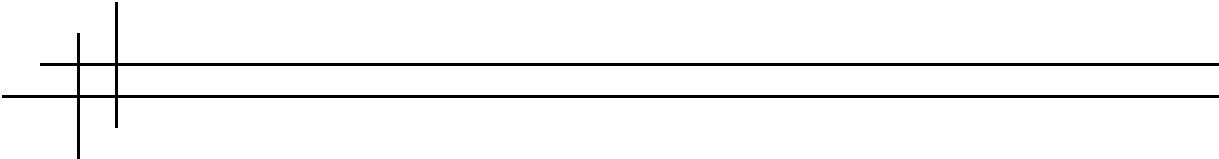


STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**

**ANNUAL FINANCIAL REPORT**  
June 30, 2013

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



STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
 Table of Contents  
 For the Year Ended June 30, 2013

---

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

**FINANCIAL SECTION**

Basic Financial Statements

Government Wide Financial Statements	
Statement of Net Position.....	8
Statement of Activities.....	9
Fund Financial Statements	
Government Funds - Balance Sheet.....	10-13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15-18
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	19

**MAJOR FUNDS**

**General Fund-29101**

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

**REC Operating Fund-27101**

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	22-23
--	-------

**SPECIAL REVENUE FUNDS**

**IDEA B State Level-24107**

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

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

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

**Carl Perkins-24174**

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	26
--	----

**Affordable Care Act (ACA) School Based Health Center Capital Expenditures-25178**

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	27
--	----

**Partnerships in Character Education-25240**

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	28
--	----

	<u>Page</u>
<b>State Directed-27200</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget (Budgetary Basis) and Actual.....	29-30
<b>School Based Health Clinic-29130</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget (Budgetary Basis) and Actual.....	31
Notes to Financial Statements.....	32-42
<b>SUPPLEMENTARY INFORMATION RELATED TO NON MAJOR FUNDS</b>	
<b>SPECIAL REVENUE FUNDS</b>	
Combining Balance Sheet.....	45-46
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	47-48
<b>IDEA Preschool-24109</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	50
<b>Distant Learning-25198</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	51
<b>Advance Placement-27129</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget (Budgetary Basis) and Actual.....	52
<b>OTHER SUPPLEMENTAL INFORMATION</b>	
Cash Reconciliation.....	54
<b>FEDERAL COMPLIANCE</b>	
Schedule of Expenditures of Federal Awards.....	56
Notes to the Schedule of Expenditures of Federal Awards.....	57
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> .....	58-59
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	60-61
Schedule of Findings and Questioned Costs .....	62-63

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Official Roster  
June 30, 2013

---

**BOARD**

Albert Martinez	Chairman
Fred Trujillo	Vice-President
Ted Hern	Secretary
Sheryl McNellis-Martinez	Member
Gene Parson	Member
Dora Romero	Member

**ADMINISTRATIVE**

James A Abreu	Director
Mary A Sanchez	Business Manager

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace, Clovis, NM 88101

(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

**Report on Financial Statements**

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, 2013, and the related notes to the financial statements 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, and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the REC as of June 30, 2013, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the REC as of June 30, 2013, and the respective changes in financial position, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

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 REC's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, introductory and statistical sections and the other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other schedules required by 2.2.2NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2013, 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 *Government Auditing Standards* in considering the REC's internal control over financial reporting & compliance.

*De'Ann Willoughby* CPA PC

Clovis, New Mexico  
September 12, 2013

## **FINANCIAL SECTION**

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
 Government-Wide Statement of Net Position  
 June 30, 2013

---

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 513,062
Due from Grantor	<u>333,694</u>
Total Current Assets	<u>846,756</u>
Noncurrent Assets	
Capital Assets	1,520,565
Less: Accumulated Depreciation	<u>(798,327)</u>
Total Noncurrent Assets	<u>722,238</u>
Total Assets	<u>1,568,994</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	<u>22,130</u>
Total Current Liabilities	<u>22,130</u>
Noncurrent Liabilities	
Compensated Absences	<u>26,264</u>
Total Noncurrent Liabilities	<u>26,264</u>
Total Liabilities	<u>48,394</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	722,238
Unrestricted	<u>798,362</u>
Total Net Position	<u>\$ 1,520,600</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, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 395,791	\$ 0	\$ 382,362	\$ 0 (13,429)
Support Services				
Students	1,090,712	163,431	985,328	374,631 432,678
General Administration	248,699	0	240,067	0 (8,632)
School Administration	309,142	0	220,408	0 (88,734)
Central Services	112,785	0	120,461	0 7,676
Operation of Plant	20,901	0	16,337	0 (4,564)
Total Governmental Activities	<u>\$ 2,178,030</u>	<u>\$ 163,431</u>	<u>\$ 1,964,963</u>	<u>\$ 374,631 324,995</u>
General Revenues				
Miscellaneous				0
Subtotal, General Revenues				<u>0</u>
Change in Net Position				324,995
Net Position - beginning				<u>1,195,605</u>
Net Position - ending				<u>\$ 1,520,600</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, 2013

	General		Special Revenue
	General 29101	REC Operating 27101	IDEA B State Level 24107
<b>ASSETS</b>			
Cash	\$ 284,899	\$ 184,966	\$ 0
Receivables			
Due From Grantor	0	0	77,812
Interfund Balance	320,366	0	0
Total Assets	<u>\$ 605,265</u>	<u>\$ 184,966</u>	<u>\$ 77,812</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 0	\$ 5,810	\$ 50
Interfund Balance	0	0	77,762
Total Liabilities	<u>0</u>	<u>5,810</u>	<u>77,812</u>
Fund Balance			
Restricted for, reported in			
Special Revenue Funds	0	0	0
Unassigned, reported in:			
General Fund	605,265	179,156	0
Total Fund Balance	<u>605,265</u>	<u>179,156</u>	<u>0</u>
Total Liabilities & Fund Balance	<u>\$ 605,265</u>	<u>\$ 184,966</u>	<u>\$ 77,812</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, 2013

	Special Revenue		
	SpEd-Tech Assistance & Dissemination 24151	Carl Perkins 24174	School Based Health Clinic Constriction 25178
<b>ASSETS</b>			
Cash	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	112,156	46,965	0
Interfund Balance	0	0	0
Total Assets	<u>\$ 112,156</u>	<u>\$ 46,965</u>	<u>\$ 0</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 10,848	\$ 0	\$ 0
Interfund Balance	101,308	46,965	0
Total Liabilities	<u>112,156</u>	<u>46,965</u>	<u>0</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>\$ 112,156</u>	<u>\$ 46,965</u>	<u>\$ 0</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, 2013

	Special Revenue		
	Partnerships in Character Education 25240	IDEA B State Directed 27200	School Based Health Clinic 29130
<b>ASSETS</b>			
Cash	\$ 2,918	\$ 0	\$ 40,279
Receivables			
Due From Grantor	0	96,761	0
Interfund Balance	0	0	0
Total Assets	<u>\$ 2,918</u>	<u>\$ 96,761</u>	<u>\$ 40,279</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 2,918	\$ 2,430	\$ 74
Interfund Balance	0	94,331	0
Total Liabilities	<u>2,918</u>	<u>96,761</u>	<u>74</u>
Fund Balance			
Restricted for, reported in			
Special Revenue Funds	0	0	40,205
Unassigned, reported in:			
General Fund	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>40,205</u>
Total Liabilities & Fund Balance	<u>\$ 2,918</u>	<u>\$ 96,761</u>	<u>\$ 40,279</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, 2013

---

	Other Governmental Funds	Total
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash	\$ 0	\$ 513,062
Receivables		
Due From Grantor	0	333,694
Interfund Balance	0	320,366
Total Assets	<u>\$ 0</u>	<u>\$ 1,167,122</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 0	\$ 22,130
Interfund Balance	0	320,366
Total Liabilities	<u>0</u>	<u>342,496</u>
Fund Balance		
Restricted for, reported in		
Special Revenue Funds	0	40,205
Unassigned, reported in:		
General Fund	0	784,421
Total Fund Balance	<u>0</u>	<u>824,626</u>
 Total Liabilities & Fund Balance	 <u>\$ 0</u>	 <u>\$ 1,167,122</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 Position  
 June 30, 2013

---

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

Total Fund Balance - Governmental Funds	\$	824,626
---	----	---------

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	\$	1,520,565	
Accumulated depreciation		<u>(798,327)</u>	722,238

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>(26,264)</u>
----------------------	--	-----------------

Total Net Position - Governmental Activities	\$	<u><u>1,520,600</u></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  
Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2013

	General		Special
			Revenue
	General 29101	REC Operating 27101	IDEA B State Level 24107
<b>Revenues</b>			
Charge for Services	\$ 76,348	\$ 87,083	\$ 0
State Grants	0	104,244	0
Federal Grants	0	0	248,805
Total Revenues	<u>76,348</u>	<u>191,327</u>	<u>248,805</u>
<b>Expenditures</b>			
<b>Current Operations</b>			
Instruction	0	0	0
Support Services-Students	0	1,947	209,826
Support Services General Administration	0	58,499	10,281
Support Services- School Administration	0	88,734	0
Central Services	0	44,634	23,698
Operation of Plant	0	4,564	5,000
Capital Outlay	0	0	0
Total Expenditures	<u>0</u>	<u>198,378</u>	<u>248,805</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>76,348</u>	<u>(7,051)</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>			
Transfer Out	2,928	0	0
Total Other Financing Sources (Uses)	<u>2,928</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	79,276	(7,051)	0
Fund Balance Beginning of Year	<u>525,989</u>	<u>186,207</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 605,265</u>	<u>\$ 179,156</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, 2013

	Special Revenue		
	SpEd-Tech Assistance & Dissemination 24151	Carl Perkins 24174	School Based Health Clinic Constriction 25178
<b>Revenues</b>			
Charge for Services	\$ 0	\$ 0	\$ 0
State Grants	0	0	0
Federal Grants	414,887	67,105	465,928
Total Revenues	<u>414,887</u>	<u>67,105</u>	<u>465,928</u>
<b>Expenditures</b>			
<b>Current Operations</b>			
Instruction	0	0	0
Support Services-Students	295,905	59,359	91,297
Support Services General Administration	31,709	0	0
Support Services- School Administration	84,936	7,746	0
Central Services	0	0	0
Operation of Plant	2,337	0	0
Capital Outlay	0	0	374,631
Total Expenditures	<u>414,887</u>	<u>67,105</u>	<u>465,928</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>			
Transfer Out	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</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, 2013

	Special Revenue		
	Partnerships in Character Education 25240	IDEA B State Directed 27200	School Based Health Clinic 29130
<b>Revenues</b>			
Charge for Services	\$ 0	\$ 0	\$ 0
State Grants	0	0	343,525
Federal Grants	312,294	382,806	0
Total Revenues	<u>312,294</u>	<u>382,806</u>	<u>343,525</u>
<b>Expenditures</b>			
<b>Current Operations</b>			
Instruction	0	85,441	310,350
Support Services-Students	229,321	53,016	46,604
Support Services General Administration	17,296	128,659	0
Support Services- School Administration	65,677	62,049	0
Central Services	0	44,641	0
Operation of Plant	0	9,000	0
Capital Outlay	0	0	0
Total Expenditures	<u>312,294</u>	<u>382,806</u>	<u>356,954</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>(13,429)</u>
<b>Other Financing Sources (Uses)</b>			
Transfer Out	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	0	(13,429)
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>53,634</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40,205</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, 2013

---

	Other Governmental Funds	Total
Revenues		
Charge for Services	\$ 0	\$ 163,431
State Grants	0	447,769
Federal Grants	0	1,891,825
Total Revenues	<u>0</u>	<u>2,503,025</u>
Expenditures		
Current Operations		
Instruction	0	395,791
Support Services-Students	0	987,275
Support Services General Administration	0	246,444
Support Services- School Administration	0	309,142
Central Services	0	112,973
Operation of Plant	0	20,901
Capital Outlay	0	374,631
Total Expenditures	<u>0</u>	<u>2,447,157</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>55,868</u>
Other Financing Sources (Uses)		
Transfer Out	(2,928)	0
Total Other Financing Sources (Uses)	<u>(2,928)</u>	<u>0</u>
Net Change in Fund Balance	(2,928)	55,868
Fund Balance Beginning of Year	<u>2,928</u>	<u>768,758</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 824,626</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, 2013

---

Excess (Deficiency) of Revenues Over Expenditures-Governmental Funds \$ 55,868

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	\$ (101,270)	
Capital Outlays	<u>374,631</u>	273,361

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, 2012	22,030	
Compensated Absences, June 30, 2013	<u>\$ (26,264)</u>	<u>(4,234)</u>

Changes in Net Position of Governmental Activities \$ 324,995

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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Charge for Services	\$ 0	\$ 0	\$ 76,348	\$ 76,348
Total Revenues	<u>0</u>	<u>0</u>	<u>76,348</u>	<u>76,348</u>
<b>Expenditures</b>				
<b>Support Services-Students</b>				
Other Purchased 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	<u>0</u>	<u>0</u>	<u>76,348</u>	<u>76,348</u>
<b>Other Financing Sources (Uses)</b>				
Transfers	0	0	2,928	2,928
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>2,928</u>	<u>2,928</u>
Net Change in Fund Balance	0	0	79,276	79,276
Cash Balance Beginning of Year	<u>525,989</u>	<u>525,989</u>	<u>525,989</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 525,989</u>	<u>\$ 525,989</u>	<u>\$ 605,265</u>	<u>\$ 79,276</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 76,348	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 76,348</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Charge for Services	\$ 29,056	\$ 29,056	\$ 87,082	\$ 58,026
State Grant	104,244	104,244	104,244	0
<b>Total Revenues</b>	<b>133,300</b>	<b>133,300</b>	<b>191,326</b>	<b>58,026</b>
<b>Expenditures</b>				
<b>Support Services-Students</b>				
Professional & Tech Services	2,000	2,000	2,000	0
<b>Total Support Services-Students</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>0</b>
<b>Support Services-General Administration</b>				
Personnel Services	45,000	0	0	0
Employee Benefits	15,700	353	247	106
Professional & Tech Services	3,000	6,622	6,278	344
Purchased Property Services	2,000	2,015	1,867	148
Other Purchased Services	0	39,410	38,990	420
Supplies	4,244	5,497	4,427	1,070
Supply Assets	1,000	2,632	2,632	0
<b>Total Support Services-General Administration</b>	<b>70,944</b>	<b>56,529</b>	<b>54,441</b>	<b>2,088</b>
<b>Support Services-School Administration</b>				
Personnel Services	0	60,000	60,000	0
Employee Benefits	0	23,697	22,402	1,295
Other Purchased Services	0	4,790	2,691	2,099
Supplies	0	3,513	3,511	2
<b>Total Support Services-School Administration</b>	<b>0</b>	<b>92,000</b>	<b>88,604</b>	<b>3,396</b>
<b>Central Services</b>				
Personnel Services	19,300	37,977	35,004	2,973
Employee Benefits	7,000	11,270	9,743	1,527
<b>Total Central Services</b>	<b>26,300</b>	<b>49,247</b>	<b>44,747</b>	<b>4,500</b>
<b>Operation &amp; Maintenance of Plant</b>				
Purchased Property Services	3,000	3,000	3,000	0
Other Purchased Services	2,000	2,000	2,000	0
<b>Total Operation &amp; Maintenance of Plant</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>0</b>
<b>Total Expenditures</b>	<b>\$ 104,244</b>	<b>\$ 204,776</b>	<b>\$ 194,792</b>	<b>\$ 9,984</b>

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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Excess (Deficiency) of Revenues Over Expenditures	\$ 29,056	\$ (71,476)	\$ (3,466)	\$ 68,010
Cash Balance Beginning of Year	188,432	188,432	188,432	0
Cash Balance End of Year	<u>\$ 217,488</u>	<u>\$ 116,956</u>	<u>\$ 184,966</u>	<u>\$ 68,010</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (3,466)	
Net Change in Accounts Payable			<u>(3,585)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (7,051)</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, 2013

Revenues	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Federal Grant	\$ 324,198	\$ 324,198	\$ 246,334	\$ (77,864)
Total Revenues	<u>324,198</u>	<u>324,198</u>	<u>246,334</u>	<u>(77,864)</u>
Expenditures				
Support Services-Students				
Personnel Services	72,000	49,662	49,662	0
Employee Benefits	29,928	17,281	17,277	4
Professional & Tech Services	75,000	70,085	69,913	172
Other Purchased Services	38,579	63,013	63,102	(89)
Supplies	4,000	10,564	10,563	1
Supply Assets	2,500	402	402	0
Total Support Services-Students	<u>222,007</u>	<u>211,007</u>	<u>210,919</u>	<u>88</u>
Support Services-General Administration				
Personnel Services	0	1,200	1,200	0
Employee Benefits	0	344	344	0
Professional & Tech Services	3,000	3,842	3,841	1
Purchased Property Services	3,600	4,847	4,846	1
Other Purchased Services	1,500	50	50	0
Total Support Services-General Administration	<u>8,100</u>	<u>10,283</u>	<u>10,281</u>	<u>2</u>
Central Services				
Personnel Services	10,000	17,651	17,651	0
Employee Benefits	5,893	6,059	6,047	12
Total Central Services	<u>15,893</u>	<u>23,710</u>	<u>23,698</u>	<u>12</u>
Operation & Maintenance of Plant				
Purchased Property Services	3,000	4,000	4,000	0
Other Purchased Services	1,000	1,000	1,000	0
Total Operation & Maintenance of Plant	<u>4,000</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>
Total Expenditures	<u>250,000</u>	<u>250,000</u>	<u>249,898</u>	<u>102</u>
Excess (Deficiency) of Revenues Over Expenditures	74,198	74,198	(3,564)	(77,762)
Cash Balance Beginning of Year	<u>(74,198)</u>	<u>(74,198)</u>	<u>(74,198)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (77,762)</u>	<u>\$ (77,762)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (3,564)	
Net Change in Due from Grantor			2,472	
Net Change in Accounts Payable			1,092	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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



## STATE OF NEW MEXICO

**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**

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

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

## Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 829,226	\$ 829,226	\$ 579,089	\$ (250,137)
Total Revenues	<u>829,226</u>	<u>829,226</u>	<u>579,089</u>	<u>(250,137)</u>
Expenditures				
Support Services-Students				
Professional & Tech Services	122,000	60,780	15,003	45,777
Other Purchased Services	208,187	248,187	219,419	28,768
Supplies	26,000	44,900	37,358	7,542
Supply Assets	15,000	17,320	17,019	301
Total Support Services-Students	<u>371,187</u>	<u>371,187</u>	<u>288,799</u>	<u>82,388</u>
Support Services-General Administration				
Personnel Services	10,000	9,020	9,019	1
Employee Benefits	5,385	7,845	7,593	252
Professional & Tech Services	27,000	25,520	16,959	8,561
Total Support Services-General Administration	<u>42,385</u>	<u>42,385</u>	<u>33,571</u>	<u>8,814</u>
Support Services-School Administration				
Personnel Services	100,000	100,000	48,931	51,069
Employee Benefits	39,900	39,900	36,005	3,895
Total Support Services-School Administration	<u>139,900</u>	<u>139,900</u>	<u>84,936</u>	<u>54,964</u>
Operation & Maintenance of Plant				
Purchased Property Services	5,000	5,000	2,337	2,663
Total Operation & Maintenance of Plant	<u>5,000</u>	<u>5,000</u>	<u>2,337</u>	<u>2,663</u>
Total Expenditures	<u>558,472</u>	<u>558,472</u>	<u>409,643</u>	<u>148,829</u>
Excess (Deficiency) of Revenues Over Expenditures	270,754	270,754	169,446	(101,308)
Cash Balance Beginning of Year	<u>(270,754)</u>	<u>(270,754)</u>	<u>(270,754)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (101,308)</u>	<u>\$ (101,308)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 169,446	
Net Change in Due from Grantor			(164,202)	
Net Change in Accounts Payable			(5,244)	
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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 92,671	\$ 101,339	\$ 33,105	\$ (68,234)
Total Revenues	<u>92,671</u>	<u>101,339</u>	<u>33,105</u>	<u>(68,234)</u>
<b>Expenditures</b>				
<b>Support Services-Students</b>				
Personnel Services	0	24,240	23,405	835
Employee Benefits	0	10,171	9,391	780
Other Purchased Services	54,657	15,197	13,369	1,828
Supplies	1,021	7,392	7,191	201
Supply Assets	22,097	24,417	6,792	17,625
Total Support Services-Students	<u>77,775</u>	<u>81,417</u>	<u>60,148</u>	<u>21,269</u>
<b>Support Services-School Administration</b>				
Personnel Services	2,720	6,347	6,347	0
Employee Benefits	0	1,399	1,399	0
Total Support Services-School Administration	<u>2,720</u>	<u>7,746</u>	<u>7,746</u>	<u>0</u>
Total Expenditures	<u>80,495</u>	<u>89,163</u>	<u>67,894</u>	<u>21,269</u>
Excess (Deficiency) of Revenues Over Expenditures	12,176	12,176	(34,789)	(46,965)
Cash Balance Beginning of Year	<u>(12,176)</u>	<u>(12,176)</u>	<u>(12,176)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (46,965)</u>	<u>\$ (46,965)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (34,789)	
Net Change in Due from Grantor			34,000	
Net Change in Account Payables			789	
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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 465,928	\$ 465,928	\$ 465,928	\$ 0
Total Revenues	<u>465,928</u>	<u>465,928</u>	<u>465,928</u>	<u>0</u>
<b>Expenditures</b>				
<b>Support Services-Students</b>				
Personnel Services	29,000	14,575	14,575	0
Employee Benefits	0	0	0	0
Supplies	57,900	48,765	48,765	0
Fixed Assets	12,000	0	0	0
Supply Assets	52,332	27,957	27,957	0
Total Support Services-Students	<u>151,232</u>	<u>91,297</u>	<u>91,297</u>	<u>0</u>
<b>Capital Outlay</b>				
Construction Services	314,696	374,631	374,631	0
Total Capital Outlay	<u>314,696</u>	<u>374,631</u>	<u>374,631</u>	<u>0</u>
Total Expenditures	<u>465,928</u>	<u>465,928</u>	<u>465,928</u>	<u>0</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>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Net Change in Due from Grantor			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-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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 322,156	\$ 322,156	\$ 316,282	\$ (5,874)
Total Revenues	<u>322,156</u>	<u>322,156</u>	<u>316,282</u>	<u>(5,874)</u>
<b>Expenditures</b>				
<b>Support Services-Students</b>				
Personnel Services	50,000	85,875	85,875	0
Employee Benefits	16,670	26,893	25,989	904
Professional & Tech Services	25,000	23,435	22,588	847
Other Purchased Services	139,776	84,743	81,909	2,834
Supplies	4,000	14,500	14,130	370
Supply Assets	0	0	0	0
Total Support Services-Students	<u>235,446</u>	<u>235,446</u>	<u>230,491</u>	<u>4,955</u>
<b>Support Services-General Administration</b>				
Professional & Tech Services	17,296	17,296	17,296	0
Total Support Services-General Administration	<u>17,296</u>	<u>17,296</u>	<u>17,296</u>	<u>0</u>
<b>Support Services-School Administration</b>				
Personnel Services	57,000	57,000	54,280	2,720
Employee Benefits	12,514	12,514	11,397	1,117
Total Support Services-School Administration	<u>69,514</u>	<u>69,514</u>	<u>65,677</u>	<u>3,837</u>
Total Expenditures	<u>322,256</u>	<u>322,256</u>	<u>313,464</u>	<u>8,792</u>
Excess (Deficiency) of Revenues Over Expenditures	(100)	(100)	2,818	2,918
Cash Balance Beginning of Year	100	100	100	0
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,918</u>	<u>\$ 2,918</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 2,818	
Net Change in Due from Grantor			(1,070)	
Net Change in Account Payables			1,170	
Net Change in Deferred Revenue			(2,918)	
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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 513,627	\$ 513,627	\$ 392,117	\$ (121,510)
Total Revenues	<u>513,627</u>	<u>513,627</u>	<u>392,117</u>	<u>(121,510)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Professional & Tech Services	16,554	10,207	9,123	1,084
Other Purchased Services	40,555	41,190	33,438	7,752
Supplies	28,120	36,699	32,945	3,754
Supply Assets	12,369	9,502	9,496	6
Total Instruction	<u>97,598</u>	<u>97,598</u>	<u>85,002</u>	<u>12,596</u>
<b>Support Services-Students</b>				
Professional & Tech Services	21,567	17,872	12,057	5,815
Other Purchased Services	34,500	34,500	30,614	3,886
Supplies	8,000	11,695	8,492	3,203
Total Support Services-Students	<u>64,067</u>	<u>64,067</u>	<u>51,163</u>	<u>12,904</u>
<b>Support Services-General Administration</b>				
Professional & Tech Services	67,000	81,174	81,174	0
Purchased Property Services	23,737	20,568	20,566	2
Professional & Tech Services	5,500	4,762	4,761	1
Purchased Property Services	7,600	7,077	7,077	0
Supplies	15,000	6,336	6,261	75
Supply Assets	10,000	8,920	8,919	1
Total Support Services-General Administration	<u>128,837</u>	<u>128,837</u>	<u>128,758</u>	<u>79</u>
<b>Support Services-School Administration</b>				
Personnel Services	40,000	44,980	44,980	0
Employee Benefits	23,260	18,280	17,069	1,211
Total Support Services-School Administration	<u>63,260</u>	<u>63,260</u>	<u>62,049</u>	<u>1,211</u>
<b>Central Services</b>				
Personnel Services	35,000	34,286	34,253	33
Employee Benefits	10,030	10,744	10,388	356
Total Central Services	<u>45,030</u>	<u>45,030</u>	<u>44,641</u>	<u>389</u>
<b>Operation &amp; Maintenance of Plant</b>				
Purchased Property Services	6,000	6,109	6,109	0
Other Purchased Services	3,000	2,891	2,891	0
Total Operation & Maintenance of Plant	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 0</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Total Expenditures	\$ 407,792	\$ 407,792	\$ 380,613	\$ 27,179
Excess (Deficiency) of Revenues Over Expenditures	105,835	105,835	11,504	(94,331)
Cash Balance Beginning of Year	(105,835)	(105,835)	(105,835)	0
Cash Balance End of Year	\$ 0	\$ 0	\$ (94,331)	\$ (94,331)
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 11,504	
Net Change in Due from Grantor			(9,311)	
Net Change in Account Payables			(2,193)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Charge for Services	\$ 737,419	737,419	\$ 343,525	\$ (393,894)
Total Revenues	<u>737,419</u>	<u>737,419</u>	<u>343,525</u>	<u>(393,894)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	0	19,795	9,600	10,195
Employee Benefits	0	10,390	4,565	5,825
Professional & Tech Services	0	4,500	4,022	478
Other Purchased Services	730,958	687,568	270,655	416,913
Supplies	20,000	22,820	22,066	754
Supply Assets	0	3,320	3,316	4
Total Instruction	<u>750,958</u>	<u>748,393</u>	<u>314,224</u>	<u>434,169</u>
<b>Support Services-Students</b>				
Personnel Services	30,000	30,590	30,590	0
Employee Benefits	14,042	16,017	16,013	4
Total Support Services-Students	<u>44,042</u>	<u>46,607</u>	<u>46,603</u>	<u>4</u>
Total Expenditures	<u>795,000</u>	<u>795,000</u>	<u>360,827</u>	<u>434,173</u>
Excess (Deficiency) of Revenues Over Expenditures	(57,581)	(57,581)	(17,302)	40,279
Cash Balance Beginning of Year	<u>57,581</u>	<u>57,581</u>	<u>57,581</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40,279</u>	<u>\$ 40,279</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (17,302)	
Net Change in Accounts Payable			<u>3,873</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (13,429)</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.

**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.

**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.

**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.

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, deferred outflow of resources, liabilities and deferred inflow of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

#### Program Revenues

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

#### ***Fund Financial Statements (FFS)***

##### Governmental Funds

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

##### Revenues

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

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

##### Revenue Recognition for Grants.

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

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

##### Expenditures

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Notes to the Financial Statements  
June 30, 2013

---

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.

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Notes to the Financial Statements  
June 30, 2013

---

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.

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.

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Notes to the Financial Statements  
June 30, 2013

---

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

Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed on net positions 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 positions are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Committed fund balance is a classification for governmental fund balance reporting that includes amounts that can only be used for specific purposes pursuant to constraints imposed by law.

Assigned fund balance is a classification for governmental fund balance reporting that includes amounts that the governmental entity intends to use for specific purposes.

Restricted fund balance includes amounts that have constraints placed on their use that are (a) externally imposed by grantors, laws or regulation of other governments or (b) imposed by enabling legislation.

Unassigned fund balance is the residual classification used for reporting spendable fund balance in the General Fund that represents amounts that have not been committed or assigned or restricted.

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.

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Notes to the Financial Statements  
June 30, 2013

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. In October 2012 the board passed to set a maximum accumulated amount. The board passed as follows: maximum accumulated annual leave is forty (40) days at 7.5 hrs. per day (300 hours) and employees hired after July 2012 - maximum accumulated annual leave is thirty (30) days (225 hours). As of today all employees were hired before July 2012.

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.

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>	Balance Per Bank 06/30/2013	Reconciled Balance	<u>Type</u>
NEREC	\$ 655,017	\$ 513,062	Checking
TOTAL Deposited	655,017	513,062	
Less: FDIC Coverage	(250,000)		
Uninsured Amount	405,017		
50% collateral requirement	202,509		
Pledged securities	297,175		
Over (Under) requirement	\$ 94,666		

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Notes to the Financial Statements  
June 30, 2013

The following securities are pledged at Southwest Capital:

Description	CUSIP #	Market Value	Maturity Date	Location
FNMA	3136G0QW4	\$ 297,175	7/11/18	Federal Home Loan Bank-
		\$ 297,175		Dallas, TX

**Custodial Credit Risk-Deposits**

Depository Account	Bank Balance
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in REC's name	297,175
Uninsured and uncollateralized	107,842
Total Deposits	\$ 655,017

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, 2013 \$107,843 of the REC's bank balance of \$655,017 was exposed to custodial credit risk.

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

Interfund Balances during the year ending June 30, 2013 were as follows:

Receivable Fund	Payable Funds				
	IDEA B State Level 24107	SpEd-Tech Assistance & Dissemination 24151	Carl Perkins 24174	IDEA B State Directed 27200	Other Governmental Funds
General	\$ 77,762	\$ 101,308	\$ 46,965	\$ 94,331	\$ 0
Totals	\$ 77,762	\$ 101,308	\$ 46,965	\$ 94,331	\$ 0

Transfer were made between funds as follows:

A transfer was made from the General Fund of \$2,928 from a non-major fund to close the grant.

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 06/30/12	Increases	Deletions	Ending Balance 06/30/13
<b>Governmental Activities</b>				
Other Capital Assets				
Construction in Progress	\$ 33,304	\$ 374,631	\$ 407,935	\$ 0
Buildings	0	407,935	0	407,935
Equipment	1,112,630	0	0	1,112,630
Total Capital Assets at Historical Cost	\$ 1,145,934	\$ 782,566	\$ 407,935	\$ 1,520,565

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Notes to the Financial Statements  
June 30, 2013

<b>Less Accumulated Depreciation</b>								
Buildings	\$	0	\$	13,598	\$	0	\$	13,598
Equipment		<u>697,057</u>		<u>87,672</u>		<u>0</u>		<u>784,729</u>
Total Accumulated Depreciation		<u>697,057</u>		<u>101,270</u>		<u>0</u>		<u>798,327</u>
Capital Assets, net	\$	<u>448,877</u>	\$	<u>681,296</u>	\$	<u>407,935</u>	\$	<u>722,238</u>

Depreciation expense was charged to governmental activities as follows:

Support Services-Students	\$	<u>101,270</u>
Total depreciation expenses	\$	<u>101,270</u>

**NOTE E: COMPENSATED ABSENCES**

The following is a summary of compensated absences transactions:

Accrued compensated absences, July 1, 2012	\$	22,030
Current year additions		11,524
Current year retirements		<u>(7,290)</u>
Accrued compensated absences, June 30, 2013	\$	<u>26,264</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 F: PENSION PLAN**

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

As of July 1, 2012 plan members are required by statute to continue 7.9% of their gross salary if they earned \$20,000 or less annually. Plan members earning more than \$20,000 annually are required to contribute 9.4% of their gross salary. The REC is required to contribute 12.4% of gross covered salaries for employees earning \$20,000 or less, and 10.9% of the gross covered salaries 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, 2013, 2012, and 2011, were \$118,103, \$105,837, and \$81,833 respectively, which equal the amount of the required contributions for each fiscal year.



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

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

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

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

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

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

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, 2013, 2012 and 2011 were \$17,454, \$14,342.82, and \$10,074 respectively, which equal the required contributions for each year.

**NOTE H: 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 I: 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 J: 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 K: 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 B-Special Education (24106).** 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.

**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.

**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.

**Advanced Replacement (27129).**To account for revenues and expenditures provided to promote and expand Advanced Placement Education in rural school districts. The Fund was created by the authority of federal grant provisions (Laws 2005 Chapter 33).

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
June 30, 2013

---

	IDEA B Entitlement 24106	IDEA Preschool 24109	Distant Learning 25198
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Restricted for, reported in			
Special Revenue Funds	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities & Fund Balance	<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.**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
June 30, 2013

---

	Advanced Placement <u>27129</u>	<u>Total</u>
<b>ASSETS</b>		
Cash	\$ 0	\$ 0
Receivables		
Due From Grantor	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 0	\$ 0
Interfund Balance	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>
Fund Balance		
Restricted for, reported in		
Special Revenue Funds	<u>0</u>	<u>0</u>
Total Fund Balance	<u>0</u>	<u>0</u>
Total Liabilities & Fund Balance	<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 COOPERATIVE # 4**  
SPECIAL REVENUE FUNDS  
Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2013

---

	IDEA B Entitlement 24106	IDEA Preschool 24109	Distant Learning 25198
<b>Revenues</b>			
State Grants	\$ 0	\$ 0	\$ 0
Federal Grants	0	0	0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>			
<b>Current Operations</b>			
Instruction	0	0	0
Support Services-Students	0	0	0
Support Services General Administration	0	0	0
Support Services- School Administration	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>			
Transfer Out	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</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 COOPER.**  
SPECIAL REVENUE FUNDS  
Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2013

---

	Advanced Placement <u>27129</u>	<u>Total</u>
Revenues		
State Grants	\$ 0	\$ 0
Federal Grants	<u>0</u>	<u>0</u>
Total Revenues	<u>0</u>	<u>0</u>
Expenditures		
Current Operations		
Instruction	0	0
Support Services-Students	0	0
Support Services General Administration	0	0
Support Services- School Administration	0	0
Capital Outlay	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>
Other Financing Sources (Uses)		
Transfer Out	<u>(2,928)</u>	<u>(2,928)</u>
Total Other Financing Sources (Uses)	<u>(2,928)</u>	<u>(2,928)</u>
Net Change in Fund Balance	(2,928)	(2,928)
Fund Balance Beginning of Year	<u>2,928</u>	<u>2,928</u>
Fund Balance End of Year	<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 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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 75,925	\$ 75,925	\$ 75,925	\$ 0
Total Revenues	<u>75,925</u>	<u>75,925</u>	<u>75,925</u>	<u>0</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Professional & Tech Services	1,056	1,056	1,056	0
Supplies	<u>804</u>	<u>804</u>	<u>804</u>	<u>0</u>
Total Instruction	<u>1,860</u>	<u>1,860</u>	<u>1,860</u>	<u>0</u>
<b>Support Services-Students</b>				
Professional & Tech Services	<u>1,716</u>	<u>1,716</u>	<u>1,716</u>	<u>0</u>
Total Support Services-Students	<u>1,716</u>	<u>1,716</u>	<u>1,716</u>	<u>0</u>
Total Expenditures	<u>3,576</u>	<u>3,576</u>	<u>3,576</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	72,349	72,349	72,349	0
Cash Balance Beginning of Year	<u>(72,349)</u>	<u>(72,349)</u>	<u>(72,349)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 72,349	
Net Change in Due from Grantor			(75,924)	
Net Change in Account Payables			<u>3,575</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-IDEA PRESCHOOL-24109  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 8,813	\$ 8,813	\$ 8,813	\$ 0
Total Revenues	<u>8,813</u>	<u>8,813</u>	<u>8,813</u>	<u>0</u>
Expenditures				
Instruction				
Supplies	<u>527</u>	<u>527</u>	<u>527</u>	<u>0</u>
Total Instruction	<u>527</u>	<u>527</u>	<u>527</u>	<u>0</u>
Total Expenditures	<u>527</u>	<u>527</u>	<u>527</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	8,286	8,286	8,286	0
Cash Balance Beginning of Year	<u>(8,286)</u>	<u>(8,286)</u>	<u>(8,286)</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			\$ 8,286	
Net Change in Due from Grantor			(8,813)	
Net Change in Account Payables			<u>527</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>				
<b>Support Services-Students</b>				
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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>				
Transfers	(3)	(3)	(3)	0
Total Other Sources (Uses)	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u>0</u>
Net Change in Fund Balance	(3)	(3)	(3)	0
Cash Balance Beginning of Year	<u>3</u>	<u>3</u>	<u>3</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
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-ADVANCED PLACEMENT-27129  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 0	0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>				
<b>Support Services-Students</b>				
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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>				
Transfers	(2,928)	(2,928)	(2,928)	0
Total Other Sources (Uses)	<u>(2,928)</u>	<u>(2,928)</u>	<u>(2,928)</u>	<u>0</u>
Net Change in Fund Balance	(2,928)	(2,928)	(2,928)	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>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
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.

**OTHER SUPPLEMENTAL INFORMATION**

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Cash Reconciliation  
For the Year Ended June 30, 2013

---

		Beginning Cash Balance	Revenue	Expenditures	Transfers	Ending Cash Balance
Federal Flow through	24000	\$ (437,764)	\$ 943,265	\$ 731,536	\$ 0	\$ (226,035)
Federal Direct	25000	103	782,210	779,391	(4)	2,922
State Flow through	27000	85,526	583,443	575,406	(2,928)	93,563
Local Grants	29000	583,570	419,868	360,826	2,932	642,612
Total		\$ <u>231,435</u>	\$ <u>2,728,786</u>	\$ <u>2,447,159</u>	\$ <u>0</u>	\$ <u>513,062</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, 2013

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 State Level	84.027	24107	248,805
IDEA B Discretionary-State Directed	84.027	27200	382,806
Total Special Education Cluster			<u>631,611</u>
Total Special Education Cluster			
Special Education-Personnel Development	84.323	24151	414,887
Carl Perkins	84.048	24174	67,105
DIRECT PROGRAM			
Partnerships in Character Education	84.215	25240	312,294
Total US Department of Education			<u>1,425,897</u>
Department of Health and Human Services			
DIRECT PROGRAM			
Affordable Care Act (ACA) School Based			
Health Center Capital Expenditures	93.501	25178	465,928
Total Department of Health and Human Services			<u>465,928</u>
Total Federal Assistance			<u>\$ 1,891,825</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, 2013

---

**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

225 Innsdale Terrace, Clovis, NM 88101

(855) 253-4313

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

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Northeast Regional Education Cooperative #4 (REC) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the REC's basic financial statements, and the combining and individual funds and related budgetary comparisons of the REC, presented as supplemental information, and have issued our report thereon dated September 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the REC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the REC's internal control. Accordingly, we do not express an opinion on the effectiveness of the REC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the REC's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 13-1.

### The REC's Responses to Findings

The REC's responses to the findings identified in our audit as described in the accompanying schedule of findings and questioned cost. responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*De'Ann Willoughby CPA PC*

Clovis, New Mexico  
September 12, 2013

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

Report on Compliance for Each Major

We have audited Northeast 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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the REC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the REC's compliance.

Opinion on Each Major Federal Program

In our opinion, the REC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the REC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the REC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*De'Ann Willoughby CPA PC*

Clovis, New Mexico  
September 12, 2013

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
 Schedule of Findings and Questioned Costs  
 June 30, 2013

---

**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? \_\_\_\_\_ yes \_\_\_X\_\_\_ 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>
84.027	Special Education Cluster Affordable Care Act (ACA) School Based Health Center
93.501	Capital Expenditures

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

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

STATE OF NEW MEXICO  
**NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4**  
Schedule of Findings and Questioned Costs  
June 30, 2013

---

**Prior Year Audit Findings**

	<u>Status</u>
12-1 Expenses	Resolved
12-2 Payroll	Resolved
12-3 Late Audit	Resolved

**Current Year Audit Findings**

**13-1 Late Audit Contract-Other**

**Condition**

The audit contract was not received by the Office of the State Auditor by the required due date of April 15, 2013.

**Criteria**

Paragraph (6) or Subsection G of 2.2.2.8 NMAC requires the contract be received by the Office of the State Auditor by April 15, 2013.

**Cause**

The auditor was not on the approved auditors' list until after that date.

**Effect**

Paragraph (6) or Subsection G of 2.2.2.8 NMAC was violated.

**Recommendation**

The auditors will make every effort to be on the approved auditors list timely in the future.

**Agency Response**

We will contract with an approved auditor timely.

**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 12, 2013 in attendance were Albert Martinez-Chairman, Dr. James A Abreu-Director, Glenn Damian-Grants Director, Mary Sanchez-Business Manager and De'Aun Willoughby, CPA.