



STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4

ANNUAL FINANCIAL REPORT
June 30, 2012

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Clovis, New Mexico



STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
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STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
Official Roster
June 30, 2012

BOARD

Albert Martinez	Chairman
Thomas Garcia	Vice-President
Ted Hern	Secretary
Fred Trujillo	Member
Ruben Cordova	Member
Sheryl McNellis-Martinez	Member

ADMINISTRATIVE

James A Abreu	Director
Mary A Sanchez	Business Manager

De'Aun Willoughby CPA, PC

Certified Public Accountant

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(855) 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, 2012, 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, 2012, 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, 2012, 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, 2012, 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 September 17, 2012, 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.

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements, and the budgetary comparisons. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

De'Ann Willoughby, CPA PC

September 17, 2012

FINANCIAL SECTION

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
 Government-Wide Statement of Net Assets
 June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 231,435
Due from Grantor	556,541
Total Current Assets	<u>787,976</u>
Noncurrent Assets	
Capital Assets	1,145,934
Less: Accumulated Depreciation	<u>(697,057)</u>
Total Noncurrent Assets	<u>448,877</u>
Total Assets	<u>1,236,853</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	19,215
Deferred Revenue	<u>3</u>
Total Current Liabilities	<u>19,218</u>
Noncurrent Liabilities	
Compensated Absences	<u>22,030</u>
Total Noncurrent Liabilities	<u>22,030</u>
Total Liabilities	<u>41,248</u>
NET ASSETS	
Invested in Capital Assets	448,877
Unrestricted	<u>746,728</u>
Total Net Assets	<u>\$ 1,195,605</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, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 250,864	\$ 0	\$ 526,047	\$ 275,183
Support Services				
Students	1,070,432	89,838	765,891	(181,399)
General Administration	264,604	0	254,101	(10,503)
School Administration	291,700	0	291,700	0
Central Services	105,889	0	94,142	(11,747)
Operation of Plant	12,618	0	10,115	(2,503)
Total Governmental Activities	<u>\$ 1,996,107</u>	<u>\$ 89,838</u>	<u>\$ 1,941,996</u>	<u>\$ 69,031</u>
General Revenues				
Miscellaneous				0
Subtotal, General Revenues				<u>0</u>
Change in Net Assets				69,031
Net Assets - beginning				<u>1,126,574</u>
Net Assets - ending				<u>\$ 1,195,605</u>

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

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2012

	General		Special Revenue
	General 29101	REC Operating 27101	IDEA B Entitlement 24106
ASSETS			
Cash	\$ 0	\$ 170,823	\$ 0
Receivables			
Due From Grantor	0	0	75,924
Interfund Balance	525,989	17,609	0
Total Assets	<u>\$ 525,989</u>	<u>\$ 188,432</u>	<u>\$ 75,924</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 0	\$ 2,225	\$ 3,575
Deferred Revenue	0	0	0
Interfund Balance	0	0	72,349
Total Liabilities	<u>0</u>	<u>2,225</u>	<u>75,924</u>
Fund Balance			
Restricted for, reported in			
Special Revenue Funds	0	0	0
Unassigned, reported in:			
General Fund	525,989	186,207	0
Total Fund Balance	<u>525,989</u>	<u>186,207</u>	<u>0</u>
Total Liabilities & Fund Balance	<u>\$ 525,989</u>	<u>\$ 188,432</u>	<u>\$ 75,924</u>

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

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2012

	Special Revenue		
	IDEA B State Level 24107	SpEd-Tech Assistance & Dissemination 24151	IDEA B State Directed 27200
ASSETS			
Cash	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	75,340	276,358	106,072
Interfund Balance	0	0	0
Total Assets	<u>\$ 75,340</u>	<u>\$ 276,358</u>	<u>\$ 106,072</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 1,142	\$ 5,604	\$ 237
Deferred Revenue	0	0	0
Interfund Balance	74,198	270,754	105,835
Total Liabilities	<u>75,340</u>	<u>276,358</u>	<u>106,072</u>
Fund Balance			
Restricted for, reported in			
Special Revenue Funds	0	0	0
Unassigned, reported in:			
General Fund	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities & Fund Balance	<u>\$ 75,340</u>	<u>\$ 276,358</u>	<u>\$ 106,072</u>

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

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2012

	Other Governmental Funds	Total
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 60,612	\$ 231,435
Receivables		
Due From Grantor	22,847	556,541
Interfund Balance	0	543,598
Total Assets	<u>\$ 83,459</u>	<u>\$ 1,331,574</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 6,432	\$ 19,215
Deferred Revenue	3	3
Interfund Balance	<u>20,462</u>	<u>543,598</u>
Total Liabilities	<u>26,897</u>	<u>562,816</u>
Fund Balance		
Restricted for, reported in		
Special Revenue Funds	56,562	56,562
Unassigned, reported in:		
General Fund	<u>0</u>	<u>712,196</u>
Total Fund Balance	<u>56,562</u>	<u>768,758</u>
 Total Liabilities & Fund Balance	 <u>\$ 83,459</u>	 <u>\$ 1,331,574</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, 2012

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

Total Fund Balance - Governmental Funds	\$	768,758
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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	\$	1,145,934	
Accumulated depreciation		<u>(697,057)</u>	448,877

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>(22,030)</u>
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Total Net Assets - Governmental Activities	\$	<u><u>1,195,605</u></u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
 GOVERNMENTAL FUNDS
 Combining Statement of Revenues,
 Expenditures and Changes in Fund Balances
 For the Year Ended June 30, 2012

	General		Special
			Revenue
	General 29101	REC Operating 27101	IDEA B Entitlement 24106
Revenues			
Charge for Services	\$ 51,002	\$ 38,836	\$ 0
State Grants	0	117,275	0
Federal Grants	0	0	102,472
Total Revenues	<u>51,002</u>	<u>156,111</u>	<u>102,472</u>
Expenditures			
Current Operations			
Instruction	0	0	95,592
Support Services-Students	200	1,396	6,880
Support Services General Administration	0	83,742	0
Support Services- School Administration	0	0	0
Central Services	0	43,019	0
Operation of Plant	0	2,503	0
Capital Outlay	0	0	0
Total Expenditures	<u>200</u>	<u>130,660</u>	<u>102,472</u>
Net Change in Fund Balance	50,802	25,451	0
Fund Balance Beginning of Year	<u>475,187</u>	<u>160,756</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 525,989</u>	<u>\$ 186,207</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPEF
GOVERNMENTAL FUNDS
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2012

	Special Revenue		
	IDEA B	SpEd-Tech	IDEA B
	State Level 24107	Assistance & Dissemination 24151	State Directed 27200
Revenues			
Charge for Services	\$ 0	\$ 0	\$ 0
State Grants	0	0	0
Federal Grants	247,636	833,878	260,222
Total Revenues	<u>247,636</u>	<u>833,878</u>	<u>260,222</u>
Expenditures			
Current Operations			
Instruction	0	0	59,432
Support Services-Students	221,549	553,421	50,027
Support Services General Administration	7,496	59,243	98,630
Support Services- School Administration	0	221,214	0
Central Services	15,777	0	44,832
Operation of Plant	2,814	0	7,301
Capital Outlay	0	0	0
Total Expenditures	<u>247,636</u>	<u>833,878</u>	<u>260,222</u>
Net Change in Fund Balance	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 COOPEF
GOVERNMENTAL FUNDS
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2012

	Other Governmental Funds	Total
Revenues		
Charge for Services	\$ 0	\$ 89,838
State Grants	145,575	262,850
Federal Grants	268,242	1,712,450
Total Revenues	<u>413,817</u>	<u>2,065,138</u>
Expenditures		
Current Operations		
Instruction	95,840	250,864
Support Services-Students	148,067	981,540
Support Services General Administration	12,486	261,597
Support Services- School Administration	70,486	291,700
Central Services	0	103,628
Operation of Plant	0	12,618
Capital Outlay	33,304	33,304
Total Expenditures	<u>360,183</u>	<u>1,935,251</u>
Net Change in Fund Balance	53,634	129,887
Fund Balance Beginning of Year	<u>2,928</u>	<u>638,871</u>
Fund Balance End of Year	<u>\$ 56,562</u>	<u>\$ 768,758</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, 2012

Excess (Deficiency) of Revenues Over Expenditures-Governmental Funds \$ 129,887

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>33,304</u>	(54,806)

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, 2011	15,980	
Compensated Absences, June 30, 2012	<u>\$ (22,030)</u>	<u>(6,050)</u>

Changes in Net Assets of Governmental Activities \$ 69,031

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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 0	\$ 0	\$ 51,002	\$ 51,002
Total Revenues	<u>0</u>	<u>0</u>	<u>51,002</u>	<u>51,002</u>
Expenditures				
Support Services-Students				
Other Purchased Services	200	200	200	0
Total Support Services-Students	<u>200</u>	<u>200</u>	<u>200</u>	<u>0</u>
Total Expenditures	<u>200</u>	<u>200</u>	<u>200</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(200)	(200)	50,802	51,002
Cash Balance Beginning of Year	<u>475,187</u>	<u>475,187</u>	<u>475,187</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 474,987</u>	<u>\$ 474,987</u>	<u>\$ 525,989</u>	<u>\$ 51,002</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 50,802</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 50,802</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 0	\$ 0	\$ 38,836	\$ 38,836
State Grant	133,330	133,300	117,275	(16,025)
Total Revenues	<u>133,330</u>	<u>133,300</u>	<u>156,111</u>	<u>22,811</u>
Expenditures				
Support Services-Students				
Professional & Tech Services	2,000	2,000	1,341	659
Total Support Services-Students	<u>2,000</u>	<u>2,000</u>	<u>1,341</u>	<u>659</u>
Support Services-General Administration				
Personnel Services	47,000	25,267	19,544	5,723
Employee Benefits	15,000	15,003	5,226	9,777
Professional & Tech Services	3,000	3,000	3,000	0
Purchased Property Services	2,000	2,000	960	1,040
Other Purchased Services	0	42,918	42,918	0
Supplies	4,244	6,909	6,866	43
Supply Assets	1,000	6,182	6,182	0
Total Support Services-General Administration	<u>72,244</u>	<u>101,279</u>	<u>84,696</u>	<u>16,583</u>
Central Services				
Personnel Services	18,000	35,205	32,998	2,207
Employee Benefits	7,000	16,545	9,908	6,637
Total Central Services	<u>25,000</u>	<u>51,750</u>	<u>42,906</u>	<u>8,844</u>
Operation & Maintenance of Plant				
Purchased Property Services	3,000	3,000	1,580	1,420
Other Purchased Services	2,000	2,000	1,087	913
Total Operation & Maintenance of Plant	<u>5,000</u>	<u>5,000</u>	<u>2,667</u>	<u>2,333</u>
Total Expenditures	<u>104,244</u>	<u>160,029</u>	<u>131,610</u>	<u>28,419</u>
Excess (Deficiency) of Revenues Over Expenditures	29,086	(26,729)	24,501	51,230
Cash Balance Beginning of Year	<u>163,931</u>	<u>163,931</u>	<u>163,931</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 193,017</u>	<u>\$ 137,202</u>	<u>\$ 188,432</u>	<u>\$ 51,230</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 24,501	
Net Change in Accounts Payable			950	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 25,451</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 131,739	\$ 236,162	\$ 62,767	\$ (173,395)
Total Revenues	<u>131,739</u>	<u>236,162</u>	<u>62,767</u>	<u>(173,395)</u>
Expenditures				
Instruction				
Professional & Tech Services	14,000	16,750	6,308	10,442
Other Purchased Services	28,900	28,510	25,692	2,818
Supplies	22,123	64,132	43,523	20,609
Supply Assets	10,500	60,554	21,275	39,279
Total Instruction	<u>75,523</u>	<u>169,946</u>	<u>96,798</u>	<u>73,148</u>
Support Services-Students				
Professional & Tech Services	11,450	17,450	3,174	14,276
Other Purchased Services	7,500	7,500	1,137	6,363
Supplies	5,629	7,629	1,583	6,046
Supply Assets	0	2,000	787	1,213
Total Support Services-Students	<u>24,579</u>	<u>34,579</u>	<u>6,681</u>	<u>20,639</u>
Total Expenditures	<u>100,102</u>	<u>204,525</u>	<u>103,479</u>	<u>93,787</u>
Excess (Deficiency) of Revenues Over Expenditures	31,637	31,637	(40,712)	(72,349)
Cash Balance Beginning of Year	<u>(31,637)</u>	<u>(31,637)</u>	<u>(31,637)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (72,349)</u>	<u>\$ (72,349)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (40,712)	
Net Change in Due from Grantor			39,704	
Net Change in Account Payables			1,008	
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 B STATE LEVEL-24107
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 275,408	\$ 276,138	\$ 197,470	\$ (78,668)
Total Revenues	<u>275,408</u>	<u>276,138</u>	<u>197,470</u>	<u>(78,668)</u>
Expenditures				
Support Services-Students				
Personnel Services	75,000	69,014	69,013	1
Employee Benefits	29,000	28,769	28,769	0
Professional & Tech Services	56,181	78,731	78,731	0
Other Purchased Services	55,000	38,173	37,785	388
Supplies	5,500	3,935	3,932	3
Supply Assets	0	2,459	2,323	136
Total Support Services-Students	<u>220,681</u>	<u>221,081</u>	<u>220,553</u>	<u>528</u>
Support Services-General Administration				
Professional & Tech Services	3,000	3,000	3,000	0
Purchased Property Services	4,500	3,040	3,036	4
Other Purchased Services	0	1,460	1,460	0
Total Support Services-General Administration	<u>7,500</u>	<u>7,500</u>	<u>7,496</u>	<u>4</u>
Central Services				
Personnel Services	10,000	10,000	9,894	106
Employee Benefits	9,200	9,200	5,885	3,315
Total Central Services	<u>19,200</u>	<u>19,200</u>	<u>15,779</u>	<u>3,421</u>
Operation & Maintenance of Plant				
Purchased Property Services	3,000	3,000	2,813	187
Total Operation & Maintenance of Plant	<u>3,000</u>	<u>3,000</u>	<u>2,813</u>	<u>187</u>
Total Expenditures	<u>250,381</u>	<u>250,781</u>	<u>246,641</u>	<u>4,140</u>
Excess (Deficiency) of Revenues Over Expenditures	25,027	25,357	(49,171)	(74,528)
Cash Balance Beginning of Year	<u>(25,027)</u>	<u>(25,027)</u>	<u>(25,027)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 330</u>	<u>\$ (74,198)</u>	<u>\$ (74,528)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (49,171)	
Net Change in Due from Grantor			50,167	
Net Change in Accounts Payable			(996)	
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 & DISSEMINATION-24151

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

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 1,020,102	\$ 1,256,264	\$ 841,364	\$ (414,900)
Total Revenues	<u>1,020,102</u>	<u>1,256,264</u>	<u>841,364</u>	<u>(414,900)</u>
Expenditures				
Support Services-Students				
Professional & Tech Services	87,760	166,656	133,168	33,488
Other Purchased Services	415,000	388,510	337,285	51,225
Supplies	30,000	66,095	46,450	19,645
Supply Assets	18,890	77,050	76,518	532
Total Support Services-Students	<u>551,650</u>	<u>698,311</u>	<u>593,421</u>	<u>104,890</u>
Support Services-General Administration				
Personnel Services	0	20,606	9,591	11,015
Employee Benefits	0	25,269	12,613	12,656
Professional & Tech Services	25,000	47,000	35,177	11,823
Total Support Services-General Administration	<u>25,000</u>	<u>92,875</u>	<u>57,381</u>	<u>35,494</u>
Support Services-School Administration				
Personnel Services	150,000	163,382	160,928	2,454
Employee Benefits	53,350	61,594	60,286	1,308
Total Support Services-School Administration	<u>203,350</u>	<u>224,976</u>	<u>221,214</u>	<u>3,762</u>
Total Expenditures	<u>780,000</u>	<u>1,016,162</u>	<u>872,016</u>	<u>144,146</u>
Excess (Deficiency) of Revenues Over Expenditures	240,102	240,102	(30,652)	(270,754)
Cash Balance Beginning of Year	<u>(240,102)</u>	<u>(240,102)</u>	<u>(240,102)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (270,754)</u>	<u>\$ (270,754)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (30,652)	
Net Change in Due from Grantor			(7,486)	
Net Change in Accounts Payable			38,138	
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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 360,898	\$ 450,797	\$ 233,829	\$ (216,968)
Total Revenues	<u>360,898</u>	<u>450,797</u>	<u>233,829</u>	<u>(216,968)</u>
Expenditures				
Instruction				
Professional & Tech Services	14,181	5,763	5,709	54
Other Purchased Services	24,683	32,394	32,383	11
Supplies	18,126	3,762	3,253	509
Supply Assets	11,709	18,083	18,083	0
Total Instruction	<u>68,699</u>	<u>60,002</u>	<u>59,428</u>	<u>574</u>
Support Services-Students				
Professional & Tech Services	0	6,500	6,317	183
Other Purchased Services	52,594	129,953	39,455	90,498
Supplies	0	7,545	4,590	2,955
Total Support Services-Students	<u>52,594</u>	<u>143,998</u>	<u>50,362</u>	<u>93,636</u>
Support Services-General Administration				
Professional & Tech Services	65,000	66,788	66,788	0
Purchased Property Services	27,900	25,112	22,511	2,601
Professional & Tech Services	3,500	10,442	1,296	9,146
Purchased Property Services	4,000	6,950	6,170	780
Supplies	2,000	1,000	1,000	0
Supply Assets	3,000	2,300	647	1,653
Total Support Services-General Administration	<u>105,400</u>	<u>112,592</u>	<u>98,412</u>	<u>14,180</u>
Central Services				
Personnel Services	35,000	35,000	34,999	1
Employee Benefits	12,575	12,575	9,833	2,742
Total Central Services	<u>47,575</u>	<u>47,575</u>	<u>44,832</u>	<u>2,743</u>
Operation & Maintenance of Plant				
Purchased Property Services	5,000	7,300	7,300	0
Other Purchased Services	2,300	0	0	0
Total Operation & Maintenance of Plant	<u>7,300</u>	<u>7,300</u>	<u>7,300</u>	<u>0</u>
Total Expenditures	\$ <u>281,568</u>	\$ <u>371,467</u>	\$ <u>260,334</u>	\$ <u>111,133</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Excess (Deficiency) of Revenues Over Expenditures	\$ 79,330	\$ 79,330	\$ (26,505)	\$ (105,835)
Cash Balance Beginning of Year	<u>(79,330)</u>	<u>(79,330)</u>	<u>(79,330)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (105,835)</u>	<u>\$ (105,835)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (26,505)	
Net Change in Due from Grantor			26,393	
Net Change in Account Payables			<u>112</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 B-Special Education (24106)(24107)(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.

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.

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.

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
Notes to the Financial Statements
June 30, 2012

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, 2012

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, 2012

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.

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NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4

Notes to the Financial Statements

June 30, 2012

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.

Southwest Capital

<u>Name of Account</u>	<u>Balance Per Bank 6/30/2012</u>	<u>Reconciled Balance</u>	<u>Type</u>
NEREC	\$ 395,076	\$ 231,435	Interest-Checking
TOTAL Deposited	395,076	<u>231,435</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	145,076		
50% collateral requirement	72,538		
Pledged securities	<u>302,250</u>		
Over (Under) requirement	<u>\$ 229,712</u>		

The following securities are pledged at Southwest Capital:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FHLB	3133XVNT4	\$ 302,250	12/14/12	Federal Home Loan Bank-
		<u>\$ 302,250</u>		Dallas, TX

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in REC's name	145,076
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 395,076</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, 2012 none of the REC's bank balance of \$395,076 was exposed to custodial credit risk.

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
Notes to the Financial Statements
June 30, 2012

NOTE C: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Balances during the year ending June 30, 2012 were as follows:

Receivable Fund	Payable Funds				
	IDEA B Entitlement 24106	IDEA B State Level 24107	SpEd-Tech Assistance & Dissemination 24151	IDEA B State Directed 27200	Other Governmental Funds
General	\$ 72,349	\$ 74,198	\$ 270,754	\$ 105,835	\$ 20,462
Totals	\$ 72,349	\$ 74,198	\$ 270,754	\$ 105,835	\$ 20,462

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 06/30/11	Increases	Deletions	Ending Balance 06/30/12
Governmental Activities				
Other Capital Assets				
Construction in Progress	\$ 0	\$ 33,304	\$ 0	\$ 33,304
Equipment	1,112,630	0	0	1,112,630
Total Capital Assets at Historical Cost	<u>1,112,630</u>	<u>33,304</u>	<u>0</u>	<u>1,145,934</u>
Less Accumulated Depreciation				
Equipment	608,947	88,110	0	697,057
Total Accumulated Depreciation	<u>608,947</u>	<u>88,110</u>	<u>0</u>	<u>697,057</u>
Capital Assets, net	\$ <u>503,683</u>	\$ <u>(54,806)</u>	\$ <u>0</u>	\$ <u>448,877</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).

NOTE F: COMPENSATED ABSENCES

The following is a summary of compensated absences transactions:

Accrued compensated absences, July 1, 2011	\$ 15,980
Current year additions	11,130
Current year retirements	(5,080)
Accrued compensated absences, June 30, 2012	\$ <u>22,030</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.

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, 2012, 2011, and 2010, were \$105,837, \$81,833 and \$95,632 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.

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
 Notes to the Financial Statements
 June 30, 2012

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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending 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:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
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, 2012, 2011 and 2010 were \$14,342.82, \$10,074 and \$9,187 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).
- 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**

SPECIAL REVENUE FUNDS

IDEA Preschool (24109) To account for a program funded by a Federal grant to assist the District in providing a free appropriate public education to preschool disabled children aged three through five years. Funding authorized by the Individuals with Disabilities Education Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, 101-476, and 102-119. The fund was created by the authority of federal grant provisions.

Carl Perkins (24174). To account for federal funds to provide vocational and technical education for secondary education. (P.L. 105-332). The fund was created by the authority of federal grant provisions.

Affordable Care Act (ACA) School Based Health Center Capital Expenditures (25178). To account for federal funds to construct facilities for school based health centers. 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).

School Based Health Clinic (29130). To account for state funds to operate a school based health clinic as required by the Affordable Care Act. The fund was created by the authority of state grant provision.

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2012

	IDEA Preschool 24109	Carl Perkins 24174	School Based Health Clinic Construction 25178
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	8,813	12,964	0
Total Assets	<u>\$ 8,813</u>	<u>\$ 12,964</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 527	\$ 788	\$ 0
Deferred Revenue	0	0	0
Interfund Balance	8,286	12,176	0
Total Liabilities	<u>8,813</u>	<u>12,964</u>	<u>0</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>\$ 8,813</u>	<u>\$ 12,964</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.
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2012

	Distant Learning 25198	Partnerships in Character Education 25240	Advanced Placement 27129
ASSETS			
Cash	\$ 3	\$ 100	\$ 2,928
Receivables			
Due From Grantor	0	1,070	0
Total Assets	<u>\$ 3</u>	<u>\$ 1,170</u>	<u>\$ 2,928</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 0	\$ 1,170	\$ 0
Deferred Revenue	3	0	0
Interfund Balance	0	0	0
Total Liabilities	<u>3</u>	<u>1,170</u>	<u>0</u>
Fund Balance			
Restricted for, reported in			
Special Revenue Funds	0	0	2,928
Total Fund Balance	<u>0</u>	<u>0</u>	<u>2,928</u>
Total Liabilities & Fund Balance	<u>\$ 3</u>	<u>\$ 1,170</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.
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2012

	School Based Health Clinic 29130	Total
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 57,581	\$ 60,612
Receivables		
Due From Grantor	0	22,847
Total Assets	<u>\$ 57,581</u>	<u>\$ 83,459</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 3,947	\$ 6,432
Deferred Revenue	0	3
Interfund Balance	0	20,462
Total Liabilities	<u>3,947</u>	<u>26,897</u>
Fund Balance		
Restricted for, reported in		
Special Revenue Funds	53,634	56,562
Total Fund Balance	<u>53,634</u>	<u>56,562</u>
 Total Liabilities & Fund Balance	 <u>\$ 57,581</u>	 <u>\$ 83,459</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, 2012

	IDEA Preschool 24109	Carl Perkins 24174	School Based Health Clinic Construction 25178
Revenues			
State Grants	\$ 0	\$ 0	\$ 0
Federal Grants	12,444	60,204	33,304
Total Revenues	<u>12,444</u>	<u>60,204</u>	<u>33,304</u>
Expenditures			
Current Operations			
Instruction	11,729	0	0
Support Services-Students	715	56,973	0
Support Services General Administration	0	0	0
Support Services- School Administration	0	3,231	0
Capital Outlay	0	0	33,304
Total Expenditures	<u>12,444</u>	<u>60,204</u>	<u>33,304</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, 2012

	Distant Learning 25198	Partnerships in Character Education 25240	Advanced Placement 27129
Revenues			
State Grants	\$ 0	\$ 0	\$ 0
Federal Grants	0	162,290	0
Total Revenues	<u>0</u>	<u>162,290</u>	<u>0</u>
Expenditures			
Current Operations			
Instruction	0	0	0
Support Services-Students	0	82,549	0
Support Services General Administration	0	12,486	0
Support Services- School Administration	0	67,255	0
Capital Outlay	0	0	0
Total Expenditures	<u>0</u>	<u>162,290</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>2,928</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, 2012

	School Based Health Clinic 29130	Total
Revenues		
State Grants	\$ 145,575	\$ 145,575
Federal Grants	0	268,242
Total Revenues	<u>145,575</u>	<u>413,817</u>
Expenditures		
Current Operations		
Instruction	84,111	95,840
Support Services-Students	7,830	148,067
Support Services General Administration	0	12,486
Support Services- School Administration	0	70,486
Capital Outlay	0	33,304
Total Expenditures	<u>91,941</u>	<u>360,183</u>
Excess (Deficiency) of Revenues Over Expenditures	53,634	53,634
Fund Balance Beginning of Year	<u>0</u>	<u>2,928</u>
Fund Balance End of Year	<u>\$ 53,634</u>	<u>\$ 56,562</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 22,631	\$ 39,873	\$ 8,243	\$ (31,630)
Total Revenues	<u>22,631</u>	<u>39,873</u>	<u>8,243</u>	<u>(31,630)</u>
Expenditures				
Instruction				
Other Purchased Services	1,670	6,985	291	6,694
Supplies	13,376	17,156	7,558	9,598
Supply Assets	<u>3,000</u>	<u>6,793</u>	<u>5,380</u>	<u>1,413</u>
Total Instruction	<u>18,046</u>	<u>30,934</u>	<u>13,229</u>	<u>17,705</u>
Support Services-Students				
Professional & Tech Services	0	4,354	0	4,354
Other Purchased Services	<u>2,000</u>	<u>2,000</u>	<u>715</u>	<u>1,285</u>
Total Support Services-Students	<u>2,000</u>	<u>6,354</u>	<u>715</u>	<u>5,639</u>
Total Expenditures	<u>20,046</u>	<u>37,288</u>	<u>13,944</u>	<u>23,344</u>
Excess (Deficiency) of Revenues Over Expenditures	2,585	2,585	(5,701)	(8,286)
Cash Balance Beginning of Year	<u>(2,585)</u>	<u>(2,585)</u>	<u>(2,585)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (8,286)</u>	<u>\$ (8,286)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (5,701)	
Net Change in Due from Grantor			4,201	
Net Change in Account Payables			<u>1,500</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-CARL PERKINS-24174
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 48,458	\$ 67,785	\$ 47,239	\$ (20,546)
Total Revenues	<u>48,458</u>	<u>67,785</u>	<u>47,239</u>	<u>(20,546)</u>
Expenditures				
Support Services-Students				
Personnel Services	0	6,800	6,800	0
Employee Benefits	0	2,760	2,760	0
Other Purchased Services	44,590	47,624	46,373	1,251
Supplies	637	273	251	22
Supply Assets	0	7,097	0	7,097
Total Support Services-Students	<u>45,227</u>	<u>64,554</u>	<u>56,184</u>	<u>8,370</u>
Support Services-School Administration				
Personnel Services	3,231	3,231	3,231	0
Employee Benefits	0	0	0	0
Total Support Services-School Administration	<u>3,231</u>	<u>3,231</u>	<u>3,231</u>	<u>0</u>
Total Expenditures	<u>48,458</u>	<u>67,785</u>	<u>59,415</u>	<u>8,370</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(12,176)	(12,176)
Cash Balance Beginning of Year	0	0	0	0
Cash Balance End of Year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(12,176)</u>	\$ <u>(12,176)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (12,176)	
Net Change in Due from Grantor			12,964	
Net Change in Account Payables			(788)	
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-SCHOOL BASED HEALTH CLINIC-CONSTRUCTION-25178

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

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 499,232	\$ 499,232	\$ 33,304	\$ (465,928)
Total Revenues	<u>499,232</u>	<u>499,232</u>	<u>33,304</u>	<u>(465,928)</u>
Expenditures				
Support Services-Students				
Capital Outlay	499,232	499,232	33,304	465,928
Total Support Services-Students	<u>499,232</u>	<u>499,232</u>	<u>33,304</u>	<u>465,928</u>
Total Expenditures	<u>499,232</u>	<u>499,232</u>	<u>33,304</u>	<u>465,928</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Net Change in Due from Grantor			<u>0</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-DISTANCE LEARNING-25198
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Support Services-Students				
Personnel Services	0	0	0	0
Employee Benefits	0	0	0	0
Professional & Tech Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Support Services-Students	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>3</u>	<u>3</u>	<u>3</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Net Change in Due from Grantor			<u>0</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 299,774	298,952	\$ 161,157	\$ (137,795)
Total Revenues	<u>299,774</u>	<u>298,952</u>	<u>161,157</u>	<u>(137,795)</u>
Expenditures				
Support Services-Students				
Personnel Services	76,601	76,601	49,234	27,367
Employee Benefits	0	0	9,744	(9,744)
Professional & Tech Services	25,000	25,000	513	24,487
Other Purchased Services	83,250	81,993	13,727	68,266
Supplies	11,000	10,382	5,911	4,471
Supply Assets	1,200	2,253	2,250	3
Total Support Services-Students	<u>197,051</u>	<u>196,229</u>	<u>81,379</u>	<u>114,850</u>
Support Services-General Administration				
Professional & Tech Services	34,410	34,410	12,486	21,924
Total Support Services-General Administration	<u>34,410</u>	<u>34,410</u>	<u>12,486</u>	<u>21,924</u>
Support Services-School Administration				
Personnel Services	57,000	57,000	57,000	0
Employee Benefits	11,376	11,376	10,255	1,121
Total Support Services-School Administration	<u>68,376</u>	<u>68,376</u>	<u>67,255</u>	<u>1,121</u>
Total Expenditures	<u>299,837</u>	<u>299,015</u>	<u>161,120</u>	<u>137,895</u>
Excess (Deficiency) of Revenues Over Expenditures	(63)	(63)	37	100
Cash Balance Beginning of Year	63	63	63	0
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 100</u>	<u>\$ 100</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 37	
Net Change in Due from Grantor			1,070	
Net Change in Account Payables			(1,170)	
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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 0	0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Support Services-Students				
Professional & Tech Services	0	0	0	0
Total Support Services-Students	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>2,928</u>	<u>2,928</u>	<u>2,928</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2,928</u>	<u>\$ 2,928</u>	<u>\$ 2,928</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
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-SCHOOL BASED HEALTH CLINIC-29130
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 150,000	285,000	\$ 145,575	\$ (139,425)
Total Revenues	<u>150,000</u>	<u>285,000</u>	<u>145,575</u>	<u>(139,425)</u>
Expenditures				
Instruction				
Professional & Tech Services	4,400	7,200	1,580	5,620
Other Purchased Services	144,600	266,033	74,656	191,377
Supplies	<u>1,000</u>	<u>3,936</u>	<u>3,927</u>	<u>9</u>
Total Instruction	<u>150,000</u>	<u>277,169</u>	<u>80,163</u>	<u>197,006</u>
Support Services-Students				
Personnel Services	0	4,200	4,200	0
Employee Benefits	0	969	969	0
Supply Assets	<u>0</u>	<u>2,662</u>	<u>2,662</u>	<u>0</u>
Total Support Services-Students	<u>0</u>	<u>7,831</u>	<u>7,831</u>	<u>0</u>
Total Expenditures	<u>150,000</u>	<u>285,000</u>	<u>87,994</u>	<u>197,006</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	57,581	57,581
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,581</u>	<u>\$ 57,581</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 57,581	
Net Change in Accounts Payable			<u>(3,947)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 53,634</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, 2012

		Beginning Cash Balance		Revenue		Expenses		Ending Cash Balance
Federal Flow through	24000	\$ (299,351)	\$	1,157,084	\$	1,295,497	\$	(437,764)
Federal Direct	25000	66		194,461		194,424		103
State Flow through	27000	87,528		389,940		391,942		85,526
Local Grants	29000	475,187		196,577		88,194		583,570
Total		<u>\$ 263,430</u>	\$	<u>1,938,062</u>	\$	<u>1,970,057</u>	\$	<u>231,435</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, 2012

Federal Agency/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Awards Expended
US Department of Education			
PASS-THROUGH PROGRAM FROM:			
New Mexico Department of Education			
Special Education Cluster			
IDEA B Entitlement	84.027	24106	\$ 102,472
IDEA B State Level	84.027	24107	247,636
IDEA B Discretionary-State Directed	84.027	27200	260,222
IDEA Preschool	84.173	24109	12,444
Total Special Education Cluster			<u>622,774</u>
Total Special Education Cluster			
Special Education-Personnel Development	84.323	24151	833,878
Carl Perkins	84.048	24174	60,204
DIRECT PROGRAM			
Partnerships in Character Education	84.215	25240	162,290
Total US Department of Education			<u>1,679,146</u>
Department of Health and Human Services			
DIRECT PROGRAM			
Affordable Care Act (ACA) School Based			
Health Center Capital Expenditures	93.501	25178	33,304
Total Department of Health and Human Services			<u>33,304</u>
Total Federal Assistance			<u>\$ 1,712,450</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, 2012

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

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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 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, 2012, and have issued our report thereon dated September 17, 2012. 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

Management of the board is responsible for establishing and maintaining effective 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 opinions 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 REC'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 considered to be significant deficiencies in internal control over financial reporting. 12-1, 12-2 and 12-3. 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; 12-1, 12-2 and 12-3.

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

September 17, 2012

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, 2012. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures disclosed no instance of noncompliance with those requirements, which is required to be reported in accordance with *OMB Circular A-133*.

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.

The REC's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the REC's response 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 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

September 17, 2012

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
 Schedule of Findings and Questioned Costs
 June 30, 2012

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>
84.323	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

Prior Year Audit Findings

	<u>Status</u>
11-1 Use of a Credit Card by the REC Compliance and Internal Control-Significant Deficiency	Resolved

Current Year Audit Findings

12-1 Expenses-Compliance and Internal Control-Significant Deficiency

Condition

An overall sample of 219 expenditures revealed the following: Fund 24106-Of a sample of thirty-three (33), two (2) checks with three (3) invoices were not paid within 30 days. Fund 24107-Out of forty (40) sampled 5 had no documentation and one (1) check number was incorrect. One (1) invoice was paid 6/30/12 for training that did not take place till 7/31/12-8/3/12. Fund 24151-Out of forty-four (44) sampled 1 had no invoice, one (1) was classified as an contractor but should have been classified as an employee, and one (1) had three (3) invoice's paid after thirty (30) days. Invoice #11000 dated 2/16/12, Invoice # 10957 dated 2/16/12, and Invoice #11073 dated 3/19/12 were paid on 4/25/12. Fund 24174-Out of seven (7) sampled one (1) was classified as an contractor but should have been classified as an employee. Fund 27200-Out of twenty-nine (29) sampled two (2) check numbers were incorrect. One (1) invoice was not paid within the 30 days.

Criteria

In accordance with 6.20.2.17 Purchasing each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq, NMSA 1978.

Cause

The check numbering issue was a result of a software problem that could not be corrected. The entire month of October had miss numbered checks. Late paid invoices were the result of members not sending documentation to the REC that is required before a payment is made.

Effect

Without proper documentation and following the procurement act, there are not adequate controls over expenditures. The results are over spending and potential fees for late payments.

Recommendation

Members should be encouraged to submit paperwork timely. The miss numbered checks issue has been resolved and should not occur again.

Response

We will continue to encourage members to submit paperwork timely.

12-2 Payroll-Compliance and Internal Control-Significant Deficiency

Condition

An hourly employee was paid a salary. Time sheets were not provided to the auditors. We could not verify if the employee was paid for time worked or over paid for time not worked.

Criteria

NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP.

Cause

A salary setup was used on the computer system instead of hourly. Time records were not submitted to the Business Manager to determine if hours worked and amount paid were correct.

Effect

There is a possibility that an employee may have a claim against the REC for unpaid wages causing additional funds for wages, taxes, benefits including fines and penalties.

Recommendation

Hourly employees must provide approved time records and be paid by the hour.

Response

We have changed the salary to hourly and are requiring approved time records.

12-3 Late Audit Report**Condition**

The audit report was submitted to the State Auditor after the required deadline of September 30, 2012.

Criteria

REC's audits are to be submitted to the State Auditor by November 15 as required by NMAC 2.2.2.9A (1) (d).

Cause

The Auditor submitted the report to the State Auditor on September 20, 2012. A rejection fax received on October 4, 2012 caused the report not to be considered received by the State Auditor by the regulatory due date of September 30, 2012.

Effect

The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review. Late audit report could have an effect on state and federal funding.

Recommendation

The audit should be filed timely.

Response

We will ask the auditor to submit our audit earlier so required changes to not make our audit late.

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 September 17, 2012 in attendance were Albert Martine-Chairman, Ted Hem-Secretary, Dr. James A Abreu-Director, Glenn Damian-Grants Director, Mary Sanchez-Business Manager and De'Aun Willoughby, CPA.