

**STATE OF NEW MEXICO**

**NORTHERN NEW MEXICO NETWORK  
FOR RURAL EDUCATION**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**For the Year Ended June 30, 2009**

**With Independent Auditors' Reports Thereon**

## **INTRODUCTORY SECTION**

**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, 2009**

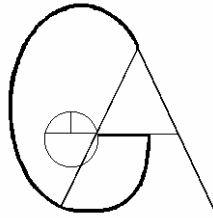
**Board of Directors**

<b><u>Superintendents</u></b>		<b><u>School Affiliation</u></b>
Manuel Valdez	President	Chama Valley Independent Schools
David Cockerham	Vice President	Espanola Valley Public Schools
Richard Romero	Secretary	Las Vegas City 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
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
Art Blea	Board Member	Pojoaque Valley Public Schools
Eric Martinez	Board Member	Questa Independent Schools
David Wilden	Board Member	Raton Public Schools
Loren Cushman	Board Member	Reserve 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 (Better Schools Consulting, LLC)
Isaac Martinez	Finance Director (I. Martinez Consulting, LLC)

## **FINANCIAL SECTION**



Gary E. Gaylord, C.P.A.

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

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## **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 aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Northern New Mexico Network for Rural Education (Network) as of and for the year ended June 30, 2009, 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 and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, 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 statement presentation. 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, 2009, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended, in 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, of the Network as of June 30, 2009, and the respective changes in financial position, thereof of all nonmajor 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 August 10, 2010 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 financial statements. Schedule B "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  
August 10, 2010



**STATE OF NEW MEXICO**  
**NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2009**

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, 2009. Please read it in conjunction with the Network's financial statements, which follow this section.

**Financial Highlights**

- Net assets of the Network increased by \$139,346 to \$302,624 as of June 30, 2009.
  
- 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 Taos and Espanola substantially increased the amount of Performance Based Compensation Payouts which provided the Network with added indirect cost revenue. The additional indirect cost from TIF & the Teacher Quality Enhancement Programs and the increase in Supplemental Services income the Networks reflected an 85.3% 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, 2009**

**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, 2009**

**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 \$139,346 or 85.3%, from the June 30, 2008 amount. The following table shows a summary of changes from prior year amounts.

	Fiscal year <u>2009</u>	Fiscal year <u>2008</u>	Increase (Decrease)	% Change
Cash and Cash Equivalent	164,868	70,495	94,373	133.9%
Accounts Receivable	109,742	11,888	97,854	823.1%
Due from grantor	<u>132,103</u>	<u>173,552</u>	<u>-41,449</u>	(24)%
Total Cash and Receivables	406,713	255,935	150,778	58.9%
Capital Assets (net)	<u>7,060</u>	<u>10,323</u>	<u>-3,263</u>	(31.6)%
Total Assets	<u>413,773</u>	<u>266,258</u>	<u>147,515</u>	55.4%
Accounts Payable	109,482	101,313	8,169	8.06%
Deferred Revenue	<u>1,667</u>	<u>1,667</u>	<u>0.00</u>	0%
Total Current Liabilities	<u>111,149</u>	<u>102,980</u>	<u>8,169</u>	7.9%
Net Assets:				
Invested in Capital Assets	7,060	10,323	-3,263	(31.6)%
Unrestricted	<u>295,564</u>	<u>152,955</u>	<u>142,609</u>	93.2%
	<u>302,624</u>	<u>163,278</u>	<u>139,346</u>	85.3%

The overall Increase in total assets is primarily due to the increase in cash and accounts receivable primarily from indirect cost generated from the TIF & TQE programs and increased revenue from Supplemental Educational Services.

**Statement of Activities**

The following schedule compares the Statements of Activities during the Fiscal Years Ended (FYE) 2009 and 2008. Included in the 2009 Statement is \$1,810,754 in-kind contributions and the offsetting expenses.

	Fiscal year <u>2009</u>	Fiscal year <u>2008</u>	Increase (Decrease)	% Increase (Decrease)
Expenses:				
Support Services	\$4,959,842	1,587,583	3,372,259	212.4%
General Administration	<u>773,006</u>	<u>733,658</u>	<u>39,348</u>	5.4%
Total Expenses	<u>5,732,848</u>	<u>2,321,241</u>	<u>3,411,607</u>	147.0%

**STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
 June 30, 2009**

	Fiscal year <u>2009</u>	Fiscal year <u>2008</u>	Increase (Decrease)	% Increase (Decrease)
Revenues:				
Charges for Services	249,250	234,195	15,055	6.43%
Operating Grants and Contributions	5,621,458	2,105,547	3,515,911	166.98%
General Revenue Interest	<u>1,486</u>	<u>713</u>	<u>773</u>	<u>108.4%</u>
Total Revenues	<u>5,872,194</u>	<u>2,340,455</u>	<u>3,531,739</u>	<u>150.90%</u>
Change in net assets	139,346	19,214	<u>120,132</u>	<u>625.2%</u>
Net assets – beginning of year	<u>163,278</u>	<u>144,064</u>		
Net Assets – end of year	<u>302,624</u>	<u>163,278</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. Additionally, both Change in Net Assets and the Net Assets increase went up 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**

An increase to fund balance occurred during the year ended June 30, 2009 by \$142,610. This indicates that revenues exceeded expenditures even though the majority of Network programs are federally funded and 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 were greater than anticipated and actual amounts 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 2010 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 \$301,800 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 \$2,865,997, The Teacher Quality Enhancement Program budget is estimated at \$2,099,873, the Network is expecting the PED Summer Math/Science Institute to be approved at 180,000 and the SES Program's budget is estimated at \$200,000. Beginning in FY 2009 the Network received five year funding source from UNM - EPSCOR program which provides funding for science teachers at Valles Caldera. The FY 2010 EPSCOR budget is estimated at \$92,296.

**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 College Ave. NE, Suite 2170, Rio Rancho, NM 87144-2103.

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION**  
**GOVERNMENT-WIDE**  
**GOVERNMENTAL ACTIVITIES**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

**ASSETS**

Cash and Cash Equivalents	\$ 164,868
Accounts Receivable	109,742
Due from Grantor	132,103
Capital Assets, net of Accumulated Depreciation	<u>7,060</u>
Total Assets	<u>413,773</u>

**LIABILITIES**

Accounts payable	109,482
Due to grantor	<u>1,667</u>
Total liabilities	<u>111,149</u>

**NET ASSETS**

Invested in capital assets	7,060
Unrestricted	<u>295,564</u>
Total net assets	<u>\$ 302,624</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, 2009

	<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-Students	\$ 132,951		135,289		2,338
Support Services-Instruction	4,826,891	120,409	4,715,242		8,760
General Administration	773,006	128,841	770,927		126,762
	<u>5,732,848</u>	<u>249,250</u>	<u>5,621,458</u>		<u>137,860</u>
General revenues:					
Investment income					<u>1,486</u>
Change in net assets					139,346
Net assets - beginning					<u>163,278</u>
Net assets - ending				\$	<u><u>302,624</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, 2009

	<u>Special Revenue Funds</u>					
	<u>88102/88203 General Fund</u>	<u>88104 EPSCoR NSF Program</u>	<u>88201 Teacher Incentive Fund</u>	<u>88202 Teacher Quality Enhancement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 131,974		375		32,519	164,868
Accounts receivable	99,232		9,960		550	109,742
Due from other funds	40,433				7,477	47,910
Due from Grantor		35,116	60,025	36,962		132,103
Total Assets	<u>\$ 271,639</u>	<u>35,116</u>	<u>70,360</u>	<u>36,962</u>	<u>40,546</u>	<u>454,623</u>
<b>LIABILITIES</b>						
Accounts payable	\$		70,360	36,962	2,160	109,482
Due to other funds	7,477	35,116			5,317	47,910
Due to grantor					1,667	1,667
Total Liabilities	<u>7,477</u>	<u>35,116</u>	<u>70,360</u>	<u>36,962</u>	<u>9,144</u>	<u>159,059</u>
<b>FUND BALANCE</b>						
Unreserved Fund Balance	<u>264,162</u>				<u>31,402</u>	<u>295,564</u>
Total fund balances	<u>264,162</u>				<u>31,402</u>	<u>295,564</u>
Total Liabilities and Fund Balances	<u>\$ 271,639</u>	<u>35,116</u>	<u>70,360</u>	<u>36,962</u>	<u>40,546</u>	<u>454,623</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, 2009

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

Total fund balances - Governmental funds	\$	295,564
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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	\$	21,018	
Accumulated depreciation is		(13,957)	
Rounding		<u>(1)</u>	<u>7,060</u>

Total net assets - governmental activities	\$	<u>302,624</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, 2009

	<u>Special Revenue Funds</u>					<u>Total Governmental Funds</u>
	<u>88102/88203 General Fund</u>	<u>88104 EPSCoR NSF Program</u>	<u>88201 Teacher Incentive Fund</u>	<u>88202 Teacher Quality Enhancement</u>	<u>Other Governmental Funds</u>	
Revenues:						
Federal grant	\$	35,116	2,429,721	597,792		3,062,629
State grant					199,759	199,759
Local sources:						
Special Assessments (RCC)	96,900				152,350	249,250
Indirect Cost Recovery	217,217					217,217
Other Local Match			873,931	1,267,923		2,141,854
Miscellaneous						
Investment income	1,486					1,486
Total Revenue	<u>315,603</u>	<u>35,116</u>	<u>3,303,652</u>	<u>1,865,715</u>	<u>352,109</u>	<u>5,872,195</u>
Expenditures:						
Current:						
Education:						
Support Services - Students	72,661			60,289		132,950
Support Services - Instruction		35,116	2,960,620	1,519,747	311,408	4,826,891
General Administration	114,705		343,032	285,679	26,328	769,744
	<u>187,366</u>	<u>35,116</u>	<u>3,303,652</u>	<u>1,865,715</u>	<u>337,736</u>	<u>5,729,585</u>
Revenues over (under) expenditures	128,237				14,373	142,610
Other financing sources (uses):						
Operating transfer in	2,943				7,477	10,420
Operating transfers out	(7,477)	(2,943)				(10,420)
	<u>(4,534)</u>	<u>(2,943)</u>			<u>7,477</u>	
Net change in fund balance	123,703	(2,943)			21,850	142,610
Fund balance, beginning of year	<u>140,459</u>	<u>2,943</u>			<u>9,552</u>	<u>152,954</u>
Fund balance, end of year	<u>\$ 264,162</u>	<u></u>	<u></u>	<u></u>	<u>31,402</u>	<u>295,564</u>

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

EXHIBIT D, continued

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, 2009

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

Total net change in fund balances - governmental funds	\$	142,610
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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	\$	(3,263)	
Rounding		<u>(1)</u>	<u>(3,264)</u>

Change in net assets - Governmental Funds (EXHIBIT B)	\$	<u>139,346</u>
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STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 GENERAL FUND - FUND 88102/88203  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variances</u>	
				<u>Positive (Negative)</u>	
	<u>Original Budget</u>	<u>Final Budget</u>		<u>Original Budget to Final</u>	<u>Actual to Final Budget</u>
Revenues:					
Local sources:					
Indirect cost recovery	\$ 160,000	160,000	123,277		(36,723)
District assessments	41,800	41,800	96,900		55,100
Investment income			1,486		1,486
Total Revenue	<u>201,800</u>	<u>201,800</u>	<u>221,663</u>		<u>19,863</u>
Expenditures:					
Current:					
Education:					
Support Services - Students	111,000	131,000	70,928	(20,000)	60,072
General Administration	224,136	204,136	114,705	20,000	89,431
	<u>335,136</u>	<u>335,136</u>	<u>185,633</u>		<u>149,503</u>
Revenues over (under) expenditures	<u>(133,336)</u>	<u>(133,336)</u>	<u>36,030</u>		<u>169,366</u>
Other financing sources (uses):					
Operating transfers in			2,943		2,943
Operating transfers out			(7,477)		(7,477)
			<u>(4,534)</u>		<u>(4,534)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(133,336)</u>	<u>(133,336)</u>	<u>31,496</u>		<u>164,832</u>
Appropriated cash	\$ <u>133,336</u>	<u>133,336</u>			
Reconciliation to GAAP basis statements:					
Increase in accounts receivable			97,500		
Decrease in due from other funds			(5,293)		
Revenues over (under) expenditures - Exhibit D			\$ <u>123,703</u>		

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

EXHIBIT E

STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 SPECIAL REVENUE FUND  
 EPSCoR - NSF PROGRAM - FUND 88104  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original Budget	Final Budget		Original Budget to Final	Actual to Final Budget
Revenues:					
Federal sources:					
Federal grant	\$	54,709		54,709	(54,709)
Total Revenue		54,709		54,709	(54,709)
Expenditures:					
Current:					
Education:					
Support Services - Instruction		52,542	35,116	(52,542)	17,426
General Administration		2,167		(2,167)	2,167
		54,709	35,116	(54,709)	19,593
Revenues over (under) expenditures			(35,116)		(35,116)
Other financing sources (uses):					
Operating transfers in					
Operating transfers out			(2,943)		(2,943)
			(2,943)		(2,943)
Revenues and other financing sources over (under) expenditures and other financing uses			(38,059)		(38,059)
Reconciliation to GAAP basis statements:					
Increase in due from grantor			35,116		
Revenues over (under) expenditures - Exhibit D			\$ (2,943)		

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

EXHIBIT F

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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original Budget	Final Budget		Original Budget to Final	Actual to Final Budget
	Revenues:				
Direct Federal Grant	\$ 3,340,056	2,979,134	2,370,741	(360,922)	(608,393)
Total Revenue	<u>3,340,056</u>	<u>2,979,134</u>	<u>2,370,741</u>	<u>(360,922)</u>	<u>(608,393)</u>
Expenditures:					
Current:					
Education:					
Support Services - Instruction	2,642,568	2,476,386	2,088,212	166,182	388,174
General Administration	<u>697,488</u>	<u>502,748</u>	<u>282,154</u>	<u>194,740</u>	<u>220,594</u>
	<u>3,340,056</u>	<u>2,979,134</u>	<u>2,370,366</u>	<u>360,922</u>	<u>608,768</u>
Revenues over (under) expenditures			375		<u>375</u>
Appropriated cash	\$ <u>463,369</u>	<u>463,369</u>			
Reconciliation to GAAP basis statements:					
Increase in due from grantor			54,010		
Increase in accounts receivable			9,960		
Increase in accounts payable			<u>(64,345)</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 QUALITY ENHANCEMENT- FUND 88202 (W/O MATCH)  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original Budget	Final Budget		Original Budget to Final	Actual to Final Budget
Revenues:					
Federal grant	\$ 1,724,554	1,724,554	585,959		(1,138,595)
Total Revenue	<u>1,724,554</u>	<u>1,724,554</u>	<u>585,959</u>		<u>(1,138,595)</u>
Expenditures:					
Current:					
Education:					
Support Services - Instruction	1,307,484	1,327,484	426,591	(20,000)	900,893
General Administration	<u>417,070</u>	<u>397,070</u>	<u>159,368</u>	<u>20,000</u>	<u>237,702</u>
	<u>1,724,554</u>	<u>1,724,554</u>	<u>585,959</u>		<u>1,138,595</u>
Revenues over (under) expenditures	\$ <u>                    </u>	<u>                    </u>			
Reconciliation to GAAP basis statements:					
Increase in due from grantor			11,530		
Increase in accounts payable			(11,833)		
Decrease 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, 2009**

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**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**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 supplementary educational services to its member School Districts in Northern New Mexico.

During the year ended June 30, 2009 the PED Summer Academies 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 Teacher Quality Enhancement (TQE). The PED Math/Science Institute and Supplementary Educational Services also were continued during the year.

At June 30, 2009 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

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2009**

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

**B. FINANCIAL REPORTING ENTITY, continued**

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, 2009**

**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.

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.

STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

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.

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.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**C. BASIS OF PRESENTATION, continued**

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

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.

During the year ended June 30, 2009 the Network received operating grants and contributions for its operations from the National Science Foundation (passed through the University of New Mexico), 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, 2009.

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, 2009 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:

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2009**

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

**C. BASIS OF PRESENTATION, continued**

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

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.

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.

EPSCoR NSF Fund - To account for a grant from the National Science Foundation (NSF) which was passed through the Regents of the University of New Mexico, to pay costs of conducting research, product development, resources, tools and services, as salaries and wages, equipment and supplies, travel publication costs, other direct costs and indirect costs associated with public and private schools and state and local governmental agencies. Authorized by the National Science Foundation Act of 1950, as amended, Public Law 107-368, 42 U.S.C. 1861 et seq.

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.

STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2009

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

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

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

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.

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 PED Math/Science Institute, a Goals 2000 and a Summer Supplemental Education Services (Special Revenue Funds) that are reported as non-major funds.

PED Math/Science Institute - To account for the New Mexico Quality Mathematics and Science Education Model (QMSEM) as part of the *Strategic Action Plan for Advancing Math and Science Education in New Mexico, 2007-2010*. It supports improved student learning through curriculum alignment, continued teacher development and strong leadership at all levels.

STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2009

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

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

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

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.

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.



STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2009

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

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

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

**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.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2009**

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

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

**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.

**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.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2009**

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

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

**Capital Assets and Depreciation, continued**

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, 2009.

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, 2009.

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.

Current year depreciation expense in the amount of \$3,263 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.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2009**

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

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

**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:
- 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, 2009.
- 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.”

*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, 2009.

**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.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2009**

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

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

**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.

**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.

STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2009

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

G. **OTHER POLICIES, continued**

**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 No. 53 *Accounting and Financial Reporting for Derivative Instruments* issued June 2008 effective for periods beginning after June 15, 2009 (FY 2010) (Not applicable to Housing Authority as Housing Authority did not enter into any derivative instruments as defined in the Statement).

GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* issued February 2009 effective for periods beginning after June 2010 (FY2011) (Not applicable to Housing Authority as Housing Authority does not have Government Fund Type funds).

GASB Statement No. 55 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* issued March 2009 effective immediately (March 2009) (Applicable to Housing Authority as it establishes the hierarchy of Generally Accepted Accounting Principles for State and Local Governments in a GASB document). This pronouncement should not result in a change from current practice.

GASB Statement No. 56 *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* issued March 2009 effective immediately (March 2009) (Applicable to Housing Authority as it establishes accounting and financial reporting standards for related party transactions, subsequent events, and going concern considerations that were previously in authoritative literature). This pronouncement should not result in a change from current practice.

GASB Statement No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* issued December 2009 effective immediately as it relates to the alternative measurement method. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in Other Post Employee Benefit (OPEB) plan financial statements for periods beginning after June 15, 2010. (Not applicable to Housing Authority)

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2009**

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

**G. OTHER POLICIES, continued**

**GASB Pronouncements, continued**

GASB Statement No. 58 *Accounting and Financial Reporting for Chapter 9 Bankruptcies* issued December 2009 effective for reporting periods beginning after June 15, 2009 (FY 2010) (Applicable to Housing Authority if the Housing Authority seeks protection from creditors under Chapter 9 of the U.S. bankruptcy Code at some future date).

**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, 2009. 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.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2009**

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

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

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.
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.



**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2009**

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

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

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.

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, 2009 Northern New Mexico Network for Rural Education had complied with its investment policy.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2009**

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

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

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.

Both accounts 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, 2009 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, 2009 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.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2009**

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

**A. CASH AND INVESTMENTS, continued**

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, 2009 the Network was not exposed to custodial credit risk because the deposits were insured.

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, 2009 and was not subject to custodial credit risk investments.

**B. ACCOUNTS RECEIVABLE**

The due accounts receivable balance of \$ 109,742 is an amount due from participants as reimbursement for allowable expenses incurred prior to June 30, 2009 and is considered to be collectible.

**C. DUE FROM GRANTORS**

The due from grantor balance of \$ 132,103 is an amount due from grantors as reimbursement for allowable expenses incurred prior to June 30, 2009 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, 2009. These temporary loans (due to/due from) balances were eliminated in the Statement of Net Assets.

At June 30, 2009 the following Due To/ Due From balances were reported on the balance sheets of the Fund Financial Statements:

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2009**

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

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

Fund 88102:	
Due from Fund 88104	\$ 35,116
Due from Fund Other Governmental	<u>5,317</u>
Total	<u>\$ 40,433</u>
Fund 88104:	
Due to Fund 88102	<u>\$ 35,116</u>
Fund Other Governmental:	
Due to Fund 88102	<u>\$ 5,317</u>

**E. CAPITAL ASSETS**

The following is a summary of changes in the Capital Assets during the year ended June 30, 2009:

	<u>Balance at July 1, 2008</u>	<u>Adjustments and Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2009</u>
Capital Assets being depreciated:				
Equipment	\$ 21,017			21,017
Less:				
Accumulated depreciation	<u>(10,694)</u>	<u>(3,263)</u>		<u>(13,957)</u>
Net capital assets	<u>\$ 10,323</u>	<u>(3,263)</u>		<u>7,060</u>

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

**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.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2009**

**4. OTHER NOTES**

**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, 2009 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.

**E. MATCH**

Northern New Mexico Network for Rural Education shall distribute a 75% match for the final year, 2011 for CFDA 84.374A. This match, in the amount of \$1,147,500, required from Espanola Public Schools and Taos Public Schools must be paid with non-federal funds, towards the cost of incentives to teachers and principals. Proposals presented to the U.S. Department of Education have been submitted, requesting to use the Three Tier Teacher Attainment Incentive Process to meet the annual matching requirement. Approval of these proposals is contingent upon the Network's continuance of funding. In the event that sufficient funds are not available to make the 75% match for final year the Network and schools could be liable for significant repayment of funds.

## **SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 NON-MAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2009

	<b>88103 Twenty First Century - Goals 2000</b>	<b>88105 PED Math/Science Institute</b>	<b>88106 Supplementary Educational Services</b>	<b>Total Other Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,667		30,852	32,519
Due from other funds		7,477		7,477
Accounts receivable			550	550
Total Assets	<u>\$ 1,667</u>	<u>7,477</u>	<u>31,402</u>	<u>40,546</u>
<b>LIABILITIES</b>				
Accounts payable	\$	2,160		2,160
Due to grantor	1,667			1,667
Due to other funds		5,317		5,317
Total Liabilities	<u>1,667</u>	<u>7,477</u>		<u>9,144</u>
<b>FUND BALANCE</b>				
Unreserved Fund Balance			31,402	31,402
Total fund balances			<u>31,402</u>	<u>31,402</u>
Total Liabilities and Fund Balances	<u>\$ 1,667</u>	<u>7,477</u>	<u>31,402</u>	<u>40,546</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, 2009

	<b>88103 Twenty First Century - Goals 2000</b>	<b>88105 PED Math/Science Institute</b>	<b>88106 Supplementary Educational Services</b>	<b>Total Other Governmental Funds</b>
Revenues:				
Federal grant	\$			
State grant		199,759		199,759
Local sources:				
Special Assessments (RCC)			152,350	152,350
Total Revenue		<u>199,759</u>	<u>152,350</u>	<u>352,109</u>
Expenditures:				
Current:				
Education:				
Support Services - Instruction		207,236	104,172	311,408
General Administration			<u>26,328</u>	<u>26,328</u>
		<u>207,236</u>	<u>130,500</u>	<u>337,736</u>
Revenues over (under) expenditures		<u>(7,477)</u>	<u>21,850</u>	<u>14,373</u>
Other financing sources (uses):				
Operating transfers in		7,477		7,477
Operating transfers out				
		<u>7,477</u>		<u>7,477</u>
Revenues and other financing sources over (under) expenditure and other financing uses			21,850	21,850
Fund balance, beginning of year			<u>9,552</u>	<u>9,552</u>
Fund balance, end of year	\$		<u><u>31,402</u></u>	<u><u>31,402</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  
 PED MATH/SCIENCE INSTITUTE - FUND 88105  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)	
	Original Budget	Final Budget		Original Budget to Final	Actual to Final Budget
Revenues:					
State grant	\$ 301,546	301,546	346,834		45,288
Total Revenue	<u>301,546</u>	<u>301,546</u>	<u>346,834</u>		<u>45,288</u>
Expenditures:					
Current:					
Education:					
Support Services - Instruction	301,546	301,546	275,245		26,301
	<u>301,546</u>	<u>301,546</u>	<u>275,245</u>		<u>26,301</u>
Revenues over (under) expenditures			71,589		18,987
Other financing sources (uses):					
Operating transfers in			7,477		7,477
Operating transfers out					
			<u>7,477</u>		<u>7,477</u>
Revenue and other financing sources over (under) expenditures and other financing uses	\$		<u>79,066</u>		<u>26,464</u>
Reconciliation to GAAP basis statements:					
Decrease in due from grantor			(147,075)		
Decrease in accounts payable			<u>68,009</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  
 SUPPLEMENTARY EDUCATIONAL SERVICES - FUND 88106  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variances</u>	
				<u>Positive (Negative)</u>	
	<u>Original Budget</u>	<u>Final Budget</u>		<u>Original Budget to Final</u>	<u>Actual to Final Budget</u>
Revenues:					
Local sources - Special Assessments	\$	220,000	151,995	220,000	(68,005)
Total Revenue		<u>220,000</u>	<u>151,995</u>	<u>220,000</u>	<u>(68,005)</u>
Expenditures:					
Current:					
Education:					
Support Services - Instruction		153,451	104,172	(153,451)	49,279
General Administration		<u>66,549</u>	<u>26,328</u>	<u>(66,549)</u>	<u>40,221</u>
		<u>220,000</u>	<u>130,500</u>	<u>(220,000)</u>	<u>89,500</u>
Revenues over (under) expenditures	\$	<u>                    </u>	21,495	<u>                    </u>	<u>21,495</u>
Reconciliation to GAAP basis statements:					
Increase in accounts receivable			355		
Decrease in accounts payable			<u>                    </u>		
Revenues over (under) expenditures - Statement 2	\$		<u>21,850</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  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2009**

	<u>Federal CFDA Number</u>	<u>Federal or Pass Through Grant/Project Number</u>	<u>Expenditures</u>
Direct Programs:			
Major Program:			
Department of Education:			
Teacher Incentives	84.374A	S374A070018	\$ 2,429,721
Non-Major Program:			
Department of Education:			
Teacher Quality Enhancement	84.336C	P336C070001	597,792
Indirect Programs:			
Passed thru the Regents of the University of New Mexico:			
National Science Foundation:			
ESPSCoR	47.080	EPS-0814449 063013	<u>35,116</u>
			<u>\$ 3,062,629</u>

- 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, 2009.
- 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**

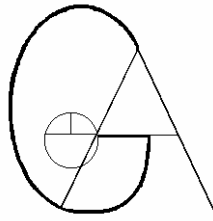
**STATE OF NEW MEXICO  
 NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
 BANK DEPOSITORIES  
 June 30, 2009**

<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	\$ 88,950		41,910	47,040
Savings	2	<u>117,828</u>	<u>          </u>	<u>          </u>	<u>117,828</u>
		<u>206,778</u>	<u>          </u>	<u>41,910</u>	<u>164,868</u>

Account Types  
 1 Checking  
 2 Savings

**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, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds and the combining and individual funds and related 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, 2009, and have issued my report thereon dated August 10, 2010. 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 over financial reporting 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 functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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

**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**

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 responses to be significant deficiencies in internal control over financial reporting.

2005-02	Timeliness of Audit Report
2009-01	Match Requirement Approval for Final Year
2009-02	Grant Funded Required Statistical Information

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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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 are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items:

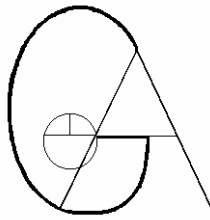
2005-02	Timeliness of Audit Report
2005-03	Timely Submission of Data Collection Form
2009-01	Match Requirement Approval for Final Year
2009-02	Grant Funded Required Statistical Information

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.



August 10, 2010



Gary E. Gaylord, C.P.A.

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

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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, 2009. 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 that could have a direct and material effect on a major federal program occurred; that an audit includes the examining, on a test basis, evidence about Northern New Mexico Network for Rural Education's compliance with those requirements and performing of such other procedures as I considered necessary in the circumstances; that I believe that my audit provides a reasonable basis for my opinion; and that 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, 2009. 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, and 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 Hayward CPA", written over a horizontal line.

August 10, 2010

## **FINDINGS AND QUESTIONED COSTS**

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2009**

**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

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, 2009**

**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
2009-01	Match Requirement Approval for Final Year
2009-02	Grant Funded Required Statistical Information

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued  
JUNE 30, 2009**

**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 15, 2010. The report is past due. The report was mailed to the Office of the State Auditor on August 11, 2010.

**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 January 27, 2010. 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, 2009**

**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, 2010. 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  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued  
JUNE 30, 2009**

**2009-01      MATCH REQUIREMENT APPROVAL FOR FINAL YEAR**

**Statement of Condition:**

The U.S. Department of Education requires, for the CFDA 84.376 A funding, that final year match of 75% be proposed and approved prior to 2011 payout. The proposals have been sent without approval, due to pending concerns.

**Criteria:**

The U.S. Department of Education requires the Northern New Mexico Network for Rural Education to distribute a 75% match for the final year, 2011 for CFDA 84.374A. This match in the amount of \$1,147,500, pertains to Espanola and Taos Public Schools. 75% match must be paid with non-federal funds towards the cost of incentives to teachers and principals.

**Effect:**

Approval of these proposals is contingent upon the Network's continuance of the grant programs. In the event that sufficient funds are not available to make the 75% match for final year the Network and the participating Districts may be required to repay the monies expended. Additionally, future support by the U.S. Department of Education could be adversely affected.

**Cause:**

Proposals presented to the U.S. Department of Education have been submitted with proper quantifiable evidence and breakdown of the matching process, requesting and presenting to use the Three Tier Teacher Attainment Incentive Process to meet the annual matching requirement in addition to using the four year cumulative level payments. U.S. Department of Education has requested further information due to concerns in attainment of non-federal funds by 2011, although NNMN has presented all cumulative and basis information.

**Recommendation:**

Northern New Mexico Network for Rural Education should make approval for 75% funding in the final year (2011) top priority.

**Response:**

The Northern New Mexico Network will continue to work with the U. S. Department of Education and provide them with any additional information requested. Although the Network believes that it has provided the U.S. Department of Education with sufficient and quantifiable evidence to support the 75% matching requirement.



**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued  
JUNE 30, 2009**

**2009-02      GRANT FUNDED REQUIRED STATISTICAL INFORMATION**

**Statement of Condition:**

The U.S. Department of Education requires, for the Teacher Incentive Fund (TIF), that statistical information be obtained, in regard to program teachers and their student levels of achievement. The required information is to support the payments made to participating staff of the District.

**Criteria:**

Approval for payouts under the Student Achievement portion of the Teacher Incentive Fund (TIF), were based upon student achievement gains measured on a school wide basis during the 2008-2009 school year. This school wide rating was to be tallied and totaled by school, from information on each approved program teacher, noting the increase, decrease or no change, which would then reflect the school wide points, so that all participating staff within the school would receive the incentive funds.

**Effect:**

Improper documentation of statistical information would allow or disallow school personnel to receive incentive income incorrectly. We noted in at least one instance a teacher was paid incorrectly.

**Cause:**

The compiling of statistical information required under the grant was a new process for the Espanola School District and numerous exceptions to standards for gathering the required information were encountered. The following were noted: change in teacher names were not noted, persons who taught at more than one school, their points were not recorded, persons who resigned, retired or was not rehired were dropped from the list, when teachers moved from one school to the next their points were not recorded to the proper school and some teachers did not submit proper documentation of points, which made for less than perfect statistical information.

**Recommendation:**

Northern New Mexico Network for Rural Education should designate proper procedures for the School Districts for better statistical accumulation of information.

**Response:**

Northern New Mexico Network for Rural Education should designate proper procedures for the School Districts for better statistical accumulation of information.

**STATE OF NEW MEXICO  
NORTHERN NEW MEXICO NETWORK FOR RURAL EDUCATION  
EXIT CONFERENCE  
JUNE 30, 2009**

**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 August 10, 2010. In attendance were the following:

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

Loren Cushman	President
Carlos Atencio	Executive Director
Isaac Martinez	Finance Director

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

Gary E. Gaylord, CPA	Auditor-In-Charge
Sunraina Carrillo	Staff Auditor