

**STATE OF NEW MEXICO**

**NORTHERN NEW MEXICO NETWORK  
FOR RURAL EDUCATION**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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

**With Independent Auditors' Reports Thereon**

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**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
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NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
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**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
OFFICIAL ROSTER  
June 30, 2008**

**Board of Directors**

**Superintendents**

Toni Nolan-Trujillo	President
Manuel Valdez	Vice-President
David Cockerham	Secretary

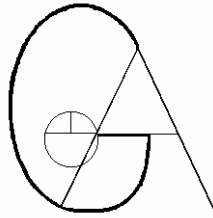
**School Affiliation**

		Pojoaque Valley Public Schools
		Chama Valley Independent Schools
		Espanola Valley Public Schools
James Gallegos	Board Member	Cimarron Municipal Schools
Jack Wiley	Board Member	Clayton Public Schools
Victor Velarde	Board Member	Cuba Independent Schools
Garrett Bosarge	Board Member	Des Moines Municipal Schools
Ralph Friedly	Board Member	Dulce Independent Schools
Kilino Marquez	Board Member	Grants-Cibola County Schools
Adan Delgado	Board Member	Jemez Mountain Public Schools
David Atencio	Board Member	Jemez Valley Public Schools
Rick Romero	Board Member	Las Vegas City Schools
Doug Hulce	Board Member	Logan Municipal Schools
Mary McLeod	Board Member	Los Alamos Public Schools
Robert Archuleta	Board Member	Mesa Vista Consolidated Schools
Leroy Sanchez	Board Member	Mora Independent Schools
Roy Herrera	Board Member	Pecos Independent Schools
Ernesto Valdez	Board Member	Penasco Independent Schools
Eric Martinez	Board Member	Questa Independent Schools
David Wilden	Board Member	Raton Public Schools
Rick Hazen	Board Member	Roy Municipal Schools
Dan Flores	Board Member	Santa Rosa Consolidated Schools
Zita Lopez	Board Member	Springer Municipal Schools
Loretta DeLong	Board Member	Taos Municipal Schools
Aaron McKinney	Board Member	Tucumcari Public Schools
Lorena Garcia	Board Member	Vaughn Municipal Schools
Albert Martinez	Board Member	Wagon Mound Schools
Jim Abreu	Board Member	West Las Vegas Schools

**Administration**

Carlos Atencio	Executive Director/ Principal Investigator
Isaac Martinez	Finance Director
Albert Zamora	Program Director

## **FINANCIAL SECTION**



Gary E. Gaylord, C.P.A.

**GARY E. GAYLORD, LTD.**  
CERTIFIED PUBLIC ACCOUNTANTS

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Albuquerque, New Mexico 87108  
(505) 266-4820  
Fax (505) 268-6618

## **INDEPENDENT AUDITOR'S REPORT**

Hector H. Balderas, State Auditor  
Toni Nolan-Trujillo, President  
Northern New Mexico Network for Rural Education  
Rio Rancho, New Mexico

I have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparison statements of each major fund, and the aggregate remaining fund information of the Northern New Mexico Network for Rural Education (Network) as of and for the year ended June 30, 2008, which collectively comprise the Network's basic financial statements as listed in the table of contents. I also have audited the financial statements of each of the Network's nonmajor governmental funds and the budgetary comparison statement of the nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Network's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my 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 the Network as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT, continued

In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non major governmental funds of the Network as of June 30, 2008, and the respective changes in financial position thereof and respective budgetary comparison of its non major funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 21, 2009 on my consideration of Northern New Mexico Network for Rural Education's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 6 through 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the basic financial statements and the combining, individual fund financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Schedule 2 "Bank Depositories" listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Albuquerque, New Mexico  
October 21, 2009



**STATE OF NEW MEXICO**  
**NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

This section of the Northern New Mexico Network for Rural Education (Network) annual financial report presents management's discussion and analysis of the Network's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the Network's financial statements, which follow this section.

**Financial Highlights**

- Net assets of the Network increased \$19,214 to \$163,278 as of June 30, 2008.
  
- Total revenues changes included an Increase in indirect cost receipts from the Teacher Incentive Fund, the Teacher Quality Enhancement Program, Income from the PED Summer Academy, and net income from the Supplemental Education Services Program. During this period the Network received funding from one new source; 1). The Teacher Quality Enhancement Program (\$3.03 Million over three years from the US Office of Education). As a result of the new program, and the increase in Supplemental Services income the Networks reflected a 13.3% increase in net assets from the previous year.

**Overview of the Financial Statements**

The financial statements consist of three parts - management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Network:

- The first two statements are Government-wide financial statements that provide information on the Network's overall financial position and results of its operations. These statements, which are presented on an accrual basis, consist of the Statement of Net Assets and the Statement of Activities.
  
- The remaining statements are the Balance Sheet, Statement of Revenues, Expenses and Changes in Fund Balances and the Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Basis)
  
- The basic financial statements also include a "Notes to Financial Statements" section, that explains some of the information in the Network-wide and fund financial statements and provides more detailed data.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of these statements. The prior year results referred to throughout this section for comparison purposes are as previously reported.

The Network-wide statements report information about the Network as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the Network's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. All of the Network's activities are reported in its Governmental funds.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
June 30, 2008**

**Government – Wide Financial Statements**

The Statement of Net Assets presents information on all of the Network's assets and liabilities, with the difference between the two reported as Net Assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Network is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Network that are principally supported intergovernmental revenues (*governmental activities*). The governmental activity of the Network is Education and the functions include Direct Instruction, Instructional Support and Administration costs.

The government-wide financial statements can be found on pages 10 - 19 of this report.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Network's most significant funds and not the Network as a whole. The Network has two fund types.

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

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

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

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
June 30, 2008**

**Budgetary Financial Statements**

The budgetary financial statements are presented on the cash basis of accounting which is a Non Generally Accepted Accounting Principal (Non-GAAP) Basis of Accounting. These statements present the cash flows in and the cash flows out by sources and uses. The actual amounts are compared to the final adjusted budget that was also adopted on the same cash basis accounting.

**Financial Analysis of the Network as a Whole**

Net Assets: As mentioned above, the combined net assets of the Network increased by \$19,214 or 13.3%, from the June 30, 2007 amount. The following table shows a summary of changes from prior year amounts.

	Fiscal year <u>2008</u>	Fiscal year <u>2007</u>	Increase (Decrease)	% Change
Cash and Cash Equivalent	70,495	100,076	-29,581	(30)%
Accounts Receivable	11,888	280	11,608	
Due from grantor	<u>173,552</u>	<u>150,890</u>	<u>22,662</u>	15%
Total Cash and Receivables	255,935	251,246	4,689	1.9%
Capital Assets (net)	<u>10,323</u>	<u>13,586</u>	<u>-3,263</u>	(24)%
Total Assets	<u>266,258</u>	<u>264,832</u>	<u>1,426</u>	.54%
Accounts Payable	101,313	119,101	-17,788	(15)%
Deferred Revenue	<u>1,667</u>	<u>1,667</u>	<u>0.00</u>	0%
Total Current Liabilities	<u>102,980</u>	<u>120,768</u>	<u>-17,788</u>	(15)%
Net Assets:				
Invested in Capital Assets	10,323	13,586	-3,263	(24)%
Unrestricted	<u>152,955</u>	<u>130,478</u>	<u>22,477</u>	17%
	<u>163,278</u>	<u>144,064</u>	<u>19,214</u>	13.3%

The overall Increase in total assets is primarily due to the Increase in the amount due from grantor and a significant decrease in the total liabilities based on the timing of allowable expenditures and the reimbursement from the grantor.

**Statement of Activities**

The following schedule compares the Statements of Activities during the Fiscal Years Ended (FYE) 2008 and 2007. Included in the 2008 Statement is \$613,021 in-kind contributions and the offsetting expenses.

	Fiscal year <u>2008</u>	Fiscal year <u>2007</u>	Increase (Decrease)	% Increase (Decrease)
Expenses:				
Support Services	\$1,587,583	609,741	977,842	160%
General Administration	<u>733,658</u>	<u>382,062</u>	<u>351,596</u>	92%
Total Expenses	<u>2,321,241</u>	<u>991,803</u>	<u>1,329,438</u>	134%

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
June 30, 2008**

	Fiscal year <u>2008</u>	Fiscal year <u>2007</u>	Increase (Decrease)	% Increase (Decrease)
Revenues:				
Charges for Services	234,195	117,109	117,086	100%
Operating Grants and Contributions	2,105,547	913,893	1,191,654	130.4%
General Revenue Interest	<u>713</u>	<u>2,538</u>	<u>(1,825)</u>	(71.9%)
Total Revenues	<u>2,340,455</u>	<u>1,033,540</u>	<u>1,306,915</u>	126.5%
Change in net assets	19,214	41,7371	<u>(22,523)</u>	(54)%
Net assets – beginning of year	<u>144,064</u>	<u>102,327</u>		
Net Assets – end of year	<u>163,278</u>	<u>144,064</u>		

The recorded non-federal in-kind revenues and expenses, and the additional program activities in the Teacher Incentive Fund, the Supplemental Educational Services, the PED Math & Science Program and the addition of the Teacher Quality Enhancement Program contributed to the increase in revenue and expenditures between years. On the flip side, although Net Assets increased by \$19,214, the Net Asset increase dropped when compared to the previous year's increase. Since federal funding is on a reimbursement basis revenue for federal funds matched the federal expenditures. Individual fund revenues as shown in the financial statements, do not vary significantly from the anticipated results given the time it takes to initiate new grants.

**Fund Balance Analysis**

A decrease to fund balance occurred during the year ended June 30, 2008 by \$22,523. Although, revenue increased substantially, so did expenditures due to the fact that the major of Network programs are federally funded and they are on a reimbursement basis.

**Budgetary Analysis of General Fund**

The overall budget of the general fund did not increase nor decrease from its original adoption although a minor change was made in functional cost centers. Actual amounts received and expended were less than anticipated due primarily to the time needed to implement the Teacher Incentive and Teacher Quality Enhancement grants.

**Economic Factors and Next Year's Budgets**

The NNMNRE budget in FY 2009 will change significantly due to the additional indirect cost/services revenue from the Teacher Incentive Fund, the Teacher Quality Enhancement Program and SES Funds. The revenue from the new programs is estimated at \$335,136 including the \$41,300 from district dues which will continue to be based on each district's student count. The Teacher Incentive Fund budget is estimated at \$3,340,056, The Teacher Quality Enhancement Program budget is estimated at 1,724,554, the Network is expecting the PED Summer Math/Science Institute to be approved at 220,000 and the SES Program's budget is estimated at \$200,000.

**Requests for Information**

This financial report is designed to provide a general overview of the Network's finances for all those with an interest in the Network's finances. Questions concerning any of the information provided in this report or requests for additional financial information would be addressed to the Executive Director, 2600 The American Rd. SE, Suite 250, Rio Rancho, NM 87124.

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION**  
**GOVERNMENT-WIDE**  
**GOVERNMENTAL ACTIVITIES**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

**ASSETS**

Cash and Cash Equivalents	\$ 70,495
Accounts Receivable	11,888
Due from Grantor	173,552
Capital Assets, net of Accumulated Depreciation	<u>10,323</u>
Total Assets	<u>266,258</u>

**LIABILITIES**

Accounts payable	101,313
Deferred revenue	<u>1,667</u>
Total liabilities	<u>102,980</u>

**NET ASSETS**

Invested in capital assets	10,323
Unrestricted	<u>152,955</u>
Total net assets	<u>\$ 163,278</u>

**SEE INDEPENDENT AUDITOR'S REPORTS**  
**The Accompanying Notes Are An Integral Part of These Financial Statements**

STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 GOVERNMENT-WIDE  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
					<u>Governmental Activities</u>
Governmental Activities:					
Education:					
Support Services-Instruction	\$ 1,587,583	93,380	1,494,447		244
General Administration	733,658	140,815	611,100		18,257
	<u>2,321,241</u>	<u>234,195</u>	<u>2,105,547</u>		<u>18,501</u>
General revenues:					
Investment income					<u>713</u>
Change in net assets					19,214
Net assets - beginning					<u>144,064</u>
Net assets - ending				\$	<u><u>163,278</u></u>

SEE INDEPENDENT AUDITOR'S REPORTS  
 The Accompanying Notes Are An Integral Part of These Financial Statements

STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 GOVERNMENTAL FUNDS  
 BALANCE SHEET  
 JUNE 30, 2008

	<u>Special Revenue Funds</u>					
	<u>88102 General Fund</u>	<u>88105 PED Summer Academy '07</u>	<u>88201 Teacher Incentive Fund</u>	<u>88202/88203 Teacher Quality Enhancement Including Match</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 56,527				13,967	70,494
Accounts receivable	1,733		9,960		195	11,888
Due from other funds	82,199					82,199
Due from Grantor		147,075	1,044	25,432		173,551
<b>Total Assets</b>	<u>\$ 140,459</u>	<u>147,075</u>	<u>11,004</u>	<u>25,432</u>	<u>14,162</u>	<u>338,132</u>
<b>LIABILITIES</b>						
Accounts payable		70,169	6,015	25,128		101,312
Due to other funds		76,906	4,989	304		82,199
Due to grantor					1,667	1,667
<b>Total Liabilities</b>		<u>147,075</u>	<u>11,004</u>	<u>25,432</u>	<u>1,667</u>	<u>185,178</u>
<b>FUND BALANCE</b>						
Unreserved Fund Balance	140,459				12,495	152,954
<b>Total fund balances</b>	<u>140,459</u>				<u>12,495</u>	<u>152,954</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 140,459</u>	<u>147,075</u>	<u>11,004</u>	<u>25,432</u>	<u>14,162</u>	<u>338,132</u>

SEE INDEPENDENT AUDITOR'S REPORTS  
 The Accompanying Notes Are An Integral Part of These Financial Statements

EXHIBIT C, continued



STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 RECONCILIATION OF THE GOVERNMENTAL  
 FUNDS BALANCE SHEET WITH THE  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2008

Amounts reported for governmental activities in the Statement of Net Assets  
 are different because:

Total fund balances - Governmental funds	\$	152,954
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Capital assets used in governmental activities are not financial  
 resources and therefore are not reported as assets in  
 governmental funds:

The cost of capital assets is	\$	21,017	
Accumulated depreciation is		(10,694)	
Rounding		<u>1</u>	<u>10,324</u>

Total net assets - governmental activities	\$	<u>163,278</u>
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SEE INDEPENDENT AUDITOR'S REPORTS  
 The Accompanying Notes Are An Integral Part of These Financial Statements

EXHIBIT C

STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Special Revenue Funds</u>					
	<u>88102 General Fund</u>	<u>88105 PED Summer Academy '07</u>	<u>88201 Teacher Incentive Fund</u>	<u>88202/88203 Teacher Quality Enhancement Including Match</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Federal grant	\$		878,674	365,981	57,900	1,302,555
State grant		187,671			1,186	188,857
Local sources:						
Special Assessments (RCC)	41,800				104,890	146,690
Indirect Cost Recovery	86,319					86,319
Other Local Match				613,021		613,021
Miscellaneous	2,300					
Investment income	713					713
Total Revenue	<u>131,132</u>	<u>187,671</u>	<u>878,674</u>	<u>979,002</u>	<u>163,976</u>	<u>2,338,155</u>
Expenditures:						
Current:						
Education:						
Support Services - Instruction	16,979	187,671	582,422	684,881	115,630	1,587,583
General Administration	<u>104,172</u>		<u>296,252</u>	<u>294,121</u>	<u>35,851</u>	<u>730,396</u>
	<u>121,151</u>	<u>187,671</u>	<u>878,674</u>	<u>979,002</u>	<u>151,481</u>	<u>2,317,979</u>
Revenues over (under) expenditures	9,981				12,495	20,176
Other financing sources (uses):						
Operating transfer in						
Operating transfers out						
Net change in fund balance	9,981				12,495	22,476
Fund balance, beginning of year	<u>130,478</u>					<u>130,478</u>
Fund balance, end of year	<u>\$ 140,459</u>				<u>12,495</u>	<u>152,954</u>

STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 GOVERNMENTAL FUNDS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2008

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

Total net change in fund balances - governmental funds	\$	22,476
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those assets are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation.

Depreciation	\$	(3,266)	
Rounding		<u>4</u>	<u>(3,262)</u>

Change in net assets - Governmental Funds (EXHIBIT B)	\$	<u>19,214</u>
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STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 GENERAL FUND - FUND 88102  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original Budget	Final Budget		Original Budget to Final	Actual to Final Budget
	Revenues:				
Local sources:					
Indirect cost recovery	\$ 157,039	157,039	81,026		(76,013)
District assessments	41,800	41,800	41,800		
Miscellaneous			2,300		2,300
Investment income			713		713
Total Revenue	<u>198,839</u>	<u>198,839</u>	<u>125,839</u>		<u>(73,000)</u>
Expenditures:					
Current:					
Education:					
Support Services - Instruction	111,000	109,000	18,712	2,000	90,288
General Administration	<u>218,321</u>	<u>220,321</u>	<u>104,172</u>	<u>(2,000)</u>	<u>116,149</u>
	<u>329,321</u>	<u>329,321</u>	<u>122,884</u>		<u>206,437</u>
Revenues over (under) expenditures	(130,482)	(130,482)	<u>2,955</u>		<u>133,437</u>
Appropriated cash	\$ <u>130,482</u>	<u>130,482</u>			
Reconciliation to GAAP basis statements:					
Increase in accounts receivable			1,733		
Increase in due from other funds			<u>5,293</u>		
Revenues over (under) expenditures - Exhibit D			\$ <u>9,981</u>		

STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 SPECIAL REVENUE FUND  
 PED SUMMER ACADEMY '07 - FUND 88105  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original Budget	Final Budget		Original Budget to Final	Actual to Final Budget
	Revenues:				
State sources:					
State grant	\$	220,000	40,596	220,000	(179,404)
Total Revenue		220,000	40,596	220,000	(179,404)
Expenditures:					
Current:					
Education:					
Instructional Support		209,524	117,502	(209,524)	92,022
Administration		10,476		(10,476)	10,476
		220,000	117,502	(220,000)	102,498
Revenues over (under) expenditures	\$		(76,906)		(76,906)
Reconciliation to GAAP basis statements:					
Increase in due from grantor			147,075		
Increase in account payable			(70,169)		
Revenues over (under) expenditures - Exhibit D	\$				

SEE INDEPENDENT AUDITOR'S REPORTS  
 The Accompanying Notes Are An Integral Part of These Financial Statements

STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 SPECIAL REVENUE FUND  
 TEACHER INCENTIVE FUND - FUND 88201  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original Budget	Final Budget		Original Budget to Final	Actual to Final Budget
Revenues:					
Direct Federal Grant	\$ 1,656,655	1,656,655	894,431		(762,224)
Total Revenue	<u>1,656,655</u>	<u>1,656,655</u>	<u>894,431</u>		<u>(762,224)</u>
Expenditures:					
Current:					
Education:					
Support Services - Instruction	1,499,845	1,499,845	603,416		896,429
General Administration	<u>620,179</u>	<u>620,179</u>	<u>291,015</u>		<u>329,164</u>
	<u>2,120,024</u>	<u>2,120,024</u>	<u>894,431</u>		<u>1,225,593</u>
Revenues over (under) expenditures	(463,369)	(463,369)			<u>463,369</u>
Appropriated cash	\$ <u>463,369</u>	<u>463,369</u>			
Reconciliation to GAAP basis statements:					
Decrease in due from grantor			(15,757)		
Increase in accounts receivable			9,960		
Decrease in accounts payable			10,787		
Increase in due to other funds			<u>(4,990)</u>		
Revenues over (under) expenditures - Exhibit D			\$ <u>          </u>		

SEE INDEPENDENT AUDITOR'S REPORTS  
 The Accompanying Notes Are An Integral Part of These Financial Statements

STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 SPECIAL REVENUE FUND  
 TEACHER ENHANCED QUALITY - FUND 88202 (W/O MATCH)  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original Budget	Final Budget		Original Budget to Final	Actual to Final Budget
Revenues:					
Federal grant	\$	1,109,172	340,549	1,109,172	(768,623)
Total Revenue		<u>1,109,172</u>	<u>340,549</u>	<u>1,109,172</u>	<u>(768,623)</u>
Expenditures:					
Current:					
Education:					
Support Services - Instruction		633,000	136,039	(633,000)	496,961
General Administration		<u>476,172</u>	<u>204,510</u>	<u>(476,172)</u>	<u>271,662</u>
		<u>1,109,172</u>	<u>340,549</u>	<u>(1,109,172)</u>	<u>768,623</u>
Revenues over (under) expenditures	\$	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Reconciliation to GAAP basis statements:					
Increase in due from grantor			25,432		
Increase in accounts payable			(25,129)		
Increase in due to other funds			<u>(303)</u>		
Revenues over (under) expenditures - Exhibit D	\$		<u>                    </u>		

SEE INDEPENDENT AUDITOR'S REPORTS  
 The Accompanying Notes Are An Integral Part of These Financial Statements

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. INTRODUCTION**

The accounting policies of the Northern New Mexico Network for Rural Education conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**B. FINANCIAL REPORTING ENTITY**

The Northern New Mexico Network for Rural Education (Network) was created to provide services under Cooperative Agreement No. ESR-0100584 between National Science Foundation and Jemez Valley Public Schools and to provide other educational services under additional grants, awarded jointly, to its participating Local Educational Institutions.

The overall mission of the Systemic Initiatives (SI) Program was to (i) improve the scientific and mathematical literacy and achievement of all students; (ii) provide the mathematics and science fundamentals that will permit all students to participate fully in a technological society; (iii) empower a significantly greater number of these students to pursue careers in mathematics, science, engineering and technology; and (iv) promote extensive and sustainable alterations in the methods by which science and mathematics are taught and assessed. The SI Program includes the Statewide Systemic Initiatives (SSI), the Rural Systemic Initiatives (RSI), and the Urban Systemic Program (USP). The Cooperative's Agreement is one of the RSI programs.

During the year ended June 30, 2008 the Rural Systemic Initiative (RSI) grant was completed. Northern New Mexico Network for Rural Education (NNMN) continued with its efforts to improve education utilizing funding from the United States Department of Education (ED) for Teacher Incentive (TIF) and by securing new grant funding from ED for Teacher Quality Enhancement (TQE). The PED Summer Academies were also continued during the year.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**B. FINANCIAL REPORTING ENTITY, continued**

At June 30, 2008 the following 28 New Mexico School Districts were participating members of the educational cooperative.

Chama Valley Independent Schools  
Cimarron Municipal Schools  
Clayton Public Schools  
Cuba Independent Schools  
Des Moines Municipal Schools  
Dulce Independent Schools  
Española Valley Public Schools  
Grants-Cibola County Schools  
Jemez Mountain Public Schools  
Jemez Valley Public Schools  
Las Vegas City Schools  
Logan Municipal Schools  
Los Alamos Public Schools  
Mesa Vista Consolidated Schools  
Mora Independent Schools  
Pecos Independent Schools  
Penasco Independent Schools  
Pojoaque Valley Public Schools  
Questa Independent Schools  
Raton Public Schools  
Roy Municipal Schools  
Santa Rosa Consolidated Schools  
Springer Municipal Schools  
Taos Municipal Schools  
Tucumcari Public Schools  
Vaughn Municipal Schools  
Wagon Mound Schools  
West Las Vegas Schools

The Network's basic financial statements include all activities and accounts of the Network's "financial reporting entity".

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**B. FINANCIAL REPORTING ENTITY, continued**

The financial reporting entity consists of (a) the primary government, (b) organization for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and Government Accounting Standards Board (GASB) Statement 14, as amended by GASB 39.

The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

B. **FINANCIAL REPORTING ENTITY, *continued***

The primary government of the Northern New Mexico Network for Rural Education includes all funds and functions that are under the Network's control and responsibility that are included in the Network's reports to the New Mexico Department of Education.

The Network did not have any component units that should have been included in its reports.

C. **BASIS OF PRESENTATION**

**Government-Wide and Fund Financial Statements:**

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. *Governmental activities* generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. *Business-type activities* are financed in whole or in part by fees charged to external parties for goods or services. For the most part, the effect of inter fund activities have been removed from these statements. The *primary government* is reported separately from certain legally separate *component units* for which the *primary government* is financially accountable.

STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

C. **BASIS OF PRESENTATION, *continued***

**Government-Wide and Fund Financial Statements, *continued*:**

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 operation 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*.

Program revenues derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole. They reduce the net costs of the function to be financed from the government's general revenues. The charges for services reflected on the statement of activities include member annual fees payable by the respective member districts. The annual fee amounts are based upon student populations at the member districts.

*Program-specific grants and contributions (operating and capital)* include revenues arising from mandatory and voluntary non exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes-to purchase, construct, or renovate capital assets associated with a specific program.

These are reported separately from grants and contributions that may be used *either* for operating expenses *or* for capital expenditures of the program at the discretion of the reporting government.

These categories of program revenue are specifically attributable to a program and reduce the net expense of that program to the reporting government.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**C. BASIS OF PRESENTATION, continued**

**Government-Wide and Fund Financial Statements, continued:**

During the year ended June 30, 2008 the Network received operating grants and contributions for its operations from the National Science Foundation, the U. S. Department of Education and the New Mexico Public Education Department as well as in-kind and cash assessments and contributions from its member participants, the University of New Mexico, New Mexico businesses and others. The Network did not receive any capital grants during the year ended June 30, 2008.

Reimbursements of incurred costs are recorded by reducing the applicable expense/expenditure.

If applicable, separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

During the year ended June 30, 2008 Northern New Mexico Network for Rural Education did not have any proprietary funds or fiduciary funds.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. The Network's funds are organized under one category of funds (governmental). An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the Network or meets the following criteria:

Total assets, liabilities, revenues or expenditures/expenses of that individual fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues or expenditures/expenses of the individual fund are at least 5 percent of the corresponding total for all funds of the Network combined.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**C. BASIS OF PRESENTATION, continued**

**Government-Wide and Fund Financial Statements, continued:**

The Network reports the following major funds:

Major Governmental Funds:

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

PED Summer Academy – 2007 – To account for a grant received from the New Mexico Public Education Department for a Summer Academy to instruct teachers on methodologies for enhanced instruction in math and science.

Teacher Incentive Fund – To account for a grant from the U.S. Department of Education (ED) that promotes the development and implementation of performance-based teacher and principal compensation systems in high-need schools. The compensation systems may also provide educators with incentives to take on additional responsibilities and leadership roles. Authorized by Elementary and Secondary Education Act, as amended, Executive Order Title V, Part D, Subpart 1, as amended by Department of Education Appropriations Act for fiscal years 2006-2009.

Teacher Quality Enhancement Fund - To account for a grant from the U.S. Department of Education (ED) that is focused on identifying, recruiting and encouraging students interested in becoming teachers in high needs schools by providing comprehensive, highly-effective, community-bases recruitment programs with a wide-range of support for candidates that increases the number of highly qualified applicants entering teacher preparation programs. Core strategies include the development of Future Educator Association Chapters within the NNMN’s participating schools as well as the development of a 24 credit Master Mentoring certificate. Authorized by Higher Education Act of 1965, as amended, Title III, Part A.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**C. BASIS OF PRESENTATION, continued**

**Government-Wide and Fund Financial Statements, continued:**

The Network has only two types of Governmental Funds (General and Special Revenue Funds) that are described below:

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

Special Revenue Funds

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

In addition to a General Fund and three Special Revenue Funds described above that are reported as major funds, the Network has a Rural Systemic Initiative fund, a Goals 2000 and a two Summer Supplemental Education Services (Special Revenue Funds) that are reported as non-major funds.

Rural Systemic Initiative - To account for the National Science Foundation grant revenue and the allowable expenses incurred and expended in accordance with Cooperative Agreement No.ESR-0100584 awarded for the period July 1, 2001 to June 30, 2006. The award period was extended to August 31, 2008. Authorized by National Science Foundation Act of 1950, as amended, Public Law 107-368, 42 U.S.C. 1861 et seq.

Goals 2000 – To account for grant funds to support the implementation of state and local improvement plans and to improve educator preserves programs and for professional development activities (P.L. 103-327).

Supplemental Education Services funds – PED Summer Academy '06 and '08 - To account for assessments and reimbursements received from member Districts for the purpose of providing additional academic instruction designed to increase the academic achievement of students in schools in need of improvement.



STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery) and financial position. All assets and liabilities (whether current or non current) associated with their activities are reported. Equity is classified as net assets.

All governmental funds utilize a “*current financial resources*” *measurement focus* and the *modified accrual basis of accounting*. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. 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. For this purpose, the Network considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, are generally recorded when a liability is incurred, as under accrual accounting.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING, continued**

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed measurable and available (i.e., collectible within the current year or within two months of year-end and available to pay obligations of the current period). This includes reimbursements due from federal and / or state funded projects that are accrued as revenue at the time the allowable expenditures are made, or when received in advance, deferred until expenditures are made.

**Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expense. Most expenditures are measurable and are recorded when the related fund liability is incurred. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

**E. ASSETS, LIABILITIES, AND EQUITY**

**Cash and Cash Equivalents**

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

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The receivable balance in the governmental activities is an amount due as reimbursement from non sufficient funds for allowable expenses incurred prior to year end. There was no allowance for doubtful accounts.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**E. ASSETS, LIABILITIES, AND EQUITY, continued**

**Short-Term Inter-fund Receivables/Payables**

During the course of operations, some transactions may occur between individual governmental funds for goods provided or services rendered. These receivables and payables, as well as any short-term inter-fund loans, are classified as “due from other funds” or “due to other funds” on the balance sheets of the fund financial statements. On the statement of net assets these balances have been eliminated (off-set against each other).

**Capital Assets and Depreciation**

The accounting treatment over capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

**Government-wide Statements**

In the government-wide financial statements, capital assets with a value or cost greater than \$5,000 (the Network's capitalization policy and in accordance with Section 12-6-10 NMSA 1978) are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets that are recorded at their estimated fair value at the date of donation. Almost all of the capital assets have been recorded at cost.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. With the adoption of GASB 34, the Network must begin to capitalize infrastructure assets. The Network is not required to capitalize existing infrastructure assets existing on July 1, 2003 but may do so if they wish. The Network does not have any infrastructure asset at June 30, 2008.

The Network does not develop "internal use" software. Rather, any purchased software is depreciated over its expected useful life (generally 5 years) using the straight-line method of depreciation.

Depreciation of all exhaustible capital assets (primarily computer equipment) is charged as an expense in the Statement of Activities. Depreciation is being provided over the estimated life of the respective assets using the Straight-Line method. Asset lives range from 3 to 5 years.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**E. ASSETS, LIABILITIES, AND EQUITY, continued**

**Capital Assets and Depreciation, continued**

Current year depreciation expense in the amount of \$3,266 was charged to the general administration functional cost center during the year.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Since capital assets and long-term debt do not provide or use available spendable resources they are not included on the balance sheets of governmental funds. In governmental funds the purchase of capital assets are shown as capital outlay expenditures.

**Equity Classifications**

*Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt:  
Invested in capital assets, net of related debt 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 network did not have any outstanding borrowings at June 30, 2008.
- b. Restricted net assets:  
Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. The Cooperative did not have any restricted net assets at June 30, 2008.
- c. Unrestricted net assets:  
All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

E. **ASSETS, LIABILITIES, AND EQUITY, *continued***

**Equity Classifications, *continued***

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. The Network did not have any reserved or designated fund balances as of June 30, 2008.

F. **REVENUES, EXPENDITURES, AND EXPENSES**

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds-By Character: Current (further classified by function)

In the fund financial statements, governmental funds report expenditures of current financial resources.

**Expenditures of Restricted Sources**

It is the Network's policy to expend restricted sources prior to unrestricted sources when both sources are available for expenditure.

**Inter-Fund Transactions**

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

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**G. OTHER POLICIES**

**FASB Pronouncements**

Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. GASB Statements No.'s 20 and 34 provided the Network the option of electing to apply FASB pronouncements issued after November 30, 1989. The Network elected not to apply FASB pronouncements issued after November 30, 1989.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**GASB Pronouncements**

GASB continues to issue Statements that may or may not have a bearing on the accounting and financial reporting of individual governments. The following recap of recently issued GASB Statements shows their applicability or non-applicability to Northern New Mexico Network for Rural Education.

**GASB Statement 43**

*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* effective in three phases (similar to GASB 34 phase-in)  
(Not applicable to Cooperative as the Cooperative does not have employees)

**GASB Statement 45**

*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* effective in three phases (similar to GASB 34 phase-in).  
(Not applicable to Cooperative as the Cooperative does not have employees)

STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

G. **OTHER POLICIES, continued**

**GASB Pronouncements, continued**

**GASB Statement 48**

*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* effective for financial statements for periods beginning after December 15, 2006.

(Applicable to Cooperative beginning July 1, 2007)

**GASB Statement 49**

*Accounting and Financial Reporting for Pollution Remediation Obligations* effective for financial statements for periods beginning after December 15, 2007.

(Not applicable to Cooperative)

**GASB Statement 50**

*Pension Disclosures* effective for periods beginning after June 15, 2007.

(Not applicable to Cooperative)

**GASB Statement 51**

*Accounting and Financial Reporting for Intangible Assets* effective for periods beginning after June 15, 2009.

(Not applicable to Cooperative)

**GASB Statement 52**

*Land and Other Real Estate Held as Investments by Endowments* effective for periods beginning after June 15, 2008.

(Not applicable to Cooperative)

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2008**

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGET REQUIREMENTS, ACCOUNTING, AND REPORTING**

Formal budgetary integration is employed as a management control device during the year. The budget is classified as a non-appropriated budget under governmental accounting standards. A non-appropriated budget is a financial plan for an organization approved in a manner consistent with a constitution, charter, statute, or ordinance that is not subject to appropriation.

All budgets are adopted on the cash basis of accounting, which is inconsistent with Generally Accepted Accounting Principles (GAAP). Budgetary comparison statements present budget and actual amounts on the budgetary basis of accounting.

The non-major Goals 2000 Special Revenue Fund did not have an adopted budget for the fiscal year ended June 30, 2008. There were no actual revenues or expenditures during the fiscal year, therefore, there are no budget comparison statements reported for Goals 2000 in the accompanying financial statements.

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

1. Prior to April 15 (unless a later date is fixed by the Superintendent of Public Instruction) the board submits to the School Budget Planning Unit (SBPU) of the New Mexico Public Education Department an estimated budget for the Cooperative for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State Department of Public Education (SDPE) by the cooperative shall contain headings and details as prescribed by law.
2. Prior to June 20 of each year, the proposed "tentative" budget will be reviewed and approved by the SBPU and certified and approved by the Network's Board at a public hearing of which notice has been published by the Network which fixes the estimated budget for the ensuing fiscal year.



**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2008**

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, continued**

**A. BUDGET REQUIREMENTS, ACCOUNTING, AND REPORTING, continued**

3. The “tentative” budget will be used by the Network until a “final” budget has been approved by SBPU and the Network’s Board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
4. The SBPU shall make corrections, revisions and amendments to the estimated budgets fixed by the Board to recognize actual cash balances and carryover funds, if any.
5. Prior to the first Monday of September of each year, SBPU shall approve and certify to each local school board and cooperative a final budget for use by the applicable board.
6. No officer or employee of a cooperative shall make any expenditure or incur any obligation for the expenditure of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division, but this does not prohibit the transfer of funds between line items within a series of a budget.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the SBPU.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by including those amounts in the subsequent fiscal year’s budget, if allowed by the underlying grantor/funding entity.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2008**

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, continued**

**A. BUDGET REQUIREMENTS, ACCOUNTING, AND REPORTING, continued**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is utilized in the governmental funds. Encumbrances lapse at the fiscal year end.

**B. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS**

The Northern New Mexico Network for Rural Education is authorized under its investment policy to deposit its money in banks, savings and loan associations, and/or credit unions where accounts are insured by an agency of the United States.

All monies not immediately necessary for the public uses of the Network may be invested in:

1. Fully collateralized certificates of deposit that are also FDIC insured.
2. Securities of the United States, its agencies or instrumentalities
3. Securities of the State of New Mexico, its agencies, instrumentalities, counties, municipalities, or other subdivisions
4. Securities, including student loans that are guaranteed by the United States or the State of New Mexico
5. Revenue bonds that are under written by a member of the National Association of Securities Dealers, (NASD) and rated BAA or better.

The maximum authorized maturity for these securities will be one year or less.

During the year ended June 30, 2008 Northern New Mexico Network for Rural Education had complied with its investment policy.

Deposits of the Network's monies are to be collateralized in an aggregate equal to 50% of deposits in excess of Federal Deposit Insurance Corporation insurance coverage. One of the Cooperative's two Wells Fargo Bank accounts was held under the Jemez Valley Public School's name until the Rural Systemic Initiative grant was completed. Jemez Valley was the fiscal agent on this account and it was collateralized with the Jemez Valley Public School's collateralization.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2008**

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, continued**

**B. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS, continued**

The second account with Wells Fargo Bank is held in the Cooperative's name and is fully insured by FDIC.

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes any of the securities listed above.

**3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS**

**A. CASH AND INVESTMENTS**

The Network's policies regarding deposits of cash are discussed in notes 1E and 2B. The Network attempts to limit its exposure to various risks inherent to its cash and investments as follows:

Interest rate risk – The Network attempts to maximize its rate of return while insuring that the investment vehicle is either fully insured or fully collateralized by investments of the Federal Government. During the year ended June 30, 2008 the Network did not make any investments.

Credit risk – State law limits the types of investments allowed by the Network (See Note 2B). As stated above, the Network complied with the restrictions imposed by the State of New Mexico in an effort to limit its credit risk.

Concentration of credit risk – During the year ended June 30, 2008 the Network did not limit its concentration of credit risk by depositing its funds in various banks, savings and loan institutions and credit unions. All funds were deposited into a single bank. However, with rare exception, its deposits are fully insured by FDIC.

Custodial credit risk – Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2008 the Network was not exposed to custodial credit risk because the deposits were insured.

**STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2008**

**3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued**

**A. CASH AND INVESTMENTS, continued**

Custodial credit-risk – Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the Network will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Network did not have any investments at June 30, 2008 and was not subject to custodial credit risk investments.

**B. ACCOUNTS RECEIVABLE**

The due accounts receivable balance of \$ 11,888 is an amount due from participants as reimbursement for allowable expenses incurred prior to June 30, 2008 and is considered to be collectible.

**C. DUE FROM GRANTORS**

The due from grantor balance of \$ 173,552 is an amount due from grantors as reimbursement for allowable expenses incurred prior to June 30, 2008 and is also considered to be collectible.

**D. INTERFUND ACCOUNTS AND TRANSACTIONS**

The amounts shown as due to and due from on the balance sheets of the governmental funds represent amounts due to the general fund for indirect cost reimbursements and temporary loans between the funds to cover amounts that were expended in excess of collected resources (due to) at June 30, 2008. These temporary loans (due to/due from) balances were eliminated in the Statement of Net Assets. At June 30, 2008 the following Due To/ Due From balances were reported on the balance sheets of the Fund Financial Statements:

Fund 88102:	
Due from Fund 88105	\$ 76,906
Due from Fund 88201	4,989
Due from Fund 88202	<u>304</u>
Total	<u>\$ 82,199</u>
Fund 88105:	
Due to Fund 88102	<u>\$ 76,906</u>

**STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2008**

**3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued**

**D. INTERFUND ACCOUNTS AND TRANSACTIONS, continued**

Fund 88201:		
Due to Fund 88102		\$ <u>4,989</u>
 Funs 88202		
Due to Fund 88102		\$ <u>304</u>

**E. CAPITAL ASSETS**

The following is a summary of changes in the Capital Assets during the year ended June 30, 2008:

	<u>Balance at July 1, 2007</u>	<u>Adjustments and Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>
Capital Assets being depreciated:				
Equipment	\$ 24,140		(3,123)	21,017
Less:				
Accumulated depreciation	<u>(10,551)</u>	<u>(3,266)</u>	<u>3,123</u>	<u>(10,694)</u>
Net capital assets	\$ <u>13,589</u>	<u>(3,266)</u>	<u>      .</u>	<u>10,323</u>

Depreciation of governmental activity assets were charged to the general administration function.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2008**

**4. OTHER NOTES**

**A. COMMITMENTS AND CONTINGENCIES**

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 which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**B. RISK MANAGEMENT**

The Network is exposed to various risks of loss related to tort litigation, destruction of property, errors and omissions, injuries to employees, natural disasters and other risks. The Network manages these risks through commercial insurance carriers. The New Mexico Tort Claims Act limits the Network's risks for torts.

There have been no significant reductions in insurance coverage during the current year. Settlement amounts have not exceeded insurance coverage for the current year or for the three prior years.

**C. LITIGATION**

At June 30, 2008 the Network was not aware of any litigation or pending litigation that would adversely affect its financial position.

**D. ECONOMIC DEPENDENCY**

Substantially all revenues of the Northern New Mexico Network for Rural Education are received from a single program directed by the National Science Foundation. Receipt of these funds is contingent upon the Network's continued compliance with grant provisions and the continuance of the grant programs by the National Science Foundation.

## **SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 NON-MAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2008

	<b>Special Revenue Funds</b>				
	<b>88101 Rural Systemic Initiative</b>	<b>88103 Goals 2000</b>	<b>88104 PED Summer Academy '06</b>	<b>88106 PED Summer Academy '08</b>	<b>Total Other Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$	1,667	2,943	9,357	13,967
Accounts receivable				195	195
Total Assets	\$	<u>1,667</u>	<u>2,943</u>	<u>9,552</u>	<u>14,162</u>
<b>LIABILITIES</b>					
Due to grantor	\$	1,667			1,667
Total Liabilities		<u>1,667</u>			<u>1,667</u>
<b>FUND BALANCE</b>					
Unreserved Fund Balance			2,943	9,552	12,495
Total fund balances			<u>2,943</u>	<u>9,552</u>	<u>12,495</u>
Total Liabilities and Fund Balances	\$	<u>1,667</u>	<u>2,943</u>	<u>9,552</u>	<u>14,162</u>

SEE INDEPENDENT AUDITOR'S REPORTS  
 The Accompanying Notes Are An Integral Part of These Financial Statements



STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 NON-MAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Special Revenue Funds</u>				
	<u>88101</u>	<u>88103</u>	<u>88104</u>	<u>88106</u>	<u>Total</u>
	<u>Rural</u>	<u>Goals</u>	<u>PED</u>	<u>PED</u>	<u>Other</u>
	<u>Systemic</u>	<u>2000</u>	<u>Summer</u>	<u>Summer</u>	<u>Governmental</u>
	<u>Initiative</u>		<u>Academy '06</u>	<u>Academy '08</u>	<u>Funds</u>
Revenues:					
Federal grant	\$ 57,900				57,900
State grant			1,186		1,186
Local sources:					
Special Assessments (RCC)				104,890	104,890
Total Revenue	<u>57,900</u>		<u>1,186</u>	<u>104,890</u>	<u>163,976</u>
Expenditures:					
Current:					
Education:					
Support Services - Instruction	39,473		960	75,197	115,630
General Administration	<u>18,427</u>		<u>(2,717)</u>	<u>20,141</u>	<u>35,851</u>
	<u>57,900</u>		<u>(1,757)</u>	<u>95,338</u>	<u>151,481</u>
Revenues over (under) expenditures			2,943	9,552	12,495
Fund balance, beginning of year					
Fund balance, end of year	<u>\$</u>		<u>2,943</u>	<u>9,552</u>	<u>12,495</u>

SEE INDEPENDENT AUDITOR'S REPORTS  
 The Accompanying Notes Are An Integral Part of These Financial Statements

STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 SPECIAL REVENUE FUND  
 RURAL SYSTEMIC INITIATIVE - FUND 88101  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original Budget	Final Budget		Original Budget to Final	Actual to Final Budget
	Revenues:				
Federal Direct Grant	\$ 122,434	122,434	92,623		(29,811)
Total Revenue	<u>122,434</u>	<u>122,434</u>	<u>92,623</u>		<u>(29,811)</u>
Expenditures:					
Current:					
Education:					
Support Services - Instruction	95,000	93,750	64,934	1,250	28,816
General Administration	<u>27,434</u>	<u>28,684</u>	<u>27,689</u>	<u>(1,250)</u>	<u>995</u>
	<u>122,434</u>	<u>122,434</u>	<u>92,623</u>		<u>29,811</u>
Revenues over (under) expenditures	\$ <u>                    </u>	<u>                    </u>		<u>                    </u>	<u>(59,622)</u>
Reconciliation to GAAP basis statements:					
Decrease in due from grantor			(34,723)		
Decrease in accounts payable			<u>34,723</u>		
Revenues over (under) expenditures - Statement 2			\$ <u>                    </u>		

SEE INDEPENDENT AUDITOR'S REPORTS  
 The Accompanying Notes Are An Integral Part of These Financial Statements

STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 SPECIAL REVENUE FUNDS  
 PED SUMMER ACADEMY '06 - FUND 88104  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original Budget	Final Budget		Original Budget to Final	Actual to Final Budget
	Revenues:				
State Grant	\$	87,929	100,552	87,929	12,623
Total Revenue		87,929	100,552	87,929	12,623
Expenditures:					
Current:					
Education:					
Support Services - Instruction		84,393	65,819	(84,393)	18,574
General Administration		3,536		(3,536)	3,536
		87,929	65,819	(87,929)	22,110
Revenues over (under) expenditures	\$		34,733	175,858	(9,487)
Reconciliation to GAAP basis statements:					
Decrease in due from grantor			(99,367)		
Decrease in accounts payable			67,577		
Revenues over (under) expenditures - Statement 2	\$		2,943		

SEE INDEPENDENT AUDITOR'S REPORTS  
 The Accompanying Notes Are An Integral Part of These Financial Statements

STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 SPECIAL REVENUE FUNDS  
 PED SUMMER ACADEMY '08 - FUND 88106  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original Budget	Final Budget		Original Budget to Final	Actual to Final Budget
	Revenues:				
Local Source:					
Special Assessments	\$	224,000	104,975	224,000	(119,025)
Total Revenue		224,000	104,975	224,000	(119,025)
Expenditures:					
Current:					
Education:					
Support Services - Instruction		156,663	75,197	(156,663)	81,466
General Administration		67,337	20,141	(67,337)	47,196
		224,000	95,338	(224,000)	128,662
Revenues over (under) expenditures	\$		9,637	448,000	(247,687)
Reconciliation to GAAP basis statements:					
Decrease in receivable			(85)		
Revenues over (under) expenditures - Statement 2	\$		9,552		

SEE INDEPENDENT AUDITOR'S REPORTS  
 The Accompanying Notes Are An Integral Part of These Financial Statements

**STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2008**

	Federal CFDA Number	Federal or Pass Through Grant/Project Number	Expenditures
Direct Programs:			
Major Program:			
Department of Education:			
Teacher Incentives	84.374A	S374A070018	\$ 878,674
Teacher Quality Enhancement	84.336C	P336C070001	365,981
Non-Major Program:			
National Science Foundation:			
Education and Human Resources	47.076	ESR-0100584	57,900
			\$ 1,302,555

- 1) The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northern New Mexico Network for Rural Education Rio Rancho, New Mexico and is presented on the modified accrual basis of accounting.  
 The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.  
 Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the statement.
- 2) Northern New Mexico Network for Rural Education did not have any sub-recipient grantees during the fiscal year ended June 30, 2008.
- 3) Northern New Mexico Network for Rural Education did not receive any noncash assistance.
- 4) Northern New Mexico Network for Rural Education did not have any Federal insurance in affect during the year.
- 5) Northern New Mexico Network for Rural Education did not have any federal loans or loan guarantees.

**SEE INDEPENDENT AUDITOR'S REPORTS  
 The Accompanying Notes Are An Integral Part Of These Financial Statements**

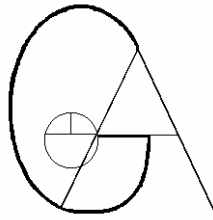
STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 BANK DEPOSITORIES  
 June 30, 2008

<u>Account Name</u>	<u>Account Type</u>	<u>Balance Per Bank</u>	<u>Deposits In Transit</u>	<u>Outstanding Checks</u>	<u>Balance Per Book</u>
Wells Fargo Bank: Operating/Sweep	1,2	\$ <u>85,089</u>	<u>                    </u>	<u>14,594</u>	<u>70,495</u>

Account Types  
 1 Checking  
 2 Sweep

SEE INDEPENDENT AUDITOR'S REPORTS  
 The Accompanying Notes Are An Integral Part Of These Financial Statements

## **COMPLIANCE SECTION**



Gary E. Gaylord, C.P.A.

**GARY E. GAYLORD, LTD.**  
CERTIFIED PUBLIC ACCOUNTANTS

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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**

Mr. Hector H. Balderas, State Auditor  
Toni Nolan-Trujillo, President and  
Board of Directors  
Northern New Mexico Network for Rural Education  
Rio Rancho, New Mexico

I have audited the financial statements of the governmental activities, each major fund, and the budgetary comparisons of each major fund, the aggregate remaining fund information and the combining and individual funds and budgetary comparisons presented as supplementary information of the Northern New Mexico Network for Rural Education (Network) as of and for the year ended June 30, 2008, and have issued my report thereon dated October 21, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis.



**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, continued**

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Network's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Network's financial statements that is more than inconsequential will not be prevented or detected by the Network's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

2005-02

Timeliness of Audit Report

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Network's financial statements are free of material misstatement, I performed tests of 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item:

2005-02

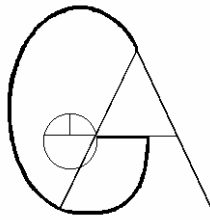
Timeliness of Audit Report

The Network's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit the Network's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Office of the New Mexico State Auditor, the Network's Board, management, federal awarding agencies and the Public Education Department of New Mexico and is not intended to be and should not be used by anyone other than these specified parties.



October 21, 2009



Gary E. Gaylord, C.P.A.

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

Hector H. Balderas, State Auditor  
Toni Nolan-Trujillo, President and  
Board of Directors  
Northern New Mexico Network for Rural Education  
Rio Rancho, New Mexico

Compliance

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

I conducted my 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 I 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 Northern New Mexico Network for Rural Education's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Network's compliance with those requirements.

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

In my opinion, Northern New Mexico Network for Rural Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of my auditing procedures disclosed an instance of noncompliance with a requirement that is required to be reported in accordance with OMB Circular A-133 and that is described in the accompanying Schedule of Findings and Questioned Costs as item:

2005-03            Timely Submission of Data Collection Form

Internal Control Over Compliance

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

*A control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

*A material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Northern New Mexico Network for Rural Education's responses to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the Network's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Office of the New Mexico State Auditor, the Network's Board, management, federal awarding agencies and the Public Education Department of New Mexico and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "George Gayland CPA", written over a horizontal line.

October 21, 2009

## **FINDINGS AND QUESTIONED COSTS**

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2008**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements:

1. Type of auditors' report issued Unqualified

Internal control over financial reporting:

- |   |     |
|---|-----|
| 1. Material weaknesses identified?  | No  |
| 2. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 3. Noncompliance material to financial statements noted?                                  | No  |

Federal Awards:

Internal control over major programs:

- |  |    |
|--|----|
| 1. Material weakness(es) identified?   | No |
| 2. Significant deficiencies identified that are not considered to be material weaknesses | No |

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.374A	Teacher Incentive
84-336C	Teacher Quality Enhancement

Dollar threshold used to distinguish between Type A and Type B programs \$ 300,000

Auditee qualified as low-risk auditee Yes

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued  
JUNE 30, 2008**

**SECTION II- FINDINGS**

**PRIOR YEAR FINDINGS**

**STATUS**

2005-02	Timeliness of Audit Report	Repeated
2005-03	Timely Submission of Data Collection Form	Repeated

**CURRENT YEAR FINDINGS**

2005-02	Timeliness of Audit Report
2005-03	Timely Submission of Data Collection Form

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued  
JUNE 30, 2008**

**2005-02      TIMELINESS OF AUDIT REPORT**

**Statement of Condition:**

The New Mexico State Auditor required the audit to be completed and submitted to his office by May 1, 2009. The report is past due. The report was mailed to the Office of the State Auditor on October 22, 2009.

**Criteria:**

The New Mexico State Auditor establishes submission dates for the annual audit reports as provided by publication 2.2.2.9 (A)(1)(a)NMAC, Requirements for Contracting and Conducting Audits of Agencies.

**Effect:**

The potential users of the financial statements (such as board members, legislators, state and federal grantors, creditors, bondholders, etc) did not have timely audit reports and financial statements to facilitate their decision making process. Late audit reports could have an adverse effect on state and federal funding. Non-compliance with Audit Rule NMAC 2.2.2.9.A (1)(a).

**Cause:**

The Northern New Mexico Network for Rural Education (NNMN) audit contract was approved by the New Mexico State Auditor's office on March 4, 2009. Due to other prior commitments of the auditor the completion of the report was delayed.

**Recommendation:**

The Independent Auditor should continue his efforts to hire competent staff to assist him in his efforts to complete work in a timely manner.

**Response:**

We will continue our efforts to comply with the State Auditor's delivery due date.



**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued  
JUNE 30, 2008**

**2005-03      TIMELY SUBMISSION OF DATA COLLECTION FORM**

**Statement of Condition:**

The Data Collection Form and Reporting Package was not submitted to the federal clearinghouse and federal agencies within 9 months after fiscal year end. The Data Collection Form and Reporting Package were due by March 31, 2009. The Data Collection Form and Reporting Package will not be submitted until acceptance by the State Auditors office.

**Criteria:**

OMB Circular A-133.320 requires the Data Collection Form and Reporting Package be submitted to the federal clearinghouse and federal agencies within 9 months after fiscal year end.

**Effect:**

Non-compliance with OMB Circular A-133.320. Federal funding decisions could be adversely affected by late reports.

**Cause:**

The audit report and information for the Data Collection Form and Reporting Package was not available within 9 months after the fiscal year end because the audit was not completed in a timely manner.

**Recommendation:**

The Network should promptly submit the Data Collection Form and Reporting Package upon receipt of the approved audit report.

**Response:**

We will promptly submit the Data Collection Form and Reporting Package upon receipt of the audit report.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
EXIT CONFERENCE  
JUNE 30, 2008**

**Preparation of Financial Statements:**

Northern New Mexico Network for Rural Education is responsible for the form and content of the accompanying financial statements which have been prepared by Gary E. Gaylord, Ltd.

**Exit Conference:**

An exit conference was held on October 21, 2009. In attendance were the following:

**Representing the Northern New Mexico Network for Rural Education:**

Manuel Valdez	President
Richard Romero	Vice-President
Loren Cushman	Secretary
Carlos Atencio	Executive Director
Isaac Martinez	Finance Director

**Representing Gary E. Gaylord, Ltd:**

Gary E. Gaylord, CPA	Auditor-In-Charge
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