

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

Audit Report

For the Year Ended June 30, 2011

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, 2011

COORDINATING COUNCIL

Pat Parsons President
Dr. Kristine Baca 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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June 30, 2011

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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, and the budgetary comparisons for the general fund and major special revenue funds of the Pecos Valley Regional Education Cooperative, as of and for the year ended June 30, 2011, 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, 2011, 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.

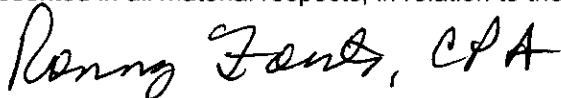
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2011, 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, 2011 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, 2011, 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, 2011, 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, 2011

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

June 30, 2011

ASSETS	<u>Governmental Activities</u>
Cash and Cash Equivalents	\$ 543,319
Due from other Governments	184,692
Non-current Capital Assets - Net	<u>363,091</u>
TOTAL ASSETS	<u><u>\$ 1,091,102</u></u>
 LIABILITIES	
Current:	
Accounts Payable	\$ -
Deferred Revenue	35,048
Total Current Liabilities	<u>35,048</u>
 NET ASSETS	
Invested in capital assets	363,091
Restricted for Special Revenue subsequent expenditures	131,381
Unassigned	<u>561,582</u>
TOTAL NET ASSETS	<u><u>\$ 1,056,054</u></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, 2011

Functions/Programs	Program Revenues			Net (Expenses) Revenue & Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental activities:				
Instruction	\$ 5,976	\$ -	\$ 5,976	\$ -
Support Services - Students	1,471,230	749,814	673,662	(47,754)
Support Services - Instruction	-	-	-	-
Support Services - General Administration	163,204	-	163,204	-
Support Services - Sch Administration	32,780	-	32,780	-
Support Services - Central Services	113,243	-	113,243	-
Operation & Maintenance of Plant	133,217	-	133,217	-
Other Support Services	18,954	-	18,954	-
Total Governmental Activities	\$ 1,938,604	\$ 749,814	\$ 1,141,036	\$ (47,754)

General Revenues

Grants	-
Total General Revenues	-

Change in net assets (47,754)

Net assets beginning 1,103,808

Net Assets- ending \$ 1,056,054

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, 2011

	GENERAL FUND REC 27101	MEDICAID 0/2 YEARS 25152	STATE DIRECTED ACTIVITIES 27200	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash on Deposit	\$ 376,890	\$ 85,724	\$ -	\$ 80,705	\$ 543,319
Due from other funds	184,692	-	-	-	184,692
Due from other Governments	-	-	183,928	764	184,692
TOTAL ASSETS	\$ 561,582	\$ 85,724	\$ 183,928	\$ 81,469	\$ 912,703
LIABILITIES AND FUND BALANCE					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	183,928	764	184,692
Deferred Revenue	-	-	-	35,048	35,048
TOTAL LIABILITIES	-	-	183,928	35,812	219,740
FUND BALANCE					
Fund Balance					
Restricted		85,724		45,657	131,381
Unassigned	561,582	-	-	-	561,582
TOTAL FUND BALANCE	561,582	85,724	-	45,657	692,963
TOTAL LIABILITIES AND FUND BALANCE	\$ 561,582	\$ 85,724	\$ 183,928	\$ 81,469	\$ 912,703

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

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, 2011

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

Fund Balance - total governmental funds		\$	692,963
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			
Capital Assets Cost	863,357		
Accumulated depreciation	(500,266)		363,091
			<u>363,091</u>
Net assets of governmental activities		\$	<u>1,056,054</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, 2011

	GENERAL FUND REC 27101	MEDICAID 0/2 YEARS 25152	STATE DIRECTED ACTIVITIES 27200	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUE					
Federal Grants	\$ -	\$ 323,299	\$ 285,057	\$ 279,017	\$ 887,373
State Grants	104,244	-	-	149,419	253,663
Charges for Services	749,814	-	-	-	749,814
Ancillary Fees	-	-	-	-	-
TOTAL REVENUES	854,058	323,299	285,057	428,436	1,890,850
EXPENDITURES					
Current					
Instruction	-	-	-	5,976	5,976
Support Services - Students	588,592	263,527	285,057	335,327	1,472,503
Support Services - Instruction	-	-	-	-	-
Support Services - General Administration	109,212	31,454	-	16,191	156,857
Support Services - Sch Administration	-	-	-	32,780	32,780
Support Services - Central Services	69,674	22,155	-	21,414	113,243
Operation & Maintenance of Plant	127,059	15,521	-	3,881	146,461
Other Support Services	18,954	-	-	-	18,954
TOTAL EXPENDITURES	913,491	332,657	285,057	415,569	1,946,774
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(59,433)	(9,358)	-	12,867	(55,924)
FUND BALANCE - JUNE 30, 2010	621,015	95,082	-	32,790	748,887
FUND BALANCE - JUNE 30, 2011	\$ 561,582	\$ 85,724	\$ -	\$ 45,657	\$ 692,963

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

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, 2011

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

Net change in fund balance - total governmental funds	\$ (55,924)
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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.	8,169
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Rounding Difference	<u>1</u>
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Change in Net Assets	<u>\$ (47,754)</u>
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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 GENERAL FUND- 27101

Year Ended June 30, 2010

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Special Assessments	\$ 776,784	\$ 776,784	\$ 749,814	\$ (26,970)
State Revenue	107,744	107,744	104,244	(3,500)
TOTAL REVENUE	884,528	884,528	\$ 854,058	\$ (30,470)
BUDGETED CASH BALANCE	350,000	350,000		
TOTAL REVENUE & CASH	\$ 1,234,528	\$ 1,234,528		
EXPENDITURES				
Current				
Support Services - Students	\$ 753,895	\$ 753,895	\$ 588,592	\$ 165,303
Support Services - Instruction	-	-	-	-
Support Services - General Administration	167,742	167,742	109,212	58,530
Support Services - Central Services	110,063	95,064	69,674	25,390
Operation & Maintenance of Plant	157,828	172,828	127,059	45,769
Other Support Services	45,000	45,000	18,954	26,046
TOTAL EXPENDITURES	\$ 1,234,528	\$ 1,234,529	\$ 913,491	\$ 321,038

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

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 854,058
Differences budget to GAAP	
Prior Year Deferral	-
Current Year Deferral	-
Total Revenues (GAAP Basis)	\$ 854,058

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 913,491
Differences-budget to GAAP	
Current Year Accounts Payable	-
Total Expenditures (GAAP Basis)	\$ 913,491

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, 2011

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 390,000	\$ 390,000	\$ 323,299	\$ (66,701)
TOTAL REVENUE	390,000	390,000	\$ 323,299	\$ (66,701)
BUDGETED CASH BALANCE	85,000	85,000		
TOTAL REVENUE & CASH	\$ 475,000	\$ 475,000		
EXPENDITURES				
Current				
Support Services - Students	\$ 407,658	\$ 399,356	\$ 263,527	\$ 135,829
Support Services - General Administration	29,817	35,128	31,454	3,674
Support Services - Central Services	20,175	22,824	22,155	669
Operation & Maintenance of Plant	17,350	17,692	15,521	2,171
TOTAL EXPENDITURES	\$ 475,000	\$ 475,000	\$ 332,657	\$ 142,343

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

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 323,299
Differences budget to GAAP	
Prior Year Deferral	-
Current Year Deferral	-
Total Revenues (GAAP Basis)	\$ 323,299

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 332,657
Differences-budget to GAAP	
	-
Total Expenditures (GAAP Basis)	\$ 332,657

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, 2011

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 285,060	\$ 285,060	\$ 147,790	\$ (137,270)
TOTAL REVENUE	285,060	285,060	<u>\$ 147,790</u>	<u>\$ (137,270)</u>
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	<u>\$ 285,060</u>	<u>\$ 285,060</u>		
EXPENDITURES				
Current				
Support Services - Students	\$ 285,060	\$ 285,060	\$ 285,057	\$ 3
Support Services - School Administration	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 285,060</u>	<u>\$ 285,060</u>	<u>\$ 285,057</u>	<u>\$ 3</u>

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

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 147,790
Differences budget to GAAP	
Prior Year Receivable	(46,661)
Current Year Receivable	183,928
Total Revenues (GAAP Basis)	<u>\$ 285,057</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 285,057
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 285,057</u>

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

STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
JUNE 30, 2011
NOTES TO FINANCIAL STATEMENTS

I. **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, 2011
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 (27101) – to account for resources and expenditures that are not required to be accounted for in another fund.

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.

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.

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

**STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
 JUNE 30, 2011
 NOTES TO FINANCIAL STATEMENTS**

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

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.

**STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
 JUNE 30, 2011
 NOTES TO FINANCIAL STATEMENTS**

6. Fund Equity

Reservations of fund balance represent amounts that are not appropriate 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:

Capital Outlay	\$	-
Depreciation Expense		<u>(8,169)</u>
Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net assets of Governmental activities		<u>\$ (8,169)</u>

III. Stewardship, Compliance, and Accountability

**STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
 JUNE 30, 2011
 NOTES TO FINANCIAL STATEMENTS**

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 appropriated budget for the year ended June 30, 2011 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:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Performance</u>
Special Revenue Fund	\$ 1,241,072	\$ 1,241,072	\$ 1,033,283

B. Deficit Fund Equity

There were not any deficit fund balances at June 30, 2011.

**STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
JUNE 30, 2011
NOTES TO FINANCIAL STATEMENTS**

IV. Detailed Notes on all Funds

A. Cash and Temporary Investments

At June 30, 2011, 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.

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, 2011, the Cooperative's investment pool was rated AAAM by Standard & Poor's

New MexiGROW LGIP	AAAM rated	\$205,811	36-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, 2011, \$329,882 of the government's bank balance of \$579,882 was exposed to custodial credit risk as follows:

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 NOTES TO FINANCIAL STATEMENTS

Uninsured and uncollateralized	\$	26,717
Collateralized by bank, not in entity's name		303,165
	<u>\$</u>	<u>329,882</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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NOTES TO FINANCIAL STATEMENTS**

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	<u>25,977</u>	<u>-</u>	<u>-</u>	<u>25,977</u>
Capital Assets Being Depreciated:				
Buildings	317,361	-	-	317,361
Equipment & Furniture	490,676	29,343	-	520,019
Total Assets being Depreciated	<u>808,037</u>	<u>29,343</u>	<u>-</u>	<u>837,380</u>
Less accumulated depreciation for:				
Buildings	69,819	6,347		76,166
Equipment & Furniture	409,273	14,827		424,100
Total Accumulated depreciation	<u>479,092</u>	<u>21,174</u>	<u>-</u>	<u>500,266</u>
Total Assets being depreciated, net	<u>328,945</u>	<u>8,169</u>	<u>-</u>	<u>337,114</u>
Capital Assets, Net	<u>\$ 354,922</u>	<u>\$ 8,169</u>	<u>\$ -</u>	<u>\$ 363,091</u>

Depreciation expense was charged to governmental activities as follows:

Support Services Students	\$ 14,827
Support Services Administration	6,347
	<u>\$ 21,174</u>

E. Long-Term Obligations

As of June 30, 2011 there was no Long Term Debt.

V. Other Information

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

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PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
JUNE 30, 2011
NOTES TO FINANCIAL STATEMENTS**

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. Pension Plan – Educational Retirement Board

Plan Description – Substantially all of Pecos Valley Regional Education 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 (ERB) is the administrator of the plan, which is a cost sharing multiple employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and 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, New Mexico 87502. That report is also available on ERB's website at www.nmerb.org.

Funding Policy – Effective July 1, 2009 through June 30, 2011, plan members were required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.4% of their gross salary. The Pecos Valley Regional Education Cooperative is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 10.9% of the gross covered salary of employees earning more than \$20,000 annually. Effective July 1, 2011 plan members are required by statute to contribute 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 Pecos Valley Regional Education Cooperative is required to contribute 12.4% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the Pecos Valley Regional Education Cooperative are established in Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of legislature. The Pecos Valley Regional Educational Cooperative's contributions to the ERB for the years ended June 30, 2011, 2010, and 2009 were: \$118,946, \$113,250, and \$100,458, respectively, which equal the amount of the required contributions for each fiscal year.

D. Post-Employee Benefits – State Retiree Health Care Plan

Plan Description – Pecos Valley Regional Education Cooperative contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post employment 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

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Pecos Valley Regional Education Cooperative's contributions to the RHCA for the years ended June 30, 2011, 2010, and 2009 were \$14,643, \$10,879 and \$10,259 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

The agreement shall take effect when signed by all parties and continue until it is rescinded or terminated by a majority vote of the participating School Districts.

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.

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, 2011

	DISCRETIONARY IDEA -B 24107	CARL D PERKINS SECONDARY 24174	MEDICAID 3/21 YEARS 25153	FAMILY INFANTS & TODDLERS 28105	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS					
Cash on Deposit	\$ 1,000	\$ -	\$ 45,657	\$ 34,048	\$ 80,705
Due from other Governments	-	764	-	-	764
TOTAL ASSETS	\$ 1,000	\$ 764	\$ 45,657	\$ 34,048	\$ 81,469
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	764	-	-	764
Deferred Revenue	1,000	-	-	34,048	35,048
TOTAL LIABILITIES	1,000	764	-	34,048	35,812
FUND BALANCE					
Fund Balance Restricted	-	-	45,657	-	45,657
TOTAL LIABILITIES & FUND BALANCE	\$ 1,000	\$ 764	\$ 45,657	\$ 34,048	\$ 81,469

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

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

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

Year Ended June 30, 2011

	MIGRANT CHILDREN 24103	Carl D PERKINS SECONDARY 24174	Carl D PERKINS REDISTRIBUTION 24176	MEDICAID 3/21 YEAR: 25153	FAMILY INFANTS & TODDLERS 28105	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
REVENUES						
Federal Grants	\$ 60,000	\$ 52,016	\$ 2,766	\$ 164,235	\$ -	\$ 279,017
State Grants	-	-	-	-	149,419	149,419
TOTAL REVENUES	60,000	52,016	2,766	164,235	149,419	428,436
EXPENDITURES						
Current						
Instruction	3,210	-	2,766	-	-	5,976
Support Services - Students	53,367	49,416	-	102,421	130,123	335,327
Support Services - Instruction	-	-	-	-	-	-
Support Services - General Administration	2,028	2,600	-	-	11,563	16,191
Support Services - Sch Administration	-	-	-	32,780	-	32,780
Support Services - Central Services	-	-	-	15,250	6,164	21,414
Operation & Maintenance of Plant	1,395	-	-	917	1,569	3,881
TOTAL EXPENDITURES	60,000	52,016	2,766	151,368	149,419	415,569
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	12,867	-	12,867
FUND BALANCE- JUNE 30, 2010	-	-	-	32,790	-	32,790
FUND BALANCE - JUNE 30, 2011	\$ -	\$ -	\$ -	\$ 45,657	\$ -	\$ 45,657

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

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 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8

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

Year Ended June 30, 2011

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 60,000	\$ 60,000	\$ 74,058	\$ 14,058
TOTAL REVENUE	60,000	60,000	<u>74,058</u>	<u>14,058</u>
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	<u>\$ 60,000</u>	<u>\$ 60,000</u>		
EXPENDITURES				
Current				
Instruction	\$ 1,500	\$ 3,210	\$ 3,210	\$ -
Support Services - Students	55,072	53,367	53,367	-
Support Services - General Administration	2,228	2,028	2,028	-
Operation & Maintenance of Plant	1,200	1,395	1,395	-
TOTAL EXPENDITURES	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ -</u>

Explanation of Difference between Budgetary inflows and Outflows and GAAP Revenues

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 74,058
Differences budget to GAAP	
Prior Year Receivable	(14,058)
Current Year Receivable	-
Total Revenues (GAAP Basis)	<u>\$ 60,000</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 60,000
Differences-budget to GAAP	
Prior Year Prepaid Expense	-
Total Expenditures (GAAP Basis)	<u>\$ 60,000</u>

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

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 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8

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

Year Ended June 30, 2011

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 52,016	\$ 52,016	\$ 51,252	\$ (764)
TOTAL REVENUE	52,016	52,016	51,252	(764)
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	\$ 52,016	\$ 52,016		
EXPENDITURES				
Current				
Support Services - Students	\$ 49,416	\$ 49,416	\$ 49,416	\$ -
Support Services - General Administration	2,600	2,600	2,600	-
TOTAL EXPENDITURES	\$ 52,016	\$ 52,016	\$ 52,016	\$ -

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

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 51,252
Differences budget to GAAP	-
Prior Year Receivable	-
Current Year Receivable	764
Total Revenues (GAAP Basis)	\$ 52,016

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 52,016
Differences-budget to GAAP	-
Total Expenditures (GAAP Basis)	\$ 52,016

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

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 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8

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

Year Ended June 30, 2011

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 2,996	\$ 2,996	\$ 2,766	\$ (230)
TOTAL REVENUE	2,996	2,996	<u>2,766</u>	<u>(230)</u>
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	<u>\$ 2,996</u>	<u>\$ 2,996</u>		
EXPENDITURES				
Current				
Instruction	\$ 2,996	\$ 2,996	\$ 2,766	\$ 230
Support Services - Students	-	-	-	-
Support Services - General Administration	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 2,996</u>	<u>\$ 2,996</u>	<u>\$ 2,766</u>	<u>\$ 230</u>

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

Sources/Inflows of Resources	
Actual amounts (budgetary basis)	\$ 2,766
Differences budget to GAAP	
Prior Year Receivable	-
Current Year Receivable	-
Total Revenues (GAAP Basis)	<u>\$ 2,766</u>
Uses/Outflows of Resources	
Actual amounts (budgetary basis)	\$ 2,766
Differences-budget to GAAP	
	-
Total Expenditures (GAAP Basis)	<u>\$ 2,766</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, 2011

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 169,000	\$ 169,000	\$ 164,235	\$ (4,765)
TOTAL REVENUE	169,000	169,000	<u>164,235</u>	<u>(4,765)</u>
BUDGETED CASH BALANCE	16,000	16,000		
TOTAL REVENUE & CASH	<u>\$ 185,000</u>	<u>\$ 185,000</u>		
EXPENDITURES				
Current				
Support Services - Students	\$ 131,250	\$ 120,050	\$ 102,421	\$ 17,629
Support Services - General Administration	500	500	-	500
Support Services - School Administration	37,600	42,800	32,780	10,020
Central Services	13,750	19,750	15,250	4,500
Operation & Maintenance of Plant	1,900	1,900	917	983
TOTAL EXPENDITURES	<u>\$ 185,000</u>	<u>\$ 185,000</u>	<u>\$ 151,368</u>	<u>\$ 33,632</u>

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

Sources/Inflows of Resources	
Actual amounts (budgetary basis)	\$ 164,235
Differences budget to GAAP	
Prior Year Deferral	-
Current Year Deferral	-
Total Revenues (GAAP Basis)	<u>\$ 164,235</u>
Uses/Outflows of Resources	
Actual amounts (budgetary basis)	\$ 151,368
Differences-budget to GAAP	
	-
Total Expenditures (GAAP Basis)	<u>\$ 151,368</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 - FAMILY, INFANTS & TODDLERS 28105

Year Ended June 30, 2011

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Revenue	\$ 133,000	\$ 133,000	\$ 133,012	\$ 12
Services	-	-	-	-
TOTAL REVENUE	133,000	133,000	\$ 133,012	\$ 12
BUDGETED CASH BALANCE	48,000	48,000		
TOTAL REVENUE & CASH	\$ 181,000	\$ 181,000		
EXPENDITURES				
Current				
Support Services - Students	\$ 161,552	\$ 157,734	\$ 130,123	\$ 27,611
Support Services - General Administration	9,897	12,455	11,563	892
Support Services - Central Services	7,601	8,551	6,164	2,387
Operation & Maintenance of Plant	1,950	2,260	1,569	691
TOTAL EXPENDITURES	\$ 181,000	\$ 181,000	\$ 149,419	\$ 31,581

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

Sources/Inflows of Resources	
Actual amounts (budgetary basis)	\$ 133,012
Differences budget to GAAP	
Prior Year Deferral	50,455
Current Year Deferral	(34,048)
Total Revenues (GAAP Basis)	\$ 149,419
Uses/Outflows of Resources	
Actual amounts (budgetary basis)	\$ 149,419
Differences-budget to GAAP	
Current Year Accounts Payable	-
Total Expenditures (GAAP Basis)	\$ 149,419

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

SUPPLEMENTAL INFORMATION

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

	Federal CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PROGRAM EXPENDITURES
<u>US DEPARTMENT OF EDUCATION</u>			
Passed through the State Department of Education			
Migrant Children Education	84.011	24103	60,000
Carl D Perkins Secondary	84.243	24174	52,016
Carl D Perkins Redistribution	84.048	24176	2,766
State Directed Activities	84.391	27200	285,057
Total U.S. Department of Education			<u>399,839</u>
 <u>DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
Passed through the New Mexico Department of Health			
Medicaid	93.778	25152	\$ 332,657
Medicaid 2	93.778	25153	151,368
Total U. S. Department of Health & Human Services			<u>484,025</u>
 Total Federal Awards Expenditures			 <u><u>\$ 883,864</u></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.

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 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
 SCHEDULE OF PLEDGED COLLATERAL
 June 30, 2011

	<u>FIRST</u> <u>AMERICAN BANK</u>
Cash on Deposit at June 30, 2010	\$ 579,882
Less FIDC Coverage	<u>250,000</u>
Uninsured Funds	329,882
50% Collateral Requirement	<u>164,941</u>
Amount Requiring Pledged Collateral	164,941
Pledged Collateral	<u>303,165</u>
Excess of Pledged Collateral	<u>\$ 138,224</u>

Pledged collateral of financial institutions consists of the following at June 30, 2011

	<u>Maturity</u>	<u>CUSIP #</u>	<u>Amount</u>
First American Bank			
FHLB Time Call 9/8/11	9/8/2016	3133XGSE5	303,165
Total First American Bank			<u>\$ 303,165</u>

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

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 CASH RECONCILIATION
 June 30, 2011

	Beginning Cash	Receipts	Distributions
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO 8			
Fund 24103 Migrant Children	\$ (14,058)	\$ 74,058	\$ 60,000
Fund 24107 Discretionary IDEA-B	1,000	-	-
Fund 24174 Carl Perkins Secondary	-	51,252	52,016
Fund 24176 Carl Perkins Redistribution	-	2,766	2,766
Fund 25152 Title XIX Medicaid 0/2 Years	95,081	323,299	332,656
Fund 25153 Title XIX Medicaid 3/21 Years	32,791	164,234	151,368
Fund 26107 REC (General)	598,796	854,059	913,491
Fund 27101 REC Operational	22,218	-	-
Fund 27129 Advanced Placement Program	(5,760)	5,760	-
Fund 27165 IDEAL NM 2007	(4,600)	4,600	-
Fund 27200 State Directed Activities	(46,661)	147,790	285,057
Fund 28105 Family Infants & Children	50,456	133,012	149,420
	<u>50,456</u>	<u>133,012</u>	<u>149,420</u>
Total Grady Municipal Schools	\$ <u>729,263</u>	\$ <u>1,760,830</u>	\$ <u>1,946,774</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	\$ 584,610
Operating	CD	State Treasurer	205,811
Total High Plains Regional Education Cooperative			\$ <u>790,421</u>

Total Bank Balances	\$ 790,421
Reconciling Items	(247,102)
Report Balance	\$ <u>543,319</u>

Other	Net Cash end of Period	Adjustments to the report	Total Cash on Report
\$ -	\$ -	\$ -	\$ -
-	1,000	-	1,000
-	(764)	-	(764)
-	-	-	-
-	85,724	-	85,724
-	45,657	-	45,657
22,218	561,582	-	561,582
(22,218)	-	-	-
-	-	-	-
-	(183,928)	-	(183,928)
-	34,048	-	34,048
<u>\$ -</u>	<u>\$ 543,319</u>	<u>\$ -</u>	<u>\$ 543,319</u>

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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, 2011, and have issued our report thereon dated August 5, 2011. 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, flowing style.

Ronny Fouts, CPA
Melrose, New Mexico
August 5, 2011

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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, 2011. 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, 2011.

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.



Ronny Fouts, CPA
Melrose, New Mexico
August 5, 2011

**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, 2011**

SUMMARY OF AUDIT RESULTS

Report on Financial Statements	Unqualified
Reportable Conditions on GAGAS	None
Material weakness involving significant deficiencies	None
Material Noncompliance	None
Type A & Type B dollar threshold	\$300,000
Entity Risk	Low Risk
Major Federal Programs:	
CFDA#: 93.778 Medicaid	
Reportable conditions on Internal Control over Major Programs	None
Report on Compliance with Major Programs	Unqualified

PRIOR YEAR AUDIT FINDINGS

None

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, 2011

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, 2011.

Ronny Fouts, CPA
Melrose, New Mexico
September 22, 2011