

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
ANNUAL FINANCIAL REPORT
JUNE 30, 2013

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE

OFFICIAL ROSTER
June 30, 2013

<u>Name</u>		<u>Title</u>
	<u>REC Council</u>	
Mr. Mike Chambers		Chairperson
Ms. Danielle Johnston		Co-Chairperson
Ms. Anita Westbrook		Member
Mr. Audie Brown		Member
Mr. Jay Mortensen		Member
Mr. Bill Green		Member
Mr. David Atencio		Member
Ms. Susan Wilkinson-Davis		Member
Mr. Felix Garcia		Member
Ms. Johannes Hedrich		Member
	<u>REC Officials</u>	
Maria Jaramillo		Executive Director
Mario Guggino		Business Manager until June 28, 2013
Jessica Orona		Business Manager July, 2013

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013
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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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and the major special revenue funds of Central Region Educational Cooperative (the "REC") as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise Central Region Educational Cooperative basic financial statements as listed in the table of contents. We also have audited the financial statements of each of Central Region Educational Cooperative nonmajor governmental funds and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Central Region Educational Cooperative preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness Central Region Educational Cooperative internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Central Region Educational Cooperative, as of June 30, 2013, and the respective changes in financial position where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of Central Region Educational Cooperative as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters


Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 13-17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on Central Region Educational Cooperative financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards 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, as is not a required part of the financial statements. The other schedules as required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 2.2.2 NMAC are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules as required by 2.2.2 NMAC is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2013 on our consideration of the Central Region Educational Cooperative' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Region Educational Cooperative internal control over financial reporting and compliance.


Precision Accounting, LLC
Precision Accounting, LLC
Albuquerque, New Mexico
August 30, 2013

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**CENTRAL REGION EDUCATIONAL COOPERATIVE – ALBUQUERQUE, NEW MEXICO
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

Management of the Central Region Educational Cooperative (CREC) offers readers of CREC’s financial statements this narrative overview and analysis of the financial activities of CREC for the fiscal year ending June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

CENTRAL REGION EDUCATIONAL COOPERATIVE

Central Region Educational Cooperative (CREC), also referred to as REC 5, is located in Albuquerque and is one of nine regional education cooperatives in New Mexico, initially established in 1984 by the New Mexico Department of Education. CREC is a state agency administratively attached to the Public Education Department responsible for regional education services to ten school districts/state supported educational programs throughout NM.

CREC assists in reducing costs to member school districts by using a cooperative system of shared services and programs, managed on a regional basis. CREC also offers professional development, technical assistance, program coordination, fiscal management and services to school districts, other agencies and the New Mexico Public Education Department. CREC provides quality professional development, support, and services to member districts that may otherwise be cost prohibitive.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis provides a review of CREC’s overall financial activities, using the accrual basis of accounting for the year ending June 30, 2013. Fund financial statements are reported on a modified accrual basis of accounting. The analysis focuses on the financial performance of the agency as a whole. This report also contains other supplementary information in addition to the basic financial statements themselves.

FINANCIAL / OPERATIONAL - PROGRAM HIGHLIGHTS

- The ending cash balance at June 30, 2013 was \$236,740.
- Overall revenue (including transfers in and other sources) totaled \$4,370,181. Total expenditures were \$4,150,435.
- Net Position increased \$212,968.
- Fund Balance increased \$219,746.
- Direct Educational Services included 39 Related Service Providers; 775 students with IEPs were served by CREC Related Service Providers serving 10 member and 10 nonmember districts throughout NM.
- 65 Supplemental Evaluations (related services) were provided to member and nonmember districts.
- Two CREC Reading Coaches provided weekly onsite assistance to 6 member school districts supporting 34 - K – 3rd grade classrooms.
- Over 250 educators participated in CREC professional development/assistance activities.
- 181 infants and preschool children participated in Child Find Events within 6 member school districts.
- Medicaid in the Schools (MITS) billing and assistance was provided to 6 member school districts involving 150 students.
- As of Jan. 2012, 45% of the schools within the CREC region maintained or improved their grade, in comparison with 35% of schools statewide, 96% were compliant with Special Education’s SPP Indicators.

- CREC sponsors 3 School Based Health Centers providing behavioral health services and health related services using 6 practitioners in Jemez Valley, Mountainair and Belen.
- Technical assistance was provided to districts (both members and nonmembers) on topics including special education compliance, child find, effective instructional strategies, crisis intervention, early transition, data driven decision making, supplemental evaluation, leadership, Medicaid billing, PBIS-SWIS, STARS, EPSS and other areas.

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

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

The Statement of Net Position presents information on all of 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 CREC's financial position.

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

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

At the end of the fiscal year, CREC assets exceeded liabilities by \$800,794. Net position may serve over time as a useful indicator of a government's financial position. CREC continues to expand its entrepreneurial & professional development activities.

NET POSITION FOR THE PERIOD ENDING JUNE 30, 2013

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

Table 1

	2011	2012	2013
Total Assets	884,856	650,742	953,837
Total Liabilities	73,449	62,915	153,043
Net Beginning	933,229	802,178	587,826
Net Change	(131,051)	(214,351)	212,968
Net Position End	802,178	587,827	800,794

CREC’s total revenues for the fiscal year ending June 30, 2013 were **\$4,150,435**. The total cost of all programs and services was **\$4,150,435**. Table 2 presents a summary of revenues and expenses for the fiscal years ending June 30, 2011 through June 30, 2013.

Table 2

	Governmental Activities		
	2011	2012	2013
Revenue			
Federal Sources	418,452	527,847	2,577,178
State Sources	774,265	814,511	1,043,817
Local Sources	1,813,562	1,486,991	749,186
Total Revenue	3,006,279	2,829,349	4,370,181
Expenditures			
Current			
Instruction	44,466	34,900	66,824
Support Services: Students	2,471,584	2,439,417	3,559,326
Support Services: Instruction	0.00	0.00	0.00
Support Services: General Admin	63,307	319,987	310,079
Support Services: School Admin	335,769	0.00	28,292
Support Services: Central Services	133,842	136,261	125,791
Operation & Maintenance of Plant	44,915	53,491	49,480
Non-current			
Debt Principal	0.00	0.00	0.00
Debt Interest	0.00	0.00	0.00
Capital Outlay/Other Support Svc.	75,226	36,621	10,643
Total Expenditures	3,169,109	3,020,677	4,150,435

CAPITAL ASSETS

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

BUDGETARY INFORMATION

Fund	Adopted	Adjustments	Budget	YTD Expend	Balance
14000	2,825.17	36,622.52	39,447.69	39,402.00	45.69
24106	170,060	128,654	298,714	164,920.28	133,793.72
24123	244,631	167,556	412,187	302,607.23	109,579.77
25153	253,000	0.00	253,000	111,100.97	141,899.03
27101	2,543,551.20	1,092,295.40	3,635,846.60	2,920,531.01	715,312.59
27200	462,158	0.00	462,158	462,821	(663.00)
29130	192,819	47,739.76	240,558.76	169,746.77	70,811.99
	<u>3,869,044.37</u>	<u>1,472,867.68</u>	<u>5,341,912.05</u>	<u>4,171,132.26</u>	<u>1,170,779.79</u>

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

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

Request for Information

This financial report is designed to provide a general overview off 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 at 5323 Menaul Blvd, NE, P.O. Box 37440, Albuquerque, NM 87176.

**BASIC
FINANCIAL STATEMENTS**

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit A-1

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 236,740
Intergovernmental Receivables	685,548
Prepaid Assets	10,180
Capital assets (net of accumulated depreciation)	
Equipment	21,369
Total assets	\$ 953,837
LIABILITIES AND NET POSITION	
Accounts payable	\$ 87,447
Accrued Expenses	46,511
Total current liabilities	133,958
Accrued Compensated Absences	19,085
Total liabilities	153,043
Invested in capital assets	21,369
Restricted	779,425
Unrestricted	-
Total net position	800,794
Total liabilities and net position	\$ 953,837

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit A-2

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</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	66,824	\$ -	\$ -	\$ -	\$ (66,824)
Support services:					
Students	3,566,104	1,825,536	2,544,645	-	804,077
Instruction	-	-	-	-	-
General Administration	310,079	-	-	-	(310,079)
School Administration	28,292	-	-	-	(28,292)
Central Services	125,791	-	-	-	(125,791)
Operation & Maintenance of Plant	49,480	-	-	-	(49,480)
Student Transportation	-	-	-	-	-
Other Support Services	10,643	-	-	-	(10,643)
Non-instructional support	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total primary government	<u>\$ 4,157,213</u>	<u>\$ 1,825,536</u>	<u>\$ 2,544,645</u>	<u>\$ -</u>	<u>\$ 212,968</u>
					<u>-</u>
					212,968
					<u>587,826</u>
					<u>\$ 800,794</u>

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

ASSETS	REC Fund	Instructional Materials	JAVITS Gifted and Talented Students	IDEA B Entitlement	IDEA B Discretionary
<i>Current Assets</i>					
Cash and cash equivalents	\$ -	\$ -	\$ 3,807	\$ -	\$ 21,137
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	-	-	-	89,111	-
Internal balances	-	-	-	-	-
Prepaid Items	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,807</u>	<u>\$ 89,111</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	-	2,779	-	89,111	-
Deferred revenue	-	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>2,779</u>	<u>3,807</u>	<u>89,111</u>	<u>21,137</u>
Assigned for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Unassigned for:					
General Fund	-	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>(2,779)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,807</u>	<u>\$ 89,111</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	\$ 172,654	\$ 24,343	\$ -	\$ 10,384	\$ 236,740
-	-	-	-	-	-
-	51,740	104,416	169,870	270,411	685,548
-	-	394,121	-	-	394,121
-	-	-	10,180	-	10,180
-	-	-	-	-	-
<u>\$ 4,415</u>	<u>\$ 224,394</u>	<u>\$ 522,880</u>	<u>\$ 180,050</u>	<u>\$ 280,795</u>	<u>\$ 1,326,589</u>
\$ 4,415	\$ -	\$ 209	\$ -	\$ 57,879	\$ 87,447
-	-	46,511	-	-	46,511
-	-	-	169,870	132,361	394,121
-	-	-	-	-	-
<u>4,415</u>	<u>-</u>	<u>46,720</u>	<u>169,870</u>	<u>190,240</u>	<u>528,079</u>
-	-	476,160	-	-	476,160
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>224,394</u>	<u>476,160</u>	<u>10,180</u>	<u>90,555</u>	<u>798,510</u>
<u>\$ 4,415</u>	<u>\$ 224,394</u>	<u>\$ 522,880</u>	<u>\$ 180,050</u>	<u>\$ 280,795</u>	<u>\$ 1,326,589</u>

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2013

Exhibit B-1
(Page 2 of 2)

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

Fund balances - total governmental funds	\$ 798,510
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,369
Certain liabilities are not reported as liabilities in the funds. These liabilities at year end consist of :	
Compensated Absences	<u>(19,085)</u>

Net Position of governmental activite \$ 800,794

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, 2013

	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	-	36,623	-	-	-
Federal sources					
Unrestricted Grants	-	-	-	-	-
Unrestricted -state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	34,680	-
Restricted -state passthrough	-	-	-	129,238	-
Department of Interior	-	-	-	-	-
Other items	-	-	-	-	-
<i>Total revenues</i>	<u>\$ -</u>	<u>\$ 36,623</u>	<u>\$ -</u>	<u>\$ 163,918</u>	<u>\$ -</u>
<i>Expenditures:</i>					
Current:					
Instruction	\$ -	\$ 39,402	\$ -	\$ 3,717	\$ -
Support Services					
Students	-	-	-	150,451	-
Instruction	-	-	-	-	-
General Administration	-	-	-	-	-
School Administration	-	-	-	9,750	-
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>39,402</u>	<u>-</u>	<u>163,918</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(2,779)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>					
Transfers	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>(2,779)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ (2,779)</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	2,540,768	-	24,979	2,565,747
-	-	10,430	-	1,001	11,431
-	-	-	183	-	183
-	-	310,802	461,822	234,387	1,043,634
-	258,454	13,094	-	-	271,548
-	-	-	-	-	-
-	-	-	-	-	34,680
-	-	-	-	313,720	442,958
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 258,454</u>	<u>\$ 2,875,094</u>	<u>\$ 462,005</u>	<u>\$ 574,087</u>	<u>\$ 4,370,181</u>
\$ -	\$ -	\$ -	\$ 14,861	\$ 8,844	\$ 66,824
-	111,100	2,662,015	173,034	462,726	3,559,326
-	-	-	-	-	-
-	-	46,149	263,930	-	310,079
-	-	6,580	-	11,962	28,292
-	-	125,791	-	-	125,791
-	-	49,480	-	-	49,480
-	-	-	-	-	-
-	-	10,643	-	-	10,643
-	-	-	-	-	-
-	-	-	-	-	-
-	111,100	2,900,658	451,825	483,532	4,150,435
-	147,354	(25,564)	10,180	90,555	219,746
-	-	-	-	-	-
-	-	-	-	-	-
-	147,354	(25,564)	10,180	90,555	219,746
-	77,040	501,724	-	-	578,764
<u>\$ -</u>	<u>\$ 224,394</u>	<u>\$ 476,160</u>	<u>\$ 10,180</u>	<u>\$ 90,555</u>	<u>\$ 798,510</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, 2013

Exhibit B-2
 (Page 2 of 2)

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

Net change in fund balances - total governmental funds	\$	219,746
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures:

Current year capital expenditures		-
Depreciation expense		(7,071)

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>293</u>
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Change in net position of governmental activities	\$	<u><u>212,968</u></u>
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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, 2013

Exhibit C-1

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	2,825	39,447	36,623	(2,824)
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>2,825</u>	<u>39,447</u>	<u>36,623</u>	<u>(2,824)</u>
<i>Expenditures:</i>				
Current:				
Instruction	2,825	39,447	39,402	45
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>2,825</u>	<u>39,447</u>	<u>39,402</u>	<u>45</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(2,779)</u>	<u>(2,869)</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>(2,779)</u>	<u>(2,869)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,779)</u>	<u>\$ (2,779)</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ (2,779)	
Adjustments to revenues			-	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (2,779)</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, 2013

Exhibit C-2

	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>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<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, 2013

Exhibit C-3

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	170,060	298,713	64,205	(234,508)
Interest	-	-	-	-
<i>Total revenues</i>	<u>170,060</u>	<u>298,713</u>	<u>64,205</u>	<u>(234,508)</u>
<i>Expenditures:</i>				
Current:				
Instruction	3,470	3,470	3,717	(247)
Support Services				
Students	166,590	283,298	150,451	132,847
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	11,945	9,750	2,195
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>170,060</u>	<u>298,713</u>	<u>163,918</u>	<u>134,795</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(99,713)</u>	<u>(99,713)</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>(99,713)</u>	<u>(99,713)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(18,371)</u>	<u>(18,371)</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (118,084)</u>	<u>\$ (118,084)</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ (99,713)	
Adjustments to revenues			70,740	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (28,973)</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, 2013

Exhibit C-4

	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>21,137</u>	<u>21,137</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,137</u>	<u>\$ -</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>				
			\$ -	
Adjustments to revenues				
			-	
Adjustments to expenditures				
			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>				
			<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, 2013

Exhibit C-5

	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>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<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, 2013

Exhibit C-6

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	253,000	253,000	206,714	(46,286)
Interest	-	-	-	-
<i>Total revenues</i>	<u>253,000</u>	<u>253,000</u>	<u>206,714</u>	<u>(46,286)</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	253,000	253,000	111,100	141,900
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>253,000</u>	<u>253,000</u>	<u>111,100</u>	<u>141,900</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>95,614</u>	<u>95,614</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>95,614</u>	<u>95,614</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>77,040</u>	<u>77,040</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,654</u>	<u>\$ 172,654</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ 95,614	
Adjustments to revenues			51,740	
Adjustments to expenditures			<u>-</u>	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 147,354</u>	

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
OPERATIONAL SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C-7

	Budgeted Amounts			Variance
	Original Budget	Final Budget	Actual	
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ 2,251,753	\$ 2,251,753
State sources	2,543,555	3,635,847	612,935	(3,022,912)
Federal sources	-	-	13,094	13,094
Interest	-	-	-	-
<i>Total revenues</i>	<u>2,543,555</u>	<u>3,635,847</u>	<u>2,877,782</u>	<u>(758,065)</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	1,967,453	3,051,122	2,660,439	390,683
Instruction	-	-	-	-
General Administration	331,104	354,712	63,264	291,448
School Administration	-	6,580	6,580	-
Central Services	142,296	128,214	127,282	932
Operation & maintenance of plant	66,081	59,598	52,324	7,274
Student transportation	-	-	-	-
Other Support Services	36,621	36,621	10,643	25,978
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,543,555</u>	<u>3,636,847</u>	<u>2,920,532</u>	<u>716,315</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(1,000)</u>	<u>(42,750)</u>	<u>(41,750)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	1,000	-	(1,000)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(42,750)</u>	<u>(42,750)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>461,214</u>	<u>461,214</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 418,464</u>	<u>\$ 418,464</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ (42,750)	
Adjustments to revenues			53,076	
Adjustments to expenditures			<u>(35,890)</u>	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (25,564)</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, 2013

Exhibit C-8

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	462,154	462,157	420,622	(41,535)
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	462,154	462,157	420,622	(41,535)
<i>Expenditures:</i>				
Current:				
Instruction	14,860	14,860	14,860	-
Support Services				
Students	170,350	171,447	172,597	(1,150)
Instruction	-	-	-	-
General Administration	276,944	275,850	275,363	487
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>	462,154	462,157	462,820	(663)
<i>Excess (deficiency) of revenues over (under) expenditures</i>	-	-	(42,198)	(42,198)
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	-	-	(42,198)	(42,198)
<i>Cash balances - beginning of year</i>	-	-	(127,672)	(127,672)
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ (169,870)	\$ (169,870)
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ (42,198)	
Adjustments to revenues			53,631	
Adjustments to expenditures			(1,253)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			\$ 10,180	

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies

The ten Regional Cooperative Centers established throughout New Mexico in 1984 were originally organized to provide supplementary special education services to local education agencies utilizing federal PL 94-142 funds. The role of the Cooperatives has expanded under the authorization of the regional Coordinating Councils to include a variety of other projects, both federally funded and funded from other sources. Central Regional Educational Cooperative, through the governing council, has established as its purpose the delivery to local districts and communities those services deemed critical to the ongoing success of regular and special education programs provided by the local agencies. For financial reporting purposes, the Cooperative includes all fund and accounts groups that are controlled by or dependent on the Cooperative for financial support. The Cooperative has no component units. The financial statements of Central Regional 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 #3 (REC) is based upon Chapter 232 of the Laws of 1993, State of New Mexico, and the State Board of Education Regulation 93-23, which authorize the establishment of Regional Educational Cooperatives in the State of New Mexico. The member organizations undertake a Joint Powers Agreement, whereby they will submit a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico pursuant to the Individual with Disabilities Education Act, Part B- (IDEA-B).

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

A. Reporting Entity

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

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2013

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

The Operational/State Appropriation Fund is the used to account for all financial resources, except those required to be accounted for in other funds.

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

The Special Revenue Funds account for 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, 2013

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:

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, 2013

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

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

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

Private-sector standards of accounting and financial reporting under FASB and AICPA guidance are now included in GASB guidance by GASB 62.

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

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

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.

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 OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2013

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

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

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

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

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

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

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

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

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

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

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. GASB 63 amended previous guidance on deferred revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of nets assets by the government that is applicable to a future reporting period.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2013

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

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

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.

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; or
- 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, 2013

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, 2013

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, 2013, is presented.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2013

NOTE 3. Cash and Temporary Investments

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

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

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

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

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

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

Deposits

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

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2013

NOTE 3. Cash and Temporary Investments (continued)

Bank of America	<u>Type</u>	Bank Balance <u>June 30, 2013</u>	Reconciled <u>Balance</u>
General	Checking	\$ <u>402,370</u>	\$ <u>236,740</u>
Total Deposits		402,370	<u>\$ 236,740</u>
Less: FDIC Coverage		<u>(250,000)</u>	
Uninsured Amount		152,370	
50% Collateral requirement		76,185	
Pledged Securities		<u>84,185</u>	
(Over) Under collateralized		<u>\$ 8,000</u>	
Custodial Credit Risk-Deposits Account Balance	\$ 402,370		
FDIC Insured	250,000		
Collateral:			
Collateral held by the pledging bank, not in the REC's name	84,185		
Uninsured and uncollateralized	<u>68,185</u>		
Total Deposits	<u>\$ 402,370</u>		

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$68,185 of the REC's bank balance of \$402,370 was exposed to custodial credit risk.

Reconciliation of Cash and Temporary Investments

Governmental Funds - Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 236,740
Add outstanding checks	268,117
Less Held Checks	<u>(102,487)</u>
Bank balance of deposits	<u>\$ 402,370</u>

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
 Notes to the Financial Statements
 June 30, 2013

NOTE 4. Receivables

Receivables as of June 30, 2013, are as follows:

Due from	<u>Medicaid</u>	<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	\$51,740	\$ 89,111	\$188,145	\$ 104,416	\$ 169,870	\$ 82,266	\$ 685,548
Totals	\$51,740	\$ 89,111	\$188,145	\$ 104,416	\$ 169,870	\$ 82,226	\$ 685,548

As of June 30, 2013, 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, 2013 is as follows:

Governmental Activities:	Interfund Receivables	Interfund Payables
Other Funds:		
Operational/State Appropriations Fund	\$ 394,121	\$ —
Instructional Materials	—	2,779
IDEA B Entitlement	—	89,111
Negligent, Delinquent or At Risk	—	132,361
State Directed	—	169,870
Total Governmental Activities	\$ 394,121	\$ 394,121

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2013, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	Balance <u>June 30, 2012</u>	Additions & <u>Adjustments</u>	Deletions & <u>Adjustments</u>	Balance <u>June 30, 2013</u>
Capital Assets, being depreciated:				
Furniture, fixtures & equipment	\$ 76,426	\$ —	\$ —	\$ 76,426
Less Accumulated Depreciation for:				
Furniture, fixtures & equipment	(47,986)	(7,071)	—	(55,057)
Governmental activities capital assets, net:	\$ 28,440	\$ (7,071)	\$ —	\$ 21,369

Capital assets, net of accumulated depreciation, at June 30, 2013 appear in the Statement of Net Assets and/or the Fund Statements Balance Sheets as follows:

Governmental activities \$21,369

Depreciation expense for the year ended June 30, 2013 was charged to governmental activities as follows:

Instructional Support \$ 7,071

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2013

NOTE 7. Long-term Debt

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

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due in one year
Compensated Absences	\$ <u>19,378</u>	\$ <u>21,839</u>	\$ <u>22,132</u>	\$ <u>19,085</u>	\$ <u>-</u>
Total	\$ <u>19,378</u>	\$ <u>21,839</u>	\$ <u>22,132</u>	\$ <u>19,085</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, 2013, compensated absences decreased \$293 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, 2013 was \$26,835.

The annual lease requirements are as follows:

Fiscal Year	Total
2014	21,661
2015	21,661
2016	<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, 2013

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:

A.	Deficit fund balance of individual funds.	
	Instructional Materials	\$ (2,779)

Deficit Fund Balances will be funded by general fund transfers or additional grant funds.

B.	Excess Expenditures over budget.	
	Idea B Entitlement	\$ (247)
	State Directed Activities	\$ (663)

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.

Member contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the plan: 9.40% of their gross salary in fiscal year 2013; 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

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

The contribution requirements of plan members and the REC are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The REC's contributions to the ERB for the years ended June 30, 2013, 2012 and 2011 were \$236,936 \$136,417, and \$162,498, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2013

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

Plan description: Central Region Educational Cooperative #3 contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 3, 4 or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15 (G) NMSA 1978, at the first

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2013

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

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

The REC's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$ 45,275, \$ 24,663, and \$24,682, respectively, which equal the required contributions for each year.

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, 2013

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, 2012 to June 30, 2013.

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 has determined that there is no effect on the financial statements.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
Notes to the Financial Statements
June 30, 2013

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 has determined that there is no effect on the financial statements,

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 has determined that this changes certain disclosures in the financial statements.

NOTE 17. Subsequent Events Review

A review of subsequent events through August 30, 2013, 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, 2013

	Special Revenue Funds				
	Sequoyah Adolescent Treatment Ctr	UNM Children's Psychiatric Ctr	NM Department of Corrections	Juvenile Justice System	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	-	-	-	-	-
Restricted -state passthrough	23,649	16,778	3,516	119,975	163,918
Department of Interior	-	-	-	-	-
Other items	-	-	-	-	-
<i>Total revenues</i>	<u>\$ 23,649</u>	<u>\$ 16,778</u>	<u>\$ 3,516</u>	<u>\$ 119,975</u>	<u>\$ 163,918</u>
<i>Expenditures:</i>					
Current:					
Instruction	\$ -	\$ -	\$ 1,375	\$ 2,342	\$ 3,717
Support Services					
Students	23,649	14,513	-	112,289	150,451
Instruction	-	-	-	-	-
General Administration	-	-	-	-	-
School Administration	-	2,265	2,141	5,344	9,750
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>23,649</u>	<u>16,778</u>	<u>3,516</u>	<u>119,975</u>	<u>163,918</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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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, 2013

	Special Revenue Funds				
	Sequoyah Adolescent Center	UNM Children's Psychiatric Ctr	NM Department of Corrections	Juvenile Justice System	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	35,060	56,807	39,815	182,038	313,720
Restricted -state passthrough	-	-	-	-	-
Department of Interior	-	-	-	-	-
Other items	-	-	-	-	-
<i>Total revenues</i>	<u>\$ 35,060</u>	<u>\$ 56,807</u>	<u>\$ 39,815</u>	<u>\$ 182,038</u>	<u>\$ 313,720</u>
<i>Expenditures:</i>					
Current:					
Instruction	\$ -	\$ -	\$ -	\$ 8,844	\$ 8,844
Support Services					
Students	32,848	54,542	37,674	167,850	292,914
Instruction	-	-	-	-	-
General Administration	-	-	-	-	-
School Administration	2,212	2,265	2,141	5,344	11,962
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>35,060</u>	<u>56,807</u>	<u>39,815</u>	<u>182,038</u>	<u>313,720</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2013

	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	78,608	46,994	29,869
Restricted -state passthrough	-	-	-
Department of Interior	-	-	-
Other items	-	-	-
<i>Total revenues</i>	<u>\$ 78,608</u>	<u>\$ 46,994</u>	<u>\$ 29,869</u>
<i>Expenditures:</i>			
Current:			
Instruction	\$ -	\$ -	\$ -
Support Services			
Students	34,291	31,971	16,593
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>34,291</u>	<u>31,971</u>	<u>16,593</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>44,317</u>	<u>15,023</u>	<u>13,276</u>
<i>Net changes in fund balances</i>	44,317	15,023	13,276
<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	REC	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
13,111	13,366	35,699	40,807	258,454
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>13,111</u>	<u>13,366</u>	<u>35,699</u>	<u>40,807</u>	<u>258,454</u>
\$ -	\$ -	\$ -	\$ -	\$ -
6,173	6,815	15,257	-	111,100
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>6,173</u>	<u>6,815</u>	<u>15,257</u>	<u>-</u>	<u>111,100</u>
<u>6,938</u>	<u>6,551</u>	<u>20,442</u>	<u>40,807</u>	<u>147,354</u>
6,938	6,551	20,442	40,807	147,354
-	-	-	-	77,040
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,394</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, 2013

	REC
<i>Revenues:</i>	
Taxes	
Taxes levied/assessed	\$ -
Local sources	
Tuition	-
Investment Income	-
Food services	-
District activities	2,540,768
Other Revenue	10,430
State sources	
Unrestricted Grants	-
Restricted Grants	310,802
Federal sources	
Unrestricted Grants	13,094
Unrestricted -state passthrough	-
Restricted Grants	-
Restricted -state passthrough	-
Department of Interior	-
Other items	-
	-
<i>Total revenues</i>	\$ 2,875,094
 <i>Expenditures:</i>	
Current:	
Instruction	\$ -
Support Services	
Students	2,662,015
Instruction	-
General Administration	46,149
School Administration	6,580
Central Services	125,791
Operation & Maintenance of Plant	49,480
Student Transportation	-
Other Support Services	10,643
Operation of non-instructional services	-
Capital Outlay	-
Debt Service	-
	-
<i>Total expenditures</i>	2,900,658
 <i>Excess (deficiency) of revenues over expenditures</i>	(25,564)
 Transfers In	-
 <i>Net changes in fund balances</i>	(25,564)
 <i>Fund balances - beginning of year</i>	501,724
 <i>Fund balances - end of year</i>	\$ 476,160

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, 2013

	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	9,693	7,038	9,162	9,049
Restricted -state passthrough	-	-	-	-
Department of Interior	-	-	-	-
Other items	-	-	-	-
<i>Total revenues</i>	<u>\$ 9,693</u>	<u>\$ 7,038</u>	<u>\$ 9,162</u>	<u>\$ 9,049</u>
<i>Expenditures:</i>				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services				
Students	9,693	7,038	9,162	9,049
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>9,693</u>	<u>7,038</u>	<u>9,162</u>	<u>9,049</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,471	2,222	4,454	250	-	412,880	461,687
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 3,471</u>	<u>\$ 2,222</u>	<u>\$ 4,454</u>	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ 412,880</u>	<u>\$ 461,687</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,861	\$ 14,861
3,471	2,222	4,454	250	-	124,227	173,034
-	-	-	-	-	-	-
-	-	-	-	-	263,930	263,930
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>3,471</u>	<u>2,222</u>	<u>4,454</u>	<u>250</u>	<u>-</u>	<u>403,018</u>	<u>451,825</u>
-	-	-	-	-	9,862	9,862
-	-	-	-	-	-	-
-	-	-	-	-	9,862	9,862
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,862</u>	<u>\$ 9,862</u>

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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, 2013

	REC
<i>Revenues:</i>	
Taxes	
Taxes levied/assessed	\$ -
Local sources	
Tuition	-
Investment Income	-
Food services	-
District activities	24,979
Other Revenue	1,001
State sources	
Unrestricted Grants	-
Restricted Grants	234,387
Federal sources	
Unrestricted Grants	-
Unrestricted -state passthrough	-
Restricted Grants	-
Restricted -state passthrough	-
Department of Interior	-
Other items	-
	-
<i>Total revenues</i>	\$ 260,367
 <i>Expenditures:</i>	
Current:	
Instruction	\$ -
Support Services	
Students	169,812
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>	169,812
 <i>Excess (deficiency) of revenues over expenditures</i>	90,555
 Transfers	-
 <i>Net changes in fund balances</i>	90,555
 <i>Fund balances - beginning of year</i>	-
 <i>Fund balances - end of year</i>	\$ 90,555

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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, 2013

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	\$ 8,289	\$ 10,384
Accounts receivable:					
Taxes	-	-	-	-	-
Intergovernmental receivable	188,145	-	-	82,266	270,411
Internal Balances:	-	-	-	-	-
Prepaid Items	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 188,145</u>	<u>\$ 1,875</u>	<u>\$ 220</u>	<u>\$ 90,555</u>	<u>\$ 280,795</u>
LIABILITIES AND FUND BALANCES					
<i>Current Liabilities</i>					
Accounts payable	\$ 55,784	\$ 1,875	\$ 220	\$ -	\$ 57,879
Accrued salaries and benefits:	-	-	-	-	-
Internal Balances:	132,361	-	-	-	132,361
Deferred revenue	-	-	-	-	-
<i>Total liabilities</i>	<u>188,145</u>	<u>1,875</u>	<u>220</u>	<u>-</u>	<u>190,240</u>
<i>Fund Balances</i>					
Fund Balance					
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	90,555	90,555
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>90,555</u>	<u>90,555</u>
<i>Total liabilities and fund balances</i>	<u>\$ 188,145</u>	<u>\$ 1,875</u>	<u>\$ 220</u>	<u>\$ 90,555</u>	<u>\$ 280,795</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, 2013

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	-	-	-	24,979	24,979
Other Revenue	-	-	-	1,001	1,001
State sources					
Unrestricted Grants	-	-	-	-	-
Restricted Grants	-	-	-	234,387	234,387
Federal sources					
Unrestricted Grants	-	-	-	-	-
Unrestricted -state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Restricted -state passthrough	313,720	-	-	-	313,720
Department of Interior	-	-	-	-	-
Other items	-	-	-	-	-
<i>Total revenues</i>	<u>\$ 313,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,367</u>	<u>574,087</u>
<i>Expenditures:</i>					
Current:					
Instruction	\$ 8,844	\$ -	\$ -	\$ -	\$ 8,844
Support Services					
Students	292,914	-	-	169,812	462,726
Instruction	-	-	-	-	-
General Administration	-	-	-	-	-
School Administration	11,962	-	-	-	11,962
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>313,720</u>	<u>-</u>	<u>-</u>	<u>169,812</u>	<u>483,532</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,555</u>	<u>90,555</u>
<i>Other financing sources (uses)</i>					
Transfers	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,555</u>	<u>90,555</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,555</u>	<u>\$ 90,555</u>

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STATE OF NEW MEXICO
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, 2013

Statement B-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	244,631	412,187	156,845	(255,342)
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	\$ 244,631	\$ 412,187	\$ 156,845	\$ (255,342)
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	\$ 10,000	\$ 10,000	\$ 8,844	\$ 1,156
Support Services				
Students	234,631	389,805	281,802	108,003
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	244,631	399,805	290,646	109,159
Total expenditures	244,631	399,805	290,646	109,159
<i>Excess (deficiency) of revenues over expenditures</i>	-	12,382	(133,801)	(146,183)
<i>Other financing sources (uses):</i>				
Transfers	-	-	-	-
Designated cash balance	-	(12,382)	-	12,382
Total other financing sources (uses)	-	(12,382)	-	12,382
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	-	(133,801)
<i>Cash balances - beginning of year</i>	-	-	(79,689)	(79,689)
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ (79,689)	\$ (213,490)
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ -	
Adjustments to revenues			-	
Adjustmentss to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			\$ -	

STATE OF NEW MEXICO

Statement B-2

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Other Financing source:	-	-	-	-
Other Items	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Expenditures:</i>				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services				
Students	-	-	-	-
Instructor	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plan	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of non-instructional service	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Non-Operating Emergency Reserve:	-	-	-	-
Total instructional support	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Designated cash balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures	-	-	-	-
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>1,875</u>	<u>1,875</u>
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,875</u>	<u>\$ 1,875</u>
Excess (deficiency of revenues and other sources (uses) over expenditures (Budget Basis)			\$ -	
Adjustments to revenue:			-	
Adjustments to expenditure:			-	
Excess (deficiency of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

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, 2013

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>Cash balances - beginning of year</i>	-	-	-	-
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ -	\$ -
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			(220)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			\$ (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, 2013

Statement B-4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local sources	\$ -	\$ -	\$ 24,979	\$ 24,979
State sources	192,820	240,560	153,122	(87,438)
Federal sources	-	-	-	-
Other Financing sources	-	-	-	-
Other Items	-	-	-	-
Total revenues	\$ 192,820	\$ 240,560	\$ 178,101	\$ (62,459)
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services				
Students	186,421	243,822	169,812	74,010
Instruction	-	-	-	-
General Administration	6,399	3,262	-	3,262
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	192,820	247,084	169,812	77,272
Total expenditures	192,820	247,084	169,812	77,272
<i>Excess (deficiency) of revenues over expenditures</i>	-	(6,524)	8,289	14,813
<i>Other financing sources (uses):</i>				
Transfers	-	-	-	-
Designated cash balance	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	(6,524)	8,289	14,813
<i>Cash balances - beginning of year</i>	-	-	(20,639)	(20,639)
<i>Cash balances - end of year</i>	\$ -	\$ (6,524)	\$ (12,350)	\$ (5,826)
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)</i>			\$ 8,289	
Adjustments to revenues			61,627	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			\$ 69,916	

SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
June 30, 2013

Schedule I

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2013	Name and Location of Safekeeper
Bank of America	FNMBBS, maturity 2/1/2042 Cusip# 3138E6VE3 4.00%	\$ 932	Bank of New York Mellon New York, NY
Bank of America	FNMBBS, maturity 4/1/2041 Cusip# 3138EGG24 4.50%	917	Bank of New York Mellon New York, NY
Bank of America	FNMBBS, maturity 10/1/2040 Cusip# 31416WZ39 4.00%	532	Bank of New York Mellon New York, NY
Bank of America	FNMBBS, maturity 12/1/2041 Cusip# 31417AR50 3.50%	743	Bank of New York Mellon New York, NY
Bank of America	FNMBBS, maturity 10/1/2040 Cusip# 31419GB94 4.00%	81,061	Bank of New York Mellon New York, NY
	Total Collateral Pledged	\$ 84,185	

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
 June 30, 2013

Schedule II

Deposit or Investment Account Type	Bank of America	Total
Checking-Non Interest Bearing	\$ 402,370	\$ 402,370
Total On Deposit	402,370	402,370
Reconciling Items	(165,631)	(165,631)
Reconciled Balance June 30, 2013	\$ 236,739	\$ 236,739
Reconciliation to financial statements:		
Cash and cash equivalents:		
Total cash and cash equivalents per Statement of Net Position		\$ 236,740
		\$ 236,740

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
CASH RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2013

Schedule III

	Instructional Materials	Federal Projects	State Projects	Medicaid in the Schools	Total
Cash per June 30, 2012 audit report	\$ -	\$ 29,359	\$ 229,624	\$ 77,040	\$ 336,023
Add:					
2012-13 revenues	36,623	512,867	3,646,286	206,714	4,402,490
Cash Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash available	36,623	542,226	3,875,910	283,754	4,738,513
Less:					
2012-13 expenditures	<u>(39,402)</u>	<u>(930,351)</u>	<u>(3,420,920)</u>	<u>(111,100)</u>	<u>(4,501,773)</u>
Cash June 30, 2013	<u><u>\$ (2,779)</u></u>	<u><u>\$ (388,125)</u></u>	<u><u>\$ 454,990</u></u>	<u><u>\$ 172,654</u></u>	<u><u>\$ 236,740</u></u>
				Bank balance end of year	\$ 402,370
				Deposits in transit	-
				Outstanding checks	(165,630)
				Balance per Books, June 30, 2013	<u><u>\$ 236,740</u></u>
				Per Financial Statements:	
				Cash	<u>236,740</u>
				Total	<u><u>\$ 236,740</u></u>

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COMPLIANCE SECTION

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

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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual fund and related budgetary comparisons presented as supplemental information of the Central Region Educational Cooperative as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise Central Region Educational Cooperative's basic financial statements, and the combining and individual funds and related budgetary comparisons of Central Region Educational Cooperative presented as supplemental information, and have issued our report thereon dated August 30, 2013.

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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Central Region Educational Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Central Region Educational Cooperative's internal control.

Our consideration of the internal control over was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal

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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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. FS 2013-02 and FA 2013-01.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. FS 2012-02, FS 2013-01 and FS 2013-03.

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 one instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs at FS 2012-02, FS 2013-01, FS 2013-02, and FS 2013-03, FA 2013-01.

Central Region Educational Cooperative's Responses to Findings

Central Region Educational Cooperative's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Central Region Educational Cooperative responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Precision Accounting LLC

Precision Accounting LLC
Albuquerque, New Mexico
August 30, 2013

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FEDERAL FINANCIAL ASSISTANCE

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM REPORT
AND ON INTERNAL CONTROL OVER COMPLIANCE AND
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUESTED BY OMB CIRCULAR A-133
INDEPENDENT AUDITOR'S REPORT**

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

Report on Compliance for Each Major Federal Program

We have audited Central Region Educational Cooperative compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Central Region Educational Cooperative's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Central Region Educational Cooperative's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items FA 2013-01. Our opinion on each major federal program is not modified with respect to these matters. Central Region Educational Cooperative's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Central Region Educational Cooperative's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

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Report on 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 types of compliance referred to above. In planning and performing our audit of compliance, we considered Central Region Educational Cooperative's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Central Region Educational Cooperative's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we identified certain deficiencies in internal control over compliance that we considered to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FA 2013-01 to be a material weakness.

Central Region Educational Cooperative's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Central Region Educational Cooperative's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Precision Accounting LLC

Precision Accounting LLC

Albuquerque, New Mexico

August 30, 2013

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 163,918
State Directed Activities - IDEA B Discretionary Funds	84.027	27200/24107	451,825
Negligent, Delinquent or At Risk, Title 1 Part D	84.013	24123	313,720
Total U.S. Department of Education			<u>929,463</u>
Total Federal Financial Assistance			<u>\$ 929,463</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			\$ 4,150,435
Less:			
Medicaid in the Schools expenditures		25153	111,100
Instructional Materials		14000	39,402
State Appropriations		27101	2,900,658
School Based Health Center		29130	169,812
Total Expenditures of Federal Awards			<u>\$ 929,463</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, 2013

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. Three (3) significant deficiencies were disclosed during the audit of the financial statements.
3. One (1) instance of noncompliance material to the financial statements of Central Region Educational Cooperative was disclosed during the audit.
4. There was one (1) 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) and the Negligent and Delinquent Title I Fund CFDA No. 84.124.
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.

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STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

B. FINDINGS-FINANCIAL STATEMENT AUDIT

FS 2012-02 – Non-compliance with Purchasing Policies (significant deficiency) Repeated and Revised

CONDITION: During our test work of credit cards disbursements and other cash disbursements we noted that the organization was not following internal procedures regarding proper checkout of the credit cards and of one hundred sixty-five (165) disbursements tested, there were two (2) instances where the PO was not included in the documentation and one (1) instance where the amount paid and the invoice were greater than the amount of the approved purchase order by \$80.

CRITERIA Section 13-1 to 199, NMSA 1978 states that expenditures should be properly authorized, processed and recorded and should have adequate supporting documentation for the disbursement. In addition, the organization is not following their own internal procedures for checking out credit cards.

CAUSE: The organization appears to have violated the procurement code and thus could potentially make a payment without authorization.

EFFECT: The state procurement code and the organization's internal procurement procedures were circumvented by management override. The effect is:

2 exceptions out of 245 tested .41%
\$579.83 out of \$885,955 tested .07%

RECOMMENDATION: We recommend that the organization comply with their Policy and the State Procurement code. All staff and management personnel should be re-trained on all policies and procedures regarding purchasing controls.

CLIENT RESPONSE: The current CREC credit policy is in compliance and will be reviewed with the current CREC office staff to ensure understanding. No credit card use will be allowed without following the check-out procedure. CREC will no longer purchase items or services without the presence of a purchase order in place, which ensures authorization. The purchasing policy will be reviewed with the current CREC office staff to ensure understanding.

FS 2013-01 Payroll (significant deficiency)

CONDITION: Deficiencies were observed on internal controls in the payroll area. (1) Incorrect wages were determined for an employee across pay periods (underpayment by \$138.45 to employee). (2) Basic disability insurance deduction was incorrectly applied to an employee's wages when not eligible based on medical insurances waived (overpayment by \$4.73 by employee). (3) Insurances were incorrectly deducted based on an incorrect salary base as a salary increase was implemented during the year (underpayment by \$18.87 by employee). (4) Incomplete information on forms I9 and W4 were found. In total, the projected errors found amounted to \$662. Two pay periods (\$174,889 total) out of 26 were randomly identified, and across the two pay periods, 45 out of 90 samples were selected for testing.

CRITERIA: Inadequate processes or procedures are in place to prevent these events from reoccurring. The Organization does not appear to be compliant with NMAC 6.20.2.11 C-Internal Control structure standards: "An internal control structure is required to demonstrate the school district's ability to record, process, summarize and report financial data consistent with the following financial statement assertions: 1) rights and ownership, 2) existence and occurrence, 3) valuation and allocations, 4) completeness, and 5) presentation and disclosure." Specifically for insurance rates do not appear to be in compliance with NMAC 6.20.2.18, employee and employer contributions and Anti-Donation.

CAUSE: It appears that the manual process is not adequately monitored or reviewed to ensure accuracy and completeness from the start of hiring through the payroll issuance for existing employees.

EFFECT: Wages and insurances are incorrectly calculated and paid, which has resulted in over- and under-payments by both employee and employer. This negatively impacts the payroll expenses and budgets on payroll.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

B. FINDINGS-FINANCIAL STATEMENT AUDIT (continued)

RECOMMENDATION: The Organization should review and implement procedures to ensure payroll changes such as salary increases, insurance enrollments, and relevant affected deductions and/or withholdings are adjusted appropriately and accurately. Review in hiring procedures should be conducted to identify all documents on file are accurate and complete. Adding a supervisory oversight or secondary reviewer may assist with these issues.

CLIENT RESPONSE: The under and over payments that have occurred within payroll were due to the fact that items were not reconciled or followed through for accuracy. Reconciliations have been established for insurance benefits due to the fact that some of the benefit premiums are driven by salary, age, and/or dependents. Also, all intake forms for employees are being reviewed to make sure that they have been filled out properly.

FS 2013-02 Trial balance (material weakness)

CONDITION: During our review of accounts receivable and revenues, we noted that invoices were being recorded in the subsidiary ledger and subsequently revised by creating a new invoice. Because the subsidiary ledger posts to the general ledger, there were duplicate billings for differing amounts causing revenue and AR to be incorrect. It was also noted that prior year audit adjustments were originally posted in the current fiscal year and reversed erroneously.

CRITERIA: The Organization does not appear to be compliant with NMAC 6.20.2.11 C-Internal Control structure standards: "An internal control structure is required to demonstrate the REC's ability to record, process, summarize and report financial data consistent with the following financial statement assertions: 1) rights and ownership, 2) existence and occurrence, 3) valuation and allocations, 4) completeness, and 5) presentation and disclosure."

CAUSE: Lack of reconciliation between the subsidiary ledger and general ledger resulted in erroneous revenues and accounts receivable. In addition, the AR subsidiary ledger as not complete as all invoices for services are not recorded in the AR module. The REC enlisted an outside contractor who was unfamiliar with the CREC books. Due to the time constraints for past due filing requirements with PED, the contractor, with management approval, made the adjustments to correct and submit the PED reports. The adjustments did not take into consideration the previously posted audit adjustments that were made in the incorrect period.

EFFECT: The revenues and AR were overstated in the trial balance and Management may have utilized erroneous financial information for decision making.

RECOMMENDATION: The Organization should review and implement procedures to ensure an understanding of the relationship between the subsidiary ledgers and the general ledger. A reconciliation between all subsidiary ledgers and the general ledger should be implemented to ensure that all transactions have been properly recorded, collected and are valid. In addition, anytime outside persons or new staff is involved in the accounting function, management should ensure that there is a good understanding of the REC's accounting structure in order to mitigate erroneous entries.

CLIENT RESPONSE: It had been recognized by the CREC several months ago that the AR module was duplicating invoices; however, training will be sought out with Visions to get the full understanding of how the module works. In the future, when audit adjustments are given, they will be entered timely and posted in the correct fiscal year, so that at year end it doesn't appear that budgets have been over expended. The CREC is now fully utilizing PED's Uniform Chart of Accounts; thus, ensuring transparency and minimizing the possibility of errors within our general ledger.

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

B. FINDINGS-FINANCIAL STATEMENT AUDIT (continued)

FS-2013-03 Excess Expenditures over Budget (significant deficiency)

CONDITION: During our testwork of budgetary compliance, we noted two funds that had expenditures in excess of budget. The IDEA-B Entitlement Fund was over budget by \$247 in the Instruction function (1000) and State Directed Activities Fund was over budget by \$663 in the Support Services functions (2000).

CRITERIA: NMSA 6-6-6 requires that actual expenditures do not exceed budgeted expenditures by function.

CAUSE: The Organization's budget is required to be reported on the cash basis; however their records are maintained on an accrual basis of accounting. The REC has an entrepreneurial premise and makes money based on billing Districts for services. These services are billed and expensed using Visions AR and AP modules and it appears that there is no way to maintain both a cash basis and accrual basis of accounting in order to meet the required reporting for the NM Public Education Department. As a result, the Organization made a prior year audit adjusting entry in the current fiscal year and then reversed it erroneously.

EFFECT: The Organization appears to be out of compliance with State regulations related to the budgetary process.

RECOMMENDATION: We recommend that the District implement controls, whether on the accrual or cash basis of accounting, to monitor the spending of funds and to make budget adjustments whenever necessary.

CLIENT RESPONSE: In the future, when audit adjustments are given, they will be entered timely and posted in the correct fiscal year, so that at year end it doesn't appear that budgets have been over expended. The CREC is now fully utilizing PED's Uniform Chart of Accounts; thus, ensuring transparency and minimizing the possibility of errors within our general ledger.

FINDINGS-FEDERAL AWARDS

FA 2013-01 Incorrect code distribution for federal funds (material weakness) 2012 Department of Education
CFDA# 84.027 IDEA-B Discretionary fund 27200/24107 and CFDA# 84.124 Title I Negligent and Delinquent fund 24123

CONDITION: During our review of accounts receivable and revenues, we noted that the deposit for the request for reimbursement on the State Directed Activities (IDEA-B Discretionary) fund for \$15,646.78 was split between State Directed Activities (IDEA-B Discretionary) (\$4,044) and the Title I Negligent and Delinquent Fund (\$ 11,603). The receipt was not posted to the proper fund based on the request for reimbursement submitted.

CRITERIA: The Organization does not appear to be compliant with NMAC 6.20.2.11 C-Internal Control structure standards: "An internal control structure is required to demonstrate the REC's ability to record, process, summarize and report financial data consistent with the following financial statement assertions: 1) rights and ownership, 2) existence and occurrence, 3) valuation and allocations, 4) completeness, and 5) presentation and disclosure."

CAUSE: Lack of reconciliation between the subsidiary ledger and fund trial balance and the request for reimbursement resulted in federal funds being deposited in the incorrect account and fund.

EFFECT: The cash and revenues for the Title I Negligent and Delinquent are overstated by \$11,603 and the cash and revenues for State Directed Activities (IDEA-B Discretionary) are understated by \$11,603. Management may have utilized erroneous financial information for decision making.

RECOMMENDATION: The Organization should review and implement procedures to ensure an understanding of the relationship between the subsidiary ledgers and the general ledger. A reconciliation between all subsidiary ledgers and the general ledger should be implemented to ensure that all transactions have been properly recorded, collected and are valid.

CLIENT RESPONSE: The CREC has recognized the error that has occurred between the request for reimbursement and how the deposit was posted to an incorrect fund. In the future when a request for reimbursement is submitted all back up documentation will be attached so that it is made clear what funds are affected by the request. This will ensure that the deposit is properly posted in the general ledger. It is also important that general ledger reconciliations be setup to catch and adjust any errors that occur during the year, so that we are reporting the most accurate information to our districts.

C. PRIOR YEAR AUDIT FINDINGS

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

FS 2012-02 – Procurement procedures (significant deficiency)-Repeated and Revised

STATE OF NEW MEXICO
CENTRAL REGION EDUCATIONAL COOPERATIVE
OTHER DISCLOSURES
YEAR ENDED JUNE 30, 2013

A. AUDITOR PREPARED FINANCIAL STATEMENTS

The REC has the capability of preparing, understanding and accepting responsibility for its own GAAP-basis financial statements, however, the REC's personnel do not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

B. EXIT CONFERENCE

The contents of this report were discussed on August 30, 2013. The following individuals were in attendance.

Central Region Educational Cooperative

Maria Jaramillo, Executive Director
Jessica Orona, Business Manager
Michael Chambers, Chair
Danielle Johnston, Vice Chair

Precision Accounting LLC

Melissa R. Santistevan, CPA, CFE, CICA, CGMA