

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

Audit Report

For the Year Ended June 30, 2013

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, 2013

COORDINATING COUNCIL

Pat Parsons President
Dr. Kristine Baca Vice-President
Steven Starkey Member
Michael Grossman Member

COOPERATIVE OFFICIALS

Lena Trujillo-Chavez Executive Director
Christine Hendershot Business Manager

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

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RONNY FOUTS
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 425
Melrose, NM 88124

(505) 253-4554
Fax: (505) 253-4727

INDEPENDENT AUDITOR'S REPORT

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Governing Council
Pecos Valley Regional Educational Cooperative
Artesia, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Pecos Valley Regional Educational Cooperative, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise Pecos Valley Regional Educational 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 Educational Cooperative's nonmajor governmental funds, and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Pecos Valley Regional Educational Cooperative preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pecos Valley Regional Education Cooperative's internal control. Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pecos Valley Regional Education Cooperative, as of June 30, 2013, and the respective changes in financial position where applicable, cash flows thereof and the budgetary comparisons for the General fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Pecos Valley Regional Education Cooperative as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

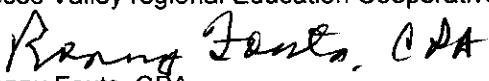
Required Supplementary Information

Management has omitted the MD & A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on Pecos Valley Regional Education Cooperative financial statements the combining and individual fund financial statements, and the budgetary comparisons. The other schedules as required by 2.22.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 2.2.2 NMAC are the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United states of America. In our opinion, the other schedules as required by 2.2.2 NMAC is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2013, on our consideration of the Pecos Valley Regional Educational 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*, in considering Pecos Valley regional Education Cooperative internal control over financial reporting and Compliance.


Ronny Fouts, CPA
Melrose, New Mexico
September 5, 2013

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

June 30, 2013

ASSETS	<u>Governmental Activities</u>
Cash and Cash Equivalents	\$ 458,624
Due from other Governments	336,521
Non-current Capital Assets - Net	<u>329,682</u>
TOTAL ASSETS	<u>\$ 1,124,827</u>
 LIABILITIES AND NET POSITION	
Current:	
Accounts Payable	\$ -
Deferred Revenue	74,633
Total Current Liabilities	<u>74,633</u>
 NET POSITION	
Invested in capital assets	329,682
Restricted	137,242
Unrestricted	<u>583,270</u>
TOTAL NET POSITION	<u>\$ 1,050,194</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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue & Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
Instruction	\$ 2,593	\$ -	\$ 2,593	\$ -	\$ -
Support Services - Students	1,171,318	773,648	424,176	-	26,506
Support Services - Instruction	42,547	-	42,547	-	-
Support Services - General Administration	174,957	-	174,957	-	-
Support Services - Sch Administration	46,217	-	46,217	-	-
Support Services - Central Services	61,182	-	61,182	-	-
Operation & Maintenance of Plant	155,296	-	155,296	-	-
Other Support Services	43,008	-	43,008	-	-
Total Governmental Activities	\$ 1,697,118	\$ 773,648	\$ 949,976	\$ -	26,506

General Revenues

Grants	-
Total General Revenues	-

Change in net position 26,506

Net position - beginning 1,023,688

Net position- ending \$ 1,050,194

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, 2013

	GENERAL FUND REC 27101	MEDICAID 0/2 YEARS 25152	MEDICAID 3/21YEARS 25153	STATE DIRECTED ACTIVITIES 27200	NM READS TO LEAD 27114	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash on Deposit	\$ 246,749	\$ 20,590	\$ 116,652	\$ -	\$ -	\$ 74,633	\$ 458,624
Due from other funds	336,521	-	-	-	-	-	336,521
Due from other Governments	-	-	-	208,097	123,287	5,137	336,521
TOTAL ASSETS	\$ 583,270	\$ 20,590	\$ 116,652	\$ 208,097	\$ 123,287	\$ 79,770	\$ 1,131,666
LIABILITIES AND FUND BALANCE							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	208,097	123,287	5,137	336,521
Deferred Revenue	-	-	-	-	-	74,633	74,633
TOTAL LIABILITIES	-	-	-	208,097	123,287	79,770	411,154
FUND BALANCE							
Fund Balance							
Restricted		20,590	116,652				137,242
Unassigned	583,270	-	-	-	-	-	583,270
TOTAL FUND BALANCE	583,270	20,590	116,652	-	-	-	720,512
TOTAL LIABILITIES AND FUND BALANCE	\$ 583,270	\$ 20,590	\$ 116,652	\$ 208,097	\$ 123,287	\$ 79,770	\$ 1,131,666

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, 2013

	GENERAL FUND REC 27101	MEDICAID 0/2 YEARS 25152	MEDICAID 3/21 YEARS 25153	STATE DIRECTED ACTIVITIES 27200	NEW MEXICO READS TO LEAD 27114	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUE							
Federal Grants	\$ -	\$ 175,035	\$ 198,505	\$ -	\$ -	\$ 16,609	\$ 390,149
State Grants	105,244	-	-	257,229	123,287	74,067	559,827
Charges for Services	773,648	-	-	-	-	-	773,648
Ancillary Fees	-	-	-	-	-	-	-
TOTAL REVENUES	878,892	175,035	198,505	257,229	123,287	90,676	1,723,624
EXPENDITURES							
Current							
Instruction	2,593	-	-	-	-	-	2,593
Support Services - Students	493,193	164,850	106,478	214,882	114,155	73,651	1,167,209
Support Services - Instruction	-	-	-	42,347	-	-	42,347
Support Services - General Administration	113,807	21,703	968	-	9,132	10,562	156,172
Support Services - Sch Administration	-	-	46,217	-	-	-	46,217
Support Services - Central Services	42,770	16,644	-	-	-	1,768	61,182
Operation & Maintenance of Plant	135,904	9,536	5,161	-	-	4,695	155,296
Other Support Services	43,008	-	-	-	-	-	43,008
TOTAL EXPENDITURES	831,275	212,733	158,824	257,229	123,287	90,676	1,674,024
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	47,617	(37,698)	39,681	-	-	-	49,600
FUND BALANCE - JUNE 30, 2012	535,653	58,288	76,971	-	-	-	670,912
FUND BALANCE - JUNE 30, 2013	\$ 583,270	\$ 20,590	\$ 116,652	\$ -	\$ -	\$ -	\$ 720,512

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, 2013

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

Net change in fund balance - total governmental funds	\$ 49,600
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 depreciation exceeded capital outlays in the current year.	<u>(23,094)</u>
Change in Net Position	<u>\$ 26,506</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 27101

Year Ended June 30, 2013

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Revenue	\$ 104,246	\$ 104,246	\$ 105,244	\$ 998
Services	999,931	998,931	773,065	(225,866)
Interest Income	-	-	583	583
TOTAL REVENUE	1,104,177	1,103,177	\$ 878,892	\$ (224,285)
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	\$ 1,104,177	\$ 1,103,177		
EXPENDITURES				
Current				
Instruction	\$ 3,270	\$ 2,595	\$ 2,593	\$ 2
Support Services - Students	733,029	727,664	493,193	234,471
Support Services - Instruction	-	-	-	-
Support Services - General Administration	115,089	120,089	113,807	6,282
Support Services - Central Services	68,189	68,189	42,770	25,419
Operation & Maintenance of Plant	132,870	132,910	135,904	(2,994)
Other Support Services	51,730	51,730	43,008	8,722
TOTAL EXPENDITURES	\$ 1,104,177	\$ 1,103,177	\$ 831,275	\$ 271,902

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

Sources/Inflows of Resources	\$ 878,892
Actual amounts (budgetary basis)	
Differences budget to GAAP	-
Prior Year Deferral	-
Current Year Deferral	\$ 878,892
Total Revenues (GAAP Basis)	
Uses/Outflows of Resources	\$ 831,275
Actual amounts (budgetary basis)	
Differences-budget to GAAP	-
Current Year Accounts Payable	\$ 831,275
Total Expenditures (GAAP Basis)	

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, 2013

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ -	\$ 313,000	\$ 198,505	\$ (114,495)
TOTAL REVENUE	-	313,000	198,505	(114,495)
BUDGETED CASH BALANCE				
	-	-		
TOTAL REVENUE & CASH				
	\$ -	\$ 313,000		
EXPENDITURES				
Current				
Support Services - Students	\$ -	\$ 231,000	\$ 106,478	\$ 124,522
Support Services - General Administration	-	1,470	968	502
Support Services - School Administration	-	76,355	46,217	30,138
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	4,175	5,161	(986)
TOTAL EXPENDITURES	\$ -	\$ 313,000	\$ 158,824	\$ 154,176

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

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 198,505
Differences budget to GAAP	
Prior Year Deferral	-
Current Year Deferral	-
Total Revenues (GAAP Basis)	\$ 198,505

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 158,824
Differences-budget to GAAP	
	-
Total Expenditures (GAAP Basis)	\$ 158,824

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, 2013

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Revenue	\$ -	\$ 282,316	\$ 233,614	\$ (48,702)
TOTAL REVENUE	-	282,316	233,614	(48,702)
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	\$ -	\$ 282,316		
EXPENDITURES				
Current				
Support Services - Students	\$ -	\$ 239,969	\$ 214,882	\$ 25,087
Support Services - Instruction	-	42,347	42,347	-
TOTAL EXPENDITURES	\$ -	\$ 282,316	\$ 257,229	\$ 25,087

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

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 233,614
Differences budget to GAAP	
Prior Year Receivable	(184,482)
Current Year Receivable	208,097
Total Revenues (GAAP Basis)	\$ 257,229

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 257,229
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	\$ 257,229

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 -NEW MEXICO READS TO LEAD - 27114

Year Ended June 30, 2013

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Revenue	\$ -	\$ 161,993	\$ -	\$ (161,993)
TOTAL REVENUE	-	161,993	-	(161,993)
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	\$ -	\$ 161,993		
EXPENDITURES				
Current				
Support Services - Students	\$ -	\$ 149,994	\$ 114,155	\$ 35,839
Support Services - General Administration	-	11,999	9,132	2,867
Support Services - Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
TOTAL EXPENDITURES	\$ -	\$ 161,993	\$ 123,287	\$ 38,706

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

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ -
Differences budget to GAAP	
Prior Year Deferral	-
Current Year Receivable	123,287
Total Revenues (GAAP Basis)	\$ 123,287

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 123,287
Differences-budget to GAAP	-
Total Expenditures (GAAP Basis)	\$ 123,287

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

STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
JUNE 30, 2013
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 accepted 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, 2013
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.

Medicaid (25153) – to account for a program providing school-based screening, diagnostic services and 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.

New Mexico Reads to Lead (27114) to account for a program funded by a state grant to assist students in member schools to improve their reading skills. Funding authorized by the PED of the State of New Mexico.

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

**STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
JUNE 30, 2013
NOTES TO FINANCIAL STATEMENTS**

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 are 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.

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PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
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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 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 \$(23,094) difference are as follows:

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Capital Outlay	\$	-
Depreciation Expense		<u>(23,094)</u>
Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net assets of Governmental activities		<u>\$ (23,094)</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, 2013 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	\$ 15,225	\$ 1,174,825	\$ 842,749

B. Deficit Fund Equity

There were not any deficit fund balances at June 30, 2013.

IV. Detailed Notes on all Funds

A. Cash and Temporary Investments

At June 30, 2013, the carrying amount of the Cooperative's deposits was \$325,608 and the bank balance was \$579,789. Of this balance \$250,000 was covered by federal depository insurance and \$329,789 was covered by collateral held in the bank's name and in joint safekeeping by a third party. The remaining \$0 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.

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.

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, 2013, \$686,053 of the government's bank balance of \$936,053 was exposed to custodial credit risk as follows:

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Uninsured and uncollateralized	\$	286,053
Collateralized by bank, not in entity's name		<u>400,000</u>
	<u>\$</u>	<u>686,053</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	\$74,633
Total Deferred/Unearned revenue for governmental funds	\$74,633

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>25,977</u>
Capital Assets Being Depreciated:				
Buildings	317,361	-	-	317,361
Equipment & Furniture	530,878	-	-	530,878
Total Assets being Depreciated	<u>848,239</u>	-	-	<u>848,239</u>
Less accumulated depreciation for:				
Buildings	82,513	6,347		88,860
Equipment & Furniture	438,927	16,747		455,674
Total Accumulated depreciation	<u>521,440</u>	<u>23,094</u>	-	<u>544,534</u>
Total Assets being depreciated, net	<u>326,799</u>	<u>(23,094)</u>	-	<u>303,705</u>
Capital Assets, Net	<u>\$ 352,776</u>	<u>\$ (23,094)</u>	<u>\$ -</u>	<u>\$ 329,682</u>

Depreciation expense was charged to governmental activities as follows:

Support Services Students	\$	16,747
Support Services Administration		<u>6,347</u>
	<u>\$</u>	<u>23,094</u>

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E. Long-Term Obligations

As of June 30, 2013 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 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 the 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 – Plan members earning \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the plan: 9.40% of their gross salary in fiscal year 2013; 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

In the future, the Pecos Valley Regional Education Cooperative will contribute the following percentages of the gross covered salary of employees: 13.5% of gross covered salary in fiscal year 2014; and 13.9% of gross covered salary in fiscal year 2015.

The contribution requirements of plan members and the Pecos Valley Regional Education Cooperative are established in State statute under 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, 2013, 2012, and 2011 were: \$82,803, \$103,152, and \$118,946, respectively, which equal the amount of the required contributions for each fiscal year.

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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 person's behalf, unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

Funding Policy – The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority 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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirement for the contributions can be changed by the New Mexico State Legislature. Employers that chose to become participating employers after January 1, 1998 are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

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The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office member coverage plan 1; and member pursuant to the judicial retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition pursuant to Section 10-7C-15 (G0 NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provide under the Retiree Health Care Act.

The Pecos Valley Regional Education Cooperative's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$12,117, \$13,979 and \$14,643 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.

F. Subsequent Accounting Standard Pronouncements

The GASB issued Statement No. 64. Statement 64 is effective for financial statements for periods beginning after December 15, 2012, with early application encouraged. The objective of this statement is clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider is replaced. The Pecos Valley Regional Education Cooperative is reviewing the effects of the implementation of this statement but does not believe it will have an impact on their financial statements.

The GASB issued Statement NO. 65, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position* which is effective for financial statement for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this statement is to provide financial

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reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement no. 34 *Basic financial Statements – and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Pecos Valley Regional Education Cooperative is reviewing the effects of the implementation of this statement.

The GASB issued Statement No. 66, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this statement is to amend Statement No. 10, *Accounting and financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government’s risk financing activities to the general fund and the internal service fund type. As a result, government would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement No. 54, *Fund Balance reporting and Governmental fund Type Definitions*. This statement also amends Statement NO. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and that principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee. These changes would eliminate any uncertainty regarding the application of Statement No. 13, *Accounting for Operating Leases with Schedule Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales of Pledges of Receivables and Future revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The REC is reviewing the effect of the implementation of this statement.

F. Subsequent Events Review

A review of subsequent events through September 5, 2013, which is the date the financial statements were available to be issued, indicated nothing of audit significance.

SPECIAL REVENUE FUNDS

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.

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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 PECOS VALLEY REGIONAL EDUCATIONAL COOPERATIVE NO.8

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
 NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

	CARL D PERKINS SECONDARY 24174	FAMILY INFANTS & TODDLERS 28105	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS			
Cash on Deposit	\$ -	\$ 74,633	\$ 74,633
Due from other Governments	5,137	-	5,137
TOTAL ASSETS	\$ 5,137	\$ 74,633	\$ 79,770
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	5,137	-	5,137
Deferred Revenue	-	74,633	74,633
TOTAL LIABILITIES	5,137	74,633	79,770
FUND BALANCE			
Fund Balance			
Restricted	-	-	-
TOTAL LIABILITIES & FUND BALANCE	\$ 5,137	\$ 74,633	\$ 79,770

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

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 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, 2013

	Carl D PERKINS SECONDARY & 24174	FAMILY INFANTS & TODDLERS 28105	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
REVENUES			
Federal Grants	\$ 16,609	\$ -	\$ 16,609
State Grants	-	74,067	74,067
TOTAL REVENUES	16,609	74,067	90,676
EXPENDITURES			
Current			
Instruction	-	-	-
Support Services - Students	15,854	57,797	73,651
Support Services - Instruction	-	-	-
Support Services - General Administration	755	9,807	10,562
Support Services - Sch Administration	-	-	-
Support Services - Central Services	-	1,768	1,768
Operation & Maintenance of Plant	-	4,695	4,695
TOTAL EXPENDITURES	16,609	74,067	90,676
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-
FUND BALANCE- JUNE 30, 2012	-	-	-
FUND BALANCE - JUNE 30, 2013	\$ -	\$ -	\$ -

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, 2013

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 15,225	\$ 16,916	\$ 15,933	\$ (983)
TOTAL REVENUE	15,225	16,916	<u>15,933</u>	<u>(983)</u>
 BUDGETED CASH BALANCE	 -	 -		
 TOTAL REVENUE & CASH	 <u>\$ 15,225</u>	 <u>\$ 16,916</u>		
 EXPENDITURES				
Current				
Support Services - Students	\$ 14,464	\$ 16,155	\$ 15,854	\$ 301
Support Services - General Administration	761	761	755	6
TOTAL EXPENDITURES	<u>\$ 15,225</u>	<u>\$ 16,916</u>	<u>\$ 16,609</u>	<u>\$ 307</u>

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

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 15,933
Differences budget to GAAP	
Prior Year Receivable	(4,460)
Current Year Receivable	5,136
Total Revenues (GAAP Basis)	<u>\$ 16,609</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 16,609
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 16,609</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, 2012

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Revenue	\$ -	\$ 129,395	\$ 92,672	\$ (36,723)
Services	-	-	-	-
TOTAL REVENUE	-	129,395	\$ 92,672	\$ (36,723)
 BUDGETED CASH BALANCE	 -	 -		
 TOTAL REVENUE & CASH	 \$ -	 \$ 129,395		

EXPENDITURES

Current				
Support Services - Students	\$ -	\$ 104,930	\$ 57,797	\$ 47,133
Support Services - General Administration	-	12,226	9,807	2,419
Support Services - Central Services	-	5,769	1,768	4,001
Operation & Maintenance of Plant	-	6,470	4,695	1,775
TOTAL EXPENDITURES	\$ -	\$ 129,395	\$ 74,067	\$ 55,328

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

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 92,672
Differences budget to GAAP	
Prior Year Deferral	56,028
Current Year Deferral	(74,633)
Total Revenues (GAAP Basis)	\$ 74,067

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 74,067
Differences-budget to GAAP	
Current Year Accounts Payable	-
Total Expenditures (GAAP Basis)	\$ 74,067

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

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
 SCHEDULE OF PLEDGED COLLATERAL
 June 30, 2013

	<u>FIRST</u>
	<u>AMERICAN BANK</u>
Cash on Deposit at June 30, 2012	\$ 936,053
Less FIDC Coverage	<u>250,000</u>
Uninsured Funds	686,053
50% Collateral Requirement	<u>343,027</u>
Amount Requiring Pledged Collateral	343,027
Pledged Collateral	<u>400,000</u>
Excess of Pledged Collateral	<u>\$ 56,974</u>

Pledged collateral of financial institutions consists of the following at June 30, 2012

	<u>Maturity</u>	<u>CUSIP #</u>	<u>Amount</u>
First American Bank			
Los Lunas School District Bonds	08/01/20	54422NBY1	\$ 200,000
Los Lunas School District Bonds	07/15/17	545562PD6	<u>200,000</u>
Total First American Bank			<u>\$ 400,000</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, 2013

	Beginning Cash	Receipts	Distributions
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO 8			
Fund 24107 Discretionary IDEA-B	\$ 1,000	\$ -	\$ 1,000
Fund 24174 Carl Perkins Secondary	(4,460)	15,933	16,609
Fund 24176 Carl Perkins Redistribution	(7,600)	7,600	-
Fund 25152 Title XIX Medicaid 0/2 Years	58,288	175,035	212,733
Fund 25153 Title XIX Medicaid 3/21 Years	76,971	198,505	158,824
Fund 27101 REC (General)	535,653	878,891	831,275
Fund 27200 State Directed Activities	(184,482)	233,614	257,229
Fund 27114 NM Reads to Lead	-	-	123,287
Fund 28105 Family Infants & Children	56,028	92,672	74,067
	<u>\$ 531,398</u>	<u>\$ 1,602,250</u>	<u>\$ 1,675,024</u>
Total Pecos Valley REC	<u>\$ 531,398</u>	<u>\$ 1,602,250</u>	<u>\$ 1,675,024</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	\$ 653,412
Operating	Payroll	First American	17,077
Total High Plains Regional Education Cooperative			<u>\$ 670,489</u>
Total Bank Balances			\$ 670,489
Reconciling Items			<u>(211,865)</u>
Report Balance			<u>\$ 458,624</u>

Other	Net Cash end of Period	Adjustments to the report	Total Cash on Report
\$ -	\$ -	\$ -	\$ -
-	(5,136)	-	(5,136)
-	-	-	-
-	20,590	-	20,590
-	116,652	-	116,652
-	583,269	-	583,269
-	(208,097)	-	(208,097)
-	(123,287)	-	(123,287)
-	74,633	-	74,633
<u>\$ -</u>	<u>\$ 458,624</u>	<u>\$ -</u>	<u>\$ 458,624</u>

RONNY FOUTS
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 425
Melrose, NM 88124

(575) 253-4554
Fax: (575) 253-4727

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

INDEPENDENT AUDITOR'S REPORT

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Governing Council
Pecos Valley Regional Educational Cooperative
Artesia, New Mexico

We have audited, 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual fund and related budgetary comparisons presented as supplemental information of the Pecos Valley Regional Education Cooperative as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise Pecos Valley Regional Education Cooperative's basic financial statements, and the combining and individual funds and related budgetary comparisons of Pecos Valley Regional Educational Cooperative presented as supplemental information, and have issued our report thereon dated September 5, 2013.

Internal Control over Financial Reporting

Management of Pecos Valley Regional Educational Cooperative is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Pecos Valley Regional Educational Cooperative's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pecos Valley Regional Educational Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pecos Valley Regional Educational Cooperative's internal control.

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

deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pecos Valley Regional Educational 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*.

Purpose of this Report

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



Ronny Fouts, CPA
Melrose, New Mexico
September 5, 2013

STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
Schedule of Findings and Responses
For the Year Ended June 30, 2013

Prior Year Audit Findings

There were no prior year audit findings.

Current Year Audit Findings

There are no current year audit findings

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

Exit Conference
For the Year Ended June 30, 2013

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 David Willden, Executive Director; Christine Hendershot, Business Manager; Lesa Dodd, Board Member, Michael Grossman, Board Member, Leslie Smith, Interim Business Manager, Karen Kilpatrick, Secretary and Ronny Fouts, CPA on September 5, 2013. This was held at a closed meeting of the Cooperative.



Ronny Fouts, CPA
Melrose, New Mexico
September 5, 2013