



STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7

ANNUAL FINANCIAL REPORT
June 30, 2012

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



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STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
Official Roster
June 30, 2012

BOARD

Buddy Little	President
Dwain Haynes	Vice-President
Israel Carrera	Secretary
TJ Parks	Member
Vacant	Member

ADMINISTRATIVE

Belinda Morris	Executive Director
Kim Reighley	Business Manager

De'Aun Willoughby CPA, PC

Certified Public Accountant

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Independent Auditor's Report

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the Regional Education Cooperative #7

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Regional Education Cooperative #7 (REC), as of and for the year ended June 30, 2012, which collectively comprise the REC's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the REC's nonmajor governmental funds, and the budgetary comparisons for all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the REC's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the REC as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the REC as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2012, on our consideration of the REC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

De'Ann Willoughby CPA PC

September 17, 2012

FINANCIAL SECTION

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
 Government-Wide Statement of Net Assets
 June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 14,639
Due from Grantor	715,381
Total Current Assets	<u>730,020</u>
Noncurrent Assets	
Capital Assets	143,036
Less: Accumulated Depreciation	<u>(112,586)</u>
Total Noncurrent Assets	<u>30,450</u>
Total Assets	<u>760,470</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	45,023
Compensated Absences	<u>1,106</u>
Total Current Liabilities	<u>46,129</u>
Noncurrent Liabilities	
Compensated Absences	<u>11,627</u>
Total Noncurrent Liabilities	<u>11,627</u>
Total Liabilities	<u>57,756</u>
NET ASSETS	
Invested in Capital Assets	30,450
Unrestricted	<u>672,264</u>
Total Net Assets	<u>\$ 702,714</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 603,673	\$ 0	\$ 598,431	\$ 0 (5,242)
Support Services				
Students	786,950	333,754	531,297	0 78,101
General Administration	292,070	161,897	103,017	0 (27,156)
School Administration	33,954	0	33,295	0 (659)
Central Services	62,606	0	133,798	0 71,192
Operation of Plant	16,604	0	86	0 (16,518)
Food Service	191	0	191	0 0
Other	48,625	0	0	0 (48,625)
Total Governmental Activities	<u>\$ 1,844,673</u>	<u>\$ 495,651</u>	<u>\$ 1,400,115</u>	<u>\$ 0 51,093</u>
General Revenues				
Miscellaneous				0
Subtotal, General Revenues				<u>0</u>
Change in Net Assets				51,093
Net Assets - beginning				<u>651,621</u>
Net Assets - ending				<u>\$ 702,714</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #7
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2012

	REC Operating <u>27101</u>	IDEA B Entitlement <u>24106</u>	Medicaid <u>25153</u>
ASSETS			
Cash	\$ 0	\$ 0	\$ 14,639
Receivables			
Due From Grantor	0	339,411	0
Interfund Balance	173,836	0	512,757
Total Assets	<u>\$ 173,836</u>	<u>\$ 339,411</u>	<u>\$ 527,396</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Interfund Balance	\$ 0	\$ 322,508	\$ 0
Accounts Payable	12,835	16,903	3,400
Compensated Absences	1,106	0	0
Total Liabilities	<u>13,941</u>	<u>339,411</u>	<u>3,400</u>
 Fund Balance			
Restricted for, reported in			
Special Revenue Funds	0	0	523,996
Unassigned, reported in:			
General Fund	159,895	0	0
Total Fund Balance	<u>159,895</u>	<u>0</u>	<u>523,996</u>
 Total Liabilities & Fund Balance	 <u>\$ 173,836</u>	 <u>\$ 339,411</u>	 <u>\$ 527,396</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #7
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2012

	Pre K Initiative <u>27149</u>	State Directed <u>27200</u>	Other Governmental Funds <u></u>
ASSETS			
Cash	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	137,668	148,652	89,650
Interfund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 137,668</u>	<u>\$ 148,652</u>	<u>\$ 89,650</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Interfund Balance	\$ 137,668	\$ 144,761	\$ 81,656
Accounts Payable	0	3,891	7,994
Compensated Absences	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>137,668</u>	<u>148,652</u>	<u>89,650</u>
Fund Balance			
Restricted for, reported in			
Special Revenue Funds	0	0	0
Unassigned, reported in:			
General Fund	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
 Total Liabilities & Fund Balance	 <u>\$ 137,668</u>	 <u>\$ 148,652</u>	 <u>\$ 89,650</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #7
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2012

	<u>Total</u>
ASSETS	
Cash	\$ 14,639
Receivables	
Due From Grantor	715,381
Interfund Balance	<u>686,593</u>
Total Assets	<u>\$ 1,416,613</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Interfund Balance	\$ 686,593
Accounts Payable	45,023
Compensated Absences	<u>1,106</u>
Total Liabilities	<u>732,722</u>
Fund Balance	
Restricted for, reported in	
Special Revenue Funds	523,996
Unassigned, reported in:	
General Fund	<u>159,895</u>
Total Fund Balance	<u>683,891</u>
Total Liabilities & Fund	
Balance	<u>\$ 1,416,613</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Assets
 June 30, 2012

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

Total Fund Balance - Governmental Funds		\$	683,891
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	\$	143,036
	Accumulated depreciation		<u>(112,586)</u>
			30,450
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>(11,627)</u>
Total Net Assets - Governmental Activities		\$	<u><u>702,714</u></u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #7
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2012

	REC Operating 27101	IDEA B Entitlement 24106	Medicaid 25153
Revenues			
Charge for Services	\$ 161,897	\$ 0	\$ 333,754
State Grants	117,275	0	0
Federal Grants	0	700,571	0
Total Revenues	<u>279,172</u>	<u>700,571</u>	<u>333,754</u>
Expenditures			
Current Operations			
Instruction	5,242	223,801	0
Support Services-Students	0	391,994	255,653
Support Services-General Administration	168,159	84,690	17,250
Support Services- School Administration	659	0	0
Central Services	41,122	0	0
Operation of Plant	16,518	86	0
Food Service	0	0	0
Other Support Services	48,625	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>280,325</u>	<u>700,571</u>	<u>272,903</u>
Net Change in Fund Balance	(1,153)	0	60,851
Fund Balance Beginning of Year	<u>161,048</u>	<u>0</u>	<u>463,145</u>
Fund Balance End of Year	<u>\$ 159,895</u>	<u>\$ 0</u>	<u>\$ 523,996</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #7
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2012

	Pre K Initiative 27149	State Directed 27200	Other Governmental Funds
Revenues			
Charge for Services	\$ 0	\$ 0	\$ 0
State Grants	267,324	0	0
Federal Grants	0	222,992	91,953
Total Revenues	<u>267,324</u>	<u>222,992</u>	<u>91,953</u>
Expenditures			
Current Operations			
Instruction	267,324	29,318	77,988
Support Services-Students	0	137,892	1,411
Support Services-General Administration	0	12,942	5,385
Support Services- School Administration	0	29,423	3,872
Central Services	0	13,417	3,106
Operation of Plant	0	0	0
Food Service	0	0	191
Other Support Services	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>267,324</u>	<u>222,992</u>	<u>91,953</u>
Net Change in Fund Balance	0	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #7
 GOVERNMENTAL FUNDS
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances
 For the Year Ended June 30, 2012

	<u>Total</u>
Revenues	
Charge for Services	\$ 495,651
State Grants	384,599
Federal Grants	<u>1,015,516</u>
Total Revenues	<u>1,895,766</u>
Expenditures	
Current Operations	
Instruction	603,673
Support Services-Students	786,950
Support Services-General Administration	288,426
Support Services- School Administration	33,954
Central Services	57,645
Operation of Plant	16,604
Food Service	191
Other Support Services	48,625
Capital Outlay	<u>0</u>
Total Expenditures	<u>1,836,068</u>
Net Change in Fund Balance	59,698
Fund Balance Beginning of Year	<u>624,193</u>
Fund Balance End of Year	<u>\$ 683,891</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2012

Excess (Deficiency) of Revenues Over Expenditures-Governmental Funds \$ 59,698

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Depreciation expense	\$ (7,662)	
Capital Outlays	<u>0</u>	(7,662)

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.

Long-term Compensated Absences, June 30, 2011	10,683	
Long-term Compensated Absences, June 30, 2012	<u>(11,626)</u>	<u>(943)</u>

Changes in Net Assets of Governmental Activities	\$	<u><u>51,093</u></u>
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The notes to the financial statements are an integral part of this statement.

MAJOR FUNDS

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-REC OPERATING FUND-27101
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 133,300	\$ 287,085	\$ 144,997	\$ (142,088)
State Grant	0	117,275	117,275	0
Total Revenues	<u>133,300</u>	<u>404,360</u>	<u>262,272</u>	<u>(142,088)</u>
Expenditures				
Support Services-Students				
Professional & Tech Services	400	5,400	5,215	185
Other Purchased Services	<u>100</u>	<u>600</u>	<u>27</u>	<u>573</u>
Total Support Services-Students	<u>500</u>	<u>6,000</u>	<u>5,242</u>	<u>758</u>
Support Services-General Administration				
Personnel Services	40,750	82,550	85,978	(3,428)
Employee Benefits	5,760	17,280	16,775	505
Professional & Tech Services	17,560	40,317	17,993	22,324
Other Purchased Services	600	9,900	5,058	4,842
Supplies	4,000	30,000	21,754	8,246
Supply Assets	<u>500</u>	<u>11,922</u>	<u>3,851</u>	<u>8,071</u>
Total Support Services-General Administration	<u>69,170</u>	<u>191,969</u>	<u>151,409</u>	<u>32,489</u>
Support Services-School Administration				
Employee Benefits	0	588	587	1
Professional & Tech Services	<u>0</u>	<u>75</u>	<u>72</u>	<u>3</u>
Total Support Services-School Administration	<u>0</u>	<u>663</u>	<u>659</u>	<u>4</u>
Central Services				
Personnel Services	15,000	30,000	31,250	(1,250)
Employee Benefits	6,219	11,194	10,730	464
Professional & Tech Services	500	743	743	0
Purchased Property Services	60	3,650	1,158	2,492
Other Purchased Services	<u>100</u>	<u>100</u>	<u>0</u>	<u>100</u>
Total Central Services	<u>21,879</u>	<u>45,687</u>	<u>43,881</u>	<u>1,806</u>
Operation & Maintenance of Plant				
Personnel Services	5,000	5,000	5,208	(208)
Employee Benefits	504	1,118	1,020	98
Purchased Property Services	4,050	11,050	4,732	6,318
Other Purchased Services	<u>2,761</u>	<u>5,761</u>	<u>5,234</u>	<u>527</u>
Total Operation & Maintenance of Plant	<u>\$ 12,315</u>	<u>\$ 22,929</u>	<u>\$ 16,194</u>	<u>\$ 6,735</u>

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-REC OPERATING FUND-27101
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Other Support Services				
Miscellaneous	\$ 100	\$ 40,100	\$ 37,160	\$ 2,940
Total Other Support Services	<u>100</u>	<u>40,100</u>	<u>37,160</u>	<u>2,940</u>
 Total Expenditures	 <u>103,964</u>	 <u>307,348</u>	 <u>254,545</u>	 <u>44,732</u>
 Excess (Deficiency) of Revenues Over Expenditures	 29,336	 97,012	 7,727	 (89,285)
 Cash Balance Beginning of Year	 <u>166,109</u>	 <u>166,109</u>	 <u>166,109</u>	 <u>0</u>
 Cash Balance End of Year	 <u>\$ 195,445</u>	 <u>\$ 263,121</u>	 <u>\$ 173,836</u>	 <u>\$ (89,285)</u>
 Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 7,727	
Net Change in Accounts Payable			(11,638)	
Net Change in Compensated Absences			<u>2,758</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (1,153)</u>	

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-IDEA ENTITLEMENT-24106
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 438,881	\$ 924,331	\$ 396,225	\$ (528,106)
Total Revenues	<u>438,881</u>	<u>924,331</u>	<u>396,225</u>	<u>(528,106)</u>
Expenditures				
Instruction				
Professional & Tech Services	5,500	50,500	50,220	280
Purchased Property Services	15,000	5,000	0	5,000
Other Purchased Services	36,900	67,806	36,280	31,526
Supplies	36,900	143,808	102,594	41,214
Supply Assets	13,060	55,803	34,707	21,096
Total Instruction	<u>107,360</u>	<u>322,917</u>	<u>223,801</u>	<u>99,116</u>
Support Services-Students				
Professional & Tech Services	72,746	323,986	232,264	91,722
Purchased Property Services	10,500	0	0	0
Other Purchased Services	8,000	5,220	2,877	2,343
Supplies	47,765	120,265	110,891	9,374
Supply Assets	20,250	34,750	32,126	2,624
Total Support Services-Students	<u>159,261</u>	<u>484,221</u>	<u>378,158</u>	<u>106,063</u>
Support Services-General Administration				
Purchased Property Services	0	1,500	1,429	71
Other Purchased Services	85,451	83,451	83,108	343
Total Support Services-General Administration	<u>85,451</u>	<u>84,951</u>	<u>84,537</u>	<u>414</u>
Support Services-School Administration				
Professional & Tech Services	54,657	0	0	0
Total Support Services-School Administration	<u>54,657</u>	<u>0</u>	<u>0</u>	<u>0</u>
Operation & Maintenance of Plant				
Purchased Property Services	0	90	85	5
Total Operation & Maintenance of Plant	<u>0</u>	<u>90</u>	<u>85</u>	<u>5</u>
Total Expenditures	<u>406,729</u>	<u>892,179</u>	<u>686,581</u>	<u>205,598</u>
Excess (Deficiency) of Revenues Over Expenditures	32,152	32,152	(290,356)	(322,508)
Cash Balance Beginning of Year	<u>(32,152)</u>	<u>(32,152)</u>	<u>(32,152)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (322,508)</u>	<u>\$ (322,508)</u>

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-IDEA ENTITLEMENT-24106
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (290,356)	
Net Change in Accounts Receivables			304,345	
Net Change in Accounts Payable			(13,989)	
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
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-MEDICAID-25153
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 69,275	\$ 69,275	\$ 333,754	\$ 264,479
Total Revenues	<u>69,275</u>	<u>69,275</u>	<u>333,754</u>	<u>264,479</u>
Expenditures				
Support Services-Students				
Other Purchased Services	333,119	333,119	251,355	81,764
Supplies	4,000	5,000	2,848	2,152
Supply Assets	2,000	6,000	4,090	1,910
Total Support Services-Students	<u>339,119</u>	<u>344,119</u>	<u>258,293</u>	<u>85,826</u>
Support Services-General Administration				
Other Purchased Services	18,500	18,500	13,850	4,650
Total Support Services-General Administration	<u>18,500</u>	<u>18,500</u>	<u>13,850</u>	<u>4,650</u>
Total Expenditures	<u>357,619</u>	<u>362,619</u>	<u>272,143</u>	<u>90,476</u>
Excess (Deficiency) of Revenues Over Expenditures	(288,344)	(293,344)	61,611	354,955
Cash Balance Beginning of Year	<u>465,785</u>	<u>465,785</u>	<u>465,785</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 177,441</u>	<u>\$ 172,441</u>	<u>\$ 527,396</u>	<u>\$ 354,955</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 61,611	
Net Change in Accounts Payable			(760)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 60,851</u>	

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-PRE K INITIATIVE-27149
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 340,839	\$ 340,839	\$ 202,096	\$ (138,743)
Total Revenues	<u>340,839</u>	<u>340,839</u>	<u>202,096</u>	<u>(138,743)</u>
Expenditures				
Instruction				
Other Purchased Services	257,520	257,520	256,446	1,074
Supplies	9,678	10,398	10,397	1
Supply Assets	<u>1,200</u>	<u>480</u>	<u>480</u>	<u>0</u>
Total Instruction	<u>268,398</u>	<u>268,398</u>	<u>267,323</u>	<u>1,075</u>
Total Expenditures	<u>268,398</u>	<u>268,398</u>	<u>267,323</u>	<u>1,075</u>
Excess (Deficiency) of Revenues Over Expenditures	72,441	72,441	(65,227)	(137,668)
Cash Balance Beginning of Year	<u>(72,441)</u>	<u>(72,441)</u>	<u>(72,441)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (137,668)</u>	<u>\$ (137,668)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (65,227)	
Net Change in Due from Grantor			<u>65,227</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
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-STATE DIRECTED-27200
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 277,586	\$ 277,586	\$ 131,958	\$ (145,628)
Total Revenues	<u>277,586</u>	<u>277,586</u>	<u>131,958</u>	<u>(145,628)</u>
Expenditures				
Instruction				
Other Purchased Services	30,000	30,000	29,318	682
Total Instruction	<u>30,000</u>	<u>30,000</u>	<u>29,318</u>	<u>682</u>
Support Services-Students				
Professional & Tech Services	114,126	117,083	117,064	19
Other Purchased Services	19,898	16,941	16,936	5
Total Support Services-Students	<u>134,024</u>	<u>134,024</u>	<u>134,000</u>	<u>24</u>
Support Services-General Administration				
Other Purchased Services	12,943	12,943	12,942	1
Total Support Services-General Administration	<u>12,943</u>	<u>12,943</u>	<u>12,942</u>	<u>1</u>
Support Services-School Administration				
Other Purchased Services	29,500	29,500	29,423	77
Total Support Services-School Administration	<u>29,500</u>	<u>29,500</u>	<u>29,423</u>	<u>77</u>
Central Services				
Other Purchased Services	13,500	13,500	13,417	83
Total Central Services	<u>13,500</u>	<u>13,500</u>	<u>13,417</u>	<u>83</u>
Total Expenditures	<u>219,967</u>	<u>219,967</u>	<u>219,100</u>	<u>867</u>
Excess (Deficiency) of Revenues Over Expenditures	57,619	57,619	(87,142)	(144,761)
Cash Balance Beginning of Year	<u>(57,619)</u>	<u>(57,619)</u>	<u>(57,619)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (144,761)</u>	<u>\$ (144,761)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (87,142)	
Net Change in Due from Grantor			91,033	
Net Change in Accounts Payable			(3,891)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Regional Education Cooperative # 7 (Cooperative) , has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the REC's accounting policies are described below.

Financial Reporting Entity

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

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

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

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

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

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

The following funds are used by the REC:

Governmental Funds

Governmental funds are used to account for the REC's general government activities.

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

REC Operating Fund (27101)

To account for revenues and expenditures of the REC not encompassed within other funds.

SPECIAL REVENUE FUNDS

IDEA Entitlement (24106)

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

Medicaid (25153)

To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. The fund was created by the authority of federal grant provisions. (Title XIX Social Security Act).

Pre K Initiative (27149)

To account for revenues and expenditures from a state grant provided for the running of the Pre K program. The fund was created by state grant provisions.

State Directed Activities (27200)

To account for funds received from the New Mexico Public Education Department for the support and direct services, including technical assistance, preparation and professional development and training. To support capacity building activities and improve the delivery of services by local agencies to improve results for children with disabilities. The fund was created by state provisions.

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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

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

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself; program revenues reduce the cost of the function to be financed from the REC's general revenues. Program revenues include program-specific operating grants funded by the Federal Department of Education and the State Public Education Department.

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REGIONAL EDUCATION COOPERATIVE # 7
Notes to the Financial Statements
June 30, 2012

Fund Financial Statements (FFS)
Governmental Funds

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

Revenues

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

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).

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

Expenditures

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

Other Financing Sources (Uses)

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

Basis of Budgeting

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

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June 30, 2012

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

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

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the REC for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the REC shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local board at the public hearing of which notice has been published by the local board which fixed the estimated budget for the REC for the ensuing fiscal year.
3. The "operating" budget will be used by the REC until they have been notified that the budget has been approved by the SBFAU and the local board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. The REC shall make corrections, revisions and amendments to the estimated budgets fixed by the local board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAU.
5. No board member or officer or employee of the REC shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the REC and approved by the SBFAU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the REC has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

Cash and Cash Equivalents

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

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

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Notes to the Financial Statements
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Investments

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

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or school which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.
- (c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

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

Elimination and Reclassifications of Certain Receivables and Payables

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

Capital Assets

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

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

Buildings	25 Years
Building Improvements	7 Years
Vehicles	7-8 Years
Equipment	5 Years
Information Technology Equipment and Software	3-5 Years
Library Books (if material)	3-5 Years

Restricted Net Assets

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

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

Imposed by law through constitutional provisions or enabling legislation.

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

Fund Balances of Fund Financial Statements

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

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

Interfund Transfers

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

Deferred Revenue

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

Compensated Absences

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

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

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

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

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

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.

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Notes to the Financial Statements
June 30, 2012

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

Wells Fargo

<u>Name of Account</u>	Balance Per Bank 6/30/12	Reconciled Balance	Type
REC #7/FBO Hobbs Municipal Schools	\$ 99,304	\$ 14,639	Non-interest bearing checking
REC VII Payroll Account	3,036	0	
TOTAL Deposited	<u>102,340</u>	<u>\$ 14,639</u>	
Less: FDIC Coverage	<u>(102,340)</u>		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	0		
Over (Under) requirement	<u>\$ 0</u>		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

Custodial Credit Risk-Deposits

<u>Depository Account</u>	Bank Balance
Insured	\$ 102,340
Collateralized:	0
Collateral held by the pledging bank in REC's name	0
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 102,340</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2012 none of the REC's bank balance of \$102,340 was exposed to custodial credit risk.

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Notes to the Financial Statements
June 30, 2012

NOTE C: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Payable Funds	Receivable Funds			
	IDEA B Entitlement 24106	Pre K Initiative 27149	State Directed 27200	Other Governmental Funds
General Fund	\$ 173,836	\$ 0	\$ 0	\$ 0
Medicaid	148,672	137,668	144,761	81,656
Totals	<u>\$ 322,508</u>	<u>\$ 137,668</u>	<u>\$ 144,761</u>	<u>\$ 81,656</u>
				Total
General Fund				\$ 173,836
Medicaid				512,757
Totals				<u>\$ 686,593</u>

The above interfund balances resulted from reimbursement grants. The shortfalls were covered by the General Fund and the Medicaid 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 6/30/11	Increases	Deletions	Ending Balance 6/30/12
Governmental Activities				
Other Capital Assets				
Building	\$ 93,428	\$ 0	\$ 0	\$ 93,428
Equipment	69,408	0	19,800	49,608
Total Capital Assets at Historical Cost	<u>162,836</u>	<u>0</u>	<u>19,800</u>	<u>143,036</u>
Less Accumulated Depreciation				
Building	69,411	1,345	0	70,756
Equipment	55,312	6,318	19,800	41,830
Total Accumulated Depreciation	<u>124,723</u>	<u>7,663</u>	<u>19,800</u>	<u>112,586</u>
Capital Assets, net	<u>\$ 38,113</u>	<u>\$ (7,663)</u>	<u>\$ 0</u>	<u>\$ 30,450</u>

Depreciation expense was charged to governmental activities as follows:

Central Services	\$ 2,700
Operations & Maintenance of Plant	4,963
Total depreciation expenses	<u>\$ 7,663</u>

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 Notes to the Financial Statements
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NOTE F: COMPENSATED ABSENCES

The following is a summary of compensated absences transactions:

Accrued compensated absences, July 1, 2011	\$	14,548
Current year additions		4,720
Current year used		(6,535)
Accrued compensated absences, June 30, 2012	\$	<u>12,733</u>

NOTE G: PENSION PLAN

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

Effective July 1, 2011 plan members are required by statute to continue 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually are required to contribute 11.15% of their gross salary. The REC is required to contribute 12.4% of gross covered salary for employees earning \$20,000 or less, and 9.15% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the REC are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The REC's contributions to ERB for the fiscal years ending June 30, 2012, 2011, and 2010, were \$24,855, \$38,857, and \$38,948 respectively, which equal the amount of the required contributions for each fiscal year.

NOTE H: RETIREE HEALTH CARE ACT CONTRIBUTIONS

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

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

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 June 30, 2012

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2013	2.000%	1.000%

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

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

The REC's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$3,054, \$4,783, and \$3,741 respectively, which equal the required contributions for each year.

NOTE I: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

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

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

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

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

NOTE J: INSURANCE COVERAGE

The REC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The REC, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the REC to NMPSIA for coverage provided in the following areas:

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

NOTE K: SURETY BOND

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

NOTE L: JOINT POWERS AGREEMENTS AND OTHER AGREEMENTS

Eunice Public Schools, Hobbs Municipal Schools, Jal Public Schools, Tatum Municipal Schools (Member RECs) and Regional Education Cooperative VII

On December 20, 2007 the Cooperative entered into an Agreement with the Member RECs whereby the Member REC 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 RECs 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 REC must notify REC VII of any intention to withdraw its agreement to have REC VII serve as its fiscal agent on or before February 1st preceding the end of the last fiscal year it intends to have REC VII serve as the fiscal agent.

PED and REC #7 (coordinating with REC #7 and REC #6)

On October 29, 2007 the Cooperative partnered with REC #6 and entered into a Joint Powers Agreement with Public Education Department (PED). The purpose of this agreement is to set forth the requirements for Regional Education Cooperative #6 to provide training and professional development to special education directors. The total amount of monies payable upon a reimbursement basis to the Contractor under this Agreement shall not exceed \$81,375. The Agreement is for four years from the effective date. Upon termination all obligations incurred under Agreement shall terminate. REC VII must notify a Member District and NMPED of any intention to withdraw as Fiscal Agent for the Member District on or before February 1st preceding the end of the last fiscal year it intends to serve as its Fiscal Agent. This ended October 2011.

STATE OF NEW MEXICO
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Notes to the Financial Statements
June 30, 2012

New Mexico Human Services Department

On March 10, 2003 the Cooperative entered into a Joint Powers Agreement with the New Mexico Human Services Department (HSD). The purpose of this agreement is to set forth the requirements for the Cooperative to participate in the Medicaid program as a provider of school based health services in conformance with the approved New Mexico Medicaid Plan and the HSD Medicaid regulations in order to improve health and developmental outcomes to children. The Agreement shall remain in effect until amended or terminated by either party upon written notice delivered to the other party no less than ninety (90) days prior to the intended date of termination. If the Centers for Medicare and Medicaid Services (CMS) changes the funding methodology for the New Mexico Medicaid program, or state or federal legislation is enacted, or Medicaid policy is promulgated changes that materially modifies either of the parties obligations under this Agreement, the Agreement will be terminated effective on the date of receipt by HSD of written notice of such changes.

The Human Services Department will reimburse the District for administrative costs in an amount not to exceed \$75,000 for each fiscal year.

The total expenditures for the year ending June 30, 2012 were \$48,625.

**SUPPLEMENTAL INFORMATION RELATED TO
NON MAJOR FUNDS**

SPECIAL REVENUE FUNDS

IDEA Preschool (24109)

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

IDEA B Risk Pool (24120)

To account for an additional allocation from PED to fund children at risk. The program is 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.

Title III English Language Acquisition (24153)

To account for revenues and expenditures received from a federal grant provided to develop school-wide programs for limited English proficient students that reform, restructure, and upgrade all relevant programs. The fund was created by the Elementary and Secondary Education Act of 1965, as amended, Title VII, Part A.

Title II Teacher & Principal Training (24154)

To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. Elementary and Secondary Education Act of 1965, as amended, Title II, Part A (PL 107-110).

IDEA Entitlement Recovery Act (24206)

To account for a program funded by a Federal grant to fund the Individuals with Disabilities Education Act, Part B to assist the REC in providing free appropriate public education to all handicapped children. Funding authorized by The Recovery and Reinvestment Act (ARRA)(Public Law 111-5). The fund was created by the authority of federal grant provisions.

IDEA B Preschool Recovery Act (24209)

To account for a program funded by a Federal funds provided to state educational agencies (SEAs) and local educational agencies (LEAs), The Individuals with Disabilities Education Act to help them ensure that children with disabilities, including children aged three through five, have access to a free appropriate public education to meet each child's unique needs and prepare him or her for further education, employment, and independent living. Funding authorized by The American Recovery and Reinvestment Act of 2009 (ARRA) (Public Law 111-5). The fund was created by the authority of federal grant provisions.

Early Intervention (24212)

To account for a program funded by a Federal grant to assist a REC in need of early intervention in special education programs. 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.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2012

	IDEA Preschool 24109	IDEA B Risk Pool 24120	Title III English Language Acquisition 24153
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	23,935	18,069	4,350
Total Assets	<u>\$ 23,935</u>	<u>\$ 18,069</u>	<u>\$ 4,350</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Interfund Balance	\$ 23,935	\$ 18,069	\$ 4,350
Accounts Payable	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>23,935</u>	<u>18,069</u>	<u>4,350</u>
Fund Balance			
Restricted for, reported in			
Special Revenue Funds	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities & Fund Balance	<u>\$ 23,935</u>	<u>\$ 18,069</u>	<u>\$ 4,350</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2012

	Title II Teacher & Principal Training 24154	IDEA B Entitlement Recovery Act 24206	IDEA B Preschool Recovery Act 24209
ASSETS			
Cash	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	43,296	0	0
Total Assets	\$ 43,296	\$ 0	\$ 0
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Interfund Balance	\$ 35,302	\$ 0	\$ 0
Accounts Payable	7,994	0	0
Total Liabilities	43,296	0	0
Fund Balance			
Restricted for, reported in			
Special Revenue Funds	0	0	0
Total Fund Balance	0	0	0
Total Liabilities & Fund Balance	\$ 43,296	\$ 0	\$ 0

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2012

	IDEA B Early Intervention 24212	Total
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 0	\$ 0
Receivables		
Due From Grantor	<u>0</u>	<u>89,650</u>
Total Assets	<u>\$ 0</u>	<u>\$ 89,650</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Current Liabilities		
Interfund Balance	\$ 0	\$ 81,656
Accounts Payable	<u>0</u>	<u>7,994</u>
Total Liabilities	<u>0</u>	<u>81,656</u>
Fund Balance		
Restricted for, reported in		
Special Revenue Funds	<u>0</u>	<u>0</u>
Total Fund Balance	<u>0</u>	<u>0</u>
Total Liabilities & Fund Balance	<u>\$ 0</u>	<u>\$ 89,650</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUNDS
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2012

	IDEA Preschool 24109	IDEA B Risk Pool 24120	Title III English Language Acquisition 24153
Revenues			
State Grants	\$ 0	\$ 0	\$ 0
Federal Grants	25,261	18,069	5,327
Total Revenues	<u>25,261</u>	<u>18,069</u>	<u>5,327</u>
Expenditures			
Current Operations			
Instruction	23,749	18,069	3,825
Support Services-Students	1,321	0	0
Support Services General Administration	0	0	0
Support Services- School Administration	0	0	1,502
Central Services	0	0	0
Operation of Plant	0	0	0
Food Service	191	0	0
Total Expenditures	<u>25,261</u>	<u>18,069</u>	<u>5,327</u>
Net Change in Fund Balance	0	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUNDS
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2012

	Title II Teacher & Principal Training 24154	IDEA B Entitlement Recovery Act 24206	IDEA B Preschool Recovery Act 24209
Revenues			
State Grants	\$ 0	\$ 0	\$ 0
Federal Grants	43,296	0	0
Total Revenues	<u>43,296</u>	<u>0</u>	<u>0</u>
Expenditures			
Current Operations			
Instruction	32,345	0	0
Support Services-Students	90	0	0
Support Services General Administration	5,385	0	0
Support Services- School Administration	2,370	0	0
Central Services	3,106	0	0
Operation of Plant	0	0	0
Food Service	0	0	0
Total Expenditures	<u>43,296</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUNDS
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2012

	IDEA B	
	Early Intervention	
	24212	Total
Revenues		
State Grants	\$ 0	\$ 0
Federal Grants	0	91,953
Total Revenues	<u>0</u>	<u>91,953</u>
Expenditures		
Current Operations		
Instruction	0	77,988
Support Services-Students	0	1,411
Support Services General Administration	0	5,385
Support Services- School Administration	0	3,872
Central Services	0	3,106
Operation of Plant	0	0
Food Service	0	191
Total Expenditures	<u>0</u>	<u>91,953</u>
Net Change in Fund Balance	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-IDEA PRESCHOOL-24109
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 21,422	\$ 45,753	\$ 10,811	\$ (34,942)
Total Revenues	<u>21,422</u>	<u>45,753</u>	<u>10,811</u>	<u>(34,942)</u>
Expenditures				
Instruction				
Supplies	3,144	30,975	23,749	7,226
Supply Assets	<u>500</u>	<u>500</u>	<u>0</u>	<u>500</u>
Total Instruction	<u>3,644</u>	<u>31,475</u>	<u>23,749</u>	<u>7,726</u>
Support Services-Students				
Professional & Tech Services	6,593	3,093	879	2,214
Other Purchased Services	<u>500</u>	<u>0</u>	<u>0</u>	<u>0</u>
Supplies	<u>500</u>	<u>700</u>	<u>442</u>	<u>258</u>
Total Support Services- Students	<u>7,593</u>	<u>3,793</u>	<u>1,321</u>	<u>2,472</u>
Food Service				
Supplies	<u>700</u>	<u>1,000</u>	<u>191</u>	<u>809</u>
Total Food Service	<u>700</u>	<u>1,000</u>	<u>191</u>	<u>809</u>
Total Expenditures	<u>11,937</u>	<u>36,268</u>	<u>25,261</u>	<u>11,007</u>
Excess (Deficiency) of Revenues Over Expenditures	9,485	9,485	(14,450)	(23,935)
Cash Balance Beginning of Year	<u>(9,485)</u>	<u>(9,485)</u>	<u>(9,485)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (23,935)</u>	<u>\$ (23,935)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (14,450)	
Net Change in Due from Grantor			<u>14,450</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
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-IDEA B RISK POOL-24120
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 457	\$ 18,526	\$ 457	\$ (18,069)
Total Revenues	<u>457</u>	<u>18,526</u>	<u>457</u>	<u>(18,069)</u>
Expenditures				
Instruction				
Supplies	0	18,069	18,069	0
Total Instruction	<u>0</u>	<u>18,069</u>	<u>18,069</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>18,069</u>	<u>18,069</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	457	457	(17,612)	(18,069)
Cash Balance Beginning of Year	<u>(457)</u>	<u>(457)</u>	<u>(457)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (18,069)</u>	<u>\$ (18,069)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (17,612)	
Net Change in Due from Grantor			<u>17,612</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
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-TITLE III-ENGLISH LANGUAGE ACQUISITION-24153
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 27,803	\$ 27,803	\$ 19,364	\$ (8,439)
Total Revenues	<u>27,803</u>	<u>27,803</u>	<u>19,364</u>	<u>(8,439)</u>
Expenditures				
Instruction				
Professional & Tech Services	1,275	1,575	829	746
Other Purchased Services	2,090	2,090	1,544	546
Supplies	4,287	3,987	1,452	2,535
Supply Assets	262	262	0	262
Total Instruction	<u>7,914</u>	<u>7,914</u>	<u>3,825</u>	<u>4,089</u>
Support Services-School Administration				
Other Purchased Services	1,502	1,502	1,502	0
Total Support Services-School Administration	<u>1,502</u>	<u>1,502</u>	<u>1,502</u>	<u>0</u>
Total Expenditures	<u>9,416</u>	<u>9,416</u>	<u>5,327</u>	<u>4,089</u>
Excess (Deficiency) of Revenues Over Expenditures	18,387	18,387	14,037	(4,350)
Cash Balance Beginning of Year	<u>(18,387)</u>	<u>(18,387)</u>	<u>(18,387)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (4,350)</u>	<u>\$ (4,350)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 14,037	
Net Change in Due from Grantor			<u>(14,037)</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
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-TITLE II-TEACHER/PRINCIPAL TRAINING-24154
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 47,717	78,934	\$ 3,399	\$ (75,535)
Total Revenues	<u>47,717</u>	<u>78,934</u>	<u>3,399</u>	<u>(75,535)</u>
Expenditures				
Instruction				
Professional & Tech Services	<u>21,376</u>	<u>33,593</u>	<u>24,351</u>	<u>9,242</u>
Total Instruction	<u>21,376</u>	<u>33,593</u>	<u>24,351</u>	<u>9,242</u>
Support Services-Students				
Professional & Tech Services	<u>2,750</u>	<u>2,900</u>	<u>90</u>	<u>2,810</u>
Total Support Services-Students	<u>2,750</u>	<u>2,900</u>	<u>90</u>	<u>2,810</u>
Support Services-General Administration				
Professional & Tech Services	3,869	14,419	1,883	12,536
Other Purchased Services	<u>3,502</u>	<u>3,502</u>	<u>3,502</u>	<u>0</u>
Total Support Services-General Administration	<u>7,371</u>	<u>17,921</u>	<u>5,385</u>	<u>12,536</u>
Support Services-School Administration				
Professional & Tech Services	<u>3,350</u>	<u>7,250</u>	<u>2,370</u>	<u>4,880</u>
Total Support Services-School Administration	<u>3,350</u>	<u>7,250</u>	<u>2,370</u>	<u>4,880</u>
Central Services				
Professional & Tech Services	<u>7,171</u>	<u>11,671</u>	<u>3,107</u>	<u>8,564</u>
Total Central Services	<u>7,171</u>	<u>11,671</u>	<u>3,107</u>	<u>8,564</u>
Operation & Maintenance of Plant				
Professional & Tech Services	<u>2,000</u>	<u>1,900</u>	<u>0</u>	<u>1,900</u>
Total Operation & Maintenance of Plant	<u>2,000</u>	<u>1,900</u>	<u>0</u>	<u>1,900</u>
Student Transportation				
Professional & Tech Services	<u>150</u>	<u>150</u>	<u>0</u>	<u>150</u>
Total Student Transportation	<u>150</u>	<u>150</u>	<u>0</u>	<u>150</u>
Food Service				
Supplies	<u>150</u>	<u>150</u>	<u>0</u>	<u>150</u>
Total Food Service	<u>150</u>	<u>150</u>	<u>0</u>	<u>150</u>
Total Expenditures	\$ <u>44,318</u>	\$ <u>75,535</u>	\$ <u>35,303</u>	\$ <u>40,232</u>

STATE OF NEW MEXICO

REGIONAL EDUCATION COOPERATIVE # 7

SPECIAL REVENUE FUND-TITLE II-TEACHER/PRINCIPAL TRAINING-24154

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

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,399	\$ 3,399	\$ (31,904)	\$ (35,303)
Cash Balance Beginning of Year	<u>(3,398)</u>	<u>(3,398)</u>	<u>(3,398)</u>	<u>0</u>
Cash Balance End of Year	\$ <u><u>1</u></u>	\$ <u><u>1</u></u>	\$ <u><u>(35,302)</u></u>	\$ <u><u>(35,303)</u></u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (31,904)	
Net Change in Due from Grantor			39,898	
Net Change in Accounts Payable			<u>(7,994)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u><u>0</u></u>	

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

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-IDEA B ENTITLEMENT-RECOVERY ACT-24206
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 118,381	\$ 118,381	\$ 118,381	\$ 0
Total Revenues	<u>118,381</u>	<u>118,381</u>	<u>118,381</u>	<u>0</u>
Expenditures				
Instruction				
Professional & Tech Services	0	0	0	0
Other Purchased Services	0	0	0	0
Supplies	0	0	0	0
Supply Assets	0	0	0	0
Total Instruction	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Support Services-Students				
Professional & Tech Services	0	0	0	0
Other Purchased Services	0	0	0	0
Supplies	0	0	0	0
Supply Assets	0	0	0	0
Total Support Services-Students	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Support Services-General Administration				
Other Purchased Services	0	0	0	0
Total Support Services-General Administration	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Support Services-School Administration				
Professional & Tech Services	0	0	0	0
Total Support Services-School Administration	<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	118,381	118,381	118,381	0
Cash Balance Beginning of Year	<u>(118,381)</u>	<u>(118,381)</u>	<u>(118,381)</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			\$ 118,381	
Net Change in Due from Grantor			<u>(118,381)</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
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-IDEA PRESCHOOL RECOVERY ACT-24209
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 37,240	37,240	\$ 37,240	\$ 0
Total Revenues	<u>37,240</u>	<u>37,240</u>	<u>37,240</u>	<u>0</u>
Expenditures				
Instruction				
Professional & Tech Services	0	0	0	0
Supplies	0	0	0	0
Supply Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Instruction	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Support Services-Students				
Professional & Tech Services	0	0	0	0
Supplies	0	0	0	0
Supply Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Support Services-Students	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Support Services-General Administration				
Other Purchased Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Support Services-General Administration	<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	37,240	37,240	37,240	0
Cash Balance Beginning of Year	<u>(37,240)</u>	<u>(37,240)</u>	<u>(37,240)</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			\$ 37,240	
Net Change in Due from Grantor			<u>(37,240)</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
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-IDEA B EARLY INTERVENTION-24212
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 13,155	\$ 13,155	\$ 13,155	\$ 0
Total Revenues	<u>13,155</u>	<u>13,155</u>	<u>13,155</u>	<u>0</u>
Expenditures				
Support Services-School Administration				
Other Purchased Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Support Services-School Administration	<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	13,155	13,155	13,155	0
Cash Balance Beginning of Year	<u>(13,155)</u>	<u>(13,155)</u>	<u>(13,155)</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			\$ 13,155	
Net Change in Due from Grantor			<u>(13,155)</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.

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
 Cash Reconciliation
 For the Year Ended June 30, 2012

		Beginning Cash Balance <u>6/30/11</u>	Revenue	Expenses	Ending Cash Balance <u>6/30/12</u>
Federal Flowthrough	24000	\$ (232,655)	\$ 599,032	\$ 770,540	\$ (404,163)
Federal Direct	25000	465,786	333,754	272,143	527,397
State Flowthrough	27000	36,048	613,226	757,869	(108,595)
Total		<u>\$ 269,179</u>	<u>\$ 1,546,012</u>	<u>\$ 1,800,552</u>	<u>\$ 14,639</u>

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

**SCHEDULE OF EXPENDITURES
OF
FEDERAL AWARDS**

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
 Schedule of Expenditures of Federal Awards
 June 30, 2012

Federal Agency/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Awards Expended
US DEPARTMENT OF EDUCATION			
PASS-THROUGH PROGRAM FROM:			
New Mexico Department of Education			
Special Education Cluster			
IDEA B Entitlement	84.027	24106 \$	700,571
IDEA B Risk Pool	84.027	24120	18,069
IDEA B Discretionary-State Directed	84.027	27200	222,992
IDEA Preschool	84.173	24109	25,261
Total Special Education Cluster			<u>966,893</u>
TOTAL Special Education Cluster			
Title III-English Language Acquisition	84.365	24153	5,327
Title II-Teacher/Principal Training & Recruiting	84.367	24154	43,296
TOTAL US DEPARTMENT OF EDUCATION			<u>1,015,516</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,015,516</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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

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

Note 2: Insurance Requirements

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

Note 3: Loans or Loan Guarantees

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

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*

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the Regional Education Cooperative #7

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, and the combining individual funds and related budgetary comparison presented as supplemental information of the Regional Education Cooperative #7 (REC) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we considered to be significant deficiencies in internal control over financial reporting. 12-1, 12-2, 12-3, 12-4, and 12-5. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the REC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs; 12-1, 12-2, 12-3, 12-4, and 12-5.

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

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

De'Ann Willoughby CPA PC

September 17, 2012

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

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the Regional Education Cooperative #7

Mr. Balderas and Members of the Board

Compliance

We have audited Regional Education Cooperative #7 (REC) compliance with the types of compliance requirements described in the OMB A-133 Compliance Supplement that could have a direct and material effect on each of the REC's major federal programs for the year ended June 30, 2012. The REC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the REC's management. Our responsibility is to express an opinion on the REC's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

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

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

De'Ann Willoughby CPA PC

September 17, 2012

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
 Schedule of Findings and Questioned Costs
 June 30, 2012

Section I-Summary of Auditor's Results

Financial Statements

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

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

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

Noncompliance material to financial statements noted? _____ yes _____ X no

Federal Awards

Internal control over major programs:

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

* Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes _____ X none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 _____ yes _____ X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA B Special Education
84.173	IDEA Preschool

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>
11-1	PED Cash Reports-Compliance & Internal Control-Significant Deficiency	Resolved
11-2	Fraud Checks-Compliance & Internal Control-Significant Deficiency	Resolved

Current Year Audit Findings

12-1 941

Condition

The 9/30/11 Qtr report social security wages were reported incorrectly by an over reported amount of \$5,175.10.

Criteria

IRS Publication 15 Circular E sets forth the requirements and instructions.

Cause

The REC implemented new software and the payroll was set up incorrectly.

Effect

The REC incurred penalties and fines and time spent amending and responding to the Internal Revenue Service.

Recommendation

This issue has been correct on the payroll setup. The 941 report should have been reviewed and the issue corrected before it was submitted to the Internal Revenue Service.

Response

This issue has been resolved.

12-2 RHCA

Condition

Wages were under reported to RHCA in the amount of \$11,410.28.

Criteria

Retiree Health Care Authority Act (Section 10-7C-1 to 10-7C-19 NMSA 1978).

Cause

The REC implemented new software and the payroll was set up incorrectly.

Effect

RHCA is due money for the under reporting. RHCA needs all funds to provide benefits to retirees.

Recommendation

The report should be amended and funds sent to RHCA. The report should be compared to payroll reports and ERB before it is submitted to RHCA.

Response

We have amended the report and submitted the required funds of \$315.75 to RHCA.

12-3 NMPSIA

Condition

One of the two employees percentages are incorrect, which caused the District to overpay their portion by \$896.84.

Criteria

New Mexico Public Districts Insurance Authority-Employee Benefits Rules and Regulations Program guide July 2011.

Cause

The REC implemented new software and the payroll was set up incorrectly.

Effect

The REC paid more than for more employee than they should have and in the other case the employee paid more than she should have.

Recommendation

The NMPSIA records should be compared to withholding information and gross wages used to determine which level an employee should pay.

Response

The employee will repay the REC \$896.84.

12-4 Expenses

Condition

Out of 201 expenditures sampled 1 was paid after the 30 day. The Invoice was due by 10/14/11 but the Check #30788 for \$632.73 was not written until 10/28/11.

Criteria

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

Cause

The late paid invoice was the result of members not sending documentation to the REC that is required before a payment is made.

Effect

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

Recommendation

Members should be encouraged to submit paperwork timely.

Response

We will continue to encourage members to submit paperwork timely.

12-5 Late Audit Report

Condition

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

Criteria

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

Cause

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
Schedule of Findings and Questioned Costs
June 30, 2012

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

Effect

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

Recommendation

The audit should be filed timely.

Response

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

Financial Statement Preparation

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

Exit Conference

An exit conference was held on September 17, 2012 with Dwain Haynes-Vice President, Israel Carrera-Secretary, Belinda Morris-Executive Director, Kim Reighley-Business Manager, and De'Aun Willoughby, CPA.