \$501,724 or 23.38% of total general fund expenditures. The increase to the general fund amounted to \$50,862.

**CENTRAL REGION EDUCATIONAL COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012**

- As of the close of the fiscal year ended June 30, 2012, the CREC's accounts receivable was \$286,278 or a 55.9% decrease when compared to the prior year amount of \$512,280. This change is directly related to the successful implementation of an AR module to ensure timely collections and the continued expedited year-end processing by NMPED. The total decrease in accounts receivable for fiscal year 2012 totaled to \$226,002. Of the total accounts receivable as of June 30, 2012, 77.1% were from NMPED.
- In accordance with the OMB Circular A-133, the CREC has been determined to be a low-risk auditee.

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 section), 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 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 44 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

**CENTRAL REGION EDUCATIONAL COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012**

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 (10) 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 45-61 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 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 at the bottom of each Budget to Actual Comparison.

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 94 to 97 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 \$578,764 at the close of the fiscal year. Of all the CREC's assets, cash represented 38.9% and accounts receivable accounted for 61.1% of the total. When compared to June 30, 2011, cash represented 43% of the total and accounts receivable accounted for 57%.

A summary of the CREC's net assets for FY 2012 and FY 2011 follows:

**CENTRAL REGION EDUCATIONAL COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012**

Two-Year Comparative Statement of Net Assets

CENTRAL REGION EDUCATIONAL COOPERATIVE

	June 30, 2012	June 30, 2011	Increase/(Decrease)	% Change
ASSETS				
Cash and cash equivalents	\$ 336,024.00	\$ 321,261.00	\$ 14,763.00	4.60%
Intergovernmental Receivables	\$ 286,278.00	\$ 512,280.00	\$ (226,002.00)	-44.12%
Capital assets (net of accumulated depreciation) Equipment	\$ 28,440.00	\$ 41,315.00	\$ (12,875.00)	-31.16%
Total Assets	\$ 650,742.00	\$ 874,856.00	\$ (224,114.00)	-25.62%
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 43,537.00	\$ 34,348.00	\$ 9,189.00	26.75%
Accrued payroll and taxes	\$ -	\$ 2.00	\$ (2.00)	-100.00%
Deferred revenue	\$ 19,378.00	\$ 39,099.00	\$ (19,721.00)	-50.44%
Total Current Liabilities	\$ 62,915.00	\$ 73,449.00	\$ (10,534.00)	-14.34%
Accrued Compensated Absences	\$ -	\$ 9,229.00	\$ (9,229.00)	-100.00%
Total Liabilities	\$ 62,915.00	\$ 82,678.00	\$ (19,763.00)	-23.90%
Investment in capital assets	\$ 28,440.00	\$ 41,315.00	\$ (12,875.00)	-31.16%
Unrestricted/Restricted	\$ 559,387.00	\$ 760,863.00	\$ (201,476.00)	-26.48%
Total net assets	\$ 587,827.00	\$ 802,178.00	\$ (214,351.00)	-26.72%
Total Liabilities and Net Assets	\$ 650,742.00	\$ 884,856.00	\$ (234,114.00)	-26.46%

Please see page 23 of this report.

**CENTRAL REGION EDUCATIONAL COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012**

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

CENTRAL REGION EDUCATIONAL COOPERATIVE

Financial Statements in U.S. Dollars

Revenue	June 30, 2012	June 30, 2011	Increase/ (Decrease)	% Change	Notes
Investment income	\$ -	\$ 1,686.00	\$ (1,686.00)	100.00%	
District Activities	\$ 1,486,991.00	\$ 1,811,876.00	\$ (324,885.00)	-17.93%	
Other Revenue	\$ -	\$ -	\$ -	0.00%	
Unrestricted Grants	\$ 232,123.00	\$ 163,109.00	\$ 69,014.00	42.31%	
Restricted Grants	\$ 814,511.00	\$ 664,661.00	\$ 149,850.00	22.55%	
Unrest. - State Pass-through	\$ -	\$ -	\$ -	0.00%	
Restricted-State Pass-through	\$ 295,724.00	\$ 364,947.00	\$ (69,223.00)	-18.97%	
	\$ -	\$ -	\$ -	0.00%	
Total Revenues	\$ 2,829,349.00	\$ 3,006,279.00	\$ (176,930.00)	-5.89%	
Expenditures					
Instruction	\$ 34,900.00	\$ 44,466.00	\$ (9,566.00)	-21.51%	
Students	\$ 2,439,417.00	\$ 2,476,438.00	\$ (37,021.00)	-1.49%	
Instruction	\$ -	\$ -	\$ -	0.00%	
Gen Admin	\$ 319,987.00	\$ 63,307.00	\$ 256,680.00	405.45%	Function 2300 (old 2400)
School Admin	\$ -	\$ 335,769.00	\$ (335,769.00)	100.00%	Function 2400 - now re-classified to 2300 (above)
Cent. Services	\$ 136,261.00	\$ 133,842.00	\$ 2,419.00	1.81%	
Ops Maint/Plant	\$ 53,491.00	\$ 44,915.00	\$ 8,576.00	19.09%	
Other Support Services	\$ 36,621.00	\$ 38,593.00	\$ (1,972.00)	-5.11%	
Total Expenditures	\$ 3,020,677.00	\$ 3,137,330.00	\$ (116,653.00)	-3.72%	
Excess (deficiency) of Revenues over (under) Expenditures	\$ (191,328.00)	\$ (131,051.00)	\$ (60,277.00)	46.00%	
Net change fund bal	\$ (191,328.00)	\$ 111,815.00	\$ (303,143.00)	271.11%	
Fund Balances Beg of Year	\$ 770,092.00	\$ 933,229.00	\$ (163,137.00)	-17.48%	
Fund Balances End of Year	\$ 578,764.00	\$ 802,178.00	\$ (466,280.00)	-58.13%	

**CENTRAL REGION EDUCATIONAL COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012**

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.

- As of June 30, 2012 the CREC's general fund increased by \$50,862. This increase was primarily due to the increase in services being provided to non-member schools/districts.

General Fund Budgetary Highlights

During the year ending June 30, 2012, actual revenues exceeded anticipated revenues (Medicaid revenue was greater than expected) and expenditures were greater than budgetary estimates. Because carryover dollars being expended (and not increasing) and the Medicaid Direct and Admin claims monies being paid out to the districts more timely than years past, the CREC had an overall decrease in fund balances of (\$191,328). Also see page 27.

A summary of the CREC's revenues for FY 2012 and FY 2011 follows:

Two-Year Comparative Revenue to Expenditure by Fund

CENTRAL REGION EDUCATIONAL COOPERATIVE

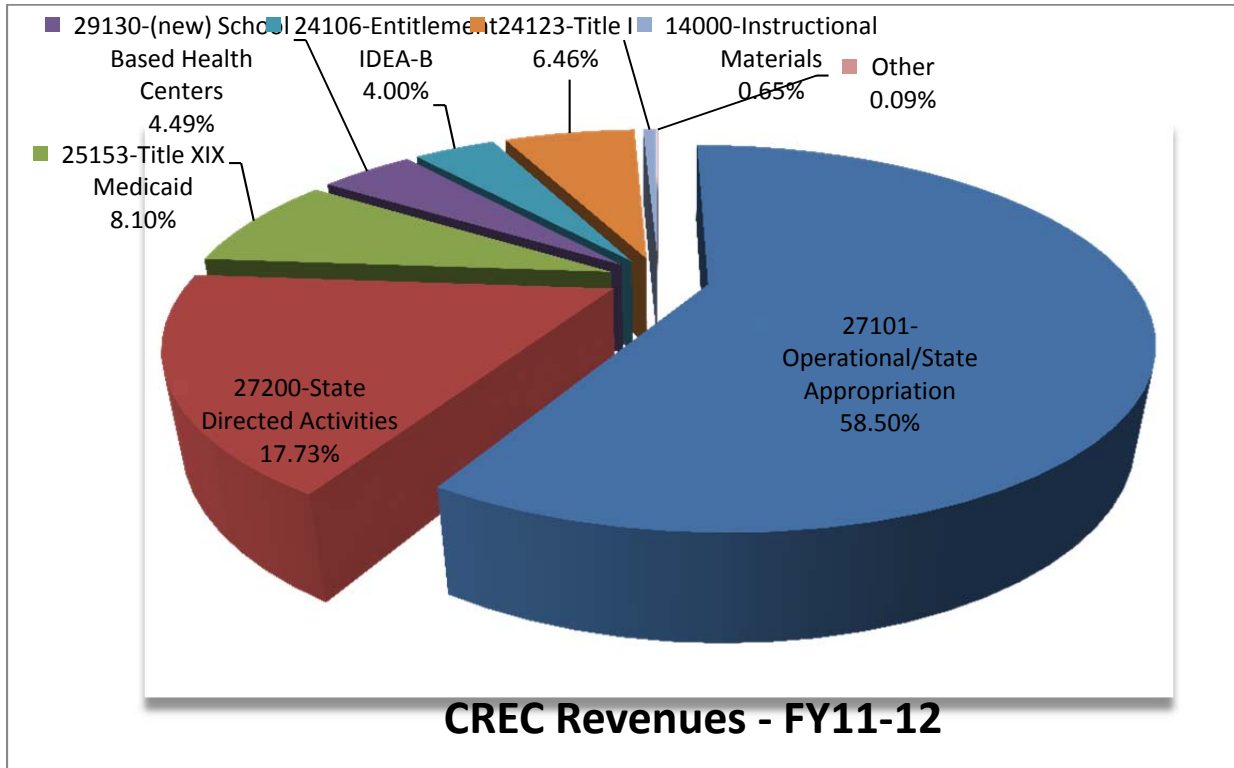
Financial statements in U.S. dollars

	June 30, 2012	June 30, 2011	Increase/ (Decrease)	% Change	Notes
REVENUES					
14000- Instructional Materials	\$ 18,379.00	\$ 19,166.00	\$ (787.00)	-4.11%	
24106- Entitlement	\$ 113,045.00	\$ 47,977.00	\$ 65,068.00	135.62%	
24123- Title I	\$ 182,679.00	\$ 207,366.00	\$ (24,687.00)	-11.91%	
25153- Title XIX Medicaid 3/21 Years	\$ 229,139.00	\$ 162,202.00	\$ 66,937.00	41.27%	
27101- Operational/State Appropriation	\$ 1,655,051.00	\$ 2,192,022.00	\$ (536,971.00)	-24.50%	
27200- State Directed Activities	\$ 501,718.00	\$ 377,546.00	\$ 124,172.00	32.89%	
29130- School Based Health Centers	\$ 129,338.00	\$ -	\$ 129,338.00	100.00%	New this FY - The CREC took over 2 Centers, with a third coming on line in July 2012
Total Revenue	\$ 2,829,349.00	\$ 3,006,279.00	\$ (176,930.00)	-5.89%	
EXPENDITURES					
14000- Instructional Materials	\$ 15,976.00	\$ 20,560.00	\$ (4,584.00)	-22.30%	
24106- Entitlement	\$ 46,137.00	\$ 47,977.00	\$ (1,840.00)	-3.84%	
24123- Title I	\$ 112,369.00	\$ 207,366.00	\$ (94,997.00)	-45.81%	
25153- Title XIX Medicaid 3/21 Years	\$ 173,234.00	\$ 200,102.00	\$ (26,868.00)	-13.43%	
27101- Operational/State Appropriation	\$ 2,146,105.00	\$ 2,243,247.00	\$ (97,142.00)	-4.33%	
27200- State Directed Activities	\$ 434,675.00	\$ 449,857.00	\$ (15,182.00)	-3.37%	
29130- School Based Health Centers	\$ 92,181.00	\$ -	\$ 92,181.00	100.00%	
Total Expenditures	\$ 3,020,677.00	\$ 3,169,109.00	\$ (148,432.00)	-4.68%	

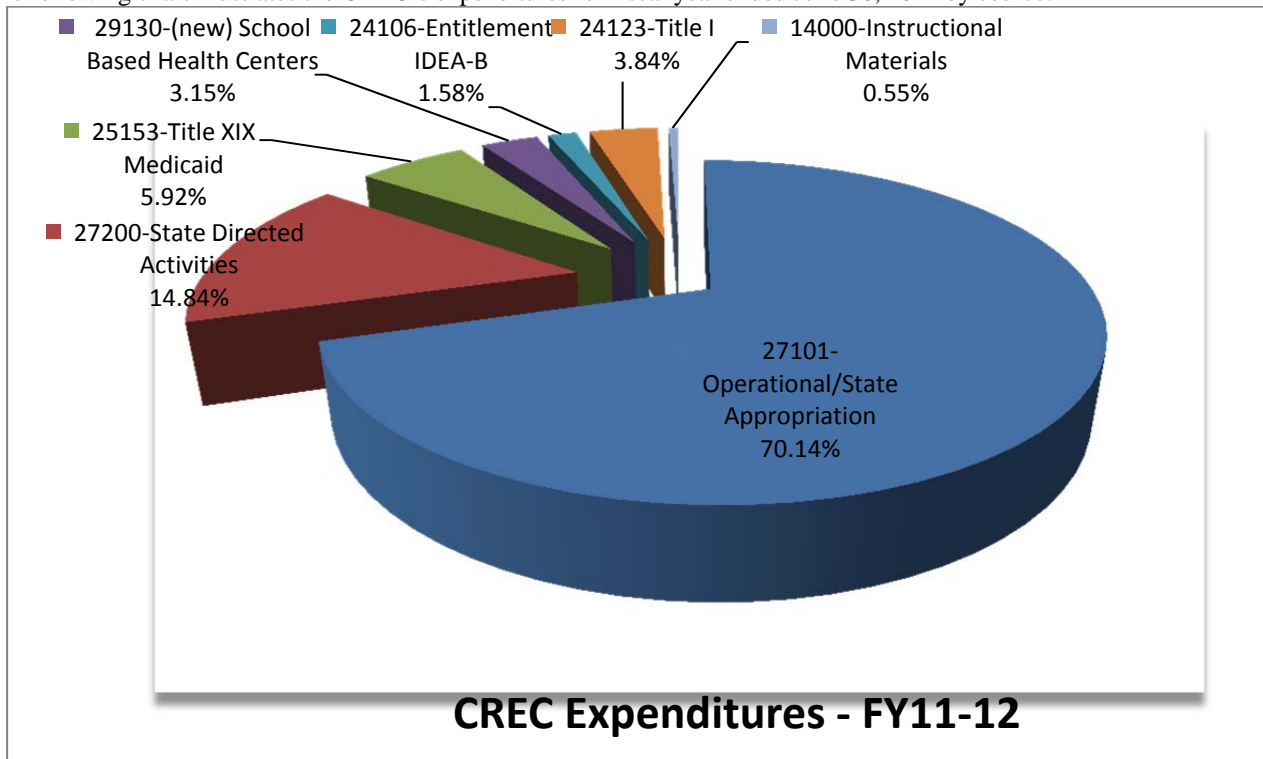
(See page 30-31 and 96-97)

**CENTRAL REGION EDUCATIONAL COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012**

The following chart illustrates the CREC's Revenues for fiscal year ended June 30, 2012 by source:



The following chart illustrates the CREC's expenditures for fiscal year ended June 30, 2012 by source:



CENTRAL REGION EDUCATIONAL COOPERATIVE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2012

Changes in Cooperative Capital Assets

The CREC's investment in capital assets as of June 30, 2012 amounted to \$41,315 (net of accumulated depreciation). The CREC did not have any debt. There were no investments in capital assets this fiscal year. The changes to capital during the year ending June 30, 2012 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, 2011	Additions & Adjustments	Deletions & Adjustments	Balance as June 30, 2012
Capital Assets, being depreciated:				
Furniture, fixtures & equipment	76,426	-	-	76,426
Less Accumulated Depreciation for:				
Furniture, fixtures & equipment	(35,111)	(12,875)	-	(47,986)
Governmental activities capital assets, net:	\$ 41,315	(12,875)	-	\$28,440

See note 6 on page 55

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 addressed to the Executive Director, Central Region Educational Cooperative, 5323 Menaul Blvd. NE, Albuquerque, NM 87110.

**BASIC
FINANCIAL STATEMENTS**

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
STATEMENT OF NET ASSETS
JUNE 30, 2012

Exhibit A-1

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 336,024
Intergovernmental Receivables	286,278
Capital assets (net of accumulated depreciation)	
Equipment	28,440
Total assets	\$ 650,742
LIABILITIES AND NET ASSETS	
Accounts payable	\$ 43,537
Total current liabilities	43,537
Accrued Compensated Absences	19,378
Total liabilities	62,915
Invested in capital assets	28,440
Restricted	890,919
Unrestricted	(331,532)
Total net assets	587,827
Total liabilities and net assets	\$ 650,742

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit A-2

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
Instruction:					
Direct instruction	\$ 34,900	\$ -	\$ -	\$ -	\$ (34,900)
Support services:					
Students	2,471,669	1,298,564	1,530,785	-	357,680
Instruction	-	-	-	-	-
General Administration	310,758	-	-	-	(310,758)
School Administration	-	-	-	-	-
Central Services	136,261	-	-	-	(136,261)
Operation & Maintenance of Plant	53,491	-	-	-	(53,491)
Student Transportation	-	-	-	-	-
Other Support Services	36,621	-	-	-	(36,621)
Non-instructional support	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total primary government	<u>\$ 3,043,700</u>	<u>\$ 1,298,564</u>	<u>\$ 1,530,785</u>	<u>\$ -</u>	<u>\$ (214,351)</u>
					<u>-</u>
					(214,351)
					<u>802,178</u>
					<u>\$ 587,827</u>

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	REC Fund	Instructional Materials	JAVITS Gifted and Talented Students	IDEA B Entitlement	IDEA B Discretionary
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ -	\$ -	\$ 3,807	\$ -	\$ 21,137
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	-	-	-	18,371	-
Internal balances	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,807</u>	<u>\$ 18,371</u>	<u>\$ 21,137</u>
LIABILITIES AND FUND BALANCES					
<i>Current Liabilities</i>					
Accounts payable	\$ -	\$ -	\$ 3,807	\$ -	\$ 21,137
Accrued salaries and benefits					
Internal Balances	-	-	-	18,371	-
Deferred revenue	-	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>3,807</u>	<u>18,371</u>	<u>21,137</u>
<i>Fund Balances</i>					
Fund Balance					
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Debt Service Funds	-	-	-	-	-
Committed for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Assigned for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Unassigned for:					
General Fund	-	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,807</u>	<u>\$ 18,371</u>	<u>\$ 21,137</u>

IDEA B Preschool	Medicaid in Schools	Operational/State Appropriations	State Directed Activites	Other Governmental Funds	Total Governmental Funds
\$ 4,415	\$ 77,040	\$ 219,430	\$ 8,099	\$ 2,095	\$ 336,023
-	-	-	-	-	-
-	-	51,340	116,239	100,328	286,278
-	-	241,784	-	-	241,784
-	-	-	-	-	-
<u>\$ 4,415</u>	<u>\$ 77,040</u>	<u>\$ 512,554</u>	<u>\$ 124,338</u>	<u>\$ 102,423</u>	<u>\$ 864,085</u>
\$ 4,415	\$ -	\$ 10,830	\$ 1,253	\$ 2,095	\$ 43,537
-	-	-	-	-	-
-	-	-	123,085	100,328	241,784
-	-	-	-	-	-
<u>4,415</u>	<u>-</u>	<u>10,830</u>	<u>124,338</u>	<u>102,423</u>	<u>285,321</u>
-	-	-	-	-	-
-	77,040	-	-	-	77,040
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	501,724	-	-	501,724
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>77,040</u>	<u>501,724</u>	<u>-</u>	<u>-</u>	<u>578,764</u>
<u>\$ 4,415</u>	<u>\$ 77,040</u>	<u>\$ 512,554</u>	<u>\$ 124,338</u>	<u>\$ 102,423</u>	<u>\$ 864,085</u>

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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, 2012

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

Fund balances - total governmental funds	\$ 578,764
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,440
Certain liabilities are not reported as liabilities in the funds. These liabilities at year end consist of :	
Compensated Absences	<u>(19,377)</u>

Net assets of governmental activities \$ 587,827

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, 2012

	REC Fund	Instructional Materials	JAVITS Gifted and Talented Students	IDEA B Entitlement	IDEA B Discretionary
<i>Revenues:</i>					
Taxes					
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources					
Tuition	-	-	-	-	-
Investment Income	-	-	-	-	-
Food services	-	-	-	-	-
District activities	-	-	-	-	-
Other Revenue	-	-	-	-	-
State sources					
Unrestricted Grants	-	-	-	-	-
Restricted Grants	-	18,379	-	-	-
Federal sources					
Unrestricted Grants	-	-	-	-	-
Unrestricted -state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Restricted -state passthrough	-	-	-	113,045	-
Department of Interior	-	-	-	-	-
Other items	-	-	-	-	-
<i>Total revenues</i>	<u>\$ -</u>	<u>\$ 18,379</u>	<u>\$ -</u>	<u>\$ 113,045</u>	<u>\$ -</u>
<i>Expenditures:</i>					
Current:					
Instruction	\$ -	\$ 15,976	\$ -	\$ 2,564	\$ -
Support Services					
Students	-	-	-	43,573	-
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>15,976</u>	<u>-</u>	<u>46,137</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>2,403</u>	<u>-</u>	<u>66,908</u>	<u>-</u>
<i>Other financing sources (uses)</i>					
Transfers	(450,862)	(33,852)	-	(66,908)	-
<i>Total other financing sources (uses)</i>	<u>(450,862)</u>	<u>(33,852)</u>	<u>-</u>	<u>(66,908)</u>	<u>-</u>
<i>Net changes in fund balances</i>	(450,862)	(31,449)	-	-	-
<i>Fund balances - beginning of year</i>	450,862	31,449	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

IDEA B Preschool	Medicaid in Schools	Operational/State Appropriations	State Directed Activites	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,484,556	-	2,435	1,486,991
-	-	-	-	-	-
-	-	167,511	501,718	126,903	814,511
-	229,139	2,984	-	-	232,123
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	182,679	295,724
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 229,139</u>	<u>\$ 1,655,051</u>	<u>\$ 501,718</u>	<u>\$ 312,017</u>	<u>\$ 2,829,349</u>
\$ -	\$ -	\$ -	\$ 14,860	\$ 1,500	\$ 34,900
-	173,234	1,867,805	151,755	203,050	2,439,417
-	-	-	-	-	-
-	-	51,927	268,060	-	319,987
-	-	-	-	-	-
-	-	136,261	-	-	136,261
-	-	53,491	-	-	53,491
-	-	-	-	-	-
-	-	36,621	-	-	36,621
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>173,234</u>	<u>2,146,105</u>	<u>434,675</u>	<u>204,550</u>	<u>3,020,677</u>
-	55,905	(491,054)	67,043	107,467	(191,328)
-	-	782,394	(123,085)	(107,687)	-
-	-	782,394	(123,085)	(107,687)	-
-	55,905	291,340	(56,042)	(220)	(191,328)
-	21,135	210,384	56,042	220	770,092
<u>\$ -</u>	<u>\$ 77,040</u>	<u>\$ 501,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 578,764</u>

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STATE OF NEW MEXICO
 CENTRAL REGION EDUCATIONAL COOPERATIVE
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012

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	\$	(191,328)
--	----	-----------

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		(12,875)

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>(10,148)</u>
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Change in net assets of governmental activities	\$	<u><u>(214,351)</u></u>
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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, 2012

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<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				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over (under) expenditures</i>	-	-	-	-
<i>Other financing sources (uses):</i>				
Transfers			(450,862)	
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	-	-	(450,862)	(450,862)
<i>Cash balances - beginning of year</i>	-	-	450,862	450,862
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ -	
Adjustments to revenues				
Adjustmentss to expenditures			-	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			\$ -	

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, 2012

Exhibit C-2

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	18,379	18,379	18,379	-
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>18,379</u>	<u>18,379</u>	<u>18,379</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Instruction	18,379	18,379	15,976	2,403
Support Services				
Students	-	-	-	-
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>18,379</u>	<u>18,379</u>	<u>15,976</u>	<u>2,403</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>2,403</u>	<u>(2,403)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	(33,852)	33,852
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(33,852)</u>	<u>33,852</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(31,449)</u>	<u>31,449</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>31,449</u>	<u>31,449</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ 2,403	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			<u>\$ 2,403</u>	

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
JAVITS GIFTED AND 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, 2012

Exhibit C-3

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<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 Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,807</u>	<u>3,807</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,807</u>	<u>\$ 3,807</u>
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			<u>\$ -</u>	

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, 2012

Exhibit C-4

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	46,279	46,279	87,186	40,907
Interest	-	-	-	-
<i>Total revenues</i>	<u>46,279</u>	<u>46,279</u>	<u>87,186</u>	<u>40,907</u>
<i>Expenditures:</i>				
Current:				
Instruction	3,700	3,700	2,564	1,136
Support Services				
Students	57,303	57,303	43,573	13,730
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>61,003</u>	<u>61,003</u>	<u>46,137</u>	<u>14,866</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(14,724)</u>	<u>(14,724)</u>	<u>41,049</u>	<u>55,773</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	(66,908)	66,908
Proceeds from bonds	-	-	-	-
Designated Cash	14,724	14,724	-	(14,724)
<i>Total other financing sources (uses)</i>	<u>14,724</u>	<u>14,724</u>	<u>(66,908)</u>	<u>52,184</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(25,859)</u>	<u>(25,859)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>44,230</u>	<u>44,230</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,371</u>	<u>\$ 18,371</u>
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ (25,859)	
Adjustments to revenues			25,859	
Adjustments to expenditures			-	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			<u>\$ -</u>	

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, 2012

Exhibit C-5

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<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 Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>21,137</u>	<u>21,137</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,137</u>	<u>\$ -</u>
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			<u>\$ -</u>	

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
IDEA B PRESCHOOL SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit C-6

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<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 Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>4,415</u>	<u>4,415</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,415</u>	<u>\$ 4,415</u>
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			<u>-</u>	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			<u>\$ -</u>	

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, 2012

Exhibit C-7

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	112,597	112,597	229,139	116,542
Interest	-	-	-	-
<i>Total revenues</i>	<u>112,597</u>	<u>112,597</u>	<u>229,139</u>	<u>116,542</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	268,000	268,000	173,234	94,766
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>268,000</u>	<u>268,000</u>	<u>173,234</u>	<u>94,766</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(155,403)</u>	<u>(155,403)</u>	<u>55,905</u>	<u>211,308</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	155,403	155,403	-	(155,403)
<i>Total other financing sources (uses)</i>	<u>155,403</u>	<u>155,403</u>	<u>-</u>	<u>(155,403)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>55,905</u>	<u>55,905</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>21,135</u>	<u>21,135</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,040</u>	<u>\$ 77,040</u>
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ 55,905	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			<u>\$ 55,905</u>	

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
OPERATIONAL/STATE APPROPRIATIONS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit C-8

	Budgeted Amounts			Variance
	Original Budget	Final Budget	Actual	
<i>Revenues:</i>				
Local and county sources	\$ 1,770,342	\$ 1,770,342	\$ 1,772,048	\$ 1,706
State sources	130,771	130,771	130,771	-
Federal sources	-	-	2,984	2,984
Interest	-	-	-	-
<i>Total revenues</i>	<u>1,901,113</u>	<u>1,901,113</u>	<u>1,905,803</u>	<u>4,690</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	1,812,344	1,934,569	1,867,804	66,765
Instruction	-	-	-	-
General Administration	331,926	341,209	44,575	296,634
School Administration	-	-	-	-
Central Services	137,721	136,275	136,261	14
Operation & maintenance of plant	50,831	56,055	50,720	5,335
Student transportation	-	-	-	-
Other Support Services	-	42,272	36,621	5,651
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,332,822</u>	<u>2,510,380</u>	<u>2,135,981</u>	<u>374,399</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(431,709)</u>	<u>(609,267)</u>	<u>(230,178)</u>	<u>379,089</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	409,985	(409,985)
Proceeds from bonds	-	-	-	-
Designated Cash	431,709	609,267	-	(609,267)
<i>Total other financing sources (uses)</i>	<u>431,709</u>	<u>609,267</u>	<u>409,985</u>	<u>(1,019,252)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>179,807</u>	<u>(640,163)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>39,623</u>	<u>39,623</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,430</u>	<u>\$ (600,540)</u>
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ 179,807	
Adjustments to revenues			121,663	
Adjustments to expenditures			<u>(10,129)</u>	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			<u>\$ 291,341</u>	

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
STATE DIRECTED ACTIVITIES SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit C-9

	Budgeted Amounts			Variance
	Original Budget	Final Budget	Actual	
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	435,992	435,992	501,718	65,726
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	435,992	435,992	501,718	65,726
<i>Expenditures:</i>				
Current:				
Instruction	14,860	14,860	14,860	-
Support Services				
Students	179,883	153,564	151,755	1,809
Instruction	-	-	-	-
General Administration	240,591	268,714	268,714	-
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>	435,334	437,138	435,329	1,809
<i>Excess (deficiency) of revenues over (under) expenditures</i>	658	(1,146)	66,389	67,535
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	(58,290)	58,290
Proceeds from bonds	-	-	-	-
Designated Cash	(658)	1,146	-	(1,146)
<i>Total other financing sources (uses)</i>	(658)	1,146	(58,290)	57,144
<i>Net change in fund balances</i>	-	-	8,099	124,679
<i>Cash balances - beginning of year</i>	-	-	-	-
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ 8,099	\$ 124,679
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ 8,099	
Adjustments to revenues			-	
Adjustments to expenditures			(64,141)	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			\$ (56,042)	

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2012

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 organizations undertake a Joint Powers Agreement, whereby they will submit a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico pursuant to the Individual with Disabilities Education Act, Part B- (IDEA-B).

The Cooperative 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 an annual proposal/budget for each project; approve all fiscal arrangements, policies and agreements; approve reports; maintain "education records" in accordance with 34 CFR 300.560-300.576; permit authorized representatives of regulatory agencies to inspect and audit all data and records relating to the Cooperative; annually evaluate cooperative projects and determine which are to be continued; and subject to any applicable requirements or 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, 2012

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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2012

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 Fund: The REC Fund (26107) was the primary operating fund of the REC that accounted for all financial resources. This fund was closed out during the year and all balances transferred to the Operational/State Appropriations Fund (27101) as requested by NM PED.

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: Javits Gifted & Talented Students (24102) is used 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.

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 children with disabilities. 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 Fund (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 IDEA-B Preschool (24109) is used to provide 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.

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

Special Revenue Fund: The Operational/State Appropriation Fund (27101) is used to account for state funds granted to the REC through legislative appropriations and is now the current operating fund for the REC per the request of NM Public Education Department. Authorized by Laws 2005, Chapter 33.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2012

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

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

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

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.

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, and Title I, Part D funding to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

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."

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2012

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

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

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

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

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

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. However, infrastructure assets have not been included in the June 30, 2012 financial statements of REC, since the REC did not own any infrastructure assets as of June 30, 2012. 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, 2012, 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 are depreciated using the straight line method over the following estimated useful lives:

Furniture and equipment	3-7 years
Vehicles	5 years

Deferred Revenues: The REC recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be "available" under the current financial resources measurement focus are reported as deferred revenues in the governmental fund financial statements.

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, 2012

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

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

Fund Equity

Restricted fund balance represents amounts that are constrained:

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

Imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

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

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

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the REC's financial statements include management's estimate of the useful lives of capital assets.

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

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2012

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

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

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

1. Prior to April 15, the REC Council submits to the School Budget Planning Unit (SBPU) of the New Mexico Public Education Department a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the REC shall contain headings and details as described by law and have been approved by the Public Education Department.
2. Prior to June 20 of each year, the proposed "operating" budget will be reviewed and approved by the DBPU and certified and approved by the local Council at a public hearing of which notice has been published by the local REC board which fixes the estimated budget for the REC for the ensuing fiscal year.
3. The REC board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The "operating" budget will be used by the REC until they have been notified that the budget has been approved by the SBPU and the local board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The REC shall make corrections, revisions and amendments to the estimated budgets fixed by the local board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
6. The board is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the REC board and the State of New Mexico Public Education Department.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2012

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 not utilized for GAAP purposes or 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 (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2012, is presented.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2012

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, 2012.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the REC. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

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

The collateral pledged is listed on Schedule I of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, REC or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The Frank Dodd Act of 2010 required that all funds in a non-interest bearing bank account be fully insured by the FDIC through December 31, 2012. Central Region Educational Cooperative has a non-interest bearing account that is 100% FDIC insured through December 31, 2012.

Deposits

New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the REC for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2012

NOTE 3. Cash and Temporary Investments (continued)

Bank of America	<u>Type</u>	Bank Balance <u>6/30/2012</u>	Reconciled <u>Balance</u>
General	Checking	\$ <u>580,560</u>	\$ <u>336,023</u>
Total Deposits		580,560	\$ <u>336,023</u>
Less: FDIC Coverage		<u>(580,560)</u>	
Uninsured Amount		-	
50% Collateral requirement		-	
Pledged Securities		<u>-</u>	
(Over) Under collateralized		<u>\$ -</u>	
Custodial Credit Risk-Deposits Account Balance	\$	580,560	
FDIC Insured		580,560	
Collateral:			
Collateral held by the pledging bank, not in the REC's name		-	
Uninsured and uncollateralized		<u>-</u>	
Total Deposits	\$	<u>580,560</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, 2012, none of the REC's bank balance of \$580,560 was exposed to custodial credit risk.

Reconciliation of Cash and Temporary Investments

Governmental Funds - Balance Sheet		
Cash and cash equivalents per Exhibit A-1	\$	336,023
Add outstanding checks		<u>244,537</u>
Bank balance of deposits	\$	<u>580,560</u>

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2012

NOTE 4. Receivables

Receivables as of June 30, 2012, are as follows:

Due from	<u>IDEA-B Fund</u>	<u>Title I Negligent</u>	<u>Operational/ State Appropriations</u>	<u>State Directed</u>	<u>SBHC Fund</u>	<u>Total</u>
Other Governments	\$ 18,371	\$79,689	\$ 51,340	\$ 116,239	\$ 20,639	\$ 286,278
Totals	<u>\$ 18,371</u>	<u>\$79,689</u>	<u>\$ 51,340</u>	<u>\$ 116,239</u>	<u>\$ 20,639</u>	<u>\$ 286,278</u>

As of June 30, 2012, the above receivables are deemed collectible by management.

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, 2012 is as follows:

Governmental Activities:	Interfund Receivables	Interfund Payables
Other Funds:		
Operational/State Appropriations Fund	\$ 241,784	\$ —
IDEA B Entitlement	—	18,371
Negligent, Delinquent or At Risk	—	79,689
State Directed	—	123,085
School Based Health Centers	<u>—</u>	<u>20,639</u>
Total Governmental Activities	<u>\$ 241,784</u>	<u>\$ 241,784</u>

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2011, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	<u>Balance June 30, 2011</u>	<u>Additions & Adjustments</u>	<u>Deletions & Adjustments</u>	<u>Balance June 30, 2012</u>
Capital Assets, being depreciated:				
Furniture, fixtures & equipment	\$ 76,426	\$ —	\$ —	\$ 76,426
Less Accumulated Depreciation for:				
Furniture, fixtures & equipment	<u>(35,111)</u>	<u>(12,875)</u>	<u>—</u>	<u>(47,986)</u>
Governmental activities capital assets, net:	<u>\$ 41,315</u>	<u>\$ 12,875</u>	<u>\$ —</u>	<u>\$ 28,440</u>

Capital assets, net of accumulated depreciation, at June 30, 2012 appear in the Statement of Net Assets and/or the Fund Statements Balance Sheets as follows:

Governmental activities	\$28,440
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Depreciation expense for the year ended June 30, 2012 was charged to governmental activities as follows:

Instructional Support	\$ 12,875
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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2012

NOTE 7. Long-term Debt

During the year ended June 30, 2012, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012	Due in one year
Compensated Absences	\$ <u>9,229</u>	\$ <u>18,999</u>	\$ <u>8,850</u>	\$ <u>19,378</u>	\$ <u>-</u>
Total	\$ <u>9,229</u>	\$ <u>18,999</u>	\$ <u>8,850</u>	\$ <u>19,378</u>	\$ <u>-</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, 2012, compensated absences increased \$10,149 from the prior year accrual. The current portion of the compensated absences is estimated at \$-0-. Any liability would be liquidated out of the Operational/State Appropriations 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, 2012 was \$26,835.

The annual lease requirements are as follows:

Fiscal Year	Total
2013	21,661
2014	21,661
2015	<u>16,246</u>
Total	<u>\$ 59,568</u>

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

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2012

NOTE 9. Other Required Individual Fund Disclosures

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

Deficit Fund Balances. There are no deficit fund balances as of June 30, 2012.

Excess Expenditures over budget. There are no instances of excess expenditures over budget as of June 30, 2012.

NOTE 10. Pension Plan- Educational Retirement Board

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

Funding Policy. Effective July 1, 2011 plan members are required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually are required to contribute 11.15% of their gross salary. The REC is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 9.15% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the REC are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The REC's contributions to the ERB for the years ended June 30, 2012, 2011 and 2010 were \$136,876 \$162,498, and \$139,770, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2012

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

Central Region Educational Cooperative contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RCHA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RCHA or viewed on their website at www.nmrhca.stat.nm.us.

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

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
2013	2.00%	1.00%

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

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

The REC's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$ 11,305, \$ 11,258, and \$7,654, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2012

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

NOTE 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

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2012

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

IDEA B Discretionary IGA/ State Directed Activities (27200)

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

Participants: 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 all revenues and expenditures for this agreement.

Beginning and Ending Date of Agreement: July 1, 2011 to June 30, 2012.

Total Estimated Amount of Project and Actual Amount Contributed: \$435,338 and \$435,338.

NOTE 16. Subsequent Accounting Standard Pronouncements

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

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2012

NOTE 16. Subsequent Accounting Standard Pronouncements (continued)

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

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

NOTE 17. Subsequent Events Review

A review of subsequent events through August 3, 2012, which is the date of the financial statements were available to be issued, indicated nothing of audit significance.

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SUPPLEMENTARY INFORMATION

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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, 2012

	Special Revenue Funds			
	Sequoyah	UNM	NM	Total
	Adolescent Treatment Ctr	Children's Psychiatric Ctr	Department of Corrections	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	21,971	14,955	9,213	46,137
Restricted -state passthrough	-	-	-	-
Department of Interior	-	-	-	-
Other items	-	-	-	-
<i>Total revenues</i>	<u>\$ 21,971</u>	<u>\$ 14,955</u>	<u>\$ 9,213</u>	<u>\$ 46,137</u>
<i>Expenditures:</i>				
Current:				
Instruction	\$ -	\$ -	\$ 9,213	\$ 9,213
Support Services				
Students	21,971	14,955	-	36,924
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>21,971</u>	<u>14,955</u>	<u>9,213</u>	<u>46,137</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	-	-
<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>\$ -</u>	<u>\$ -</u>
Total Revenue by District				46,137
Revenue received by REC				66,908
Total Revenue per Exhibit B-2				<u>113,045</u>

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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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue 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	27,838	40,764	43,767	112,369
Restricted -state passthrough	-	-	-	-
Department of Interior	-	-	-	-
Other items	-	-	-	-
<i>Total revenues</i>	<u>\$ 27,838</u>	<u>\$ 40,764</u>	<u>\$ 43,767</u>	<u>\$ 112,369</u>
<i>Expenditures:</i>				
Current:				
Instruction	\$ 1,500	\$ -	\$ -	\$ 1,500
Support Services				
Students	26,338	40,764	43,767	110,869
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>27,838</u>	<u>40,764</u>	<u>43,767</u>	<u>112,369</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<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>
Total Revenue by District				112,369
Revenue received by REC				70,310
Total Revenue per Statement A-2				<u>182,679</u>

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
SPECIAL REVENUE FUNDS- MEDICAID IN SCHOOLS 25153
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Estancia Municipal Schools	Magdalena Municipal Schools	Mountainair Public 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	81,838	53,031	35,060
Restricted -state passthrough	-	-	-
Department of Interior	-	-	-
Other items	-	-	-
<i>Total revenues</i>	<u>\$ 81,838</u>	<u>\$ 53,031</u>	<u>\$ 35,060</u>
<i>Expenditures:</i>			
Current:			
Instruction	\$ -	\$ -	\$ -
Support Services			
Students	68,213	37,301	24,188
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>68,213</u>	<u>37,301</u>	<u>24,188</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>13,625</u>	<u>15,730</u>	<u>10,872</u>
<i>Net changes in fund balances</i>	13,625	15,730	10,872
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Quemado Independent Schools	Vaughn Municipal Schools	Jemez Valley Schools	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
18,818	11,780	28,612	229,139
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 18,818</u>	<u>\$ 11,780</u>	<u>\$ 28,612</u>	<u>\$ 229,139</u>
\$ -	\$ -	\$ -	\$ -
15,010	10,600	17,922	173,234
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>15,010</u>	<u>10,600</u>	<u>17,922</u>	<u>173,234</u>
<u>3,808</u>	<u>1,180</u>	<u>10,690</u>	<u>55,905</u>
3,808	1,180	10,690	55,905
-	-	-	21,135
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,040</u>

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
SPECIAL REVENUE FUNDS- STATE DIRECTED ACTIVITIES -IDEA B DISCRETIONARY 27200
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Estancia Municipal Schools	Jemez Valley Public Schools	Magdalena Municipal Schools	Mountainair Public 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	8,900	10,212	10,516	9,289
Restricted -state passthrough	-	-	-	-
Department of Interior	-	-	-	-
Other items	-	-	-	-
<i>Total revenues</i>	<u>\$ 8,900</u>	<u>\$ 10,212</u>	<u>\$ 10,516</u>	<u>\$ 9,289</u>
<i>Expenditures:</i>				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services				
Students	8,900	10,212	10,516	9,289
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>8,900</u>	<u>10,212</u>	<u>10,516</u>	<u>9,289</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Transfers</i>	-	-	-	-
<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>

Quemado Independent Schools	Vaughn Municipal Schools	Sequoyah Public Treatment Ctr	UNM Children's Psychiatric Ctr	NM Department of Corrections	REC	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,114	1,951	4,768	1,230	1,423	449,315	501,718
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>4,114</u>	<u>1,951</u>	<u>4,768</u>	<u>1,230</u>	<u>1,423</u>	<u>449,315</u>	<u>501,718</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,860	\$ 14,860
4,114	1,951	4,768	1,230	1,423	99,352	151,755
-	-	-	-	-	-	-
-	-	-	-	-	268,060	268,060
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>4,114</u>	<u>1,951</u>	<u>4,768</u>	<u>1,230</u>	<u>1,423</u>	<u>382,272</u>	<u>434,675</u>
-	-	-	-	-	67,043	67,043
-	-	-	-	-	(123,085)	(123,085)
-	-	-	-	-	(56,042)	(56,042)
-	-	-	-	-	56,042	56,042
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
SPECIAL REVENUE FUNDS- STATE APPROPRIATIONS 27101
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	REC
<i>Revenues:</i>	
Taxes	
Taxes levied/assessed	\$ -
Local sources	
Tuition	-
Investment Income	-
Food services	-
District activities	1,484,556
Other Revenue	-
State sources	
Unrestricted Grants	-
Restricted Grants	167,511
Federal sources	
Unrestricted Grants	2,984
Unrestricted -state passthrough	-
Restricted Grants	-
Restricted -state passthrough	-
Department of Interior	-
Other items	-
<i>Total revenues</i>	\$ 1,655,051
<i>Expenditures:</i>	
Current:	
Instruction	\$ -
Support Services	
Students	1,867,805
Instruction	-
General Administration	51,927
School Administration	-
Central Services	136,261
Operation & Maintenance of Plant	53,491
Student Transportation	-
Other Support Services	36,621
Operation of non-instructional services	-
Capital Outlay	-
Debt Service	-
<i>Total expenditures</i>	2,146,105
<i>Excess (deficiency) of revenues over expenditures</i>	(491,054)
Transfers In	782,394
<i>Net changes in fund balances</i>	291,340
<i>Fund balances - beginning of year</i>	210,384
<i>Fund balances - end of year</i>	\$ 501,724

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STATE OF NEW MEXICO
 CENTRAL REGION EDUCATIONAL COOPERATIVE
 SPECIAL REVENUE FUNDS- SCHOOL BASED HEALTH CENTERS 29130
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	REC
<i>Revenues:</i>	
Taxes	
Taxes levied/assessed	\$ -
Local sources	
Tuition	-
Investment Income	-
Food services	-
District activities	2,435
Other Revenue	-
State sources	
Unrestricted Grants	-
Restricted Grants	127,123
Federal sources	
Unrestricted Grants	-
Unrestricted -state passthrough	-
Restricted Grants	-
Restricted -state passthrough	-
Department of Interior	-
Other items	-
<i>Total revenues</i>	\$ 129,558
<i>Expenditures:</i>	
Current:	
Instruction	\$ -
Support Services	
Students	92,181
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>	92,181
<i>Excess (deficiency) of revenues over expenditures</i>	37,377
Transfers	(37,377)
<i>Net changes in fund balances</i>	-
<i>Fund balances - beginning of year</i>	-
<i>Fund balances - end of year</i>	\$ -

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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:

Title I Negligent, Delinquent, at Risk Fund– The purpose of this program is 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.

SB 471 Library Fund – The purpose of this fund is to account for funds used to library supplies and equipment utilized in schools for children. Funding is authorized by Senate Bill 471 of the New Mexico State Legislature.

School Based Health Center Fund – The purpose of this program is a team of health care professionals who work collaboratively in a school setting to provide primary care, mental health services, referral and prevention. The program is a collaborative effort with the Department of Family and Community Medicine, Department of Psychiatry and the Department of Pediatrics. .

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2012

Statement A-1

ASSETS	Title I Negligent, delinquent, at risk	Enhancing Education Thru Technology	SB 471 Library Books	School Based Health Centers	Total Nonmajor Governmental Funds
<i>Current Assets</i>					
Cash and cash equivalents	\$ -	\$ 1,875	\$ 220	\$ -	\$ 2,095
Accounts receivable					
Taxes	-	-	-	-	-
Intergovernmental receivable	79,689	-	-	20,639	100,328
Interfund receivable	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 79,689</u>	<u>\$ 1,875</u>	<u>\$ 220</u>	<u>\$ 20,639</u>	<u>\$ 102,423</u>
 LIABILITIES AND FUND BALANCES					
<i>Current Liabilities</i>					
Accounts payable	\$ -	\$ 1,875	\$ 220	\$ -	\$ 2,095
Accrued salaries and benefits	-	-	-	-	-
Intergovernmental Account Payable	79,689	-	-	20,639	100,328
Deferred revenue	-	-	-	-	-
<i>Total liabilities</i>	<u>79,689</u>	<u>1,875</u>	<u>220</u>	<u>20,639</u>	<u>102,423</u>
 <i>Fund Balances</i>					
Fund Balance					
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Debt Service Funds	-	-	-	-	-
Committed for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Assigned for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Unassigned for:					
General Fund	-	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 79,689</u>	<u>\$ 1,875</u>	<u>\$ 220</u>	<u>\$ 20,639</u>	<u>\$ 102,423</u>

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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, 2012

Statement A-2

	Title I Negligent, delinquent, at risk	Enhancing Ed Thru Technology	SB 471 Library Books	School Based Health Centers	Total Nonmajor Governmental Funds
<i>Revenues:</i>					
Taxes					
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources					
Tuition	-	-	-	-	-
Investment Income	-	-	-	-	-
Food services	-	-	-	-	-
District activities	-	-	-	2,435	2,435
Other Revenue	-	-	-	-	-
State sources					
Unrestricted Grants	-	-	-	-	-
Restricted Grants	-	-	(220)	127,123	126,903
Federal sources					
Unrestricted Grants	-	-	-	-	-
Unrestricted -state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Restricted -state passthrough	182,679	-	-	-	182,679
Department of Interior	-	-	-	-	-
Other items	-	-	-	-	-
<i>Total revenues</i>	<u>\$ 182,679</u>	<u>\$ -</u>	<u>\$ (220)</u>	<u>\$ 129,558</u>	<u>\$ 312,237</u>
<i>Expenditures:</i>					
Current:					
Instruction	\$ 1,500	\$ -	\$ -	\$ -	\$ 1,500
Support Services					
Students	110,869	-	-	92,181	203,050
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>112,369</u>	<u>-</u>	<u>-</u>	<u>92,181</u>	<u>204,550</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>70,310</u>	<u>-</u>	<u>(220)</u>	<u>37,377</u>	<u>107,467</u>
<i>Other financing sources (uses)</i>					
Transfers	(70,310)	-	-	(37,377)	(107,687)
<i>Total other financing sources (uses)</i>	<u>(70,310)</u>	<u>-</u>	<u>-</u>	<u>(37,377)</u>	<u>(107,687)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(220)</u>	<u>-</u>	<u>(220)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>220</u>	<u>-</u>	<u>220</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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STATE OF NEW MEXICO

Statement B-1

CENTRAL REGION EDUCATIONAL COOPERATIVE
 TITLE I NEGLIGENT, DELINQUENT, AT RISK SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	112,730	112,730	182,679	69,949
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	\$ 112,730	\$ 112,730	\$ 182,679	\$ 69,949
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Support Services				
Students	106,338	117,670	110,369	7,301
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	108,338	119,670	112,369	7,301
Total expenditures	108,338	119,670	112,369	7,301
<i>Excess (deficiency) of revenues over expenditures</i>	4,392	(6,940)	70,310	77,250
<i>Other financing sources (uses):</i>				
Transfers	-	-	(70,310)	(70,310)
Designated cash balance	-	6,940	-	(6,940)
Total other financing sources (uses)	-	6,940	(70,310)	(77,250)
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	4,392	-	-	-
<i>Cash balances - beginning of year</i>	-	-	-	-
<i>Cash balances - end of year</i>	\$ 4,392	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ -	
Adjustments to revenues			-	
Adjustmentss to expenditures			-	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			\$ -	

STATE OF NEW MEXICO
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, 2012

Statement B-2

	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	\$ -	\$ -	\$ -	\$ -
<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	-	-	-	-
Total expenditures	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses):</i>				
Designated cash balance	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	1,875	1,875
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ 1,875	\$ 1,875
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			\$ -	

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
SB 471 LIBRARY BOOKS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

Statement B-3

	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	\$ -	\$ -	\$ -	\$ -
<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	-	-	-	-
Total expenditures	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses):</i>				
Designated cash balance	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	220	220
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ 220	\$ 220
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			(220)	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			\$ (220)	

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
SCHOOL BASED HEALTH CENTERS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

Statement B-4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ 2,435	\$ 2,435
State sources	122,284	122,284	122,284	-
Federal sources	-	-	-	-
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	\$ 122,284	\$ 122,284	\$ 124,719	\$ 2,435
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services				
Students	110,001	109,301	92,181	17,120
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	110,001	109,301	92,181	17,120
Total expenditures	110,001	109,301	92,181	17,120
<i>Excess (deficiency) of revenues over expenditures</i>	12,283	12,983	32,538	19,555
<i>Other financing sources (uses):</i>				
Transfers	-	-	(32,538)	(32,538)
Designated cash balance	-	-	-	-
Total other financing sources (uses)	-	-	(32,538)	(32,538)
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	12,283	12,983	-	(12,983)
<i>Fund balances - beginning of year</i>	-	-	-	-
<i>Fund balances - end of year</i>	\$ 12,283	\$ 12,983	\$ -	\$ (12,983)
Excess (deficiency) of revenues over expenditures (Budget Basis)			\$ -	
Adjustments to revenues			4,839	
Adjustments to expenditures			(4,839)	
Excess (deficiency) of revenues over expenditures (GAAP Basis)			\$ -	

SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
 June 30, 2012

Schedule I

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2012	Name and Location of Safekeeper
Bank of America	NONE - Per Dodd Frank Act all deposits are 100% insured	-	
Total Collateral Pledged		\$ -	

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
 June 30, 2012

Schedule II

Deposit or Investment Account Type	Bank of America	Total
Checking	\$ <u>580,560</u>	\$ <u>580,560</u>
Total On Deposit	580,560	580,560
Reconciling Items	<u>(244,537)</u>	<u>(244,537)</u>
Reconciled Balance June 30, 2012	\$ <u><u>336,023</u></u>	\$ <u><u>336,023</u></u>
Reconciliation to financial statements:		
Cash and cash equivalents:		
Total cash and cash equivalents per Statement of Net Assets		\$ <u>336,023</u>
		\$ <u><u>336,023</u></u>

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
CASH RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2012

	REC	Instructional Materials	Federal Projects	State Projects	Medicaid in the Schools	Total
Cash per June 30, 2011 audit report	\$ 163,370	\$ 31,449	\$ 73,589	\$ 41,718	\$ 21,135	\$ 331,261
Add:						
2011-12 revenues	-	18,379	754,103	1,716,827	229,139	2,718,448
Cash Transfers	(163,370)	(33,852)	(524,974)	139,228	-	(582,968)
Total cash available	-	15,976	302,718	1,897,773	250,274	2,466,741
Less:						
2011-12 expenditures	-	(15,976)	(273,359)	(1,668,149)	(173,234)	(2,130,718)
Cash June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,359</u>	<u>\$ 229,624</u>	<u>\$ 77,040</u>	<u>\$ 336,023</u>
					Bank balance end of year	\$ 580,560
					Deposits in transit	-
					Outstanding checks	(244,537)
					Balance per Books, June 30, 2012	<u>\$ 336,023</u>
					Per Financial Statements:	
					Cash	<u>336,023</u>
					Total	<u>\$ 336,023</u>

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COMPLIANCE SECTION

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual fund and related budgetary comparisons presented as supplemental information of the REC as of and for the year ended June 30, 2012 and have issued our report thereon dated August 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Central Region Educational Cooperative is responsible for establishing and maintaining effective internal controls 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 opinions 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.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as described in the accompanying Schedule of findings and questioned costs, as FS 2012-01 and FS 2012-02, we identified certain

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deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs at FS 2012-01 and FS 2012-02.

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

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



Precision Accounting LLC
Albuquerque, New Mexico
August 3, 2012

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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 Board
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, 2012. 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's 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, 2012.

Internal Control Over Compliance

The management of Central Region Educational Cooperative's 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Central Region Educational Cooperative's internal control over compliance.

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies in internal control over compliance such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected, and corrected on a timely basis.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Office of the State Auditor, the New Mexico Legislature, 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.

A handwritten signature in cursive script that reads "Precision Accounting LLC".

Precision Accounting LLC
Albuquerque, New Mexico
August 3, 2012

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Schedule IV

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Pass Through Entities			
U.S. Department of Education			
Passed through NM Public Education Department:			
IDEA B Entitlement	84.027	24106	\$ 46,137
State Directed Activities - IDEA B Discretionary Funds	84.173	27200/24107	434,675
Negligent, Delinquent or At Risk, Title 1 Part D	84.013	24123	112,369
Total U.S. Department of Education			<u>593,181</u>
Total Federal Financial Assistance			<u>\$ 593,181</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			\$ 3,020,677
Less:			
Medicaid in the Schools expenditures		25153	173,234
Instructional Materials		14000	15,976
State Appropriations		27101	2,146,104
School Based Health Center		29130	92,182
Total Expenditures of Federal Awards			<u>\$ 593,181</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.

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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. Two 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, and IDEA B-Discretionary CFDA No. 84.027 (AKA State Directed Activities 27200)
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.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

B. FINDINGS-FINANCIAL STATEMENT AUDIT

FS 2012-01 Disposition of Capital assets (significant deficiency)

CONDITION: During the current year, the REC requested that their computer consultant erase the hard drives of old computers that were to be disposed of. The REC did send notification to the State Auditor of the disposal, however, the consultant erased, certified and disposed of the equipment 5 days prior to the lapse of the 30 day notification to the State Auditor.

CRITERIA: Audit Rule 2012 NMAC 2.2.2.10 V Disposition of Property prohibits the disposal of assets with out 30 day notification to the State Auditor.

CAUSE OF CONDITION: A lack of understanding between the REC and the computer consultant.

EFFECT OF CONDITION: The REC appears to have violated the state statute governing the disposition of obsolete, worn-out or unusable tangible personal property cited above.

RECOMMENDATION: We recommend that the REC establish an understanding with the computer consultant or send the letter to the State Auditor and wait the 30 days prior to having the computer consultant certify the erasure of the hard drives and dispose of the assets.

CLIENT RESPONSE: The REC will not submit an item to the computer consultant until 30 days has passed.

FS 2012-02 – Procurement procedures (significant deficiency)

CONDITION: During our Cash Disbursement and Individually Significant test work we noted that goods were ordered, marked as received and paid for prior to the REC actually receiving the good or services. We noted two instances totaling \$10,968 for books, computers and computer services.

In one instance, a member district signed for goods that had not been received and sent the documentation for payment through to the REC. The REC noted the discrepancies with the receive date and ship date and did not release payment until verification of receipt of goods had been properly obtained.

The second instance related to the prepayment for a computer service maintenance agreement to the computer consultant, however, the maintenance agreement was never provided resulting in no supporting documentation for the agreement. In addition, subsequent purchases of computers had been applied to the prepayment.

CRITERIA: The Procurement Code 14-1-5, NMSA, 1978, regulates that a governmental entity shall not pay for goods or services prior to the goods being received and/or services being rendered.

CAUSE OF CONDITION: The REC failed to follow the procurement procedures set out by the NM State Procurement Code for General Government Administration.

EFFECT OF CONDITION: Apparent violation of the NMAC Procurement Code.

RECOMMENDATION: The REC should comply with the New Mexico State Procurement Code.

CLIENT RESPONSE: Payment was made so that a discounted rate savings would be realized. Although in past years the consultant had provided the REC the proper paperwork. The REC will verify the proper paperwork is in place before payment is made in the future.

AUDITOR RESPONSE: On August 1, 2012, the REC did contact the computer consultant to rectify the billing issues with regards to the maintenance agreement. We did review the corrected invoices noting that the purchases were no longer being applied to the maintenance agreement prepayment. We were not able to verify the maintenance agreement.

C. PRIOR YEAR AUDIT FINDINGS

None

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
OTHER DISCLOSURES
YEAR ENDED JUNE 30, 2012

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 August 3, 2012. The following individuals were in attendance.

Central Region Educational Cooperative
Maria Jaramillo, Executive Director
Mario Guggino, Business Manager
Michael Chambers, Chairman

Precision Accounting LLC
Melissa R. Santistevan, CPA, CFE, CGMA