



STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4

ANNUAL FINANCIAL REPORT
June 30, 2014

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



STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
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STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
Official Roster
June 30, 2014

BOARD

Fred Trujillo	President
Gene Parson	Vice-President
Richard Perea	Secretary
Dora Romero	Member
Lydia Flores	Member
Albert Martinez	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

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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 funds information, and the budgetary comparisons for the general fund and major special revenue fund of Northeast Regional Education Cooperative #4 (REC), as of and for the year ended June 30, 2014, 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, 2014, 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, 2014, 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 funds of the REC as of June 30, 2014, 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 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 2.2.2 NMAC 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 August 19, 2014, 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 and compliance.



Clovis, New Mexico
August 19, 2014

FINANCIAL SECTION

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
 Government-Wide Statement of Net Position
 June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 593,245
Due from Grantor	136,759
Total Current Assets	<u>730,004</u>
Noncurrent Assets	
Capital Assets	1,520,565
Less: Accumulated Depreciation	<u>(884,605)</u>
Total Noncurrent Assets	<u>635,960</u>
Total Assets	<u>1,365,964</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	6,578
Compensated Absences	<u>32,509</u>
Total Current Liabilities	<u>39,087</u>
Total Liabilities	<u>39,087</u>
NET POSITION	
Net Investment in Capital Assets	635,960
Unrestricted	690,917
Total Net Position	<u>\$ 1,326,877</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, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 392,075	\$ 0	\$ 403,322	\$ 11,247
Support Services				
Students	535,283	268,492	429,293	162,502
General Administration	452,615	0	126,897	(325,718)
School Administration	245,996	0	150,139	(95,857)
Central Services	110,412	0	67,324	(43,088)
Operation of Plant	18,150	0	10,911	(7,239)
Total Governmental Activities	<u>\$ 1,754,531</u>	<u>\$ 268,492</u>	<u>\$ 1,187,886</u>	<u>\$ (298,153)</u>
General Revenues				
State Aid not Restricted to Specific Purpose				104,244
General				186
Interest Earnings				186
Subtotal, General Revenues				<u>104,430</u>
Change in Net Position				(193,723)
Net Position - Beginning				<u>1,520,600</u>
Net Position - Ending				<u>\$ 1,326,877</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, 2014

	General		Special Revenue
	General 29101	REC Operating 27101	Carl Perkins 24174
ASSETS			
Cash	\$ 470,477	\$ 70,425	\$ 0
Receivables			
Due From Grantor	0	0	31,997
Interfund Balance	134,974	0	0
Total Assets	<u>\$ 605,451</u>	<u>\$ 70,425</u>	<u>\$ 31,997</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 0	\$ 3,902	\$ 79
Interfund Balance	0	0	31,918
Total Liabilities	<u>0</u>	<u>3,902</u>	<u>31,997</u>
Fund Balance			
Restricted for			
Special Revenue Funds	0	0	0
Unrestricted	605,451	66,523	0
Total Fund Balance	<u>605,451</u>	<u>66,523</u>	<u>0</u>
Total Liabilities & Fund Balance	<u>\$ 605,451</u>	<u>\$ 70,425</u>	<u>\$ 31,997</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, 2014

	Special Revenue		
	Partnerships in Character Education 25240	IDEA B Entitlement Wagon Mound 27104	Early College HS Start Up 27180
ASSETS			
Cash	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	15,189	21,744	16,107
Interfund Balance	0	0	0
Total Assets	<u>\$ 15,189</u>	<u>\$ 21,744</u>	<u>\$ 16,107</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	15,189	21,744	16,107
Total Liabilities	<u>15,189</u>	<u>21,744</u>	<u>16,107</u>
Fund Balance			
Restricted for			
Special Revenue Funds	0	0	0
Unrestricted	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities & Fund Balance	<u>\$ 15,189</u>	<u>\$ 21,744</u>	<u>\$ 16,107</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, 2014

	<u>Special Revenue</u>		
	<u>IDEA B State Directed 27200</u>	<u>School Based Health Clinic 29130</u>	<u>Other Governmental Funds</u>
ASSETS			
Cash	\$	\$ 52,343	\$ 0
Receivables			
Due From Grantor	43,468	0	8,254
Interfund Balance	0	0	0
Total Assets	<u>\$ 43,468</u>	<u>\$ 52,343</u>	<u>\$ 8,254</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 1,706	\$ 891	\$ 0
Interfund Balance	41,762	0	8,254
Total Liabilities	<u>43,468</u>	<u>891</u>	<u>8,254</u>
Fund Balance			
Restricted for			
Special Revenue Funds	0	51,452	0
Unrestricted	0	0	0
Total Fund Balance	<u>0</u>	<u>51,452</u>	<u>0</u>
Total Liabilities & Fund Balance	<u>\$ 43,468</u>	<u>\$ 52,343</u>	<u>\$ 8,254</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, 2014

	<u>Total</u>
ASSETS	
Cash	\$ 593,245
Receivables	
Due From Grantor	136,759
Interfund Balance	134,974
Total Assets	<u>\$ 864,978</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 6,578
Interfund Balance	134,974
Total Liabilities	<u>141,552</u>
Fund Balance	
Restricted for	
Special Revenue Funds	51,452
Unrestricted	671,974
Total Fund Balance	<u>723,426</u>
 Total Liabilities & Fund Balance	 <u>\$ 864,978</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, 2014

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

Total Fund Balance - Governmental Funds	\$	723,426
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Capital assets used in governmental activities are not
 financial resources and therefore are not reported as assets
 in governmental funds.

The cost of capital assets	\$	1,520,565	
Accumulated depreciation		<u>(884,605)</u>	635,960

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>(32,509)</u>
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Total Net Position - Governmental Activities	\$	<u><u>1,326,877</u></u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
GOVERNMENTAL FUNDS
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014

	General		Special Revenue
	General 29101	REC Operating 27101	Carl Perkins 24174
Revenues			
Charge for Services	\$ 0	\$ 268,492	\$ 0
Interest Income	186	0	0
State Grants	0	104,244	0
Federal Grants	0	0	54,832
Total Revenues	<u>186</u>	<u>372,736</u>	<u>54,832</u>
Expenditures			
Current Operations			
Instruction	0	0	0
Support Services			
Students	0	16,624	49,138
General Administration	0	322,028	0
School Administration	0	95,857	5,694
Central Services	0	43,621	0
Operation of Plant	0	7,239	0
Total Expenditures	<u>0</u>	<u>485,369</u>	<u>54,832</u>
Excess (Deficiency) of Revenues Over Expenditures	186	(112,633)	0
Fund Balance Beginning of Year	<u>605,265</u>	<u>179,156</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 605,451</u>	<u>\$ 66,523</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
GOVERNMENTAL FUNDS
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014

	Special Revenue		
	Partnerships in Character Education 25240	IDEA B Entitlement Wagon Mound 27104	Early College HS Start Up 27180
Revenues			
Charge for Services	\$ 0	\$ 0	\$ 0
Interest Income	0	0	0
State Grants	0	0	27,945
Federal Grants	272,832	24,838	0
Total Revenues	<u>272,832</u>	<u>24,838</u>	<u>27,945</u>
Expenditures			
Current Operations			
Instruction	0	24,838	0
Support Services			
Students	185,675	0	24,246
General Administration	16,087	0	3,699
School Administration	71,070	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Total Expenditures	<u>272,832</u>	<u>24,838</u>	<u>27,945</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
 GOVERNMENTAL FUNDS
 Combining Statement of Revenues,
 Expenditures and Changes in Fund Balances
 For the Year Ended June 30, 2014

	Special Revenue		
	IDEA B State Directed 27200	School Based Health Clinic 29130	Other Governmental Funds
Revenues			
Charge for Services	\$ 0	\$ 0	\$ 0
Interest Income	0	0	0
State Grants	0	265,000	47,267
Federal Grants	281,526	0	213,646
Total Revenues	<u>281,526</u>	<u>265,000</u>	<u>260,913</u>
Expenditures			
Current Operations			
Instruction	87,833	195,167	84,237
Support Services			
Students	15,586	58,586	96,062
General Administration	81,506	0	25,605
School Administration	49,982	0	23,393
Central Services	39,819	0	27,505
Operation of Plant	6,800	0	4,111
Total Expenditures	<u>281,526</u>	<u>253,753</u>	<u>260,913</u>
Excess (Deficiency) of Revenues Over Expenditures	0	11,247	0
Fund Balance Beginning of Year	<u>0</u>	<u>40,205</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 51,452</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
GOVERNMENTAL FUNDS
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014

	<u>Total</u>
Revenues	
Charge for Services	\$ 268,492
Interest Income	186
State Grants	444,456
Federal Grants	<u>847,674</u>
Total Revenues	<u>1,560,808</u>
Expenditures	
Current Operations	
Instruction	392,075
Support Services	
Students	445,917
General Administration	448,925
School Administration	245,996
Central Services	110,945
Operation of Plant	<u>18,150</u>
Total Expenditures	<u>1,662,008</u>
Excess (Deficiency) of Revenues Over Expenditures	(101,200)
Fund Balance Beginning of Year	<u>824,626</u>
Fund Balance End of Year	<u>\$ 723,426</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, 2014

Excess (Deficiency) of Revenues Over Expenditures-Governmental Funds \$ (101,200)

Amounts reported 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	\$ (86,278)	
Capital Outlays	<u>0</u>	(86,278)

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, 2013	26,264	
Compensated Absences, June 30, 2014	\$ <u>(32,509)</u>	<u>(6,245)</u>

Changes in Net Position of Governmental Activities \$ (193,723)

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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Interest Income	\$ 0	\$ 0	\$ 186	\$ 186
Total Revenues	<u>0</u>	<u>0</u>	<u>186</u>	<u>186</u>
Expenditures				
Support Services				
Students				
Other Purchased Services	0	0	0	0
Total Students	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Support Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	186	186
Cash Balance Beginning of Year	<u>605,265</u>	<u>605,265</u>	<u>605,265</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 605,265</u>	<u>\$ 605,265</u>	<u>\$ 605,451</u>	<u>\$ 186</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 186	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 186</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 189,300	\$ 442,004	\$ 268,492	\$ (173,512)
State Grant	104,244	104,244	104,244	0
Total Revenues	<u>293,544</u>	<u>546,248</u>	<u>372,736</u>	<u>(173,512)</u>
Expenditures				
Support Services				
Students				
Professional & Tech Services	13,500	13,500	1,404	12,096
Other Purchased Services	20,579	18,142	15,220	2,922
Total Students	<u>34,079</u>	<u>31,642</u>	<u>16,624</u>	<u>15,018</u>
General Administration				
Personnel Services	35,000	46,933	46,932	1
Employee Benefits	15,728	20,380	20,882	(502)
Professional & Tech Services	7,300	35,004	32,464	2,540
Purchased Property Services	4,000	3,008	3,007	1
Other Purchased Services	39,000	253,601	215,145	38,456
Supplies	5,500	6,060	6,060	0
Supply Assets	4,000	683	682	1
Total General Administration	<u>110,528</u>	<u>365,669</u>	<u>325,172</u>	<u>40,497</u>
School Administration				
Personnel Services	60,600	60,633	60,632	1
Employee Benefits	25,588	24,689	24,669	20
Other Purchased Services	7,800	7,834	7,485	349
Supplies	2,572	3,404	3,200	204
Total School Administration	<u>96,560</u>	<u>96,560</u>	<u>95,986</u>	<u>574</u>
Central Services				
Personnel Services	34,000	34,001	34,000	1
Employee Benefits	12,377	12,376	9,621	2,755
Total Central Services	<u>46,377</u>	<u>46,377</u>	<u>43,621</u>	<u>2,756</u>
Operation & Maintenance of Plant				
Purchased Property Services	4,000	5,989	5,863	126
Other Purchased Services	2,000	11	11	0
Total Operation & Maintenance of Plant	<u>6,000</u>	<u>6,000</u>	<u>5,874</u>	<u>126</u>
Total Support Services	<u>293,544</u>	<u>546,248</u>	<u>487,277</u>	<u>58,971</u>
Total Expenditures	\$ <u>293,544</u>	\$ <u>546,248</u>	\$ <u>487,277</u>	\$ <u>58,971</u>

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
SPECIAL REVENUE FUND-REC OPERATING FUND-27101
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ (114,541)	\$ (114,541)
Cash Balance Beginning of Year	<u>184,966</u>	<u>184,966</u>	<u>184,966</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 184,966</u>	<u>\$ 184,966</u>	<u>\$ 70,425</u>	<u>\$ (114,541)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (114,541)	
Net Change in Accounts Payable			<u>1,908</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (112,633)</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 104,092	\$ 105,875	\$ 69,800	\$ (36,075)
Total Revenues	<u>104,092</u>	<u>105,875</u>	<u>69,800</u>	<u>(36,075)</u>
Expenditures				
Support Services				
Students				
Personnel Services	18,800	22,050	22,050	0
Employee Benefits	9,939	9,327	9,241	86
Other Purchased Services	8,742	8,590	9,627	(1,037)
Supplies	11,900	11,197	8,141	3,056
Total Students	<u>49,381</u>	<u>51,164</u>	<u>49,059</u>	<u>2,105</u>
School Administration				
Personnel Services	6,327	6,327	4,515	1,812
Employee Benefits	1,419	1,419	1,179	240
Total School Administration	<u>7,746</u>	<u>7,746</u>	<u>5,694</u>	<u>2,052</u>
Total Support Services	<u>57,127</u>	<u>58,910</u>	<u>54,753</u>	<u>4,157</u>
Total Expenditures	<u>57,127</u>	<u>58,910</u>	<u>54,753</u>	<u>4,157</u>
Excess (Deficiency) of Revenues Over Expenditures	46,965	46,965	15,047	(31,918)
Cash Balance Beginning of Year	<u>(46,965)</u>	<u>(46,965)</u>	<u>(46,965)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (31,918)</u>	<u>\$ (31,918)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 15,047	
Net Change in Due from Grantor			(14,968)	
Net Change in Account Payables			(79)	
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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 319,338	\$ 319,438	\$ 254,724	\$ (64,714)
Total Revenues	<u>319,338</u>	<u>319,438</u>	<u>254,724</u>	<u>(64,714)</u>
Expenditures				
Support Services				
Students				
Personnel Services	85,875	90,469	89,567	902
Employee Benefits	25,945	32,385	32,045	340
Professional & Tech Services	23,000	20,800	18,905	1,895
Other Purchased Services	87,620	80,186	39,598	40,588
Supplies	14,130	10,130	5,559	4,571
Total Students	<u>236,570</u>	<u>233,970</u>	<u>185,674</u>	<u>48,296</u>
General Administration				
Professional & Tech Services	17,296	17,296	16,087	1,209
Total General Administration	<u>17,296</u>	<u>17,296</u>	<u>16,087</u>	<u>1,209</u>
School Administration				
Personnel Services	57,000	55,000	54,993	7
Employee Benefits	11,390	16,090	16,077	13
Total School Administration	<u>68,390</u>	<u>71,090</u>	<u>71,070</u>	<u>20</u>
Total Support Services	<u>322,256</u>	<u>322,356</u>	<u>272,831</u>	<u>49,525</u>
Total Expenditures	<u>322,256</u>	<u>322,356</u>	<u>272,831</u>	<u>49,525</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,918)	(2,918)	(18,107)	(15,189)
Cash Balance Beginning of Year	<u>2,918</u>	<u>2,918</u>	<u>2,918</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (15,189)</u>	<u>\$ (15,189)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (18,107)	
Net Change in Due from Grantor			15,189	
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-IDEA B ENTITLEMENT-WAGON MOUND-27104
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 28,174	\$ 28,174	\$ 3,094	\$ (25,080)
Total Revenues	<u>28,174</u>	<u>28,174</u>	<u>3,094</u>	<u>(25,080)</u>
Expenditures				
Instruction				
Professional & Tech Services	1,500	1,500	424	1,076
Other Purchased Services	24,337	24,337	22,373	1,964
Supplies	<u>2,337</u>	<u>2,337</u>	<u>2,041</u>	<u>296</u>
Total Instruction	<u>28,174</u>	<u>28,174</u>	<u>24,838</u>	<u>3,336</u>
Total Expenditures	<u>28,174</u>	<u>28,174</u>	<u>24,838</u>	<u>3,336</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(21,744)	(21,744)
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>\$ (21,744)</u>	<u>\$ (21,744)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (21,744)	
Net Change in Due from Grantor			<u>21,744</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-EARLY COLLEGE HS START UP-27180
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 28,000	\$ 28,000	\$ 11,838	\$ (16,162)
Total Revenues	<u>28,000</u>	<u>28,000</u>	<u>11,838</u>	<u>(16,162)</u>
Expenditures				
Support Services				
Students				
Personnel Services	14,000	14,814	14,813	1
Employee Benefits	6,000	6,909	6,861	48
Other Purchased Services	8,000	2,572	2,572	0
Total Students	<u>28,000</u>	<u>24,295</u>	<u>24,246</u>	<u>49</u>
General Administration				
Personnel Services	0	2,806	2,806	0
Employee Benefits	0	899	893	6
Total General Administration	<u>0</u>	<u>3,705</u>	<u>3,699</u>	<u>6</u>
Total Support Services	<u>28,000</u>	<u>28,000</u>	<u>27,945</u>	<u>55</u>
Total Expenditures	<u>28,000</u>	<u>28,000</u>	<u>27,945</u>	<u>55</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(16,107)	(16,107)
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>(16,107)</u>	\$ <u>(16,107)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (16,107)	
Net Change in Due from Grantor			<u>16,107</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-STATE DIRECTED-27200
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 388,262	\$ 388,262	\$ 334,819	\$ (53,443)
Total Revenues	<u>388,262</u>	<u>388,262</u>	<u>334,819</u>	<u>(53,443)</u>
Expenditures				
Instruction				
Professional & Tech Services	11,900	11,118	10,720	398
Other Purchased Services	34,181	29,341	28,040	1,301
Supplies	31,764	36,987	29,800	7,187
Supply Assets	20,131	20,530	18,010	2,520
Total Instruction	<u>97,976</u>	<u>97,976</u>	<u>86,570</u>	<u>11,406</u>
Support Services				
Students				
Professional & Tech Services	6,255	9,685	9,685	0
Other Purchased Services	9,200	5,500	5,500	0
Supplies	2,000	2,270	2,270	0
Total Students	<u>17,455</u>	<u>17,455</u>	<u>17,455</u>	<u>0</u>
General Administration				
Personnel Services	50,000	55,681	55,681	0
Employee Benefits	22,200	17,418	17,418	0
Professional & Tech Services	4,900	3,295	3,295	0
Purchased Property Services	4,600	5,031	5,031	0
Supplies	0	275	200	75
Total General Administration	<u>81,700</u>	<u>81,700</u>	<u>81,625</u>	<u>75</u>
School Administration				
Personnel Services	35,000	32,452	32,452	0
Employee Benefits	10,000	17,548	17,529	19
Total School Administration	<u>45,000</u>	<u>50,000</u>	<u>49,981</u>	<u>19</u>
Central Services				
Personnel Services	30,000	30,023	30,021	2
Employee Benefits	10,000	9,977	9,798	179
Total Central Services	<u>40,000</u>	<u>40,000</u>	<u>39,819</u>	<u>181</u>
Operation & Maintenance of Plant				
Purchased Property Services	4,000	6,800	6,800	0
Other Purchased Services	2,800	0	0	0
Total Operation & Maintenance of Plant	<u>6,800</u>	<u>6,800</u>	<u>6,800</u>	<u>0</u>
Total Support Services	\$ <u>190,955</u>	\$ <u>195,955</u>	\$ <u>195,680</u>	\$ <u>275</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Total Expenditures	\$ 288,931	\$ 293,931	\$ 282,250	\$ 11,681
Excess (Deficiency) of Revenues Over Expenditures	99,331	94,331	52,569	(41,762)
Cash Balance Beginning of Year	(94,331)	(94,331)	(94,331)	0
Cash Balance End of Year	\$ 5,000	\$ 0	\$ (41,762)	\$ (41,762)
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 52,569	
Net Change in Due from Grantor			(53,293)	
Net Change in Account Payables			724	
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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 489,721	\$ 489,721	\$ 265,000	\$ (224,721)
Total Revenues	<u>489,721</u>	<u>489,721</u>	<u>265,000</u>	<u>(224,721)</u>
Expenditures				
Instruction				
Personnel Services	0	3,760	3,760	0
Employee Benefits	0	290	290	0
Professional & Tech Services	5,000	5,000	3,698	1,302
Other Purchased Services	367,199	363,149	172,330	190,819
Supplies	25,000	25,000	13,131	11,869
Supply Assets	3,515	3,515	1,141	2,374
Total Instruction	<u>400,714</u>	<u>400,714</u>	<u>194,350</u>	<u>206,364</u>
Support Services				
Students				
Personnel Services	45,000	38,325	38,324	1
Employee Benefits	16,005	22,680	20,262	2,418
Total Students	<u>61,005</u>	<u>61,005</u>	<u>58,586</u>	<u>2,419</u>
Instruction				
Personnel Services	50,000	50,000	0	50,000
Employee Benefits	18,281	18,281	0	18,281
Total Instruction	<u>68,281</u>	<u>68,281</u>	<u>0</u>	<u>68,281</u>
Total Support Services	<u>129,286</u>	<u>129,286</u>	<u>58,586</u>	<u>70,700</u>
Total Expenditures	<u>530,000</u>	<u>530,000</u>	<u>252,936</u>	<u>277,064</u>
Excess (Deficiency) of Revenues Over Expenditures	(40,279)	(40,279)	12,064	52,343
Cash Balance Beginning of Year	<u>40,279</u>	<u>40,279</u>	<u>40,279</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 52,343</u>	<u>\$ 52,343</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 12,064	
Net Change in Accounts Payable			(817)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 11,247</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 (REC) have 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. The more significant of the District'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 it's governing council, has established as its purpose the delivery to local school districts 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

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.

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.

IDEA B-Special Education(27104) (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.

Early College HS Start Up (27180)

To account for state funds to establish an Early College High School. ECHS simultaneously offer a high school diploma and a college-level associate degree or up to two years of college credit toward a bachelor's degree. The fund was created by the authority of state grant.

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 Position 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, 2014

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, 2014

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
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Notes to the Financial Statements
June 30, 2014

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.

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).

STATE OF NEW MEXICO
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Notes to the Financial Statements
June 30, 2014

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 06/30/2014	Reconciled Balance	<u>Type</u>
NEREC	\$ 732,798	\$ 593,245	*
TOTAL Deposited	732,798	<u>593,245</u>	
Less: FDIC Coverage	(250,000)		
Uninsured Amount	482,798		*interest bearing checking
50% collateral requirement	241,399		
Pledged securities	300,000		
Over (Under) requirement	<u>\$ 58,601</u>		

The following securities are pledged at Southwest Capital:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FNMA	3136G0QW4	\$ 300,000	7/11/18	Federal Home Loan Bank-
		<u>\$ 300,000</u>		Dallas, TX

Custodial Credit Risk-Deposits

<u>Depository Account</u>	Bank Balance
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in REC's name	300,000
Uninsured and uncollateralized	182,798
Total Deposits	<u>\$ 732,798</u>

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
Notes to the Financial Statements
June 30, 2014

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, 2014 \$182,798 of the REC's bank balance of \$732,798 was exposed to custodial credit risk.

NOTE C: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Balances during the year ending June 30, 2014 were as follows:

Receivable Fund	Payable	Payable Funds		
		Carl Perkins 24174	Partnerships in Character Education 25240	IDEA B Entitlement Wagon Mound 27104
General		\$ 31,918	\$ 15,189	\$ 21,744
Totals		\$ 31,918	\$ 15,189	\$ 21,744

Receivable Fund	Payable Funds			Totals
	Early College HS Start Up 27180	IDEA B State Directed 27200	Other Governmental Funds	
General	\$ 16,107	\$ 41,762	\$ 8,254	\$ 134,974
Totals	\$ 16,107	\$ 41,762	\$ 8,254	\$ 134,974

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 06/30/13	Increases	Deletions	Ending Balance 06/30/14
Governmental Activities				
Other Capital Assets				
Buildings	\$ 407,935	\$ 0	\$ 0	\$ 407,935
Equipment	1,112,630	0	0	1,112,630
Total Capital Assets at Historical Cost	\$ 1,520,565	\$ 0	\$ 0	\$ 1,520,565
Less Accumulated Depreciation				
Buildings	\$ 13,598	\$ 13,598	\$ 0	\$ 27,196
Equipment	784,729	72,680	0	857,409
Total Accumulated Depreciation	798,327	86,278	0	884,605
Capital Assets, net	\$ 722,238	\$ (86,278)	\$ 0	\$ 635,960

Depreciation expense was charged to governmental activities as follows:

Support Services-Students	\$ 86,278
Total depreciation expense	\$ 86,278

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
 Notes to the Financial Statements
 June 30, 2014

NOTE E: COMPENSATED ABSENCES

The following is a summary of compensated absences transactions:

Accrued compensated absences, July 1, 2013	\$	26,264
Current year additions		13,753
Current year retirements		(7,508)
Accrued compensated absences, June 30, 2014	\$	<u>32,509</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

Plan Description

Substantially all of the District'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 districts, colleges and universities and some state agency employees) 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.

Funding Policy

Member Contributions-Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required make the following contributions to the Plan: 10.10% of their gross salary in the fiscal year 2014; and 10.17% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions-The District contributed 13.15% of the gross covered salary in the fiscal year 2014. In fiscal year 2015 the District will contribute 13.9% of gross covered salary.

The contribution requirements of the plan members and the District are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to ERB for the fiscal years ending June 30, 2014, 2013, and 2012, were \$75,668, \$63,958, and \$62,616, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE G: RETIREE HEALTH CARE ACT CONTRIBUTIONS

Plan Description. The District 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.

STATE OF NEW MEXICO
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Notes to the Financial Statements
June 30, 2014

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.

Funding Policy. 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.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act. The District is not a member of the enhanced retirement plan.

The District's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$11,508, \$11,636 and \$9,562 respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
 Notes to the Financial Statements
 June 30, 2014

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.

NOTE L: BUDGET VIOLATIONS

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

The following funds had budget violations as of June 30, 2014.

	Original	Final	Actual	Variance
Sped-Tech Assistance & Dissemination-24151				
Support Services	\$ 59,374	\$ 59,374	\$ 60,603	\$ (1,229)

**SUPPLEMENTAL INFORMATION RELATED TO
NON MAJOR FUNDS**

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
June 30, 2014

SPECIAL REVENUE FUNDS

IDEA B-Special Education (24107) (27102) (27103)-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.

New Mexico Reads to Lead (27106)-To account for funds provided by a state grant to teach reading to students grades K-3. Funding provides reading coaches, supports intervention and professional development. The fund was created by the authority of state grant provisions.

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2014

	Special Revenue		
	IDEA B State Level 24107	SpEd-Tech Assistance & Dissemination 24151	IDEA B Entitlement Santa Rosa 27102
ASSETS			
Cash	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	7,229	0	1,025
Total Assets	<u>\$ 7,229</u>	<u>\$ 0</u>	<u>\$ 1,025</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Interfund Balance	\$ 7,229	\$ 0	\$ 1,025
Total Liabilities	<u>7,229</u>	<u>0</u>	<u>1,025</u>
Fund Balance			
Restricted for			
Special Revenue Funds	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities & Fund Balance	<u>\$ 7,229</u>	<u>\$ 0</u>	<u>\$ 1,025</u>

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

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2014

	Special Revenue		Total
	IDEA B Preschool Santa Rosa 27103	NM Reads to Lead Wagon Mound 27106	
ASSETS			
Cash	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	0	0	8,254
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,254</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Interfund Balance	\$ 0	\$ 0	\$ 8,254
Total Liabilities	<u>0</u>	<u>0</u>	<u>8,254</u>
Fund Balance			
Restricted for			
Special Revenue Funds	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities & Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,254</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, 2014

	Special Revenue		
	IDEA B State Level 24107	SpEd-Tech Assistance & Dissemination 24151	IDEA B Entitlement Santa Rosa 27102
Revenues			
State Grants	\$ 0	\$ 0	\$ 0
Federal Grants	124,364	49,755	30,074
Total Revenues	<u>124,364</u>	<u>49,755</u>	<u>30,074</u>
Expenditures			
Current Operations			
Instruction	0	0	27,906
Support Services			
Students	86,411	7,483	2,168
General Administration	6,448	18,768	0
School Administration	0	23,393	0
Central Services	27,505	0	0
Operation of Plant	4,000	111	0
Total Expenditures	<u>124,364</u>	<u>49,755</u>	<u>30,074</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
SPECIAL REVENUE FUNDS
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014

	Special Revenue		Total
	IDEA B Preschool Santa Rosa 27103	NM Reads to Lead Wagon Mound 27106	
Revenues			
State Grants	\$ 0	\$ 47,267	\$ 47,267
Federal Grants	9,453	0	213,646
Total Revenues	<u>9,453</u>	<u>47,267</u>	<u>260,913</u>
Expenditures			
Current Operations			
Instruction	9,453	46,878	84,237
Support Services			
Students	0	0	96,062
General Administration	0	389	25,605
School Administration	0	0	23,393
Central Services	0	0	27,505
Operation of Plant	0	0	4,111
Total Expenditures	<u>9,453</u>	<u>47,267</u>	<u>260,913</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION 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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 202,762	\$ 202,662	\$ 194,947	\$ (7,715)
Total Revenues	<u>202,762</u>	<u>202,662</u>	<u>194,947</u>	<u>(7,715)</u>
Expenditures				
Support Services				
Students				
Personnel Services	45,000	31,716	31,716	0
Employee Benefits	16,804	13,768	13,757	11
Professional & Tech Services	13,000	20,699	20,648	51
Other Purchased Services	5,000	18,559	18,558	1
Supplies	5,000	1,962	1,732	230
Supply Assets	2,000	0	0	0
Total Students	<u>86,804</u>	<u>86,704</u>	<u>86,411</u>	<u>293</u>
General Administration				
Professional & Tech Services	2,000	3,602	3,601	1
Purchased Property Services	4,500	2,898	2,897	1
Total General Administration	<u>6,500</u>	<u>6,500</u>	<u>6,498</u>	<u>2</u>
Central Services				
Personnel Services	17,000	19,062	19,062	0
Employee Benefits	10,696	8,634	8,443	191
Total Central Services	<u>27,696</u>	<u>27,696</u>	<u>27,505</u>	<u>191</u>
Operation of Plant				
Purchased Property Services	3,000	4,000	4,000	0
Other Purchased Services	1,000	0	0	0
Total Operation of Plant	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>0</u>
Total Support Services	<u>125,000</u>	<u>124,900</u>	<u>124,414</u>	<u>486</u>
Total Expenditures	<u>125,000</u>	<u>124,900</u>	<u>124,414</u>	<u>486</u>
Excess (Deficiency) of Revenues Over Expenditures	77,762	77,762	70,533	(7,229)
Cash Balance Beginning of Year	<u>(77,762)</u>	<u>(77,762)</u>	<u>(77,762)</u>	<u>0</u>
Cash Balance End of Year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(7,229)</u>	\$ <u>(7,229)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 70,533	
Net Change in Due from Grantor			(70,583)	
Net Change in Accounts Payable			50	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>0</u>	

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

STATE OF NEW MEXICO

NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4

SPECIAL REVENUE FUND-SPED-TECH ASSISTANCE & DISSEMINATION-24151

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

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 160,682	\$ 160,682	\$ 161,911	\$ 1,229
Total Revenues	<u>160,682</u>	<u>160,682</u>	<u>161,911</u>	<u>1,229</u>
Expenditures				
Support Services				
Students				
Professional & Tech Services	0	1,500	1,446	54
Other Purchased Services	37,674	16,899	16,885	14
Supplies	5,000	94	0	94
Total Students	<u>42,674</u>	<u>18,493</u>	<u>18,331</u>	<u>162</u>
General Administration				
Personnel Services	10,000	10,000	10,000	0
Employee Benefits	4,200	4,200	3,302	898
Professional & Tech Services	2,000	5,447	5,466	(19)
Total General Administration	<u>16,200</u>	<u>19,647</u>	<u>18,768</u>	<u>879</u>
School Administration				
Personnel Services	0	18,610	20,155	(1,545)
Employee Benefits	0	2,504	3,238	(734)
Total School Administration	<u>0</u>	<u>21,114</u>	<u>23,393</u>	<u>(2,279)</u>
Operation of Plant				
Purchased Property Services	500	120	111	9
Total Operation of Plant	<u>500</u>	<u>120</u>	<u>111</u>	<u>9</u>
Total Support Services	<u>59,374</u>	<u>59,374</u>	<u>60,603</u>	<u>(1,229)</u>
Total Expenditures	<u>59,374</u>	<u>59,374</u>	<u>60,603</u>	<u>(1,229)</u>
Excess (Deficiency) of Revenues Over Expenditures	101,308	101,308	101,308	0
Cash Balance Beginning of Year	<u>(101,308)</u>	<u>(101,308)</u>	<u>(101,308)</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			\$ 101,308	
Net Change in Due from Grantor			(112,156)	
Net Change in Accounts Payable			10,848	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
SPECIAL REVENUE FUND-IDEA B ENTITLEMENT-SANTA ROSA-27102
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 27,929	\$ 98,255	\$ 29,049	\$ (69,206)
Total Revenues	<u>27,929</u>	<u>98,255</u>	<u>29,049</u>	<u>(69,206)</u>
Expenditures				
Instruction				
Professional & Tech Services	5,000	6,000	3,000	3,000
Other Purchased Services	2,000	16,626	2,434	14,192
Supplies	8,929	36,303	14,782	21,521
Supply Assets	<u>5,000</u>	<u>27,326</u>	<u>7,690</u>	<u>19,636</u>
Total Instruction	<u>20,929</u>	<u>86,255</u>	<u>27,906</u>	<u>58,349</u>
Support Services				
Students				
Professional & Tech Services	4,000	6,000	315	5,685
Other Purchased Services	1,000	1,000	0	1,000
Supplies	1,000	2,000	821	1,179
Supply Assets	<u>1,000</u>	<u>3,000</u>	<u>1,032</u>	<u>1,968</u>
Total Students	<u>7,000</u>	<u>12,000</u>	<u>2,168</u>	<u>9,832</u>
Total Support Services	<u>7,000</u>	<u>12,000</u>	<u>2,168</u>	<u>9,832</u>
Total Expenditures	<u>27,929</u>	<u>98,255</u>	<u>30,074</u>	<u>68,181</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(1,025)	(1,025)
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>\$ (1,025)</u>	<u>\$ (1,025)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (1,025)	
Net Change in Due from Grantor			<u>1,025</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-SANTA ROSA-27103
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 8,012	\$ 15,247	\$ 9,453	\$ (5,794)
Total Revenues	<u>8,012</u>	<u>15,247</u>	<u>9,453</u>	<u>(5,794)</u>
Expenditures				
Instruction				
Professional & Tech Services	1,000	1,000	0	1,000
Other Purchased Services	1,000	1,000	28	972
Supplies	4,012	9,012	7,409	1,603
Supply Assets	<u>2,000</u>	<u>4,235</u>	<u>2,016</u>	<u>2,219</u>
Total Instruction	<u>8,012</u>	<u>15,247</u>	<u>9,453</u>	<u>5,794</u>
Total Expenditures	<u>8,012</u>	<u>15,247</u>	<u>9,453</u>	<u>5,794</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>0</u>	

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

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
SPECIAL REVENUE FUND-NM READS TO LEAD-WAGON MOUND-27106
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 48,379	\$ 48,379	\$ 47,268	\$ (1,111)
Total Revenues	<u>48,379</u>	<u>48,379</u>	<u>47,268</u>	<u>(1,111)</u>
Expenditures				
Instruction				
Personnel Services	42,000	34,699	34,699	0
Employee Benefits	0	7,301	7,301	0
Professional & Tech Services	3,000	3,000	3,000	0
Supplies	<u>2,896</u>	<u>2,896</u>	<u>1,879</u>	<u>1,017</u>
Total Instruction	<u>47,896</u>	<u>47,896</u>	<u>46,879</u>	<u>1,017</u>
Support Services				
General Administration				
Professional & Tech Services	<u>483</u>	<u>483</u>	<u>389</u>	<u>94</u>
Total General Administration	<u>483</u>	<u>483</u>	<u>389</u>	<u>94</u>
Total Support Services	<u>483</u>	<u>483</u>	<u>389</u>	<u>94</u>
Total Expenditures	<u>48,379</u>	<u>48,379</u>	<u>47,268</u>	<u>1,111</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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, 2014

		Beginning Cash Balance	Revenue	Expenditures	Adjustments	Ending Cash Balance
Federal Flow through	24000	\$ (226,035)	\$ 426,657	\$ 237,607	\$ (2,162)	\$ (39,147)
Federal Direct	25000	2,918	254,724	272,832	0	(15,190)
State Flow through	27000	90,635	803,494	906,503	2,162	(10,212)
Local Grants	29000	645,544	265,186	252,936	0	657,794
Total		\$ <u>513,062</u>	\$ <u>1,750,061</u>	\$ <u>1,669,878</u>	\$ <u>0</u>	\$ <u>593,245</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, 2014

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	84.027		460,802
IDEA Preschool	84.173	24109	9,453
Total Special Education Cluster			<u>470,255</u>
Total Special Education Cluster			
Special Education-Personnel Development	84.323	24151	49,755
Carl Perkins	84.048	24174	54,832
DIRECT PROGRAM			
Partnerships in Character Education	84.215	25240	272,832
Total US Department of Education			<u>377,419</u>
Total Federal Assistance			<u>\$ 847,674</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, 2014

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, 2014, 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 August 19, 2014.

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies. 2014-001, 2014-002, and 2014-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 2014-001, 2014-002, and 2014-003.

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.



Clovis, New Mexico
August 19, 2014

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, 2014. 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

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, 2014.

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
August 19, 2014

STATE OF NEW MEXICO
NORTHEAST REGIONAL EDUCATION COOPERATIVE # 4
 Schedule of Findings and Questioned Costs
 June 30, 2014

Section I-Summary of Auditor's Results

Financial Statements

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

* Material weakness(es) identified? _____ yes ___X___ no

* Significant deficiency(ies) identified that are not considered to be material weaknesses? ___X___ yes _____ none reported

Noncompliance material to financial statements noted? _____ yes ___X___ no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? _____ yes ___X___ no

* Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes ___X___ none reported

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

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

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

Auditee qualified as low risk Auditee ___x___ yes _____ no

Federal Compliance Findings

Prior Year Audit Findings None
Current Year Audit Findings None

Financial Statements Findings

Prior Year Audit Findings

	<u>Status</u>
13-1 Late Audit Contract	Resolved

Current Year Audit Findings

2014-001 Budget Violations-Compliance and Internal Control-Significant Deficiency

Condition

The District has maintained expenditures at the function level in which actual expenditures exceeded budgetary authority in the following funds:

	<u>Budget</u>			<u>Over</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Budget</u>
Sped-Tech Assistance & Dissemination (24151)				
Support Services	59,374	59,374	\$ 60,603	\$ (1,229)

Criteria

Sound financial management and state regulation 6.20.2.9 (A), NMAC and state statutes 22-8-5 through 22-8-12.2, NMSA 1978, require that budgets not be exceeded at the legal level of control. For School District's, the expenditure function is the legal level of control.

Cause

The District did not make the appropriate budgetary adjustments requests and transfers to the fund mentioned in the condition, which would alleviate over-expenditure within the function prior to the year end.

Effect

As a result, the District is in non compliance with New Mexico law, and the control established by the use of budgets has been compromised. Continued over-expenditure of budgeted balances may result in unnecessary usage of operating funds to absorb over-expenditures.

Recommendation

The District should establish a policy of budgetary review at year-end, and make the necessary budget adjustments.

Response

We will monitor the budget more closely and amend it as necessary.

2014-002 Payroll-Compliance and Internal Control-Significant Deficiency

Condition

(1) Three employees should have been paying into ERB and RHCA. The under reported wages totaled \$31,284.25 causing the REC to under pay ERB by \$6,816.07 (employee portion \$2,702.19, employer portion \$4,113.88) and under paying RHCA by \$938.53 (employee portion \$312.84.88, employer portion \$625.09). Total under payments total \$7,754.49.

- (2) 1 of the 13 contracts sampled stated a salary amount and a hourly rate.
- (3) Personal use of REC provided cell phone use is not reported on the W-2's.

Criteria

NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, direct deposit authorizations, pay or position change notices and ERB plan application.

Cause

caused the employees wages and benefits reported to ERB and RHCA to be under reported. (2) The REC included a salary amount and an hourly rate of \$15.00 per hour on the contract. The paystubs showed \$14.59 an hour. The contract salary amount was divided by the number of pay periods which caused the hourly rate of \$14.59 rather than \$15.00. It is not clear which is the correct rate. (3) The REC did not update their policy to state that the provided cell phone's personal use is de minimis and should not be added to the employees W-2.

Effect

(1) Required reporting was not accurate or complete, affecting employee's retirement amounts. (2)The REC could be under paying an employee. (3) The REC could be fined by the IRS.

Recommendation

(1) The ERB and RHCA reports should be amended and the correct amounts paid. Payroll reports should be reviewed before reports are submitted to assure the error doesn't occur again. (2) The contract should clearly define the pay rate in an hourly form for non-exempt employees. (3) The policy should be updated.

Response

We will implement the recommendations.

2014-003 Expenditures-Compliance and Internal Control-Significant Deficiency

Condition

One of seven 1099s sampled was issued to a person name with a federal identification number used rather than a social security number.

Criteria

Instructions for Form 1099-MISC at www.irs.gov/instructions/1099misc states the name and federal identification number must agree.

Cause

When the vendor was entered into the computer system, the W-9 was not reviewed to reveal a business name needed a federal identification number rather than a social security number.

Effect

The REC is subject to penalties of \$100 each for 1099s that have a business name with a social security number for the federal identification number.

Recommendation

W-9s should be received and a comparison of the name to the federal identification number should be reviewed.

Response

We will review the W-9 for correctness rather than just rely on what is given us by vendors.

Financial Statement Preparation

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

Exit Conference

An exit conference was held on August 19, 2014 in attendance were Albert Martinez-Board Member, Dr. James A Abreu-Director, Mary Sanchez-Business Manager and De'Aun Willoughby, CPA.