

STATE OF NEW MEXICO  
**CENTRAL REGION**  
**EDUCATIONAL COOPERATIVE NO. 5**

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COMPREHENSIVE FINANCIAL ANNUAL REPORT  
AND  
SUPPLEMENTAL INFORMATION  
YEAR ENDED JUNE 30, 2014  
WITH  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



ACCOUNTING & FINANCIAL  
**SOLUTIONS**  
CERTIFIED PUBLIC ACCOUNTANTS

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# INTRODUCTORY SECTION

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STATE OF NEW MEXICO  
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STATE OF NEW MEXICO  
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STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

OFFICIAL ROSTER  
June 30, 2014

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COUNCIL

Mike Chambers	President
Danielle Johnston	Vice President
Audie Brown	Secretary
Jerald Snider	Member
Susan Wilkinson-Davis	Member
Ron Hendrix	Member
Chris McClain	Member
Jeremy Abshire	Member
Bill Green	Member
Carmela Sandoval	Member

ADMINISTRATION

Maria Jaramillo	Executive Director
Jessica Orona	Business Manager
Vicky Fuessel	Federal Programs

AUDIT COMMITTEE

Mike Chambers	Council Member
Danielle Johnston	Council Member
Maria Jaramillo	Executive Director
Jessica Orona	Business Manager

FINANCE COMMITTEE

Mike Chambers	Member
Danielle Johnston	Member
Audie Brown	Member
Jerald Snider	Member
Susan Wilkinson-Davis	Member
Ron Hendrix	Member
Chris McClain	Member
Jeremy Abshire	Member
Bill Green	Member
Carmela Sandoval	Member

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FINANCIAL SECTION

FISCAL YEAR 2014

JULY 1, 2013 THROUGH JUNE 30, 2014

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## INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor  
The Council and  
The Audit Committee of  
Central Region Educational Cooperative No. 5

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Central Region Educational Cooperative No. 5, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise Central Region Educational Cooperative No. 5 basic financial statements as listed in the table of contents. We also have audited the financial statements of each of Central Region Educational Cooperative No. 5 nonmajor governmental and 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, 2014, 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 misstatement, 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 from material misstatement.

An audit involves performing procedures to obtain audit 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 No. 5's 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 of the entity's 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.

### 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 No. 5, as of June 30, 2014, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance 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 of Central Region Educational Cooperative No. 5 as of June 30, 2014, and the respective changes in financial position 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.

Hector H. Balderas, State Auditor  
The Council and  
The Audit Committee of  
Central Region Educational Cooperative No. 5

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Region Educational Cooperative No. 5's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is 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 statements 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 schedule of expenditures of federal awards 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 25, 2014 on our consideration of the Central Region Educational Cooperative No. 5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 No. 5's internal control over financial reporting and compliance.

*Accounting & Financial Solutions, LLC*  
Farmington, New Mexico  
August 25, 2014

MANAGEMENT'S  
DISCUSSION AND ANALYSIS

# CENTRAL REGION EDUCATIONAL COOPERATIVE MANAGEMENT'S DISCUSSION AND ANALYSIS

For Fiscal Year Ending June 30, 2014

Management of the **Central Region Educational (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, 2014. 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, 2014. 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, 2014 was **\$106,568**.
- Overall revenue (including transfers in and other sources) totaled **\$3,441,496**. Total expenditures were **\$3,647,521**.
- Net Position is **\$571,712**.
- Fund Balance decreased **\$216,946**.
- Direct Educational Services included **43** Related Service Providers; **775** students with IEPs were served by CREC Related Service Providers serving 10 member and 7 nonmember districts throughout NM.
- **93** 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 – 3<sup>rd</sup> grade classrooms.
- **Over 200** educators participated in CREC professional development/assistance activities.
- **145** 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, **70%** were compliant with Special Education's SPP Indicators.
- CREC sponsors **2** School Based Health Centers providing behavioral health services and health related services using **4** practitioners in Belen and Mountainair.
- 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, CCSS, NMTEACH. SEAS, PBIS-SWIS, STARS, EPSS and other areas.

**CENTRAL REGION EDUCATIONAL COOPERATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For Fiscal Year Ending June 30, 2014

**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 Position. Over time, increases or decreases in Net Position may serve as a useful indicator of CREC's financial position.

The Statement of Activities presents information showing how CREC's Net Position 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 Position 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 \$571,712. 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, 2014**

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, 2012 through June 30, 2014.

**Table 1**

	2012	2013	2014
<b>Total Assets</b>	650,742	953,837	996,918
<b>Total Liabilities</b>	62,915	153,043	383,900
<b>Net Position Beginning</b>	802,178	587,826	800,794
<b>Restatement</b>	-	-	-
<b>Net Change</b>	(214,351)	212,968	229,082
<b>Net Position End</b>	587,827	800,794	571,712

**CENTRAL REGION EDUCATIONAL COOPERATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For Fiscal Year Ending June 30, 2014

CREC's total revenues for the fiscal year ending June 30, 2014 were **\$4,864,311**. The total cost of all programs and services was **\$5,081,257**. Table 2 presents a summary of revenues and expenses for the fiscal years ending June 30, 2012 through June 30, 2014.

**Table 2**

	<b>Governmental Activities</b>		
	2012	2013	2014
<b>Revenue</b>			
Federal Sources	527,847	2,577,178	789,109
State Sources	814,511	1,043,817	873,830
Local Sources	1,486,991	749,186	3,201,372
<b>Total Revenue</b>	<b>2,829,349</b>	<b>4,370,181</b>	<b>4,864,311</b>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	34,900	66,824	23,343
Support Services: Students	2,439,417	3,559,326	4,521,417
Support Services: Instruction	0.00	0.00	0.00
Support Services: General Admin	319,987	310,079	149,482
Support Services: School Admin	0.00	28,292	0.0
Support Services: Central Services	136,261	125,791	273,129
Operation & Maintenance of Plant	53,491	49,480	45,647
<b>Non-current</b>			
Debt Principal	0.00	0.00	0.00
Debt Interest	0.00	0.00	0.00
Capital Outlay/Other Support Svc.	36,621	10,643	68,239
<b>Total Expenditures</b>	<b>3,020,677</b>	<b>4,150,435</b>	<b>5,081,257</b>

**CAPITAL ASSETS**

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

**BUDGETARY INFORMATION  
BUDGETARY INFORMATION**

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.

**CONTACTING THE CENTRAL REGION EDUCATIONAL COOPERATIVE**

This financial report is designed to provide our community, taxpayers, investors and creditors with an overview of the Central Region Educational Cooperative financial condition and to provide accountability for the funds the Cooperative receives. If you have questions about our report, please contact:

Business Manager  
Central Educational Cooperative  
5323 Menaul NE  
Albuquerque, NM 87110



## BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

STATEMENT OF NET POSITION  
 June 30, 2014

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 106,568
Receivables:	
Grant	475,010
Due from other governments	39,694
Non-current:	
Depreciable capital assets, net	<u>14,043</u>
Total assets	<u>635,315</u>
<b>LIABILITIES</b>	
Accounts payable	8,254
Compensated absences	<u>23,895</u>
Total liabilities	32,149
Deferred inflows of resources:	
Advances of federal, state, and local grants	<u>31,454</u>
Total liabilities and deferred inflows of resources	63,603
<b>NET POSITION</b>	
Net investment in capital assets	14,043
Restricted for:	
Special revenue funds	314,208
Unrestricted	<u>243,461</u>
Total net position	<u>\$ 571,712</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	
Primary government:					
Governmental activities:					
Instruction	\$ 23,377	\$ 3,137,726	\$ 7,633	\$ -	\$ 3,121,982
Support Services - Students	4,527,930	63,646	1,478,321	-	(2,985,963)
Support Services - Instruction	4,817	-	1,573	-	(3,244)
Support Services - General Administration	149,697	-	48,874	-	(100,823)
Central Services	273,522	-	89,302	-	(184,220)
Operations & Maintenance of Plant	45,713	-	14,925	-	(30,788)
Other Support Services	<u>68,337</u>	<u>-</u>	<u>22,311</u>	<u>-</u>	<u>(46,026)</u>
 Total governmental activities	 <u>\$ 5,093,393</u>	 <u>\$ 3,201,372</u>	 <u>\$ 1,662,939</u>	 <u>\$ -</u>	
			Change in net position		(229,082)
			Net position - beginning		<u>800,794</u>
			Net position - ending		<u>\$ 571,712</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2014

	General Fund	Entitlement IDEA-B Fund #24106	Negligent, Delinquent or At-Risk Fund #24123	Title XIX Medicaid Fund #25153
<b>ASSETS</b>				
Pooled cash and investments	\$ -	\$ -	\$ -	\$ 75,114
Receivables:				
Grant	55,675	162,307	149,890	-
Due from other governments	35,796	-	-	-
Due from other funds	<u>184,260</u>	<u>-</u>	<u>-</u>	<u>82,019</u>
Total assets	<u>\$ 275,731</u>	<u>\$ 162,307</u>	<u>\$ 149,890</u>	<u>\$ 157,133</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$ 7,009	\$ 1,245	\$ -	\$ -
Due to other funds	<u>1,366</u>	<u>161,062</u>	<u>149,890</u>	<u>-</u>
Total liabilities	8,375	162,307	149,890	-
Deferred inflows of resources:				
Advances of federal, state, and local grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>8,375</u>	<u>162,307</u>	<u>149,890</u>	<u>-</u>
Fund balance:				
Restricted for:				
Special revenue funds	-	-	-	157,133
Unassigned	<u>267,356</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>267,356</u>	<u>-</u>	<u>-</u>	<u>157,133</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 275,731</u>	<u>\$ 162,307</u>	<u>\$ 149,890</u>	<u>\$ 157,133</u>

( cont'd; 1 of 2 )

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2014

	State Directed Activities <u>Fund #27200</u>	School Based Health Center <u>Fund #29130</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>				
Pooled cash and investments	\$ -	\$ -	\$ 31,454	\$ 106,568
Receivables:				
Grant	57,605	43,810	5,723	475,010
Due from other governments	-	3,898	-	39,694
Due from other funds	<u>-</u>	<u>109,367</u>	<u>-</u>	<u>375,646</u>
 Total assets	 <u>\$ 57,605</u>	 <u>\$ 157,075</u>	 <u>\$ 37,177</u>	 <u>\$ 996,918</u>
 <b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 8,254
Due to other funds	<u>57,605</u>	<u>-</u>	<u>5,723</u>	<u>375,646</u>
 Total liabilities	 57,605	 -	 5,723	 383,900
 Deferred inflows of resources:				
Advances of federal, state, and local grants	<u>-</u>	<u>-</u>	<u>31,454</u>	<u>31,454</u>
 Total liabilities and deferred inflows of resources	 <u>57,605</u>	 <u>-</u>	 <u>37,177</u>	 <u>415,354</u>
 Fund balance:				
Restricted for:				
Special revenue funds	-	157,075	-	314,208
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,356</u>
 Total fund balance	 <u>-</u>	 <u>157,075</u>	 <u>-</u>	 <u>581,564</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 57,605</u>	 <u>\$ 157,075</u>	 <u>\$ 37,177</u>	 <u>\$ 996,918</u>

(2 of 2)

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STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

RECONCILIATION OF THE BALANCE SHEET - ALL GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2014

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

Fund balances - total governmental funds	\$	581,564
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		76,426
Accumulated depreciation		(62,383)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds		
Accrued vacation payable		<u>(23,895)</u>
Net position of governmental activities	\$	<u>571,712</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

GOVERNMENTAL FUNDS  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balance  
 Year Ended June 30, 2014

	General Fund	Entitlement IDEA-B Fund #24106	Negligent, Delinquent or At-Risk Fund #24123	Title XIX Medicaid Fund #25153	State Directed Activities Fund #27200
Revenues:					
Federal sources:					
Federal flowthrough grants	\$ -	\$ 249,597	\$ 345,667	\$ -	\$ -
Federal direct grants	-	-	-	188,122	393,369
State sources:					
State instructional material	10,773	-	-	-	-
State grant	292,997	-	-	-	-
Local sources:					
Fees and activities	<u>3,137,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>3,441,496</u>	<u>249,597</u>	<u>345,667</u>	<u>188,122</u>	<u>393,369</u>
Expenditures:					
Current:					
Instruction	9,360	5,445	2,815	-	-
Support Services:					
Students	3,146,007	230,184	312,477	255,383	403,549
General Administration	149,482	-	-	-	-
Central Services	228,786	13,968	30,375	-	-
Operation & Maintenance of Plant	45,647	-	-	-	-
Other Support Services	<u>68,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,647,521</u>	<u>249,597</u>	<u>345,667</u>	<u>255,383</u>	<u>403,549</u>
Excess (deficiency) of revenues over expenditures	(206,025)	-	-	(67,261)	(10,180)
Fund balance at beginning of the year	<u>473,381</u>	<u>-</u>	<u>-</u>	<u>224,394</u>	<u>10,180</u>
Fund balance at end of the year	<u>\$ 267,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,133</u>	<u>\$ -</u>

( cont'd; 1 of 2 )

The notes to the financial statements are an integral part of this statement.



STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

GOVERNMENTAL FUNDS  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balance  
 Year Ended June 30, 2014

	School Based Health Center <u>Fund #29130</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Federal sources:			
Federal flowthrough grants	\$ -	\$ 5,723	\$ 600,987
Federal direct grants	-	-	581,491
State sources:			
State instructional material	-	-	10,773
State grant	176,691	-	469,688
Local sources:			
Fees and activities	<u>63,646</u>	<u>-</u>	<u>3,201,372</u>
Total revenue	<u>240,337</u>	<u>5,723</u>	<u>4,864,311</u>
Expenditures:			
Current:			
Instruction	-	5,723	23,343
Support Services:			
Students	173,817	-	4,521,417
General Administration	-	-	149,482
Central Services	-	-	273,129
Operation & Maintenance of Plant	-	-	45,647
Other Support Services	<u>-</u>	<u>-</u>	<u>68,239</u>
Total expenditures	<u>173,817</u>	<u>5,723</u>	<u>5,081,257</u>
Excess (deficiency) of revenues over expenditures	66,520	-	(216,946)
Fund balance at beginning of the year	<u>90,555</u>	<u>-</u>	<u>798,510</u>
Fund balance at end of the year	<u>\$ 157,075</u>	<u>\$ -</u>	<u>\$ 581,564</u>

( 2 of 2 )

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STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

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

Net change in fund balance - total governmental funds	\$ (216,946)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year</p>	
Depreciation	(7,326)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
<p>Compensated absences at:</p>	
June 30, 2013	19,085
June 30, 2014	<u>(23,895)</u>
Change in net position of governmental activities	<u>\$ (229,082)</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

GENERAL FUND

Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
State sources:				
State instructional material	\$ -	\$ 9,977	\$ 10,773	\$ 796
State grant	3,635,963	306,935	290,702	(16,233)
Local sources:				
Fees and activities	-	3,329,028	3,137,905	(191,123)
Total revenues	3,635,963	3,645,940	3,439,380	(206,560)
Expenditures:				
Current:				
Instruction	237,208	9,977	9,360	617
Support Services:				
Students	2,832,236	3,139,922	3,146,007	(6,085)
General Administration	330,754	155,808	149,482	6,326
Central Services	150,807	241,070	228,683	12,387
Operation & Maintenance of Plant	64,958	47,324	44,665	2,659
Other Support Services	20,000	51,839	62,314	(10,475)
Total expenditures	3,635,963	3,645,940	3,640,511	5,429
Excess (deficiency) of revenues over expenditures	-	-	(201,131)	(201,131)
Fund balance at beginning of the year	-	-	473,381	473,381
Fund balance at end of the year	\$ -	\$ -	272,250	\$ 272,250
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			(44,814)	
Change in payables			(6,591)	
Change in accrued liabilities			46,511	
			\$ 267,356	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

ENTITLEMENT IDEA-B FUND - NO. 24106  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues:				
Federal sources:				
Federal grant	\$ -	\$ 312,109	\$ 337,464	\$ 25,355
 Expenditures:				
Current:				
Instruction	-	6,822	5,445	1,377
Support Services:				
Students	-	290,363	228,940	61,423
Central Services	-	14,924	13,968	956
Total expenditures	-	312,109	248,353	63,756
 Excess of revenues over expenditures	-	-	89,111	89,111
 Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	89,111	\$ 89,111
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			(87,866)	
Change in payables			(1,245)	
			\$ -	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

NEGLIGENT, DELINQUENT OR AT-RISK FUND - NO. 24123  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Federal sources:				
Federal grant	\$ 293,995	\$ 424,545	\$ 502,542	\$ 77,997
 Expenditures:				
Current:				
Instruction	3,370	8,370	2,815	5,555
Support Services:				
Students	266,554	383,493	312,477	71,016
School Administration	24,071	-	-	-
Central Services	-	32,682	30,375	2,307
Total expenditures	293,995	424,545	345,667	78,878
Excess of revenues over expenditures	-	-	156,875	156,875
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	156,875	\$ 156,875
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			(156,875)	
			\$ -	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

TITLE XIX MEDICAID FUND - NO. 25153  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues:				
Federal sources:				
Federal direct grant	\$ 218,600	\$ 255,384	\$ 239,862	\$ (15,522)
 Expenditures:				
Current:				
Support Services:				
Students	<u>218,600</u>	<u>255,384</u>	<u>255,383</u>	<u>1</u>
 Excess (deficiency) of revenues over expenditures	-	-	(15,521)	(15,521)
 Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>224,394</u>	<u>224,394</u>
Fund balance at end of the year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>208,873</u>	<u><u>\$ 208,873</u></u>
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>(51,740)</u>	
			<u><u>\$ 157,133</u></u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

STATE DIRECTED ACTIVITIES FUND - NO. 27200  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State sources:				
State grant	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Support Services:				
Students	-	393,966	393,369	597
Excess of revenues over expenditures	-	-	89,505	89,505
Fund balance at beginning of the year	-	-	10,180	10,180
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	99,685	<u>\$ 99,685</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			(99,685)	
			<u>\$ -</u>	

The notes to the financial statements are an integral part of this statement.



STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

SCHOOL BASED HEALTH CENTER FUND - NO. 29130  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
State sources:				
State grant	\$ 185,921	\$ 240,921	\$ 182,530	\$ (58,391)
Local sources:				
Fees and activities	-	-	63,646	63,646
Total revenues	185,921	240,921	246,176	5,255
Expenditures:				
Current:				
Support Services:				
Students	181,018	236,018	173,817	62,201
General Administration	4,903	4,903	-	4,903
Total expenditures	185,921	240,921	173,817	67,104
Excess of revenues over expenditures	-	-	72,359	72,359
Fund balance at beginning of the year	-	-	90,555	90,555
Fund balance at end of the year	\$ -	\$ -	162,914	\$ 162,914
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			(5,839)	
			\$ 157,075	

The notes to the financial statements are an integral part of this statement.

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# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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## I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

Central Region Educational Cooperative No. 5 (Cooperative) is a special purpose government corporation organized for the purpose of providing supplementary special education services to local education agencies and is governed by a ten-member Governing Council. The Council is the basic level of government, which has oversight responsibility and control over all activities related to the Cooperative. The Cooperative is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The Cooperative receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The Cooperative's financial statements include all entities over which the Council exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units or fiduciary units were included in the financial statements.

Generally Accepted Accounting Principles (GAAP) requires that financial statements present the Cooperative (primary government) and its component units. The Cooperative has no component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*.

#### 1. Blended Component Units

The Cooperative does not have any component units reported as blended component units.

#### 2. Discretely Presented Component Units

The Cooperative does not have any component units reported as discretely presented component units.

The summary of significant accounting policies of the Cooperative is presented to assist in the understanding of the Cooperative's financial statements. The financial statements and notes are the representation of Central Region Educational Cooperative's management who is responsible for their integrity and objectivity. The financial statements of the Cooperative conform to GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Cooperative. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

During fiscal year 2014, Central Region Educational Cooperative No. 5 adopted the following GASB Statements:

- GASB 66, *Technical Corrections: an amendment to GASB Statements No. 10 and No. 62*, resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This Statement will be effective for the year ended June 30, 2014.
- GASB 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. This Statement will be effective for the year ended June 30, 2014.
- GASB 70, *Accounting and Financial Reporting for Nonexchange Financial*, the requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement will be effective for the year ended June 30, 2014.

Other accounting standards that Central Region Educational Cooperative No. 5 is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. This Statement requires the liability of defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. This Statement will be effective for the year ended June 30, 2015.
- GASB 69, *Government Combinations and Disposals of Government Operations*, which distinguishes between a government merger and a government acquisition and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement will be effective for the year ended June 30, 2015.
- GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (Amendment to GASB 68)*, improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. This Statement will be effective at the implementation of GASB 68.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues, net of estimated refunds and estimated uncollectable amounts, in the year for which they are levied. 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. Revenues received during the year but are applicable to subsequent years are reported as deferred inflows of resources. 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. Expenditures incurred during the year that are for the benefit of subsequent years are reported as deferred outflows of resources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

The government reports the following major governmental funds:

**General Fund** – The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Entitlement IDEA-B Special Revenue Fund** – Program is to provide grants to states, that flow-through to schools, to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Section 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.

**Negligent, Delinquent, or At-Risk Fund Special Revenue Fund** – 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. Authorization: Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

**Title XIX Medicaid Special Revenue Fund** – To provide financial assistance from the Federal government which flows-through the State of New Mexico to school districts, for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women and the aged who meet income and resource requirements, and other categorically-eligible groups. The program is funded by the U.S. government under the Social Security Act, Title XIX, as amended; Public Laws 92-223, 92-602, 93-66, 93-233, 96-499, 97-35, 97-2248, 98-369, 99-272, 99-509, 100-93, 100-202, 100-203, 100-360, 100-436, 100-485, 100-647, 101-166, 101-234, 101-239, 101-508, 101-517, 102-234, 102-170, 102-394, 103-66, 103-112, 103-333, 104-91, 104-191, 104-193, 104-208, and 104-134; Balanced Budget Act of 1997, Public Law 105-33.

**School Based Health Center Special Revenue Fund** – To enhance school based health centers infrastructure, develop and implement billing protocols, improve communication with school personnel, families, and outside agencies, and improve behavioral health programs.

Additionally, the government reports the following fund types:

**Special Revenue Funds** – Special Revenue Funds are used to account for the proceeds of specific revenue sources – which are legally restricted to expenditures for specified purposes.

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

### D. Assets, Liabilities, and Net Position or Equity

#### 1. *Deposits and investments*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### D. Assets, Liabilities, and Net Position or Equity (cont'd)

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.

#### 2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due from/to other funds."

#### 3. *Capital assets*

Capital assets, which include property, plant, and equipment (software), are reported in the applicable governmental-wide financial statements. Beginning July 1, 2005, the threshold for defining Capital assets by the government was raised from \$1,000 to assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Software costs have been included with the cost of computer equipment and are capitalized with that equipment. The Cooperative does not develop software for internal use or any other use.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

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

<u>Assets</u>	<u>Years</u>
Vehicles	5
Equipment	3-7

#### 4. *Compensated absences*

It is the Cooperative's policy to permit employees to accumulate earned but unused vacation, of which up to 240 hours will be paid to employees upon separation from the Cooperative's service. The amount for liability has been reported in the government-wide financial statements.

Accumulated sick leave is not payable upon termination and is recorded as expenditures when it is paid.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### D. Assets, Liabilities, and Net Position or Equity (cont'd)

#### 5. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issue costs are reported as expenditures during the year in which they are incurred. Bonds payable are reported net of the applicable bond premium or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as capital projects expenditures.

#### 6. *Fund balance*

##### a. Non-Spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

##### b. Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

##### c. Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the Cooperative's Council should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the Cooperative's Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Cooperative did not have committed fund balances for the year ended June 30, 2014.

##### d. Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, (b) that are not classified as non-spendable and are neither restricted nor committed and (c) amounts in the general fund that are constrained by the Cooperative's intent to be used for specific purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the Council or the Finance Committee. The Cooperative did not have assigned fund balances for the year ended June 30, 2014.

##### e. Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the Cooperative's policy to use committed first followed by assigned and unassigned resources as they are needed.



# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### D. Assets, Liabilities, and Net Position or Equity (cont'd)

#### 7. *Net position*

Net position is presented on the statement of net position and may be presented in any of three components.

##### a. Net investment in capital assets

This component of Net Position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. That portion of the debt is included in restricted for capital projects.

##### b. Restricted Net Position

Net Position are reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

##### c. Unrestricted Net Position

Unrestricted Net Position consists of Net Position that does not meet the definition of “net investment in capital assets” or “restricted.”

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

In the governmental environment, net position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted net position, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

#### 8. *Indirect Costs*

The Cooperative’s General Fund receives indirect cost reimbursements from the various federal programs it administers. These reimbursements are for expenses incurred in performing administrative functions on behalf of the Special Revenue Funds. They are shown as expenditures in the Special Revenue Funds, and as other special federal revenue in the General Fund.

#### 9. *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.

#### 10. *Revenues*

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

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

Budgets for the General, Special Revenue Funds are prepared by management and are approved by the local Cooperative's Council and the Public School Budget and Planning Unit of the Department of Education.

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. The budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a line item basis, i.e., 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 Council approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

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

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

1. In April or May, the superintendent submits to the Council a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
2. In May or June, the budget is approved by the Council.
3. The Council meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
4. The Executive Director is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Cooperative's Council and the State of New Mexico Department of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.

The Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2014 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

	<u>Original Budget</u>	<u>Final Budget</u>
General Fund	\$ 3,635,963	\$ 3,645,940
Special Revenue Fund	<u>698,516</u>	<u>1,636,925</u>
Totals	<u>\$ 4,334,479</u>	<u>\$ 5,282,865</u>

### B. Budgetary Violations

The Cooperative did not have any budgetary violations during the year ended June 30, 2014.

### C. Deficit Fund Equity

There was one deficit fund balance of \$1,366 in Instructional Materials Fund at June 30, 2014.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

## III. DETAILED NOTES ON ALL FUNDS

### A. Cash and Temporary Investments

At June 30, 2014, the carrying amount of the Cooperative's deposits was \$106,568 and the bank balance was \$384,737 with the difference consisting of outstanding checks. Of this balance \$250,000 was covered by federal depository insurance and \$74,939 was covered by collateral held in joint safekeeping by a third party.

#### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. 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 Cooperative for at least one half of the amount on deposit with the institution. The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2014, \$59,798 of the Cooperative's bank balance of \$384,737 was exposed to custodial risk as follows:

	Bank of <u>America</u>
Uninsured and uncollateralized	\$ 59,798
Uninsured and collateral held by pledging bank's trust dept not in the District's name	<u>74,939</u>
Total uninsured	134,737
Insured (FDIC)	<u>250,000</u>
Total deposits	<u><u>\$ 384,737</u></u>
State of New Mexico collateral requirement:	
50% of uninsured public fund bank deposits	\$ 67,369
Pledged security	<u>74,939</u>
Over collateralization	<u><u>\$ 7,570</u></u>

The collateral pledged is listed on Page 64 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

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

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

### III. DETAILED NOTES ON ALL FUNDS (cont'd)

#### B. Receivables

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate, including the following:

	Receivables		Due from Other	
	Grant	Other	Governments	Funds
Major Funds:				
General	\$ 55,675	\$ -	\$ 35,796	\$ 184,260
Entitlement IDEA-B	162,307	-	-	-
Negligent, Delinquent, or At-Risk	149,890	-	-	-
Title XIX Medicaid	-	-	-	82,019
State Directed Activities	57,605	-	-	-
School Based Health	43,810	-	3,898	109,367
Other Governmental Funds	5,723	-	-	-
Total	\$ 475,010	\$ -	\$ 39,694	\$ 375,646

An allowance for doubtful accounts has not been established. All receivables are expected to be collectible.

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

	Unavailable	Unearned
Grant drawdowns prior to meeting all eligibility requirements		
General Fund	\$ -	\$ -
Other Governmental Funds	-	31,454
Total deferred/unearned revenue for governmental funds	\$ -	\$ 31,454

#### C. Inter-Fund Receivables and Payables

The inter-fund receivables and payables at June 30, 2014 were:

	Receivables	Payables
General Fund	\$ 184,260	\$ 1,366
Entitlement IDEA-B	-	161,062
Negligent, Delinquent, or At-Risk	-	149,890
Title XIX Medicaid	82,019	
State Directed Activities	-	57,605
School Based Health Center	109,367	-
Other Governmental Funds	-	5,723
Total	\$ 375,646	\$ 375,646

The inter-fund loans were made for the purposes of cash shortfalls within the individual funds. All loans are expected to be repaid within the next fiscal year.

#### D. Inter-Fund Transfers

There was not any inter-fund transfers made during the year ended June 30, 2014.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

### III. DETAILED NOTES ON ALL FUNDS (cont'd)

#### E. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets being depreciated:					
Furniture, fixtures, and equipment	\$ 76,426	\$ -	\$ -	\$ -	\$ 76,426
Less accumulated depreciation for:					
Furniture, fixtures, and equipment	<u>(55,057)</u>	<u>(7,326)</u>	<u>-</u>	<u>-</u>	<u>(62,383)</u>
Total capital assets, net	<u>\$ 21,369</u>	<u>\$ (7,326)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,043</u>

Depreciation has been allocated to the functions by the following amounts:

<u>Depreciation Allocation to Functions</u>	
Instruction	\$ 34
Support Services - Students	6,511
Support Services - Instruction	7
Support Services - General Administration	216
Central Services	394
Operations & Maintenance of Plant	66
Other Support Services	<u>98</u>
Total Depreciation Expense	<u>\$ 7,326</u>

The Schedule of Capital Assets Used by Source, and the Schedule of Changes in Capital Assets by Function and Activity have not been prepared because the detailed information is unavailable.

#### F. Long-Term Debt

Changes in long term debt – During the year ended June 30, 2014 the following changes occurred in liabilities reported in the general obligation bonds account group:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Compensated absences:					
Compensated vacation	<u>\$ 19,085</u>	<u>\$ 27,989</u>	<u>\$ 23,179</u>	<u>\$ 23,895</u>	<u>\$ 23,895</u>

The liability of compensated absences is liquidated with resources from the general fund and several special revenue funds

#### Operating Leases

The Cooperative leases office space under a three year operating lease executed April 25, 2013 with the option to renew after each third year for a total of 15 years. Rental cost for the year ended June 30, 2014 was \$21,661. The annual lease requirements are as follows:

<u>Year Ending June 30,</u>	<u>Total Requirements</u>
2015	\$ 21,661
2016	<u>17,979</u>
Total	<u>\$ 39,640</u>

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

## III. DETAILED NOTES ON ALL FUNDS (cont'd)

### F. Long-Term Debt (cont'd)

The Cooperative leases office equipment under a 63 month non-cancellable operating lease executed April 29, 2011 with monthly payments of \$484. At the end of the lease period the Cooperative has the option purchase the equipment at fair market value, return the equipment, or renew the lease. Rental cost for the year ended June 30, 2014 was \$5,806. The annual lease requirements are as follows:

Year Ending	Total
<u>June 30,</u>	<u>Requirements</u>
2015	\$ 5,806
2016	<u>5,806</u>
Total	<u>\$ 11,612</u>

## IV. OTHER INFORMATION

### A. 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.

### B. Employee Retirement Plan

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

ERB  
P.O. Box 26129  
Santa Fe, New Mexico 87502-6129  
[www.nmerb.org](http://www.nmerb.org)

#### *Funding Policy*

##### Member Contributions

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

##### Employer Contributions

In fiscal year 2014, the Cooperative was required to contribute 13.15% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 13.15% of the gross covered salary for employees whose annual salary is more than \$20,000. In the future, the Cooperative will contribute the following percentages of the gross covered salary of employees: 13.15% 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 Cooperative are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Cooperative's contributions to ERB for the fiscal years ending June 30, 2014, 2013, and 2012, were \$329,185, \$236,936, and \$136,417, respectively, which equal the amount of the required contributions for each fiscal year.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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## IV. OTHER INFORMATION (cont'd)

### B. Employee Retirement Plan (cont'd)

#### *Plan Description*

Central Region Educational Cooperative No. 5 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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement;
- 2) retirees defined by the Act who retired prior to July 1, 1990;
- 3) former legislators who served at least two years; and
- 4) former governing authority members who served at least four years.

The 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:

Retiree Health Care Authority  
4308 Carlisle NE, Suite 104  
Albuquerque, NM 87107

#### *Funding Policy*

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose 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 plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer 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; 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 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 Cooperative's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$50,993, \$45,275, and \$24,663, respectively, which equal the required contributions for each year.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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### IV. OTHER INFORMATION (cont'd)

#### C. Contingent Liabilities

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

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

#### D. Cash Flows

The Cooperative's federal and state grants operate on a reimbursement basis. The Cooperative must support the expenditures of these grants with monies from the unrestricted operating monies. Operating on a reimbursement basis for these grants in its self does not adversely affect the Cooperative's ability to operate effectively. However, the time it takes to receive reimbursement, if extensive, does significantly affect the Cooperative's cash flows and the ability to deliver educational services to the community in an effective manner. This could affect the Cooperative's financial operations in subsequent years.

#### E. Subsequent Events

Subsequent events were evaluated through August 25, 2014, which is the date the financial statements were available to be issued.



**GENERAL FUNDS**  
YEAR ENDED JUNE 30, 2014

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REC OPERATIONAL FUND

The government's primary fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

INSTRUCTIONAL MATERIALS FUND

Accounts for all the Instructional Materials funds received through the state for the purpose of acquiring study materials for the students.

STATE OF NEW MEXICO  
CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

GENERAL FUND  
Combining Balance Sheet  
June 30, 2014

	<b>General Funds</b>		<b>Total General Funds</b>
	<b>REC Operational Fund #27101</b>	<b>Instructional Materials Fund #14000</b>	
<b>ASSETS</b>			
Receivables:			
Grant	\$ 55,675	\$ -	\$ 55,675
Other receivables	-	-	-
Due from other funds	184,260	-	184,260
Total assets	\$ 275,731	\$ -	\$ 275,731
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ 7,009	\$ -	\$ 7,009
Due to other funds	-	1,366	1,366
Total liabilities	7,009	1,366	8,375
Fund balance:			
Unassigned	268,722	(1,366)	267,356
Total liabilities and fund balance	\$ 275,731	\$ -	\$ 275,731

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

GENERAL FUND  
 Combining Statement of Revenues, Expenditures, and  
 Changes in Fund Balance  
 Year Ended June 30, 2014

	<b>General Funds</b>		<b>Total General Fund</b>
	<b>REC Operational Fund #27101</b>	<b>Instructional Materials Fund #14000</b>	
<b>Revenues:</b>			
State sources:			
State instructional material	\$ -	\$ 10,773	\$ 10,773
State grant	292,997	-	292,997
Local sources:			
Fees and activities	3,137,726	-	3,137,726
Total revenue	3,430,723	10,773	3,441,496
<b>Expenditures:</b>			
Current:			
Instruction	-	9,360	9,360
Support Services:			
Students	3,146,007	-	3,146,007
General Administration	149,482	-	149,482
Central Services	228,786	-	228,786
Operation & Maintenance of Plant	45,647	-	45,647
Other Support Services	68,239	-	68,239
Total expenditures	3,638,161	9,360	3,647,521
Excess (deficiency) of revenues over expenditures	(207,438)	1,413	(206,025)
Fund balance at beginning of the year	476,160	(2,779)	473,381
Fund balance at end of the year	\$ 268,722	\$ (1,366)	\$ 267,356

STATE OF NEW MEXICO  
CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

REC OPERATIONAL FUND - NO. 27101  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues:				
State sources:				
State grant	\$ 3,635,963	\$ 306,935	\$ 290,702	\$ (16,233)
Local sources:				
Fees and activities	-	3,329,028	3,137,905	(191,123)
Total revenues	<u>3,635,963</u>	<u>3,635,963</u>	<u>3,428,607</u>	<u>(207,356)</u>
Expenditures:				
Current:				
Instruction	237,208	-	-	-
Support Services:				
Students	2,832,236	3,139,922	3,146,007	(6,085)
General Administration	330,754	155,808	149,482	6,326
Central Services	150,807	241,070	228,683	12,387
Operation & Maintenance of Plant	64,958	47,324	44,665	2,659
Other Support Services	<u>20,000</u>	<u>51,839</u>	<u>62,314</u>	<u>(10,475)</u>
Total expenditures	<u>3,635,963</u>	<u>3,635,963</u>	<u>3,631,151</u>	<u>4,812</u>
Excess (deficiency) of revenues over expenditures	-	-	(202,544)	(202,544)
Fund balance at beginning of the year	-	-	<u>476,160</u>	<u>476,160</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	273,616	<u>\$ 273,616</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			(44,814)	
Change in payables			(6,591)	
Change in accrued liabilities			<u>46,511</u>	
			<u>\$ 268,722</u>	

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

INSTRUCTIONAL MATERIALS FUND - NO. 14000  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget
				Positive
				<u>(Negative)</u>
Revenues:				
State sources:				
State instructional material	\$ -	\$ 9,977	\$ 10,773	\$ 796
 Expenditures:				
Current:				
Instruction	<u>-</u>	<u>9,977</u>	<u>9,360</u>	<u>617</u>
Excess of revenues over expenditures	-	-	1,413	1,413
Fund balance (deficit) at beginning of the year	<u>-</u>	<u>-</u>	<u>(2,779)</u>	<u>(2,779)</u>
Fund balance at end of the year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>(1,366)</u></u>	<u><u>\$ (1,366)</u></u>
 RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
			<u><u>\$ (1,366)</u></u>	

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## NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO  
CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

GOVERNMENTAL FUNDS  
Combining Balance Sheet  
June 30, 2014

	<b>Special Revenue Funds</b>			
	Javits Gifted & Talented <u>Fund #24102</u>	Discretionary IDEA-B <u>Fund #24107</u>	Preschool IDEA-B <u>Fund #24109</u>	Enhancing Education <u>Fund #24133</u>
<b>ASSETS</b>				
Pooled cash and investments	\$ 3,807	\$ 21,137	\$ 4,415	\$ 1,875
Receivables:				
Grant	-	-	-	-
Total assets	\$ 3,807	\$ 21,137	\$ 4,415	\$ 1,875
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deferred inflows of resources:				
Advances of federal, state, and local grants	3,807	21,137	4,415	1,875
Fund balance:				
Restricted for:				
Special revenue funds	-	-	-	-
Total liabilities, deferred inflows of resources, and fund balance	\$ 3,807	\$ 21,137	\$ 4,415	\$ 1,875

( cont'd; 1 of 2 )



STATE OF NEW MEXICO  
CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

GOVERNMENTAL FUNDS  
Combining Balance Sheet  
June 30, 2014

	<b>Special Revenue Funds</b>		
	Leadership - Voc Ed <u>Fund #24139</u>	Library Books <u>Fund #27549</u>	Total Nonmajor Governmental <u>Funds</u>
<b>ASSETS</b>			
Pooled cash and investments	\$ -	\$ 220	\$ 31,454
Receivables:			
Grant	5,723	-	5,723
Total assets	\$ 5,723	\$ 220	\$ 37,177
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Due to other funds	\$ 5,723	\$ -	\$ 5,723
Deferred inflows of resources:			
Advances of federal, state, and local grants	-	220	31,454
Fund balance:			
Restricted for:			
Special revenue funds	-	-	-
Total liabilities, deferred inflows of resources, and fund balance	\$ 5,723	\$ 220	\$ 37,177

( 2 of 2 )

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

NON-MAJOR GOVERNMENTAL FUNDS  
 Combining Statement of Revenues, Expenditures, and  
 Changes in Fund Balance  
 Year Ended June 30, 2014

	<b>Special Revenue Funds</b>			
	<u>Javits Gifted &amp; Talented Fund #24102</u>	<u>Discretionary IDEA-B Fund #24107</u>	<u>Preschool IDEA-B Fund #24109</u>	<u>Enhancing Education Fund #24133</u>
Revenues:				
Federal sources:				
Federal flowthrough grants	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

( cont'd; 1 of 2 )

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

NON-MAJOR GOVERNMENTAL FUNDS  
 Combining Statement of Revenues, Expenditures, and  
 Changes in Fund Balance  
 Year Ended June 30, 2014

	<b>Special Revenue Funds</b>		
	Leadership - Voc Ed <u>Fund #24139</u>	Library Books <u>Fund #27549</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:			
Federal sources:			
Federal flowthrough grants	\$ 5,723	\$ -	\$ 5,723
 Expenditures:			
Current:			
Instruction	<u>5,723</u>	<u>-</u>	<u>5,723</u>
 Excess of revenues over expenditures	-	-	-
 Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

( 2 of 2 )

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## BUDGETARY PRESENTATION

## NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2014

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### JAVITS GIFTED & TALENTED STUDENTS

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.

### DISCRETIONARY IDEA-B

The Discretionary IDEA-B program is to provide grants to states, that flow-through to schools, to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Section 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.

### PRESCHOOL IDEA-B

The Preschool program is for the purpose of enhancing Special Education for handicapped children from ages 3 to 5. The program is funded by the United States government, under the Individuals With Disabilities Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, and 101-476.

### ENHANCING EDUCATION

The technology fund provides financing to purchase computers and software for a District-wide student information system and software licensing for computer labs within the District. The program is funded through the Office of Technology for the State of New Mexico. Authorization: IASA Improving America School Act PL 103-382.

### LEADERSHIP VOC ED

To develop more fully the academic, career, and technical skills of secondary and postsecondary students who elect to enroll in career and technical education programs. Authorization: Carl D. Perkins Career and Technical Education Act of 2006 (Perkins IV), Title I, 20 U.S.C 2321.

### LIBRARY BOOKS

To support the purchase of library books. Authorized through New Mexico Senate Bill 471.

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

JAVITS GIFTED & TALENTED FUND - NO. 24102  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues:				
Federal sources:				
Federal grant	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
			<u>\$ -</u>	

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

DISCRETIONARY IDEA-B FUND - NO. 24107  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues:				
Federal sources:				
Federal grant	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
			<u>\$ -</u>	



STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

PRESCHOOL IDEA-B FUND - NO. 24109  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues:				
Federal sources:				
Federal grant	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
			<u>\$ -</u>	

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

ENHANCING EDUCATION FUND - NO. 24133  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues:				
Federal sources:				
Federal grant	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
			<u>\$ -</u>	

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

LEADERSHIP - VOC ED FUND - NO. 24139  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues:				
Federal sources:				
Federal grant	\$ -	\$ 10,000	\$ 5,723	\$ (4,277)
Expenditures:				
Current:				
Instruction	-	9,100	5,723	3,377
Support Services:				
Students	-	900	-	900
Total expenditures	-	10,000	5,723	4,277
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
			<u>\$ -</u>	

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

LIBRARY BOOKS FUND - NO. 27549  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues:				
State sources:				
State grant	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
			<u>\$ -</u>	

## OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

SCHEDULE OF PLEDGED COLLATERAL  
 June 30, 2014

		<u>Bank of America</u>
Cash on deposit at June 30, 2014	\$	384,737
Less FDIC coverage		<u>250,000</u>
Uninsured funds	\$	<u>134,737</u>
50% collateral requirement	\$	67,369
Pledged collateral		<u>74,939</u>
Excess (deficiency) of pledged collateral	\$	<u>7,570</u>

Pledged collateral of financial institutions consists of the following at June 30, 2014

<u>Bank of America:</u>	<u>Maturity</u>	<u>CUSIP #</u>	<u>Market Value</u>
FNMAC	6/1/2041	3128M8UY8	\$ 8,879
FNMAC	2/1/2042	3132GRHL8	6,901
FNMAC	6/1/2042	3132GUBR4	3,607
FNMA	2/1/2042	3138E6VE3	849
FNMA	10/1/2043	3138X6P41	14,550
FNMA	6/1/2042	31417B6D4	22,629
FNMA	6/1/2043	31417GXA9	16,934
FNMA	2/1/2041	31419A4N4	<u>590</u>
			<u>\$ 74,939</u>

The above securities are held at Bank of New York Mellon, New York, NY.

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

CASH RECONCILIATION  
 June 30, 2014

	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Distributions</u>	<u>Other</u>	<u>Net Cash End of Period</u>	<u>Adjustments to the report</u>	<u>Total Cash on Report</u>
Instructional Materials	\$ (2,779)	\$ 10,773	\$ (9,360)	\$ 1,366	\$ -	\$ -	\$ -
Federal Flowthrough Funds	(388,125)	845,729	(599,743)	173,373	31,234	-	31,234
Federal Direct Funds	172,654	239,862	(255,383)	(82,019)	75,114	-	75,114
State Flowthrough Funds	454,990	3,911,481	(4,024,520)	(341,731)	220	-	220
Local/State	<u>-</u>	<u>246,176</u>	<u>(173,817)</u>	<u>(72,359)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 236,740</u>	<u>\$ 5,254,021</u>	<u>\$ (5,062,823)</u>	<u>\$ (321,370)</u>	<u>\$ 106,568</u>	<u>\$ -</u>	<u>\$ 106,568</u>

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>	<u>Adjustments to report:</u>	<u>\$ -</u>
Operational	Checking - Interest	Bank of America	<u>\$ 384,737</u>		
				Adjustments to cash:	
				Bank Balance	\$ 384,737
				Cash on hand	-
				Outstanding deposits	-
				Outstanding checks	<u>(278,169)</u>
				Total adjustment to cash	<u>\$ 106,568</u>

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## **COMPLIANCE SECTION**

Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and  
Report on the Schedule of Expenditures of  
Federal Awards Required By OMB Circular A-133

Schedule of Findings and Questioned Costs:  
Summary of Auditor's Results  
Financial Statement Findings  
Federal Award Findings

Summary Schedule of Prior Year Audit Findings

Schedule of Expenditures of Federal Awards  
Notes to the Schedule of Expenditures of Federal Awards

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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 AUDITORS' REPORT

Hector H. Balderas, State Auditor  
The Council and  
The Audit Committee of  
Central Region Educational Cooperative No. 5

We have audited, in accordance with the 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, the budgetary comparisons of the general fund and major special revenue funds, of the Central Region Educational Cooperative No. 5 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Central Region Educational Cooperative No. 5's basic financial statements, and the combining and individual funds and related budgetary comparisons of Central Region Educational Cooperative No. 5, presented as supplemental information, and have issued our report thereon dated August 25, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit, of the financial statements, we considered Central Region Educational Cooperative No. 5's internal control over financial reporting (internal control) to determine the audit 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 Central Region Educational Cooperative No. 5's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Region Educational Cooperative No. 5's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Central Region Educational Cooperative No. 5's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Finding 2014-001 and 2014-003.

Hector H. Balderas, State Auditor  
The Council and  
The Audit Committee of  
Central Region Educational Cooperative No. 5

### Compliance and other matters

As part of obtaining reasonable assurance about whether Central Region Educational Cooperative No. 5'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. We also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings FS 2012-02, and 2014-001 through 2014-003.

### Central Region Educational Cooperative No. 5's Response to Findings

Central Region Educational Cooperative No. 5 responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Central Region Educational Cooperative No. 5's 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 Central Region Educational Cooperative No. 5's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Accounting & Financial Solutions, LLC*  
Farmington, New Mexico  
August 25, 2014

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas, State Auditor  
The Council and  
The Audit Committee of  
Central Region Educational Cooperative No. 5

**Report on Compliance for Each Major Federal Program**

We have audited Central Region Educational Cooperative No. 5's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Central Region Educational Cooperative No. 5's major federal programs for the year ended June 30, 2014. Central Region Educational Cooperative No. 5'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 its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Central Region Educational Cooperative No. 5'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 No. 5'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 No. 5's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Central Region Educational Cooperative No. 5 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, 2014.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is 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 item SA2014-1. Our opinion on each major federal program is not modified with respect to this matter.

Central Region Educational Cooperative No. 5'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 No. 5's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Hector H. Balderas, State Auditor  
The Council and  
The Audit Committee of  
Central Region Educational Cooperative No. 5

### **Report on Internal Control Over Compliance**

Management of Central Region Educational Cooperative No. 5 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Central Region Educational Cooperative No. 5's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal 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 Central Region Educational Cooperative No. 5's internal control over compliance.

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 noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item SA2014-001, that we consider to be a significant deficiency.

Central Region Educational Cooperative No. 5'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 No. 5'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.

*Accounting & Financial Solutions, LLC*  
Farmington, New Mexico  
August 25, 2014

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 YEAR ENDED JUNE 30, 2014

I. SUMMARY OF AUDIT RESULTS

	<u>Yes</u>	<u>No</u>	<u>Occurrences</u>
<b>FINANCIAL STATEMENTS:</b>			
Type of auditor's report issued: <u>Unmodified</u>			
Internal control over financial reporting:			
Material weakness(es) identified?	<u>      </u>	<u>  ✓  </u>	<u>  -  </u>
Significant Deficiency(ies) identified?	<u>  ✓  </u>	<u>      </u>	<u>  2  </u>
Noncompliance material to financial statements noted?	<u>      </u>	<u>  ✓  </u>	<u>  -  </u>
<b>FEDERAL AWARDS:</b>			
Internal control over major programs:			
Material weakness(es) identified?	<u>      </u>	<u>  ✓  </u>	<u>  -  </u>
Significant Deficiency(ies) identified?	<u>  ✓  </u>	<u>      </u>	<u>  1  </u>
Type of auditor's report issued on compliance with major programs: <u>Unmodified</u>			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u>  ✓  </u>	<u>      </u>	<u>  1  </u>
The programs treated as major programs include:			
<b><u>Name of Federal Program or Cluster</u></b>	<b><u>CFDA Number</u></b>		
IDEA-B Special Education Cluster	84.027		
Negligent, Delinquent, or At-Risk	84.013		
The threshold for distinguishing types A and B programs: <u>\$300,000</u>			
Auditee qualified as low-risk auditee?	<u>      </u>	<u>  ✓  </u>	

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
YEAR ENDED JUNE 30, 2014

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II. FINDINGS RELATED TO FINANCIAL STATEMENTS

FS 2012-02 NON-COMPLIANCE WITH PURCHASING POLICIES  
(Repeat of prior year finding; updated and revised)

<u>Significant Deficiency?</u>	<u>Material Weakness?</u>	<u>Compliance or Other Matter?</u>
No	No	Yes

Condition: Thirty disbursements were tested with four purchases totaling \$653 being made prior to the approval of purchase orders. Purchase orders are used to control cash and to authorize the purchases in accordance with the authorized budget.

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.

Cause: Personnel initiated and/or completed purchases prior to obtaining approval for the purchase in accordance with established policies and regulations.

Effect of condition: Any purchases made without prior authorization have the potential to cause cash deficits in the funds from which they are made or violations of the approved budget.

Recommendation: The importance of cash controls and adequate planning need to be made clear to all personnel that will be making purchases for the cooperative.

Management's response: The CREC has recognized the finding in which the authorization of some purchases were made before the approval of the purchase order. It has been recognized that these purchases were coming from our IT vendor, which they performed services or brought over equipment to fix computers that ended up being outside of their monthly contract scope, which caused for after the fact billing. The CREC has already put a process in place that our Procurement Officer, be the main contact to our IT vendor. All items and services that we require from the company will go through Procurement, so that she can setup work orders and required purchase orders.



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
YEAR ENDED JUNE 30, 2014

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II. FINDINGS RELATED TO FINANCIAL STATEMENTS (cont'd)

2014 – 001 UNAUTHORIZED LOAN FROM RESTRICTED FUNDS

<u>Significant Deficiency?</u>	<u>Material Weakness?</u>	<u>Compliance or Other Matter?</u>
Yes	No	Yes

Condition: The Cooperative does not have sufficient cash available in the general fund to loan the special revenue funds money in-order to keep the school district operating without borrowing from Title XIX Medicaid Special Revenue Fund (\$82,019) and School Based Health Center Special Revenue Fund (\$109,367).

Criteria: Special revenue funds are restricted in their use as per the terms of the grant agreements and are not intended to supplement other programs.

Cause: The delay in processing request for reimbursements for special revenue expenditures and the decline in the cash balance of the General Fund.

Effect of Condition: Management is out of compliance with the restrictions of Title XIX Medicaid Special Revenue Fund and School Based Health Center Special Revenue Fund.

Recommendation: Management should develop a plan to monitor cash balances to insure that the General Fund can cover the reimbursement funds until reimbursement have been received. Requests for reimbursements should be monitored and followed up on to promote expedient processing.

Management's Response: It had come to the attention of the CREC that there was a potential cash flow issue within the general fund in May when budgets were being prepared; however, the CREC was not aware that it was an issue to have the Medicaid and School Based Health Center Funds float the operations of the CREC. Reports have been created and provided to Mr. Chambers, the Council Chair to review and discuss at the upcoming Council Meeting in September. The CREC hopes that a plan can be made to ensure the security of the future operations of the organization.

Also, request for reimbursements were submitted on a regular timely (semi-monthly and/or monthly) basis by the CREC and have been monitored as to why certain reimbursements were not being processed. This monitoring of the RFRs does not quite spark PED to expedite the process as we have been told that they are short staffed. There has been on numerous occasions that PED does not have the allocations loaded properly on their end, again, causing the CREC's reimbursements to be prolonged.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
YEAR ENDED JUNE 30, 2014

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II. FINDINGS RELATED TO FINANCIAL STATEMENTS (cont'd)

2014 – 002 REIMBURSEMENT FOR BOTH PERDIEM AND ACTUALS FOR A TRAVEL

<u>Significant Deficiency?</u>	<u>Material Weakness?</u>	<u>Compliance or Other Matter?</u>
No	No	Yes

Condition: In one transactions tested, totaling \$90, of ten transactions tested the Cooperative paid for both per diem on meals and actuals on the hotel.

Criteria: According to NMAC Section 2.42.2.8, overnight travel: regardless of the number of hours traveled, travel for public officers and employees where overnight lodging is required shall be reimbursed as follows:

- (a) in state areas \$85.00
- (b) in state special areas \$135.00
- (c) out of state areas \$115.00;
- (d) or actual lodging and meal expenses under 2.42.2.9 NMAC.

Cause: The Cooperative felt it was in their best interest to pay actuals on lodging and per diem on meals.

Effect of condition: Violation of NMAC Section 2.42.2.8, reimbursing for per diem when actual expenses were paid for the hotel and the meals could have been included in the cost of the training or the cost of the hotel.

Recommendation: Management should implement the policy of paying the per diem rate, as that is the acceptable option that is in the interest of the Cooperative.

Management's Response: The CREC has been made aware and given a copy of the NMAC Section 2.42.2.8, which addresses travel and meal reimbursements. The CREC has already created a lodging per diem form that will now be used when employee's request reimbursement for overnight travel. The CREC; however, did inquire with employees what meals were provided at their trainings and made adjustments to how they were reimbursed. One of the per diem forms that the CREC currently uses was created with the help of the previous auditor, which incorporated reimbursing an employee for actual expenses and per diem for meals, which we now find is not allowable. This form will also be adjusted to incorporate the lodging rates mentioned above.

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

## II. FINDINGS RELATED TO FINANCIAL STATEMENTS (cont'd)

### 2014 – 003 DORMANT FUNDS

<u>Significant Deficiency?</u>	<u>Material Weakness?</u>	<u>Compliance or Other Matter?</u>
Yes	No	No

Condition: The Cooperative has special revenue funds in the general ledger that are carrying balances forward from year to year but are not being utilized. These funds are as follows:

Javits Gifted & Talented	\$	3,807
Discretionary IDEA-B		21,137
Preschool IDEA-B		4,415
Enhancing Education		1,875
Library Books		220

Criteria: Good accounting policy necessitates the review of the general ledger to ensure that all existing funds are being utilized and that any funds that are not being used yet are carrying balances are appropriately adjusted.

Cause: Management is not following procedures to review the general ledger to ensure that the Cooperative gets the benefit of all funds available to the Cooperative and minimize the work required to maintain the general ledger.

Effect of condition: The extra funds that are not being utilized, but are carrying balances, create additional work for the Cooperative during the preparation of reports and the reviewing of the general ledger.

Recommendation: Management should implement procedures to review the general ledger to identify funds that are not being utilized so that cash balances can be used, covered, or reverted back to the originator.

Management's Response: The CREC Council discussed the obsolete funds on a couple of occasions during the fiscal year and based on the information that was received from Susan Lucero at the Public Education Department, the CREC was approved by Council on February 5th, 2014 to move forward and make a permanent transfer of those obsolete funds. As there was no time limit set as to when this needed to be completed, the CREC will begin to work on preparing the needed paperwork to send to PED to get this request done. This request will be processed before the end of the 14-15 fiscal year.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2014

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

DEPARTMENT OF EDUCATION

U. S. Department of Health and Human Services  
Title XIX Medicaid CFDA No. 93.778  
Allowable Costs

SA2014 – 001 UNAUTHORIZED LOAN FROM RESTRICTED FUNDS

Significant Deficiency?  
Yes

Material Weakness?  
No

Compliance or Other Matter?  
Yes

Condition: The Cooperative does not have sufficient cash available in the general fund to loan the special revenue funds money in-order to keep the school district operating without borrowing from Title XIX Medicaid Special Revenue Fund (\$82,019) and School Based Health Center Special Revenue Fund (\$109,367).

Criteria: Special revenue funds are restricted in their use as per the terms of the grant agreements and are not intended to supplement other programs.

Cause: The delay in processing request for reimbursements for special revenue expenditures and the decline in the cash balance of the General Fund.

Effect of Condition: Management is out of compliance with the restrictions of Title XIX Medicaid Special Revenue Fund and School Based Health Center Special Revenue Fund.

Recommendation: Management should develop a plan to monitor cash balances to insure that the General Fund can cover the reimbursement funds until reimbursement have been received. Requests for reimbursements should be monitored and followed up on to promote expedient processing.

Management’s Response: It had come to the attention of the CREC that there was a potential cash flow issue within the general fund in May when budgets were being prepared; however, the CREC was not aware that it was an issue to have the Medicaid and School Based Health Center Funds float the operations of the CREC. Reports have been created and provided to Mr. Chambers, the Council Chair to review and discuss at the upcoming Council Meeting in September. The CREC hopes that a plan can be made to ensure the security of the future operations of the organization.

Also, request for reimbursements were submitted on a regular timely (semi-monthly and/or monthly) basis by the CREC and have been monitored as to why certain reimbursements were not being processed. This monitoring of the RFRs does not quite spark PED to expedite the process as we have been told that they are short staffed. There has been on numerous occasions that PED does not have the allocations loaded properly on their end, again, causing the CREC’s reimbursements to be prolonged.

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2014

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### I. RESOLVED

FS 2013-01 Payroll (significant deficiency)

*Current Status:* Resolved. Not repeated in the current year.

FS 2013-02 Trial balance (material weakness)

*Current Status:* Resolved. Not repeated in the current year

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

*Current Status:* Resolved. Not repeated in the current year.

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

*Current Status:* Resolved. Not repeated in the current year.

### II. NOT RESOLVED

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

*Current Status:* Not resolved. Repeated in the current year.

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SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS

STATE OF NEW MEXICO  
**CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2014

<u>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Cluster Programs</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education:</u>				
Pass-Through Programs From:				
New Mexico Department of Education:				
<u>Special Education (IDEA) Cluster:</u>				
Entitlement IDEA-B	84.027	24106	\$ 249,597	
State Directed Activities	84.027	27200	<u>403,549</u>	
Total Special Education (IDEA) Cluster				653,146
Negligent, Delinquent or At-Risk	84.013	24123		345,667
Leadership - Voc Ed	84.048	24139		<u>5,723</u>
Total U.S. Department of Education				1,004,536
<u>U.S. Department of Health and Human Services:</u>				
Pass-Through Program From:				
New Mexico Department of Health:				
Title XIX Medicaid	93.778	25153		<u>255,383</u>
Total Expenditures of Federal Awards				<u>\$ 1,259,919</u>

See the accompanying notes to the Schedule of Expenditures of Federal Awards.



**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2014**

1. Scope of audit pursuant to OMB Circular A-133

All federal grant operations of Central Region Educational Cooperative No. 5 (the “Cooperative”) are included in the scope of the Office of management and Budget (“OMB”) Circular A-133 audit (the “Single Audit”). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement (Revised March 2014 the “Compliance Supplement”). Compliance testing of all requirements are described in the Compliance Supplement, was performed for the grants programs noted below. These programs represent all federal award programs and other grants with fiscal 2014 cash and non-cash expenditures to ensure coverage of at least 50% (HIGH risk auditee) of federally granted funds. Actual coverage is approximately 79% of total cash and non-cash federal award program expenditures. Total cash expenditures were in the amount of \$1,259,919 and there were not any non-cash expenditures amounted.

<u>Major Federal Award Program Description</u>	<u>Fiscal 2014 Expenditure</u>
Cash assistance:	
IDEA-B Special Educain Cluster	\$ 653,146
Negligent, Delinquent, or At-Risk	<u>345,667</u>
Total	<u><u>\$ 998,813</u></u>

The federal programs that were considered high risk Type A programs for the 2014 audit were IDEA-B Special Education Cluster and Negligent, Delinquent, or At-Risk.

The U.S. Department of Education is the Cooperative’s oversight agency for single audit.

2. Summary of significant accounting policies

Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Cooperative under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Cooperative, it is not intended to and does not present the financial position and changes in net position of the Cooperative. All federal programs considered active during the year ended June 30, 2014, are reflected on the Schedule. An active federal program is defined as a federal program for which there were receipts or disbursements of funds or accrued (deferred) grant revenue adjustments during the fiscal year or a federal program considered as not completed or closed out at the beginning of the fiscal year. The Schedule is prepared using the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Cooperative has met the qualifications for the respective grant. Grant revenues for the Food Donation Program are based upon commodities received, at amounts per standard price listing, published quarterly by the United States Department of Agriculture (the “USDA”). In addition, there is no federal insurance in effect during the year and loan or loan guarantee outstanding at year end.

Accrued and deferred reimbursements

Various reimbursement procedures are used for federal awards received by the Cooperative. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year end represent an excess of reimbursable expenditures over receipts to date. Deferred balance at year-end represent an excess of cash receipts over reimbursable expenditure to date. Generally, accrued or deferred balances covered by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period.

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**REQUIRED DISCLOSURES**  
YEAR ENDED JUNE 30, 2014

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The financial statements were prepared by the independent public accountants.

An exit conference was held August 25, 2014, during which the audit findings were discussed. The exit conference was attended by the following individuals:

CENTRAL REGION EDUCATIONAL COOPERATIVE NO. 5

Mike Chambers	Council Member / Audit Committee
Danielle Johnston	Council Member / Audit Committee
Maria Jaramillo	Executive Director; Member, Audit Committee
Jessica Orona	Business Manager; Member, Audit Committee

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner
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