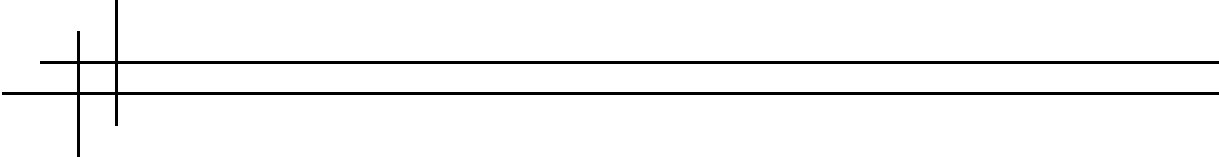


STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**

**ANNUAL FINANCIAL REPORT**  
June 30, 2011

**De'Aun Willoughby CPA, PC**  
Certified Public Accountant  
Melrose, New Mexico



STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
 Table of Contents  
 For the Year Ended June 30, 2011

---

	<u>Page</u>
Official Roster.....	4
Independent Auditor's Report.....	5-6

**FINANCIAL SECTION**

Basic Financial Statements

Government Wide Financial Statements	
Statement of Net Assets.....	8
Statement of Activities.....	9
Fund Financial Statements	
Government Funds - Balance Sheet.....	10-12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	14-16
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	17

**MAJOR FUNDS**

**General Fund-29101**

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	19
--	----

**REC Operating Fund-27101**

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	20-21
--	-------

**SPECIAL REVENUE FUNDS**

**IDEA B State Level-24107**

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	22
--	----

**Sped-Tech Assistance & Dissemination-24151**

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	23
--	----

**State Directed-27200**

Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget (Budgetary Basis) and Actual.....	24-25
---	-------

Notes to Financial Statements.....	26-36
------------------------------------	-------

	<u>Page</u>
<b>SUPPLEMENTARY INFORMATION RELATED TO NON MAJOR FUNDS</b>	
<b>SPECIAL REVENUE FUNDS</b>	
Combining Balance Sheet.....	39-40
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	41-42
<b>IDEA B Entitlement-24106</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	43
<b>IDEA Preschool-24109</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	44
<b>Distant Learning-25198</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	45
<b>Partnerships in Character Education-25240</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	46
<b>Advance Placement-27129</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget (Budgetary Basis) and Actual.....	47
<b>OTHER SUPPLEMENTAL INFORMATION</b>	
Cash Reconciliation.....	49
<b>FEDERAL COMPLIANCE</b>	
Schedule of Expenditures of Federal Awards.....	51
Notes to the Schedule of Expenditures of Federal Awards.....	52
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> .....	53-54
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	55-56
Schedule of Findings and Questioned Costs .....	57-58

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Official Roster  
June 30, 2011

---

**BOARD**

Albert Martinez	President
Thomas Garcia	Vice-President
Ted Hern	Secretary
Roy Herrera	Member
Ruben Cordova	Member

**ADMINISTRATIVE**

James A Abreu	Director
Mary A Sanchez	Financial Officer

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

## Independent Auditor's Report

Mr. Hector Balderas  
State Auditor of the State of New Mexico  
Board Members of the Northeast Regional Education Cooperative # 4

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4 (REC), as of and for the year ended June 30, 2011, which collectively comprise the REC's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the REC's nonmajor governmental funds, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the REC's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the REC as of June 30, 2011, 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. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the REC as of June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparisons for 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*, we have also issued our report dated August 29, 2010, on our consideration of the REC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The REC has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements and budgetary comparisons presented as supplemental information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the 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. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*De'Aun Willoughby, CPA PC*

August 29, 2010

## **FINANCIAL SECTION**

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
 Government-Wide Statement of Net Assets  
 June 30, 2011

---

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 263,431
Due from Grantor	429,530
Total Current Assets	<u>692,961</u>
Noncurrent Assets	
Capital Assets	1,112,630
Less: Accumulated Depreciation	<u>(608,947)</u>
Total Noncurrent Assets	<u>503,683</u>
Total Assets	<u>1,196,644</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	54,024
Deferred Revenue	<u>66</u>
Total Current Liabilities	<u>54,090</u>
Noncurrent Liabilities	
Compensated Absences	<u>15,980</u>
Total Noncurrent Liabilities	<u>15,980</u>
Total Liabilities	<u>70,070</u>
<b>NET ASSETS</b>	
Invested in Capital Assets	503,683
Unrestricted	<u>622,891</u>
Total Net Assets	<u>\$ 1,126,574</u>

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



STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
 Government-Wide Statement of Activities  
 For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 147,914	\$ 0	\$ 147,915	\$ 0
Support Services				
Students	875,077	63,122	779,716	0
Instruction	50,893	0	16,685	0
General Administration	26,505	0	29,076	0
School Administration	336,831	0	336,831	0
Central Services	96,325	0	96,609	0
Operation of Plant	16,586	0	16,585	0
Total Governmental Activities	<u>\$ 1,550,131</u>	<u>\$ 63,122</u>	<u>\$ 1,423,417</u>	<u>\$ 0</u>
General Revenues				
Miscellaneous				0
Subtotal, General Revenues				<u>0</u>
Change in Net Assets				(63,592)
Net Assets - beginning				<u>1,190,166</u>
Net Assets - ending				<u>\$ 1,126,574</u>

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
SPECIAL REVENUE FUNDS  
Balance Sheet  
June 30, 2011

	General		Special
			Revenue
	General 29101	Special REC Operating 27101	IDEA B State Level 24107
<b>ASSETS</b>			
Cash	\$ 96,506	\$ 163,931	\$ 0
Receivables			
Due From Grantor	0	0	25,174
Interfund Balance	378,681	0	0
Total Assets	<u>\$ 475,187</u>	<u>\$ 163,931</u>	<u>\$ 25,174</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 0	\$ 3,175	\$ 147
Deferred Revenue	0	0	0
Interfund Balance	0	0	25,027
Total Liabilities	<u>0</u>	<u>3,175</u>	<u>25,174</u>
Fund Balance			
Restricted for, reported in Special Revenue Funds	0	0	0
Unassigned, reported in:			
General Fund	475,187	160,756	0
Total Fund Balance	<u>475,187</u>	<u>160,756</u>	<u>0</u>
Total Liabilities & Fund Balance	<u>\$ 475,187</u>	<u>\$ 163,931</u>	<u>\$ 25,174</u>

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPER.**  
SPECIAL REVENUE FUNDS  
Balance Sheet  
June 30, 2011

	<u>Special Revenue</u>		
	<u>SpEd-Tech Assistance &amp; Dissemination 24151</u>	<u>IDEA B State Directed 27200</u>	<u>Other Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 0	\$ 0	\$ 2,994
Receivables			
Due From Grantor	283,844	79,680	40,832
Interfund Balance	0	0	0
Total Assets	<u>\$ 283,844</u>	<u>\$ 79,680</u>	<u>\$ 43,826</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 43,742	\$ 350	\$ 6,610
Deferred Revenue	0	0	66
Interfund Balance	240,102	79,330	34,222
Total Liabilities	<u>283,844</u>	<u>79,680</u>	<u>40,898</u>
Fund Balance			
Restricted for, reported in			
Special Revenue Funds	0	0	2,928
Unassigned, reported in:			
General Fund	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>2,928</u>
Total Liabilities & Fund Balance	<u>\$ 283,844</u>	<u>\$ 79,680</u>	<u>\$ 43,826</u>

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPER.**  
SPECIAL REVENUE FUNDS  
Balance Sheet  
June 30, 2011

---

	<u>TOTAL</u>
<b>ASSETS</b>	
Cash	\$ 263,431
Receivables	
Due From Grantor	429,530
Interfund Balance	<u>378,681</u>
Total Assets	<u>\$ 1,071,642</u>
 <b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 54,024
Deferred Revenue	66
Interfund Balance	<u>378,681</u>
Total Liabilities	<u>432,771</u>
Fund Balance	
Restricted for, reported in	
Special Revenue Funds	2,928
Unassigned, reported in:	
General Fund	<u>635,943</u>
Total Fund Balance	<u>638,871</u>
 Total Liabilities & Fund Balance	 <u>\$ 1,071,642</u>

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Assets  
 June 30, 2011

---

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

Total Fund Balance - Governmental Funds	\$	638,871
---	----	---------

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	\$	1,112,630	
Accumulated depreciation		<u>(608,947)</u>	503,683

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Compensated Absences		<u>(15,980)</u>
----------------------	--	-----------------

Total Net Assets - Governmental Activities	\$	<u><u>1,126,574</u></u>
--	----	-------------------------

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
SPECIAL REVENUE FUNDS  
Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2011

	General		Special Revenue
	General 29101	Special REC Operating 27101	IDEA B State Level 24107
Revenues			
Charge for Services	\$ 63,122	\$ 0	\$ 0
State Grants	0	136,440	0
Federal Grants	0	0	150,288
Total Revenues	<u>63,122</u>	<u>136,440</u>	<u>150,288</u>
Expenditures			
Current Operations			
Instruction	0	0	0
Support Services-Students	5,400	1,634	148,288
Support Services-Instruction	0	50,893	0
Support Services General Administration	0	5,208	0
Support Services- School Administration	0	55,756	0
Central Services	0	51,572	0
Operation of Plant	0	5,585	2,000
Total Expenditures	<u>5,400</u>	<u>170,648</u>	<u>150,288</u>
Net Change in Fund Balance	57,722	(34,208)	0
Fund Balance Beginning of Year	<u>417,465</u>	<u>194,964</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 475,187</u>	<u>\$ 160,756</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPER.**  
SPECIAL REVENUE FUNDS  
Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2011

	Special Revenue		
	SpEd-Tech Assistance & Dissemination 24151	IDEA B State Directed 27200	Other Governmental Funds
Revenues			
Charge for Services	\$ 0	\$ 0	\$ 0
State Grants	0	0	3,178
Federal Grants	672,087	304,199	157,225
Total Revenues	<u>672,087</u>	<u>304,199</u>	<u>160,403</u>
Expenditures			
Current Operations			
Instruction	0	83,276	64,639
Support Services-Students	507,056	34,348	85,462
Support Services-Instruction	0	0	0
Support Services General Administration	0	16,494	7,374
Support Services- School Administration	165,031	116,044	0
Central Services	0	45,037	0
Operation of Plant	0	9,000	0
Total Expenditures	<u>672,087</u>	<u>304,199</u>	<u>157,475</u>
Net Change in Fund Balance	0	0	2,928
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,928</u>

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPER.**  
SPECIAL REVENUE FUNDS  
Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2011

---

	<u>TOTAL</u>
Revenues	
Charge for Services	\$ 63,122
State Grants	139,618
Federal Grants	<u>1,283,799</u>
Total Revenues	<u>1,486,539</u>
Expenditures	
Current Operations	
Instruction	147,915
Support Services-Students	782,188
Support Services-Instruction	50,893
Support Services General Administration	29,076
Support Services- School Administration	336,831
Central Services	96,609
Operation of Plant	<u>16,585</u>
Total Expenditures	<u>1,460,097</u>
Net Change in Fund Balance	26,442
Fund Balance Beginning of Year	<u>612,429</u>
Fund Balance End of Year	<u>\$ 638,871</u>

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



STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 To the Statement of Activities  
 June 30, 2011

---

Excess (Deficiency) of Revenues Over Expenditures-Governmental Funds \$ 26,442

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs 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 depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (88,110)	
Capital Outlays	<u>0</u>	(88,110)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2010	14,056	
Compensated Absences, June 30, 2011	\$ <u>(15,980)</u>	<u>(1,924)</u>

Changes in Net Assets of Governmental Activities \$ (63,592)

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

## **MAJOR FUNDS**

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
GENERAL FUND-GENERAL-29101  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Charge for Services	\$ 0	\$ 0	\$ 63,121	\$ 63,121
Total Revenues	<u>0</u>	<u>0</u>	<u>63,121</u>	<u>63,121</u>
<b>Expenditures</b>				
Support Services-Students				
Other Purchased Services	5,400	5,400	5,400	0
Total Support Services-Students	<u>5,400</u>	<u>5,400</u>	<u>5,400</u>	<u>0</u>
Total Expenditures	<u>5,400</u>	<u>5,400</u>	<u>5,400</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,400)	(5,400)	57,721	63,121
Cash Balance Beginning of Year	<u>417,466</u>	<u>417,466</u>	<u>417,466</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 412,066</u>	<u>\$ 412,066</u>	<u>\$ 475,187</u>	<u>\$ 63,121</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 57,721</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 57,721</u>	

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
SPECIAL REVENUE FUND-REC OPERATING FUND-27101  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 133,300	\$ 133,300	\$ 136,440	\$ 3,140
Total Revenues	<u>133,300</u>	<u>133,300</u>	<u>136,440</u>	<u>3,140</u>
<b>Expenditures</b>				
<b>Support Services-Students</b>				
Professional & Tech Services	2,000	2,000	1,734	266
Total Support Services-Students	<u>2,000</u>	<u>2,000</u>	<u>1,734</u>	<u>266</u>
<b>Support Services-Instruction</b>				
Professional & Tech Services	0	32,290	7,493	24,797
Other Purchased Services	0	40,210	40,205	5
Supplies	0	2,833	2,795	38
Total Support Services-Instruction	<u>0</u>	<u>75,333</u>	<u>50,493</u>	<u>24,840</u>
<b>Support Services-General Administration</b>				
Professional & Tech Services	3,000	3,000	0	3,000
Other Purchased Services	2,000	2,000	1,042	958
Supplies	5,744	5,744	2,752	2,992
Supply Assets	1,000	1,000	164	836
Total Support Services-General Administration	<u>11,744</u>	<u>11,744</u>	<u>3,958</u>	<u>7,786</u>
<b>Support Services-School Administration</b>				
Professional & Tech Services	50,000	42,977	38,067	4,910
Other Purchased Services	12,000	19,023	18,373	650
Total Support Services-School Administration	<u>62,000</u>	<u>62,000</u>	<u>56,440</u>	<u>5,560</u>
<b>Central Services</b>				
Personnel Services	20,000	39,165	39,165	0
Employee Benefits	5,000	12,835	12,407	428
Total Central Services	<u>25,000</u>	<u>52,000</u>	<u>51,572</u>	<u>428</u>
<b>Operation &amp; Maintenance of Plant</b>				
Purchased Property Services	4,000	4,000	4,000	0
Other Purchased Services	3,000	3,000	123	2,877
Total Operation & Maintenance of	<u>7,000</u>	<u>7,000</u>	<u>4,123</u>	<u>2,877</u>
Total Expenditures	\$ <u>107,744</u>	\$ <u>210,077</u>	\$ <u>168,320</u>	\$ <u>41,757</u>

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
SPECIAL REVENUE FUND-REC OPERATING FUND-27101  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Excess (Deficiency) of Revenues Over Expenditures	\$ 25,556	\$ (76,777)	\$ (31,880)	\$ 44,897
Cash Balance Beginning of Year	195,811	195,811	195,811	0
Cash Balance End of Year	<u>\$ 221,367</u>	<u>\$ 119,034</u>	<u>\$ 163,931</u>	<u>\$ 44,897</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (31,880)	
Net Change in Accounts Payable			<u>(2,328)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (34,208)</u>	

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
SPECIAL REVENUE FUND-IDEA B STATE LEVEL-24107  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 257,285	\$ 257,285	\$ 232,053	\$ (25,232)
Total Revenues	<u>257,285</u>	<u>257,285</u>	<u>232,053</u>	<u>(25,232)</u>
<b>Expenditures</b>				
<b>Support Services-Students</b>				
Personnel Services	50,417	53,146	53,146	0
Employee Benefits	20,779	23,016	23,011	5
Professional & Tech Services	35,000	34,971	34,773	198
Purchased Property Services	3,000	2,431	2,431	0
Other Purchased Services	34,685	27,033	27,032	1
Supplies	3,000	3,824	3,824	0
Supply Assets	1,500	3,960	3,959	1
Total Support Services-Students	<u>148,381</u>	<u>148,381</u>	<u>148,176</u>	<u>205</u>
<b>Operation &amp; Maintenance of Plant</b>				
Purchased Property Services	2,000	2,000	2,000	0
Total Operation & Maintenance of Plant	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>
Total Expenditures	<u>150,381</u>	<u>150,381</u>	<u>150,176</u>	<u>205</u>
Excess (Deficiency) of Revenues Over Expenditures	106,904	106,904	81,877	(25,027)
Cash Balance Beginning of Year	<u>(106,904)</u>	<u>(106,904)</u>	<u>(106,904)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (25,027)</u>	<u>\$ (25,027)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 81,877	
Net Change in Due from Grantor			(81,764)	
Net Change in Accounts Payable			(113)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

## STATE OF NEW MEXICO

**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**

## SPECIAL REVENUE FUND-SPED-TECH ASSISTANCE &amp; DISSEMINATION-24151

## Statement of Revenues, Expenditures, and Changes in Cash Balance -

## Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 786,993	\$ 1,004,719	\$ 528,454	\$ (476,265)
Total Revenues	<u>786,993</u>	<u>1,004,719</u>	<u>528,454</u>	<u>(476,265)</u>
<b>Expenditures</b>				
<b>Support Services-Students</b>				
Professional & Tech Services	113,340	243,326	200,467	42,859
Purchased Property Services	7,200	7,200	0	7,200
Other Purchased Services	300,000	281,338	243,714	37,624
Supplies	50,000	74,382	24,162	50,220
Supply Assets	5,000	29,750	20,989	8,761
Total Support Services-Students	<u>475,540</u>	<u>635,996</u>	<u>489,332</u>	<u>146,664</u>
<b>Support Services-School Administration</b>				
Personnel Services	150,000	182,900	124,154	58,746
Employee Benefits	47,260	71,630	40,877	30,753
Total Support Services-School Administration	<u>197,260</u>	<u>254,530</u>	<u>165,031</u>	<u>89,499</u>
Total Expenditures	<u>672,800</u>	<u>890,526</u>	<u>654,363</u>	<u>236,163</u>
Excess (Deficiency) of Revenues Over Expenditures	114,193	114,193	(125,909)	(240,102)
Cash Balance Beginning of Year	<u>(114,193)</u>	<u>(114,193)</u>	<u>(114,193)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (240,102)</u>	<u>\$ (240,102)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (125,909)	
Net Change in Due from Grantor			143,633	
Net Change in Accounts Payable			(17,724)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
SPECIAL REVENUE FUND-STATE DIRECTED-27200  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 599,777	\$ 599,777	\$ 515,191	\$ (84,586)
Total Revenues	<u>599,777</u>	<u>599,777</u>	<u>515,191</u>	<u>(84,586)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Professional & Tech Services	18,809	7,559	7,412	147
Other Purchased Services	27,446	18,304	17,738	566
Supplies	35,254	39,846	36,492	3,354
Supply Assets	6,500	22,300	21,634	666
Total Instruction	<u>88,009</u>	<u>88,009</u>	<u>83,276</u>	<u>4,733</u>
<b>Support Services-Students</b>				
Professional & Tech Services	5,000	6,678	6,652	26
Other Purchased Services	26,026	22,726	22,725	1
Supplies	3,000	4,622	4,621	1
Total Support Services-Students	<u>34,026</u>	<u>34,026</u>	<u>33,998</u>	<u>28</u>
<b>Support Services-General Administration</b>				
Professional & Tech Services	8,500	1,400	1,399	1
Purchased Property Services	8,000	9,133	9,132	1
Other Purchased Services	0	1,000	1,000	0
Supplies	0	2,178	2,175	3
Supply Assets	0	2,789	2,789	0
Total Support Services-General Administration	<u>16,500</u>	<u>16,500</u>	<u>16,495</u>	<u>5</u>
<b>Support Services-School Administration</b>				
Personnel Services	84,175	81,325	81,305	20
Employee Benefits	32,354	35,204	34,738	466
Total Support Services-School Administration	<u>116,529</u>	<u>116,529</u>	<u>116,043</u>	<u>486</u>
<b>Central Services</b>				
Personnel Services	35,000	36,589	36,589	0
Employee Benefits	10,041	8,452	8,448	4
Total Central Services	<u>\$ 45,041</u>	<u>\$ 45,041</u>	<u>\$ 45,037</u>	<u>\$ 4</u>



STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
SPECIAL REVENUE FUND-STATE DIRECTED-27200  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Operation & Maintenance of Plant				
Purchased Property Services	\$ 6,000	\$ 7,800	\$ 7,800	\$ 0
Other Purchased Services	3,000	1,200	1,200	0
Total Operation & Maintenance of Plant	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>0</u>
Total Expenditures	<u>309,105</u>	<u>309,105</u>	<u>303,849</u>	<u>5,256</u>
Excess (Deficiency) of Revenues Over Expenditures	290,672	290,672	211,342	(79,330)
Cash Balance Beginning of Year	<u>(290,672)</u>	<u>(290,672)</u>	<u>(290,672)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (79,330)</u>	<u>\$ (79,330)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 211,342	
Net Change in Due from Grantor			(210,993)	
Net Change in Account Payables			<u>(349)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Northeast Regional Education Cooperative # 4 (Cooperative) , has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the REC's accounting policies are described below.

**Financial Reporting Entity**

The ten Regional Cooperative Centers established throughout New Mexico in 1984 were originally organized to provide supplementary special education services to local education agencies utilizing federal PL 94-142 funds.

The role of the Cooperatives has expanded under the authorization of the regional coordinating councils to include a variety of other projects, both federally funded and funded from other sources.

The REC through the governing council, has established as its purpose the delivery to local RECs and communities those services deemed critical to the ongoing success of regular and special education programs provided by the local agencies.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the REC is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the REC may, without the approval or consent of another governmental entity, determine or modify its own budget with approval of the Public Education Department.

The REC has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected REC members are financially accountable. There are no other primary governments with which the Board Members are financially accountable.

The accounts of the REC are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The following funds are used by the REC:

***Governmental Funds***

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

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

The REC reports the following major governmental funds:

**GENERAL FUND**

**Operating Fund (29101)(27101)**

To account for revenues and expenditures from state and local sources for a specified purpose. The fund was created by grant provisions.

**SPECIAL REVENUE FUNDS**

**IDEA Discretionary (24107)**

To account for a program funded by a Federal grant to assist the REC in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

**Special Education Tech Assistance & Dissemination (24151)**

To plan, coordinate, and implement the State Performance Plan Improvement Project activities to include coordinating professional development and technical assistance to NM School RECs assigned the Determination of Needs Intervention.

**State Directed Activities (27200)**

To account for a program funded by a Federal grant to assist the REC in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

Additionally, the REC reports the following as non-major fund types:

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

**Measurement Focus and Basis of Accounting**  
***Government-Wide Financial Statements (GWFS)***

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

**Program Revenues**

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the REC's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the REC's general revenues. Program revenues include charge for services from member RECs and program-specific operating grants funded by the Federal Department of Education and the State Public Education Department.

**Fund Financial Statements (FFS)**  
**Governmental Funds**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the REC financial statements.

**Revenues**

*Entitlement and shared revenues* are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

*Other receipts become measurable and available when cash is received by the REC and are recognized as revenue at that time.*

**Revenue Recognition for Grants.**

Eligibility requirements for government-mandated and voluntary nonexchange transaction comprise one or more of the following:

1. Required characteristics of recipients. The recipient has the characteristics specified by the provider (are required to be school RECs and RECs).
2. Time requirements. Time requirements specified by enabling legislation or the provider have been met (period when the resources are required to be used).
3. Reimbursements. The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.
4. Contingencies. The providers offer of resources is contingent upon a specified action of the recipient and that action has occurred (the recipient has raised the matching funds).

**Expenditures**

*Salaries* are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore are not accrued. Salaries for the twelve month employees payroll are accrued.

**Other Financing Sources (Uses)**

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

**Basis of Budgeting**

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General and Special Revenue Funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis.

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

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the REC for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the REC shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local board at the public hearing of which notice has been published by the local board which fixed the estimated budget for the REC for the ensuing fiscal year.
3. The "operating" budget will be used by the REC until they have been notified that the budget has been approved by the SBFAU and the local board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. The REC shall make corrections, revisions and amendments to the estimated budgets fixed by the local board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAU.
5. No board member or officer or employee of the REC shall make any expenditures or incur any obligation for the expenditures 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.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the REC and approved by the SBFAU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the REC has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

#### Cash and Cash Equivalents

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

The REC is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Notes to the Financial Statements  
June 30, 2011

---

Investments

All money not immediately necessary for the public uses of the REC may be invested in :

(a) bonds or negotiable securities of the United States, the state or any county, municipality or school which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or

(b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

Receivables include interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Capital Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the REC as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Infrastructure	30 Years
Buildings	50 Years
Building Improvements	20 Years
Vehicles	2-15 Years
Equipment	3-15 Years
Information Technology Equipment and Software	3-5 Years
Library Books (if material)	3-5 Years

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Notes to the Financial Statements  
June 30, 2011

---

Restricted Net Assets

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net assets use are either:

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

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Restricted fund balance indicates that portion of fund equity which has been segregated for specific purposes.

Unassigned fund balance indicates that portion of fund equity which is available for budgeting in future periods.

Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Deferred Revenue

The REC reports deferred revenues on its Statement of Net Assets and Fund Balance Sheet. Deferred revenues arise when resources are received by the REC before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. Unexpended amounts revert back to the grantor. In subsequent periods, when the REC has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. Deferred revenues also occur in the fund financial statement when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year.

Compensated Absences

All 12-month or full time employees earn vacation and sick leave in amounts varying with tenure and classification. Employees earn 10 days if employed less than 3 years and 15 days if employed more than 3 years. There is no maximum accumulation.

The REC's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

- (a) The employees' right to receive compensation is attributable to services already rendered.
- (b) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The entire compensated absence liability is reported on the government-wide financial statements.

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Notes to the Financial Statements  
June 30, 2011

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B: DEPOSIT AND INVESTMENTS**

The REC is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<u>Name of Account</u>	Balance Per Bank 06-30-11	Reconciled Balance	Type
NEREC	\$ 431,903	\$ 263,431	Checking
TOTAL Deposited	431,903	<u>263,431</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	181,903		
50% collateral requirement	90,952		
Pledged securities	306,174		
Over (Under) requirement	<u>\$ 215,223</u>		

The following securities are pledged at Bank of Las Vegas:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FHLB	3133XVNT4	\$ 306,174	41,257	Federal Home Loan Bank-
		<u>\$ 306,174</u>		Dallas, TX

**Custodial Credit Risk-Deposits**

<u>Depository Account</u>	Bank Balance
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in REC's name	181,903
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 431,903</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2011 none of the REC's bank balance of \$431,903 was exposed to custodial credit risk.



STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Notes to the Financial Statements  
June 30, 2011

**NOTE C: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund Balances during the year ending June 30, 2011 were as follows:

Receivable Fund	Payable Funds			
	IDEA B State Level 24107	SpEd-Tech Assistance & Dissemination 24151	IDEA B State Directed 27200	Other Governmental Funds
General	\$ 25,174	\$ 283,844	\$ 79,680	\$ 40,832
Totals	\$ 25,174	\$ 283,844	\$ 79,680	\$ 40,832

The above interfund balances resulted from reimbursement grants. The shortfalls were covered by the General Fund. All transactions will be repaid within one year.

**NOTE D: CAPITAL ASSETS**

Capital Assets Balances and Activity for the fiscal year end is as follows:

	Beginning Balance 06/30/10	Increases	Deletions	Ending Balance 06/30/11
<b>Governmental Activities</b>				
Other Capital Assets				
Equipment	\$ 1,112,630	\$ 0	\$ 0	\$ 1,112,630
Total Capital Assets at Historical Cost	<u>1,112,630</u>	<u>0</u>	<u>0</u>	<u>1,112,630</u>
<b>Less Accumulated Depreciation</b>				
Equipment	<u>520,837</u>	<u>88,110</u>	<u>0</u>	<u>608,947</u>
Total Accumulated Depreciation	<u>520,837</u>	<u>88,110</u>	<u>0</u>	<u>608,947</u>
Capital Assets, net	<u>\$ 591,793</u>	<u>\$ (88,110)</u>	<u>\$ 0</u>	<u>\$ 503,683</u>

Depreciation expense was charged to governmental activities as follows:

Support Services-Students	\$ 88,110
Total depreciation expenses	<u>\$ 88,110</u>

**NOTE E: DEFERRED REVENUES**

There was \$3 of deferred revenues Distant Learning (25198) and \$63 for Partnerships in Character Education (25240) for the year ended June 30, 2011.

**NOTE F: COMPENSATED ABSENCES**

The following is a summary of compensated absences transactions:

Accrued compensated absences, July 1, 2010	\$ 14,056
Current year additions	11,130
Current year retirements	(9,206)
Accrued compensated absences, June 30, 2011	<u>\$ 15,980</u>

The compensated absences are shown on the balance sheet of the General Fund. The liability is expected to be retired within the year. Typically the general fund retires the compensated absences.

**NOTE G: PENSION PLAN**

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

Effective July 1, 2009 through June 30, 2011, plan members were required by state statute to contribute 7.9% of their gross salary if they earn \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.4% of their gross salary. The REC was required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 10.9% of the gross covered salary of employees earning more than \$20,000 annually. Effective July 1, 2011 plan members are required by statute to continue 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually are required to contribute 11.15% of their gross salary. The REC is required to contribute 12.4% of gross covered salary for employees earning \$20,000 or less, and 9.15% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the REC are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The REC's contributions to ERB for the fiscal years ending June 30, 2011, 2010, and 2009, were \$81,833, \$95,632 and \$104,050 respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE H: RETIREE HEALTH CARE ACT CONTRIBUTIONS**

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

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

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

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

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the RHCA, Albuquerque State Government Center, 401 Roma, NW, Suite 200, Albuquerque, New Mexico 87102.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
2012	1.834%	0.917%
2013	2.000%	1.000%

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

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

The REC's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$10,074 \$9,187 and \$10,725 respectively, which equal the required contributions for each year.

**NOTE I: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS**

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Notes to the Financial Statements  
June 30, 2011

---

B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are located at the bottom of each budget actual schedule.

Reconciliations are located at the bottom of each budget actual.

**NOTE J: INSURANCE COVERAGE**

The REC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The REC is insured through Risk Management. Annual premiums are paid by the REC for coverage provided in the following areas:

- Workers Compensation
- Property and Automobile Liability and Physical Damage
- Liability and Civil Rights and Personal Injury
- Crime

**NOTE K: SURETY BOND**

The officials and certain employees of the NEREC are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

**NOTE L: JOINT POWERS AGREEMENTS AND OTHER AGREEMENTS**

Mora, Las Vegas City, Pecos, Santa Rosa, West Las Vegas and Wagon Mound Public Schools (Member Districts) and Regional Education Cooperative #4

On December 20, 2007 the Cooperative entered into an Agreement with the Member Districts whereby the Member District may provide for the efficient delivery of education-related services provided from funding under Part B of the Individuals with Disabilities Education Act, 20 U.S.C. et seq. ("IDEA") and funded by the New Mexico Public Education Department ("NMPED"). The Cooperative will serve as a fiscal agent, accounting and reporting services on behalf of the Member Districts named herein receiving funding under a grant or other award provided from funding under Part B of the IDEA and/or any other funding source. A Member District must notify REC of any intention to withdraw its agreement to have REC serve as its fiscal agent on or before February 1st preceding the end of the last fiscal year it intends to have REC serve as the fiscal agent.

**SUPPLEMENTAL INFORMATION RELATED TO  
NON MAJOR FUNDS**

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
June 30, 2011

**SPECIAL REVENUE FUNDS**

**IDEA Part B Special Education Cluster (24106)(24109)**

To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

**Distance Learning (25198)**

To encourage and improve the use of telemedicine, telecommunications, computer networks, and related advanced technologies to provide educational and medical benefits through distance learning and telemedicine projects to people living in rural areas and to improve rural opportunities. Federal Agriculture Improvement and Reform Act of 1996, Title VII, Public Law 104-127, 7 U.S.C 950.

**Partnerships in Character Education (25240)**

The objective of this program is to assist NEREC in providing free appropriate public education to rural areas. The fund was created by the authority of federal grant provisions.

**Advanced Replacement (27129)**

To account for revenues and expenditures provided to promote and expand Advanced Placement Education in rural school districts. The Fund was created by the authority of federal grant provisions (Laws 2005 Chapter 33.

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
June 30, 2011

---

	IDEA B Entitlement 24106	IDEA Preschool 24109	Distant Learning 25198
<b>ASSETS</b>			
Cash	\$ 0	\$ 0	\$ 3
Receivables			
Due From Grantor	36,220	4,612	0
Total Assets	<u>\$ 36,220</u>	<u>\$ 4,612</u>	<u>\$ 3</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 4,583	\$ 2,027	\$ 0
Deferred Revenue	0	0	3
Interfund Balance	31,637	2,585	0
Total Liabilities	<u>36,220</u>	<u>4,612</u>	<u>3</u>
Fund Balance			
Restricted for, reported in			
Special Revenue Funds	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities & Fund Balance	<u>\$ 36,220</u>	<u>\$ 4,612</u>	<u>\$ 3</u>

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPER.**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
June 30, 2011

	Partnerships in Character Education 25240	Advanced Placement 27129	TOTAL
<b>ASSETS</b>			
Cash	\$ 63	\$ 2,928	\$ 2,994
Receivables			
Due From Grantor	0	0	40,832
Total Assets	<u>\$ 63</u>	<u>\$ 2,928</u>	<u>\$ 43,826</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 6,610
Deferred Revenue	63	0	66
Interfund Balance	0	0	34,222
Total Liabilities	<u>63</u>	<u>0</u>	<u>40,898</u>
Fund Balance			
Restricted for, reported in			
Special Revenue Funds	0	2,928	2,928
Total Fund Balance	<u>0</u>	<u>2,928</u>	<u>2,928</u>
Total Liabilities & Fund Balance	<u>\$ 63</u>	<u>\$ 2,928</u>	<u>\$ 43,826</u>

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



STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
SPECIAL REVENUE FUNDS  
Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2011

---

	IDEA B Entitlement 24106	IDEA Preschool 24109	Distant Learning 25198
Revenues			
State Grants	\$ 0	\$ 0	\$ 0
Federal Grants	88,822	11,549	41,324
Total Revenues	<u>88,822</u>	<u>11,549</u>	<u>41,324</u>
Expenditures			
Current Operations			
Instruction	53,090	11,549	0
Support Services-Students	35,732	0	41,324
Support Services General Administration	0	0	0
Total Expenditures	<u>88,822</u>	<u>11,549</u>	<u>41,324</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPER.**  
SPECIAL REVENUE FUNDS  
Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2011

---

	Partnerships in Character Education 25240	Advanced Placement 27129	TOTAL
Revenues			
State Grants	\$ 0	\$ 3,178	\$ 3,178
Federal Grants	15,530	0	157,225
Total Revenues	<u>15,530</u>	<u>3,178</u>	<u>160,403</u>
Expenditures			
Current Operations			
Instruction	0	0	64,639
Support Services-Students	8,156	250	85,462
Support Services General Administration	7,374	0	7,374
Total Expenditures	<u>15,530</u>	<u>250</u>	<u>157,475</u>
Excess (Deficiency) of Revenues Over Expenditures	0	2,928	2,928
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 2,928</u>	<u>\$ 2,928</u>

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
SPECIAL REVENUE FUND-IDEA B ENTITLEMENT-24106  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 150,034	\$ 150,034	\$ 77,020	\$ (73,014)
Total Revenues	<u>150,034</u>	<u>150,034</u>	<u>77,020</u>	<u>(73,014)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Professional & Tech Services	16,200	12,830	6,104	6,726
Other Purchased Services	4,970	7,005	4,472	2,533
Supplies	42,897	36,997	25,446	11,551
Supply Assets	10,500	17,735	17,036	699
Total Instruction	<u>74,567</u>	<u>74,567</u>	<u>53,058</u>	<u>21,509</u>
<b>Support Services-Students</b>				
Professional & Tech Services	16,200	16,200	4,167	12,033
Other Purchased Services	34,850	31,115	23,471	7,644
Supply Assets	0	3,735	3,544	191
Total Support Services-Students	<u>51,050</u>	<u>51,050</u>	<u>31,182</u>	<u>19,677</u>
Total Expenditures	<u>125,617</u>	<u>125,617</u>	<u>84,240</u>	<u>41,186</u>
Excess (Deficiency) of Revenues Over Expenditures	24,417	24,417	(7,220)	(31,637)
Cash Balance Beginning of Year	<u>(24,417)</u>	<u>(24,417)</u>	<u>(24,417)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (31,637)</u>	<u>\$ (31,637)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (7,220)	
Net Change in Due from Grantor			11,803	
Net Change in Account Payables			(4,583)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
SPECIAL REVENUE FUND-IDEA PRESCHOOL-24109  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 22,096	\$ 22,096	\$ 4,767	\$ (17,329)
Total Revenues	<u>22,096</u>	<u>22,096</u>	<u>4,767</u>	<u>(17,329)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Professional & Tech Services	999	999	739	260
Other Purchased Services	1,850	2,487	837	1,650
Supplies	14,572	13,289	6,976	6,313
Supply Assets	3,845	4,491	970	3,521
Total Instruction	<u>21,266</u>	<u>21,266</u>	<u>9,522</u>	<u>11,744</u>
<b>Support Services-Students</b>				
Professional & Tech Services	1,000	1,000	0	1,000
Other Purchased Services	2,000	2,000	0	2,000
Total Support Services-Students	<u>3,000</u>	<u>3,000</u>	<u>0</u>	<u>3,000</u>
Total Expenditures	<u>24,266</u>	<u>24,266</u>	<u>9,522</u>	<u>14,744</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,170)	(2,170)	(4,755)	(2,585)
Cash Balance Beginning of Year	<u>2,170</u>	<u>2,170</u>	<u>2,170</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2,585)</u>	<u>\$ (2,585)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (4,755)	
Net Change in Due from Grantor			4,612	
Net Change in Account Payables			(2,027)	
Net Change in Deferred Revenue			2,170	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
SPECIAL REVENUE FUND-DISTANCE LEARNING-25198  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>				
<b>Support Services-Students</b>				
Personnel Services	0	19,130	19,130	0
Employee Benefits	0	4,933	4,930	3
Professional & Tech Services	41,327	17,264	17,264	0
Total Support Services-Students	<u>41,327</u>	<u>41,327</u>	<u>41,324</u>	<u>3</u>
Total Expenditures	<u>41,327</u>	<u>41,327</u>	<u>41,324</u>	<u>3</u>
Excess (Deficiency) of Revenues Over Expenditures	(41,327)	(41,327)	(41,324)	3
Cash Balance Beginning of Year	<u>41,327</u>	<u>41,327</u>	<u>41,327</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 3</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (41,324)	
Net Change in Due from Grantor			<u>41,324</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
SPECIAL REVENUE FUND-PARTNERSHIPS IN CHARACTER EDUCATION-25240  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 80,825	122,134	\$ 50,973	\$ (71,161)
Total Revenues	<u>80,825</u>	<u>122,134</u>	<u>50,973</u>	<u>(71,161)</u>
<b>Expenditures</b>				
<b>Support Services-Students</b>				
Professional & Tech Services	5,810	6,919	6,919	0
Other Purchased Services	5,767	201	201	0
Supplies	2,395	290	290	0
Supply Assets	0	811	810	1
Total Support Services-Students	<u>13,972</u>	<u>8,221</u>	<u>8,220</u>	<u>0</u>
<b>Support Services-General Administration</b>				
Personnel Services	0	4,725	4,725	0
Employee Benefits	0	1,586	1,586	0
Professional & Tech Services	1,623	1,063	1,063	0
Total Support Services-General Administration	<u>1,623</u>	<u>7,374</u>	<u>7,374</u>	<u>0</u>
Total Expenditures	<u>15,595</u>	<u>15,595</u>	<u>15,594</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	65,230	106,539	35,379	(71,160)
Cash Balance Beginning of Year	<u>(35,316)</u>	<u>(35,316)</u>	<u>(35,316)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 29,914</u>	<u>\$ 71,223</u>	<u>\$ 63</u>	<u>\$ (71,160)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 35,379	
Net Change in Due from Grantor			(35,380)	
Net Change in Account Payables			64	
Net Change in Deferred Revenue			(63)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
SPECIAL REVENUE FUND-ADVANCED PLACEMENT-27129  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 923	1,173	\$ 4,102	\$ 2,929
Total Revenues	<u>923</u>	<u>1,173</u>	<u>4,102</u>	<u>2,929</u>
<b>Expenditures</b>				
<b>Support Services-Students</b>				
Professional & Tech Services	0	250	250	0
Total Support Services-Students	<u>0</u>	<u>250</u>	<u>250</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>250</u>	<u>250</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	923	923	3,852	2,929
Cash Balance Beginning of Year	<u>(923)</u>	<u>(923)</u>	<u>(923)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,929</u>	<u>\$ 2,929</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 3,852</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 3,852</u>	

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

**OTHER SUPPLEMENTAL INFORMATION**



STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
 Cash Reconciliation  
 For the Year Ended June 30, 2011

---

		Beginning Cash Balance		Revenue		Expenses		Ending Cash Balance
Federal Flowthrough	24000	\$ (243,344)	\$	842,294	\$	898,301	\$	(299,351)
Federal Direct	25000	6,011		50,973		56,918		66
State Flowthrough	27000	(95,784)		655,732		472,420		87,528
	29000	417,465		63,122		5,400		475,187
<b>Total</b>		<u>\$ 84,349</u>	<u>\$</u>	<u>1,612,121</u>	<u>\$</u>	<u>1,433,039</u>	<u>\$</u>	<u>263,431</u>

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

**SCHEDULE OF EXPENDITURES  
OF  
FEDERAL AWARDS**

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
 Schedule of Expenditures of Federal Awards  
 June 30, 2011

Federal Agency/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Awards Expended
<b>US DEPARTMENT OF AGRICULTURE</b>			
DIRECT PROGRAM			
Distance Learning	10.855	25198	41,324
<b>TOTAL US DEPARTMENT OF AGRICULTURE</b>			<u>41,324</u>
<b>US DEPARTMENT OF EDUCATION</b>			
PASS-THROUGH PROGRAM FROM:			
<b>New Mexico Department of Education</b>			
Special Education Cluster			
IDEA Entitlement	84.027	24106 \$	88,822
IDEA State Level	84.027	24107	150,288
IDEA B Discretionary-State Directed	84.027	27200	304,199
IDEA Preschool	84.173	24109	11,549
Total Special Education Cluster			<u>554,858</u>
TOTAL Special Education Cluster			
Special Education-Personnel Development	84.215	24151	672,087
DIRECT PROGRAM			
Partnerships in Character Education	84.215	25240	15,530
<b>TOTAL US DEPARTMENT OF EDUCATION</b>			<u>1,242,475</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 1,283,799</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

---

**Note 1: Significant Accounting Policies used in preparing the Schedule of Expenditure of Federal Awards**

The modified accrual basis was used to prepare the Schedule of Expenditures of Federal Awards

**Note 2: Insurance Requirements**

There are no insurance requirement on the federal awards disclosed on the Schedule of Expenditures of Federal Awards

**Note 3: Loans or Loan Guarantees**

There were no loans or loan guarantees outstanding at year end.

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

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 Balderas  
State Auditor of the State of New Mexico  
Board Members of the Northeast Regional Education Cooperative # 4

Mr. Balderas and Members of the Board

We 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 individual funds and related budgetary comparison presented as supplemental information of the REGIONAL EDUCATION COOPERATIVE #4 (REC) as of and for the year ended June 30, 2011, and have issued our report thereon dated August 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting; 11-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the REC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs; 11-1.

The REC's responses to the findings identified in our audit as described in the accompanying schedule of findings and questioned cost. We did not audit the REC's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the administration, the board members, the Public Education Department, the Office of the State Auditor, the New Mexico State Legislature and federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

 CPA PC

August 29, 2010

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

Report on Compliance With Requirements  
Applicable to Each Major Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133  
Independent Auditor's Report

Mr. Hector Balderas  
State Auditor of the State of New Mexico  
Board Members of the Northeast Regional Education Cooperative # 4

Mr. Balderas and Members of the Board

Compliance

We have audited REGIONAL EDUCATION COOPERATIVE #4 (REC) compliance with the types of compliance requirements described in the *OMB A-133 Compliance Supplement* that could have a direct and material effect on each of the REC's major federal programs for the year ended June 30, 2011. The REC'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 the REC's management. Our responsibility is to express an opinion on the REC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the REC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the REC's compliance with those requirements.

In our opinion, the REC, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the REC, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the REC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the REC's internal control over compliance.

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

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

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

*De'Ann Willoughby CPA PC*

August 29, 2010



STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
 Schedule of Findings and Questioned Costs  
 June 30, 2011

---

**Section I-Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued Unqualified  
 Internal control over financial reporting:

\* Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ X no

\* Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ X yes \_\_\_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes \_\_\_\_\_ X no

Federal Awards

Internal control over major programs:

\* Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ X no

\* Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes \_\_\_\_\_ X none reported

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 \_\_\_\_\_ X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.215	Special Education-Personnel Development

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

Auditee qualified as low risk Auditee \_\_\_\_\_ x yes \_\_\_\_\_ no

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Schedule of Findings and Questioned Costs  
June 30, 2011

---

**Prior Year Audit Findings**

	<u>Status</u>
10-1 Expenditures Over Budget	Resolved

**Current Year Audit Findings**

**11-1 Use of a Credit Card by the REC Compliance and Internal Control-Significant Deficiency**

Condition

During the test of expenditures and travel expense it was discovered that the REC has been using a American Express issued by Card Service Center in the REC's name, total purchases on the card for the fiscal year were \$14,577.54.

Criteria

In accordance with Laws of 2007, Regular session, Chapter 28, Section 3, Subsection L states, "Except for gasoline credit cards used solely for operation of official vehicles, telephone credit cards used solely for official business and procurement cards used as authorized by section 6-5-9(l) NMSA 1978, none of the appropriations contained in the General Appropriation Act of 2007 may be expended for payment of agency-issued credit card invoices."

Cause

The Board was not aware that a credit card must be a purchase card approved and issued by the State of New Mexico.

Effect

The REC potentially could lose spending control with these cards as the purchases do not have to follow the REC's purchase order system. In addition the REC has a potential risk of loss and theft through inappropriate purchases by an employee or the loss of control of the credit card number resulting in fraudulent use.

Recommendation

The REC should immediately cancel the credit card and only utilize procurement cards authorized by Section 6-5-9(l) NMSA 1978.

Response

The REC was not aware that it was illegal to enter into an agreement with a credit card company. The credit card has been cancelled and the account closed. The REC is currently looking into state approved procurement/purchasing cards.

**Financial Statement Preparation**

The financial statements were prepared by DeAun Willoughby, CPA. However, they are the responsibility of management.

**Exit Conference**

An exit conference was held on August 29, 2011 in attendance were Albert Martine-Chairman, Ted Hem-Secretary, Dr. James A Abreu-Director, Glenn Damian-Grants Director, Mary Sanchez-Financial Director and De'Aun Willoughby, CPA.