

STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION
COOPERATIVE NO. 8

Audit Report

For the Year Ended June 30, 2010

RONNY FOUTS
CERTIFIED PUBLIC ACCOUNTANT
Melrose, New Mexico

STATE OF NEW MEXICO
Pecos Valley Regional Education Cooperative No. 8

Official Roster
For the year ended June 30, 2010

COORDINATING COUNCIL

Pat Parsons President
David Chavez..... Vice-President
Steven Starkey..... Member
Michael Grossman Member

COOPERATIVE OFFICIALS

Lena Trujillo-Chavez Executive Director
Janet Grice..... Business Manager

STATE OF NEW MEXICO
Pecos Valley Regional Education Cooperative No. 8

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INDEPENDENT AUDITOR'S REPORT

Hector Balderas, State Auditor
And the Board of Advisors
Pecos Valley Regional Education Cooperative
Artesia, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pecos Valley Regional Education Cooperative, as of and for the year ended June 30, 2010, which collectively comprise the Pecos Valley Regional Education Cooperative's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Pecos Valley Regional Education Cooperative's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Cooperative'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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 statements 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 Cooperative, as of June 30, 2010, and the respective changes in financial position and the budgetary comparisons for the 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 Cooperative as of June 30, 2010 and the respective changes in financial position, and the respective budgetary comparisons for the nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 5, 2010, on our consideration of Pecos Valley Regional Education Cooperative'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.

For the year ended June 30, 2010, Pecos Valley Regional Education Cooperative No. 8 has not presented the Management's Discussion and Analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements .

Our audit was conducted for the purpose of forming opinions on the financials statements and the combining and individual fund financial statements, and budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes 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 is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.



Ronny Fouts, CPA
Melrose, New Mexico
August 5, 2010

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
 STATEMENT OF NET ASSETS

June 30, 2010

ASSETS	<u>Governmental Activities</u>
Cash and Cash Equivalents	\$ 729,263
Due from other Governments	71,079
Non-current Capital Assets - Net	<u>354,922</u>
TOTAL ASSETS	<u>\$ 1,155,264</u>
LIABILITIES	
Current:	
Accounts Payable	\$ -
Deferred Revenue	<u>51,456</u>
Total Current Liabilities	<u>51,456</u>
NET ASSETS	
Invested in capital assets	354,922
Restricted for General Fund subsequent expenditures	598,796
Restricted for Special Revenue subsequent expenditures	<u>150,090</u>
TOTAL NET ASSETS	<u>\$ 1,103,808</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
 STATEMENT OF ACTIVITIES

Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		Primary Governmental Activities	Net (Expenses) Revenue & Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Primary Government:					
Governmental activities:					
Instruction	\$ 14,981	\$ -	\$ 14,981	\$ -	\$ -
Support Services - Students	1,279,251	570,028	845,189	-	135,966
Support Services - Instruction	16,275	-	16,275	-	-
Support Services - General Administration	207,777	-	207,777	-	-
Support Services - Sch Administration	23,233	-	23,233	-	-
Support Services - Central Services	107,640	-	107,640	-	-
Operation & Maintenance of Plant	40,846	-	40,846	-	-
Total Governmental Activities	\$ 1,690,003	\$ 570,028	\$ 1,255,941	\$ -	135,966

General Revenues

Interest Income	1,321
Total General Revenues	1,321

Change in net assets	137,287
Net assets beginning	966,521
Net Assets- ending	\$ 1,103,808

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

	GENERAL 26107	MEDICAID 25152	MEDICAID 2 25153	REC OPERATING FUNDS 27101
ASSETS				
Cash on Deposit	\$ 527,717	\$ 95,081	\$ 32,791	\$ 22,218
Due from other funds	71,079	-	-	-
Due from other Governments	-	-	-	-
TOTAL ASSETS	\$ 598,796	\$ 95,081	\$ 32,791	\$ 22,218
LIABILITIES AND FUND BALANCE				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Deferred Revenue	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCE				
Fund Balance				
Restricted, Reported in				
General Fund	598,796	-	-	-
Special Revenue Fund	-	95,081	32,791	22,218
TOTAL FUND BALANCE	598,796	95,081	32,791	22,218
TOTAL LIABILITIES AND FUND BALANCE	\$ 598,796	\$ 95,081	\$ 32,791	\$ 22,218

The accompanying notes are an integral part of these financial statements.

STATE DIRECTED ACTIVITIES 27200	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 51,456	\$ 729,263
-	-	71,079
46,661	24,418	71,079
<u>\$ 46,661</u>	<u>\$ 75,874</u>	<u>\$ 871,421</u>

\$ -	\$ -	\$ -
46,661	24,418	71,079
-	51,456	51,456
<u>46,661</u>	<u>75,874</u>	<u>122,535</u>

-	-	598,796
-	-	150,090
-	-	748,886
<u>\$ 46,661</u>	<u>\$ 75,874</u>	<u>\$ 871,421</u>

STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO 8
RECONCILIATION OF THE BALANCE SHEET
ALL GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS

June 30, 2010

Amounts reported for governmental activities in the statement of net assets are different because:

Fund Balance - total governmental funds		\$	748,886
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			
Capital Assets Cost	834,014		
Accumulated depreciation	(479,092)		354,922
			<u>354,922</u>
Net assets of governmental activities		\$	<u>1,103,808</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO.8

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

Year ended June 30, 2010

	GENERAL 26107	DISCRETIONARY 24107	MEDICAID 25152	MEDICAID 2 25153
REVENUE				
Federal Grants	\$ -	\$ -	\$ 434,856	\$ 206,626
State Grants	-	-	-	-
Charges for Services	570,028	-	-	-
Interest Income	1,321	-	-	-
TOTAL REVENUES	571,349	-	434,856	206,626
EXPENDITURES				
Current				
Instruction	-	-	-	-
Support Services - Students	423,210	-	273,478	137,950
Support Services - Instruction	236	-	-	-
Support Services - General Administration	805	-	28,266	-
Support Services - Sch Administration	-	-	-	23,233
Support Services - Central Services	8	-	24,097	12,426
Operation & Maintenance of Plant	874	-	13,934	226
Non-current				
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	425,133	-	339,775	173,835
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	146,216	-	95,081	32,791
FUND BALANCE - JUNE 30, 2009	452,580	-	-	-
FUND BALANCE - JUNE 30, 2010	\$ 598,796	\$ -	\$ 95,081	\$ 32,791

The accompanying notes are an integral part of these financial statements.

REC OPERATING FUNDS 27101	STATE DIRECTED ACTIVITIES 27200	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 270,065	\$ 91,992	\$ 1,003,539
124,635	-	127,767	252,402
-	-	-	570,028
-	-	-	1,321
124,635	270,065	219,759	1,827,290
-	-	9,553	9,553
-	270,065	174,548	1,279,251
-	-	15,207	15,443
143,042	-	12,756	184,869
-	-	-	23,233
68,827	-	2,282	107,640
20,399	-	5,413	40,846
-	-	-	-
232,268	270,065	219,759	1,660,835
(107,633)	-	-	166,455
129,851	-	-	582,431
\$ 22,218	\$ -	\$ -	\$ 748,886

STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATIONAL COOPERATIVE NO. 8

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE-
ALL GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	\$ 166,455
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.	(29,168)
Long Term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which loan proceeds exceeded principal retirement in the current period.	-
Rounding difference	-
Change in Net Assets	<u>\$ 137,287</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO.8

STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)
 AND ACTUAL -GENERAL FUND 26107

Year Ended June 30, 2010

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Revenue	\$ -	\$ -	\$ -	\$ -
Services	\$ 690,000	\$ 690,000	\$ 570,028	\$ (119,972)
Interest Income	455	455	1,321	866
TOTAL REVENUE	690,455	690,455	\$ 571,349	\$ (119,106)
BUDGETED CASH BALANCE	189,000	247,585		
TOTAL REVENUE & CASH	\$ 879,455	\$ 938,040		
EXPENDITURES				
Current				
Support Services - Students	\$ 685,018	\$ 778,367	\$ 423,210	\$ 355,157
Support Services - Instruction	35,000	236	235	1
Support Services - General Administration	53,587	53,587	805	52,782
Support Services - Central Services	65,400	65,400	8	65,392
Operation & Maintenance of Plant	40,450	40,450	873	39,577
Facilities Acquisition & Construction	-	-	-	-
TOTAL EXPENDITURES	\$ 879,455	\$ 938,040	\$ 425,131	\$ 512,909

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 571,349
Differences budget to GAAP	-
Prior Year Deferral	-
Current Year Deferral	-
Total Revenues (GAAP Basis)	\$ 571,349

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 425,131
Differences-budget to GAAP	-
Current Year Accounts Payable	-
Total Expenditures (GAAP Basis)	\$ 425,131

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION CENTER NO.8

STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)
 AND ACTUAL - SPECIAL REVENUE FUND -MEDICAID 0/2 YEARS 25152

Year Ended June 30, 2010

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 360,000	\$ 420,000	\$ 387,500	\$ (32,500)
TOTAL REVENUE	360,000	420,000	<u>\$ 387,500</u>	<u>\$ (32,500)</u>
BUDGETED CASH BALANCE	40,400	47,355		
TOTAL REVENUE & CASH	<u>\$ 400,400</u>	<u>\$ 467,355</u>		
EXPENDITURES				
Current				
Support Services - Students	\$ 341,465	\$ 377,981	\$ 273,478	\$ 104,503
Support Services - General Administration	25,448	38,032	28,266	9,766
Support Services - Central Services	14,512	30,262	24,097	6,165
Operation & Maintenance of Plant	18,975	21,080	13,934	7,146
TOTAL EXPENDITURES	<u>\$ 400,400</u>	<u>\$ 467,355</u>	<u>\$ 339,775</u>	<u>\$ 127,580</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 387,500
Differences budget to GAAP	
Prior Year Deferral	47,356
Current Year Deferral	-
Total Revenues (GAAP Basis)	<u>\$ 434,856</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 339,775
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 339,775</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8

STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)
 AND ACTUAL - SPECIAL REVENUE FUND -MEDICAID 3/21 YEARS 25153

Year Ended June 30, 2010

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 159,000	\$ 159,000	\$ 184,338	\$ 25,338
TOTAL REVENUE	159,000	159,000	<u>184,338</u>	<u>25,338</u>
BUDGETED CASH BALANCE	16,000	22,287		
TOTAL REVENUE & CASH	<u>\$ 175,000</u>	<u>\$ 181,287</u>		
EXPENDITURES				
Current				
Support Services - Students	\$ 130,000	\$ 137,951	\$ 137,950	\$ 1
Support Services - General Administration	250	250	-	250
Support Services - School Administration	35,795	30,131	23,233	6,898
Central Services	7,000	12,457	12,426	31
Operation & Maintenance of Plant	1,955	498	226	272
TOTAL EXPENDITURES	<u>\$ 175,000</u>	<u>\$ 181,287</u>	<u>\$ 173,835</u>	<u>\$ 7,452</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 184,338
Differences budget to GAAP	
Prior Year Deferral	22,288
Current Year Deferral	-
Total Revenues (GAAP Basis)	<u>\$ 206,626</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 173,835
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 173,835</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8

STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)
 AND ACTUAL - SPECIAL REVENUE FUND - STATE DIRECTED ACTIVITIES 27200

Year Ended June 30, 2010

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ -	\$ 270,065	\$ 223,405	\$ (46,660)
TOTAL REVENUE	-	270,065	223,405	(46,660)
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	\$ -	\$ 270,065		
EXPENDITURES				
Current				
Support Services - Students	\$ -	\$ 270,065	\$ 270,065	\$ -
Support Services - School Administration	-	-	-	-
TOTAL EXPENDITURES	\$ -	\$ 270,065	\$ 270,065	\$ -

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 223,405
Differences budget to GAAP	
Prior Year Receivable	(1)
Current Year Receivable	46,661
Total Revenues (GAAP Basis)	\$ 270,065

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 270,065
Differences-budget to GAAP	-
Total Expenditures (GAAP Basis)	\$ 270,065

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO.8

STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)
 AND ACTUAL -REC OPERATING FUNDS - 27101

Year Ended June 30, 2010

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Revenue	\$ 133,000	\$ 124,635	\$ 124,635	\$ -
Interest Income	-	-	-	-
TOTAL REVENUE	133,000	124,635	\$ 124,635	\$ -
BUDGETED CASH BALANCE	125,500	125,500		
TOTAL REVENUE & CASH	\$ 258,500	\$ 250,135		
EXPENDITURES				
Current				
Support Services - Students	\$ -	\$ -	\$ -	\$ -
Support Services - Instruction	-	-	-	-
Support Services - General Administration	154,750	149,261	143,042	6,219
Support Services - Central Services	76,750	73,328	68,827	4,501
Operation & Maintenance of Plant	27,000	27,546	20,399	7,147
Facilities Acquisition & Construction	-	-	-	-
TOTAL EXPENDITURES	\$ 258,500	\$ 250,135	\$ 232,268	\$ 17,867

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 124,635
Differences budget to GAAP	-
Prior Year Deferral	-
Current Year Deferral	-
Total Revenues (GAAP Basis)	\$ 124,635

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 232,268
Differences-budget to GAAP	-
Current Year Accounts Payable	-
Total Expenditures (GAAP Basis)	\$ 232,268

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
JUNE 30, 2010
NOTES TO FINANCIAL STATEMENTS

6I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. 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. Pecos Valley Regional Education Cooperative No. 8, through the governing council, has established as its purpose the delivery to local districts and communities those services deemed critical to the ongoing success of regular and special education programs provided by the local agencies. For financial reporting purposes, the Cooperative includes all funds and account groups that are controlled by or dependent on the Cooperative for financial support. The Cooperative has no component units.

The summary of significant accounting policies of the Cooperative is presented to assist in the understanding of the Cooperative's financial statements. The financial statements and notes are the representation of Pecos Valley Regional Education Cooperative No. 8's management who is responsible for their integrity and objectivity. The financial statements of the Cooperative conform to generally accept accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the cooperative. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. No property tax revenue is available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and

STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
JUNE 30, 2010
NOTES TO FINANCIAL STATEMENTS

judgments, are recorded only when payment is due. Grant revenues and deferrals are recognized in accordance with GASB 33.

The Cooperative reports the following major governmental funds:

General Fund (26107) – to account for resources and expenditures that are not required to be accounted for in another fund.

Discretionary (24107) to account for funds received for special education students to supplement their education. Authority for the fund is Public Education Department of New Mexico.

Medicaid (25152) – 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 Title XIX of the Social Security Act.

Medicaid 2 (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 Title XIX of the Social Security Act.

REC Operating Funds (27101) – to account for operating funds appropriated by the State of New Mexico to operate the REC and pay for administrative costs to carry out the programs of the REC.

State Directed Activities (27200) – to account for a program funded by a state grant to assist the REC in providing free appropriate public education to all handicapped children. Students included in the districts that are members of the cooperative. Funding authorized by the Individuals with Disabilities Education Act. Authority of Federal Grant Provisions.

Similar to private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, particularly fees for workshops, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments.

State statutes authorize the investment of the cooperative's funds in a wide variety of instruments including certificated of deposit and other similar obligations, state investment pool, and money market accounts. The cooperative is also allowed to invest in United States Government obligations. All funds of the cooperative must follow the above investment policies.

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Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings or loan associations within the geographical boundaries of the cooperative. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution. The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (Le., the current portion of interfund loans) or "advances to/from other funds" (Le., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Amounts shown as "due from other governments" are amount due from pass through agencies and are fully collectible.

3. Inventories

None

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life extending beyond a single reporting period. Effective June 17, 2005, the value of capital assets that must be inventoried and listed was increased to \$5,000 (amount not rounded). Old inventory items that do not meet the updated capitalization threshold will remain on the inventory list and will continue to be depreciated. The Cooperative is capitalizing qualifying software as required. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Cooperative does not have a library.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the cooperative is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5, 10
Buildings	50
Building Renovations	50
Computers & Electronics	5, 10
Vehicles	12

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Employees are not compensated for accumulated sick leave upon termination of employment. Unused vacation is accounted for at the participating level and is not accounted for in this report.

5. Long-Term Obligations

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. The cooperative has no bonded debt.

6. Fund Equity

Reservations of fund balance represent amounts that are not appropriable for expenditures or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. These designations are established to earmark resources for specific future use and to indicate that the fund equity does not represent available spendable resources.

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

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

Imposed by law through constitutional provisions or enabling legislation.

7. Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

8. Estimates

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

II. **Reconciliation of Government-wide and Fund Financial Statements**

A. **Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(29,168) difference are as follows:

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Capital Outlay	\$	-
Depreciation Expense		<u>(29,168)</u>
Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net assets of Governmental activities		<u>\$ (29,168)</u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgets for the Special Revenue Funds are prepared by management and are approved by the local Board and the Public School Budget and Planning Unit of the Department of Education.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be reappropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a line item basis, i.e., every budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series', this may be accomplished with only local Board approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures. The Cooperative follows these procedures in establishing the budgetary data reflected in the financial statements:

In April or May, the director submits to the Board a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.

In May or June, the budget is approved by the Board of Education.

The board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.

The director is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the board and the State of New Mexico Department of Education.

Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The

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appropriated budget for the year ended June 30, 2010 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

	Original Budget		Final Budget		Performance
Special Revenue Fund	\$ 1,068,025		\$ 1,458,939		\$ 1,025,702

B. Deficit Fund Equity

There were not any deficit fund balances at June 30, 2010.

IV. Detailed Notes on all Funds

A. Cash and Temporary Investments

At June 30, 2010, the carrying amount of the Cooperative's deposits was \$712,581 and the bank balance was \$523,918. Of this balance \$250,000 was covered by federal depository insurance and \$316,782 was covered by collateral held in the bank's name and in joint safekeeping by a third party. The remaining \$145,799 is comprised of amounts in excess of those required to be collateralized under State law.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the cooperative for at least one half of the amount on deposit with the institution.

The collateral pledged is shown as listed in the table of contents of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools. Time deposits, savings deposits and interest bearing Now accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Investments held by the New Mexico State treasurer are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by direct obligations of the United States government or are agencies sponsored by the United States government. The pool does not have unit shares. Per Section 6-10-10, 1, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and length of time the amounts were invested. Participation in the local government investment pool is voluntary.

Interest Rate Risk. The Cooperative does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Credit Risk. State law limits investments in commercial paper, corporate bonds and mutual fund bonds to the top two ratings issued nationally recognized statistical rating organizations. The Cooperative has no investment policy that would further limit its investment choices. At June 30, 2010, the Cooperative's investment pool was rated AAAM by Standard & Poor's

New MexiGROW LGIP	AAAm rated	\$205,345	43-day WAM
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B. Custodial Credit Risk – Deposits

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, 2010, \$462,581 of the government's bank balance of \$712,581 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 145,799
Collateralized by bank, not in entity's name	316,782
	<u>\$ 462,581</u>

C. Deferred Revenue

Governmental funds reported *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

Grant Draw downs prior to meeting all eligibility requirements	\$51,456
Total Deferred/Unearned revenue for governmental funds	\$51,456

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D. Capital Assets

A summary of Changes in general capital assets follows:

	Balance per Prior Year	Additions	Retirements	Balance at End of Year
Capital assets not being depreciated:				
Land	\$ 25,977	\$ -	\$ -	\$ 25,977
Total assets not being depreciated	25,977	-	-	25,977
Capital Assets Being Depreciated:				
Buildings	317,361	-	-	317,361
Equipment & Furniture	490,676	-	-	490,676
Total Assets being Depreciated	808,037	-	-	808,037
Less accumulated depreciation for:				
Buildings	63,472	6,347		69,819
Equipment & Furniture	386,452	22,821		409,273
Total Accumulated depreciation	449,924	29,168	-	479,092
Total Assets being depreciated, net	358,113	(29,168)	-	328,945
Capital Assets, Net	\$ 384,090	\$ (29,168)	\$ -	\$ 354,922

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 5,428
Support Services Instruction	832
Support Services Administration	22,908
	<u>\$ 29,168</u>

E. Long-Term Obligations

As of June 30, 2010 there was no Long Term Debt.

V. Other Information

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A. Risk Management

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The Cooperative is one of state members that participate in GSD/Risk Management Division. The Cooperative pays an annual premium to the pool for its general insurance coverage.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The government is not currently involved in any lawsuits or litigation nor have they been in the previous years as was previously reported.

C. Employee Retirement Plan

Substantially all of the Cooperative'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 (ERA) is the administrator of the plan, which is a cost sharing multiple employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. ERA issues a separate, publicly available financial report that includes the financial statements and required supplementary information. That report may be obtained by writing to ERA, P.O. Box 26129, Santa Fe, New Mexico 87502.

Funding Policy – Plan members are required to contribute 9.400% of their gross salary. Pecos Valley Regional Education Cooperative No. 8 is required to contribute 10.90% of the gross covered salary. Effective July 1, 2010, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and the Pecos Valley Regional Education Cooperative No. 8 are established in Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of legislature. The Pecos Valley Regional Educational Cooperative No. 8's contributions to the ERA for the years ended June 30, 2010, 2009, and 2008 were: \$113,250, \$100,458, and \$94,801, respectively, which equal the amount of the required contributions for each fiscal year.

D. Post-Retirement Health Care Benefits

Plan Description – Pecos Valley Regional Education Cooperative contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple defined benefit post employment healthcare plan administered by the New Mexico Health Care Authority (RHCA). The RHCA provides healthcare 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.

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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 Retiree Health Care Act on the person's behalf, unless that person retired on or before July 1, 1995, in which event the time period for contributions becomes the time between July 1, 1990, and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

The Retiree Health Care Authority issues publicly stand-alone financial report that includes financial statements and required supplementary information for the post employment healthcare plan. That report may be obtained in writing by contacting the Retiree Health Care Authority, 4308 Carlisle Blvd NE, Suite 104, Albuquerque, New Mexico 87107.

Funding Policy – The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an addition participation fee of five dollars if the eligible participant retired prior to the employer's FHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority member 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 Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary.

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.

Pecos Valley Regional Education Cooperative No. 8's contributions to the RHCA for the years ended June 30, 2010, 2009, and 2008 were \$10,879 \$10,259, and \$9,872, respectively, which equal the required contributions for each year.

E. Joint Powers Agreement

The Pecos Valley Regional Education Cooperative No. 8 has a joint powers agreement with school districts; Lake Arthur, Dexter, Hagerman, and Loving. The purpose of the agreement is to form a consortium known as Pecos Valley Regional Education Cooperative Council, to establish and maintain a cooperative program of various federal and state grants.

Responsible Party for Operations and Audit

PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8

Beginning and Ending Date of Agreement

SUPPLEMENTAL INFORMATION

SPECIAL REVENUE FUNDS

Title I Migrant (24103) To account for a program funded by a federal grant whose purpose is to implement school wide bilingual education programs of special alternative instruction programs to improve, reform and upgrade relevant programs and operations within an entire local educational agency, that serve a significant number of children and youth of limited English proficiency in local educational agencies with significant concentrations of such children and youth. The fund was created by the authority of federal grant provisions. (Title VII, Section 7115 of the ESEA (20USC 7425).

Idea B Entitlement (24106), Individuals with Disabilities Education Act – to account for a federal grant restricted to the operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-630 and 101-476; 20 U.S.C. 1411-1420.

Carl D Perkins Secondary (24174) - to account for a federal grant to provide data collection activities for educational programs. The authority for the fund is through the Career Technical Workforce Education bureau.

Carl D Perkins Redistribution (24176) – to account for a federal grant to provide data collection activities for educational programs. The authority for the fund is through the Career Technical Workforce Education Bureau.

Advanced Placement (27129)– to provide services to students grades 8-11 to meet next step achievement goals. The fund was created by the authority of state grant provisions.

Ideal NM 2007 (27165)—to account for resources providing by a grant to assist school districts in their education programs for special education needs. Authority for the fund is by state grant provisions.

Family, Infants, & Toddlers (28105) – to account for revenues and expenditures provided by a grant program through the New Mexico Department of Health to identify and service children from birth to age three who have or are at risk of developing developmental delays; reimbursement for services model. The fund was created by the authority of state grant provisions.

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COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
 NONMAJOR GOVERNMENTAL FUNDS

June 30, 2010

	MIGRANT CHILDREN EDUCATION 24103	IDEA-B DISCRETIONARY 24107	CARL D PERKINS SECONDARY 24174	CARL D PERKINS REDISTRIBUTION 24176	ADVANCED PLACEMENT 27129
ASSETS					
Cash on Deposit	\$ -	\$ 1,000	\$ -	\$ -	\$ -
Due from other Governments	14,058	-	-	-	5,760
TOTAL ASSETS	\$ 14,058	\$ 1,000	\$ -	\$ -	\$ 5,760
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	14,058	-	-	-	5,760
Deferred Revenue	-	1,000	-	-	-
TOTAL LIABILITIES	14,058	1,000	-	-	5,760
FUND BALANCE					
Fund Balance Restricted	-	-	-	-	-
TOTAL LIABILITIES & FUND BALANCE	\$ 14,058	\$ 1,000	\$ -	\$ -	\$ 5,760

The accompanying notes are an integral part of these financial statements.

IDEAL NM 2007 27165	FAMILY INFANTS & TODDLERS 28105	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ 50,456	\$ 51,456
4,600	-	24,418
<u>\$ 4,600</u>	<u>\$ 50,456</u>	<u>\$ 75,874</u>

\$ -	\$ -	\$ -
4,600	-	24,418
-	50,456	51,456
<u>4,600</u>	<u>50,456</u>	<u>75,874</u>

-	-	-
<u>\$ 4,600</u>	<u>\$ 50,456</u>	<u>\$ 75,874</u>

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COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - SPECIAL REVENUE FUNDS
 NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2010

	MIGRANT CHILDREN EDUCATION 24103	IDEA-B ENTITLEMENT 24106	CARL D PERKINS SECONDARY 24174	CARL D PERKINS REDISTRIBUTION 24176
REVENUES				
Federal Grants	\$ 67,185	\$ -	\$ 21,722	\$ 3,085
State Grants	-	-	-	-
TOTAL REVENUES	67,185	-	21,722	3,085
EXPENDITURES				
Current				
Instruction	9,553	-	-	-
Support Services - Students	53,479	-	20,636	80
Support Services - Instruction	-	-	-	2,847
Support Services - General Administration	2,038	-	1,086	158
Support Services - Sch Administration	-	-	-	-
Support Services - Central Services	-	-	-	-
Operation & Maintenance of Plant	2,115	-	-	-
TOTAL EXPENDITURES	67,185	-	21,722	3,085
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-
FUND BALANCE- JUNE 30, 2008	-	-	-	-
FUND BALANCE - JUNE 30, 2009	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

ADVANCED PLACEMENT 27129	IDEAL NM 2007 27165	FAMILY INFANTS & TODDLERS 28105	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ -	\$ -	\$ 91,992
5,760	7,600	114,407	127,767
5,760	7,600	114,407	219,759
-	-	-	9,553
-	-	100,353	174,548
4,760	7,600	-	15,207
1,000	-	8,474	12,756
-	-	-	-
-	-	2,282	2,282
-	-	3,298	5,413
5,760	7,600	114,407	219,759
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

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STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)
 AND ACTUAL - SPECIAL REVENUE FUND -MIGRANT CHILDREN EDUCATION 24103

Year Ended June 30, 2010

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 60,000	\$ 60,000	\$ 53,239	\$ (6,761)
TOTAL REVENUE	60,000	60,000	<u>53,239</u>	<u>(6,761)</u>
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	<u>\$ 60,000</u>	<u>\$ 60,000</u>		
EXPENDITURES				
Current				
Instruction	\$ 10,000	\$ 22,580	\$ 9,553	\$ 13,027
Support Services - Students	45,212	56,632	53,479	3,153
Support Services - General Administration	2,038	2,038	2,038	-
Operation & Maintenance of Plant	2,750	2,750	2,115	635
TOTAL EXPENDITURES	<u>\$ 60,000</u>	<u>\$ 84,000</u>	<u>\$ 67,185</u>	<u>\$ 16,815</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 53,239
Differences budget to GAAP	
Prior Year Receivable	(112)
Current Year Receivable	14,058
Total Revenues (GAAP Basis)	<u>\$ 67,185</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 67,185
Differences-budget to GAAP	
Prior Year Prepaid Expense	-
Total Expenditures (GAAP Basis)	<u>\$ 67,185</u>

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)
 AND ACTUAL - SPECIAL REVENUE FUND - CARL D PERKINS SECONDARY 24174

Year Ended June 30, 2010

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 20,430	\$ 21,722	\$ 26,013	\$ 4,291
TOTAL REVENUE	<u>20,430</u>	<u>21,722</u>	<u>\$ 26,013</u>	<u>\$ 4,291</u>
BUDGETED CASH BALANCE	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 20,430</u>	<u>\$ 21,722</u>		
EXPENDITURES				
Current				
Support Services - Students	\$ 19,410	\$ 20,636	\$ 20,636	\$ -
Support Services - General Administration	1,020	1,086	1,086	-
TOTAL EXPENDITURES	<u>\$ 20,430</u>	<u>\$ 21,722</u>	<u>\$ 21,722</u>	<u>\$ -</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 26,013
Differences budget to GAAP	
Prior Year Receivable	(4,291)
Current Year Receivable	-
Total Revenues (GAAP Basis)	<u>\$ 21,722</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 21,722
Differences-budget to GAAP	-
Total Expenditures (GAAP Basis)	<u>\$ 21,722</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
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STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)
 AND ACTUAL - SPECIAL REVENUE FUND - CARL D PERKINS REDISTRIBUTION 24176

Year Ended June 30, 2010

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 3,085	\$ 3,085	\$ 3,085	\$ -
TOTAL REVENUE	<u>3,085</u>	<u>3,085</u>	<u>3,085</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	<u>\$ 3,085</u>	<u>\$ 3,085</u>		
EXPENDITURES				
Current				
Support Services - Instruction	\$ 2,847	\$ 2,847	\$ 2,847	\$ -
Support Services - Students	80	80	80	-
Support Services - General Administration	158	158	158	-
TOTAL EXPENDITURES	<u>\$ 3,085</u>	<u>\$ 3,085</u>	<u>\$ 3,085</u>	<u>\$ -</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 3,085
Differences budget to GAAP	
Prior Year Receivable	-
Current Year Receivable	-
Total Revenues (GAAP Basis)	<u>\$ 3,085</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 3,085
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 3,085</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8

STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)
 AND ACTUAL - SPECIAL REVENUE FUND - ADVANCED PLACEMENT 27129

Year Ended June 30, 2010

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Revenue	\$ -	\$ 10,000	\$ 5,078	\$ (4,922)
TOTAL REVENUE	-	10,000	5,078	(4,922)
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	\$ -	\$ 10,000		
EXPENDITURES				
Current				
Support Services - Instruction	\$ -	\$ 9,000	\$ 4,760	\$ 4,240
Support Services - General Administration	-	1,000	1,000	-
TOTAL EXPENDITURES	\$ -	\$ 10,000	\$ 5,760	\$ 4,240

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 5,078
Differences budget to GAAP	
Prior Year Receivable	(5,078)
Current Year Receivable	5,760
Total Revenues (GAAP Basis)	\$ 5,760

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 5,760
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	\$ 5,760

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8

STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)
 AND ACTUAL - SPECIAL REVENUE FUND - IDEAL NM 2007 27165

Year Ended June 30, 2010

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Revenue	\$ -	\$ 7,600	\$ 3,000	\$ (4,600)
TOTAL REVENUE	<u>-</u>	<u>7,600</u>	<u>\$ 3,000</u>	<u>\$ (4,600)</u>
BUDGETED CASH BALANCE	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ -</u>	<u>\$ 7,600</u>		
EXPENDITURES				
Current				
Support Services - Instruction	\$ -	\$ 7,600	\$ 7,600	\$ -
Support Services - General Administration	-	-	-	-
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ 7,600</u>	<u>\$ 7,600</u>	<u>\$ -</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 3,000
Differences budget to GAAP	-
Prior Year Receivable	-
Current Year Receivable	4,600
Total Revenues (GAAP Basis)	<u>\$ 7,600</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 7,600
Differences-budget to GAAP	-
Total Expenditures (GAAP Basis)	<u>\$ 7,600</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO.8

STATEMENT OF REVENUE & EXPENDITURES - BUDGET (NON-GAAP)
 AND ACTUAL - SPECIAL REVENUE FUND - FAMILY, INFANTS & TODDLERS 28105

Year Ended June 30, 2010

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Revenue	\$ 120,000	\$ 120,000	\$ 121,172	\$ 1,172
Services	-	-	-	-
TOTAL REVENUE	<u>120,000</u>	<u>120,000</u>	<u>\$ 121,172</u>	<u>\$ 1,172</u>
BUDGETED CASH BALANCE	<u>30,610</u>	<u>43,690</u>		
TOTAL REVENUE & CASH	<u>\$ 150,610</u>	<u>\$ 163,690</u>		

EXPENDITURES

Current

Support Services - Students	\$ 136,220	\$ 146,730	\$ 100,353	\$ 46,377
Support Services - General Administration	6,820	9,390	8,474	916
Support Services - Central Services	2,335	2,335	2,282	53
Operation & Maintenance of Plant	5,235	5,235	3,298	1,937
TOTAL EXPENDITURES	<u>\$ 150,610</u>	<u>\$ 163,690</u>	<u>\$ 114,407</u>	<u>\$ 49,283</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 121,172
Differences budget to GAAP	
Prior Year Deferral	43,690
Current Year Deferral	(50,455)
Total Revenues (GAAP Basis)	<u>\$ 114,407</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 114,407
Differences-budget to GAAP	
Current Year Accounts Payable	-
Total Expenditures (GAAP Basis)	<u>\$ 114,407</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATIONAL COOPERATIVE NO. 8

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

<u>US DEPARTMENT OF EDUCATION</u>	<u>Federal CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
Passed through the State Department of Education			
Migrant Children Education	84.011	24103	67,185
Carl D Perkins Secondary	84.243	24174	21,722
Carl D Perkins Redistribution	84.048	24176	3,085
State Directed Activities	84.391	27200	270,065
Total U.S. Department of Education			<u>362,057</u>
DEPARTMENT OF HEALTH & HUMAN SERVICES			
Passed through the New Mexico Department of Health			
Medicaid	93.778	25152	\$ 339,775
Medicaid 2	93.778	25153	173,835
Total U. S. Department of Health & Human Services			<u>513,610</u>
Total Federal Awards Expenditures			<u>\$ 875,667</u>

Note 1 This schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
 SCHEDULE OF PLEDGED COLLATERAL
 June 30, 2010

	FIRST
	<u>AMERICAN BANK</u>
Cash on Deposit at June 30, 2010	\$ 712,581
Less FIDC Coverage	<u>250,000</u>
Uninsured Funds	462,581
50% Collateral Requirement	<u>231,291</u>
Amount Requiring Pledged Collateral	231,291
Pledged Collateral	<u>316,782</u>
Excess of Pledged Collateral	<u>\$ 85,492</u>

Pledged collateral of financial institutions consists of the following at June 30, 201

	<u>Maturity</u>	<u>CUSIP #</u>	<u>Amount</u>
First American Bank			
FHLB Time Call 9/8/11	9/8/2016	3133XGSE5	316,782
Total First American Bank			<u>\$ 316,782</u>

Pledged Securities are held by the Federal Home Loan Bank of Dallas in Dallas, TX.
 Safekeeping receipts are held by the authority.

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO 8
 CASH RECONCILIATION
 June 30, 2010

	Beginning Cash	Receipts	Distributions
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO 8			
Fund 24103 Migrant Children	\$ (112)	\$ 53,239	\$ 67,185
Fund 24107 Discretionary IDEA-B	1,000	-	-
Fund 24174 Carl Perkins Secondary	(4,291)	26,013	21,722
Fund 24176 Carl Perkins Redistribution	-	3,085	3,085
Fund 25152 Title XIX Medicaid 0/2 Years	47,356	387,500	339,775
Fund 25153 Title XIX Medicaid 3/21 Years	22,288	184,338	173,835
Fund 26107 REC (General)	452,580	571,349	425,133
Fund 27101 REC Operational	129,851	124,635	232,268
Fund 27129 Advanced Placement Program	(5,078)	5,078	5,760
Fund 27165 IDEAL NM 2007	-	3,000	7,600
Fund 27200 State Directed Activities	(1)	223,405	270,065
Fund 28105 Family Infants & Children	43,691	121,172	114,407
	<u>687,284</u>	<u>1,702,814</u>	<u>1,660,835</u>
Total Grady Municipal Schools	<u>\$ 687,284</u>	<u>\$ 1,702,814</u>	<u>\$ 1,660,835</u>

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>
Pecos Valley Regional Education Cooperative No 8			
Operating	Checking	First American	\$ 712,581
Operating	CD	State Treasurer	205,345
Total High Plains Regional Education Cooperative			<u>\$ 917,926</u>

Total Bank Balances	\$ 917,926
Reconciling Items	(188,663)
Report Balance	<u>\$ 729,263</u>

Other	Net Cash end of Period	Adjustments to the report	Total Cash on Report
\$ -	\$ (14,058)	\$ -	\$ (14,058)
-	1,000	-	1,000
-	-	-	-
-	-	-	-
-	95,081	-	95,081
-	32,791	-	32,791
-	598,796	-	598,796
-	22,218	-	22,218
-	(5,760)	-	(5,760)
-	(4,600)	-	(4,600)
-	(46,661)	-	(46,661)
-	50,456	-	50,456
<u>\$ -</u>	<u>\$ 729,263</u>	<u>\$ -</u>	<u>\$ 729,263</u>

RONNY FOUTS
CERTIFIED PUBLIC ACCOUNTANT
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Hector Balderas, State Auditor
Pecos Valley Regional Education Cooperative and
Board of Advisors
Artesia, New Mexico

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons for the major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of Pecos Valley Regional Educational Cooperative as of and for the year ended June 30, 2010, and have issued our report thereon dated August 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Pecos Valley Regional Education Cooperative'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 agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the agency'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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pecos Valley Regional Education Cooperative 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 disclose no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the agency, the audit committee, the State Auditor, the New Mexico Legislature, Public Education Department and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Ronny Fouts, CPA". The signature is written in a cursive style with a large initial 'R' and 'F'.

Ronny Fouts, CPA
Melrose, New Mexico
August 5, 2010

RONNY FOUTS
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Independent Auditor's Report

Hector Balderas, State Auditor
Pecos Valley Regional Education Cooperative and
Board of Advisors
Artesia, New Mexico

Compliance

We have audited the compliance of Pecos Valley Regional Education Cooperative, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Pecos Valley Regional Education Cooperative'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 Pecos Valley Regional Education Cooperative's management. Our responsibility is to express an opinion on Pecos Valley Regional Education Cooperative'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 Pecos Valley Regional Education Cooperative'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 Pecos Valley Regional Education Cooperative's compliance with those requirements.

In our opinion, Pecos Valley Regional Education Cooperative 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, 2010.

Internal Control Over Compliance

Management of Pecos Valley Regional Education Cooperative 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 Pecos

Valley Regional Education Cooperative's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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 Pecos Valley Regional Education Cooperative's internal control over compliance.

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

This report is intended solely for the information and use of the Board of Advisors, Management, the New Mexico State Legislature, Public Education Department, the Office of the New Mexico State Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Ronny Fouts, CPA". The signature is written in a cursive style.

Ronny Fouts, CPA
Melrose, New Mexico
August 5, 2010

STATE OF NEW MEXICO
Pecos Valley Regional Education Cooperative No. 8

Schedule of Findings and Questioned Costs and
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2010

SUMMARY OF AUDIT RESULTS

Report on Financial Statements	Unqualified
Reportable Conditions on GAGAS	None
Material weakness involving reportable condition	None
Material Noncompliance	None
Type A & Type B dollar threshold	\$300,000
Entity Risk	Low Risk
Major Federal Programs: CFDA#: 84.391 State Directed Activities	
Reportable conditions on Internal Control over Major Programs	None
Report on Compliance with Major Programs	Unqualified

PRIOR YEAR AUDIT FINDINGS

Late Audit Report 09-01 - Resolved

CURRENT FINDINGS – FEDERAL AWARD FINDINGS

None

CURRENT YEAR FINDINGS

None

STATE OF NEW MEXICO
Pecos Valley Regional Education Cooperative No. 8

Exit Conference
For the Year Ended June 30, 2010

The financial statements were prepared by Ronny Fouts, CPA with assistance from Pecos Valley Regional Education Cooperative No. 8. Management is responsible for the contents of this report.

EXIT CONFERENCE

The contents of this report were discussed with Lena Trujillo-Chavez, Executive Director; Janet Grice, Business Manager; Michael Grossman, Board Member and Ronny Fouts, CPA on August 5, 2010.



Ronny Fouts, CPA
Melrose, New Mexico
September 24, 2010