

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

Audit Report

For the Year Ended June 30, 2014

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, 2014

COORDINATING COUNCIL

Michael Grossman President
MS. Lesa Dodd Vice-President
Ricky Williams Member
Dr. Ann Lynn McIlroy Member
Gary Perkowski.....SNMERC Advisory Committee Member

COOPERATIVE OFFICIALS

David Willden Executive Director
Christine Hendershot.....Business Manager

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

Table of Contents
June 30, 2014

	Page
INTRODUCTORY SECTION	
Official Roster	i
Table of Contents	ii-iii
 FINANCIAL SECTION	
Independent Auditor's Report	1-2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities.....	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	5
Reconciliation of the Balance Sheet to the Statement of Net Position.....	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	8
Major Funds:	
Statement of Revenues and Expenditures - Budgets (Non-GAAP) and Actual	
General	9
Medicaid	10
Medicaid 2	11
State Directed Activities	12
New Mexico Reads to Lead	13
Notes to Financial Statements	14-24
 SUPPLEMENTAL INFORMATION:	
Non-major Funds:	
Combining Balance Sheet	25
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	26
 Statement of Revenue and Expenditures - Budget (Non-GAAP) and Actual:	
Carl D Perkins Secondary	27
Medicaid 0/2 Years	28
Birth/2 Year DD HED	29
 OTHER SUPPLEMENTAL INFORMATION:	
Schedule of Pledged Collateral	30

Cash Reconciliation	31-32
SINGLE AUDIT SECTION	
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	33-34
Schedule of Findings and Responses.....	35
Exit Conference	36

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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, 2014, 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, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation 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, 2014, 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, 2014, 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

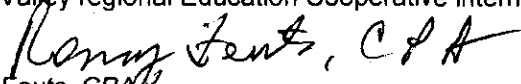
Required Supplementary Information

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 August 22, 2014, 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
August 22, 2014

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

June 30, 2014

ASSETS	<u>Governmental Activities</u>
Cash and Cash Equivalents	\$ 687,710
Due from other Governments	301,744
Non-current Capital Assets - Net	<u>296,791</u>
TOTAL ASSETS	<u><u>\$ 1,286,245</u></u>
 LIABILITIES AND NET POSITION	
Current:	
Accounts Payable	\$ -
Unearned Revenue	<u>1,409</u>
Total Current Liabilities	<u>1,409</u>
 NET POSITION	
Net Investment in Capital Assets	296,791
Restricted	323,799
Unrestricted	<u>664,246</u>
TOTAL NET POSITION	<u><u>\$ 1,284,836</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, 2014

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	\$ 1,197	\$ -	\$ 1,197	\$ -	\$ -
Support Services					
Students	1,070,255	617,151	423,481	-	(29,623)
Instruction	169,149	-	169,149	-	-
General Administration	124,808	-	124,808	-	-
Sch Administration	88,952	-	88,952	-	-
Central Services	186,045	-	186,045	-	-
Operation & Maintenance of Plant	61,546	-	61,546	-	-
Other Support Services	34,646	-	34,646	-	-
Total Governmental Activities	<u>\$ 1,736,598</u>	<u>\$ 617,151</u>	<u>\$ 1,089,824</u>	<u>\$ -</u>	<u>(29,623)</u>

General Revenues

Grants	-
Total General Revenues	<u>-</u>

Change in net position	(29,623)
Net position - beginning	<u>1,050,194</u>
Add SNMERC	264,265
Net position- ending	<u>\$ 1,284,836</u>

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, 2014

	GENERAL FUND REC 27101	MEDICAID 3/21 YEARS 25153	SNMERC 26101	STATE DIRECTED ACTIVITIES 27200	NM READS TO LEAD 27114	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash on Deposit	\$ 362,502	\$ 74,294	\$ 249,505	\$ -	\$ -	\$ 1,409	\$ 687,710
Due from other funds	301,744	-	-	-	-	-	301,744
Due from other Governments	-	-	-	141,299	160,445	-	301,744
TOTAL ASSETS	\$ 664,246	\$ 74,294	\$ 249,505	\$ 141,299	\$ 160,445	\$ 1,409	\$ 1,291,198
LIABILITIES AND FUND BALANCE							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	141,299	160,445	-	301,744
Unearned Revenue	-	-	-	-	-	1,409	1,409
TOTAL LIABILITIES	-	-	-	141,299	160,445	1,409	303,153
FUND BALANCE							
Fund Balance							
Restricted		74,294	249,505				323,799
Unassigned	664,246	-	-	-	-	-	664,246
TOTAL FUND BALANCE	664,246	74,294	249,505	-	-	-	988,045
TOTAL LIABILITIES AND FUND BALANCE	\$ 664,246	\$ 74,294	\$ 249,505	\$ 141,299	\$ 160,445	\$ 1,409	\$ 1,291,198

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 POSITION

June 30, 2014

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

Fund Balance - total governmental funds		\$	988,045
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			
Capital Assets Cost	874,216		
Accumulated depreciation	(577,425)		296,791
			<u>296,791</u>
Net position of governmental activities		\$	<u>1,284,836</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, 2014

	GENERAL FUND REC 27101	MEDICAID 3/21 YEARS 25153	SNMERC 26101	STATE DIRECTED ACTIVITIES 27200	NEW MEXICO READS TO LEAD 27114	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUE							
Federal Grants	\$ -	\$ 214,182	\$ -	\$ -	\$ -	\$ 88,028	\$ 302,210
State Grants	104,244	-	282,431	240,494	160,445	-	787,614
Charges for Services	616,570	-	-	-	-	-	616,570
Interest Income	581	-	-	-	-	-	581
TOTAL REVENUES	721,395	214,182	282,431	240,494	160,445	88,028	1,706,975
EXPENDITURES							
Current							
Instruction	1,197	-	-	-	-	-	1,197
Support Services							
Students	499,528	172,591	136,374	71,345	160,445	3,428	1,043,711
Instruction	-	-	-	169,149	-	-	169,149
General Administration	74,522	4,325	39,451	-	-	163	118,461
School Administration	-	63,542	25,410	-	-	-	88,952
Central Services	90,871	2,462	92,712	-	-	-	186,045
Operation & maintenance of plant	44,682	13,620	3,244	-	-	-	61,546
Other Support Services	34,646	-	-	-	-	-	34,646
TOTAL EXPENDITURES	745,446	256,540	297,191	240,494	160,445	3,591	1,703,707
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(24,051)	(42,358)	(14,760)	-	-	84,437	3,268
OTHER FINANCING SOURCES (USES)							
Transfers	105,027	-	-	-	-	(105,027)	-
Total Other Financing Sources (Uses)	105,027	-	-	-	-	(105,027)	-
FUND BALANCE - JUNE 30, 2013	583,270	116,652	264,265	-	-	20,590	984,777
FUND BALANCE - JUNE 30, 2014	\$ 664,246	\$ 74,294	\$ 249,505	\$ -	\$ -	\$ -	\$ 988,045

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, 2014

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

Net change in fund balance - total governmental funds	\$ 3,268
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>(32,891)</u>
Change in Net Position	<u>\$ (29,623)</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, 2014

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Revenue	\$ 104,246	\$ 104,246	\$ 104,244	\$ (2)
Services	775,937	775,937	616,570	(159,367)
Interest Income	200	200	581	381
TOTAL REVENUE	880,383	880,383	\$ 721,395	\$ (158,988)
BUDGETED CASH BALANCE	347,495	583,270		
TOTAL REVENUE & CASH	\$ 1,227,878	\$ 1,463,653		
EXPENDITURES				
Current				
Instruction	\$ -	\$ 1,200	\$ 1,197	\$ 3
Support Services - Students	615,843	732,301	499,528	232,773
Support Services - Instruction	-	-	-	-
Support Services - General Administration	369,170	383,144	74,522	308,622
Support Services - Central Services	55,215	102,561	90,871	11,690
Operation & Maintenance of Plant	135,650	55,682	44,682	11,000
Other Support Services	52,000	52,000	34,646	17,354
TOTAL EXPENDITURES	\$ 1,227,878	\$ 1,326,888	\$ 745,446	\$ 581,442

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

Sources/Inflows of Resources	\$ 721,395
Actual amounts (budgetary basis)	
Differences budget to GAAP	-
Prior Year Deferral	-
Current Year Deferral	\$ 721,395
Total Revenues (GAAP Basis)	
Uses/Outflows of Resources	\$ 745,446
Actual amounts (budgetary basis)	
Differences-budget to GAAP	-
Current Year Accounts Payable	\$ 745,446
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, 2014

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 150,000	\$ 150,000	\$ 214,182	\$ 64,182
TOTAL REVENUE	<u>150,000</u>	<u>150,000</u>	<u>\$ 214,182</u>	<u>\$ 64,182</u>
BUDGETED CASH BALANCE	<u>93,378</u>	<u>116,652</u>		
TOTAL REVENUE & CASH	<u>\$ 243,378</u>	<u>\$ 266,652</u>		
EXPENDITURES				
Current				
Support Services - Students	\$ 175,558	\$ 172,591	\$ 172,591	\$ -
Support Services - General Administration	1,000	4,325	4,325	-
Support Services - School Administration	60,780	68,634	63,542	5,092
Central Services	-	2,462	2,462	-
Operation & Maintenance of Plant	6,040	18,640	13,620	5,020
TOTAL EXPENDITURES	<u>\$ 243,378</u>	<u>\$ 266,652</u>	<u>\$ 256,540</u>	<u>\$ 10,112</u>

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

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 214,182
Differences budget to GAAP	
Prior Year Deferral	-
Current Year Deferral	-
Total Revenues (GAAP Basis)	<u>\$ 214,182</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 256,540
Differences-budget to GAAP	
	-
Total Expenditures (GAAP Basis)	<u>\$ 256,540</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 26101

Year Ended June 30, 2014

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Revenue	\$ -	\$ -	\$ -	\$ -
Services	257,000	257,000	282,431	25,431
TOTAL REVENUE	257,000	257,000	\$ 282,431	\$ 25,431
BUDGETED CASH BALANCE	109,423	264,265		
TOTAL REVENUE & CASH	\$ 366,423	\$ 521,265		
EXPENDITURES				
Current				
Support Services - Students	\$ 102,752	\$ 197,440	\$ 136,374	\$ 61,066
Support Services - Instruction	-	-	-	-
Support Services - General Administration	114,329	135,017	39,451	95,566
Support Services - School Administration	13,500	38,500	25,410	13,090
Support Services - Central Services	134,394	147,064	92,712	54,352
Operation & Maintenance of Plant	1,448	3,244	3,244	-
TOTAL EXPENDITURES	\$ 366,423	\$ 521,265	\$ 297,191	\$ 224,074

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

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 282,431
Differences budget to GAAP	-
Prior Year Deferral	-
Current Year Deferral	-
Total Revenues (GAAP Basis)	\$ 282,431

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 297,191
Differences-budget to GAAP	-
Current Year Accounts Payable	-
Total Expenditures (GAAP Basis)	\$ 297,191

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, 2014

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Revenue	\$ -	\$ 259,044	\$ 307,292	\$ 48,248
TOTAL REVENUE	-	259,044	307,292	48,248
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	\$ -	\$ 259,044		
EXPENDITURES				
Current				
Support Services - Students	\$ -	\$ 89,895	\$ 71,345	\$ 18,550
Support Services - Instruction	-	169,149	169,149	-
TOTAL EXPENDITURES	\$ -	\$ 259,044	\$ 240,494	\$ 18,550

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

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 307,292
Differences budget to GAAP	
Prior Year Receivable	(208,097)
Current Year Receivable	141,299
Total Revenues (GAAP Basis)	\$ 240,494

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 240,494
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	\$ 240,494

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, 2014

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Revenue	\$ -	\$ 160,523	\$ 123,287	\$ (37,236)
TOTAL REVENUE	-	160,523	123,287	(37,236)
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	\$ -	\$ 160,523		
EXPENDITURES				
Current				
Support Services - Students	\$ -	\$ 160,445	\$ 160,445	\$ -
Support Services - General Administration	-	78	-	78
Support Services - Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
TOTAL EXPENDITURES	\$ -	\$ 160,523	\$ 160,445	\$ 78

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

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 123,287
Differences budget to GAAP	
Prior Year Receivable	(123,287)
Current Year Receivable	160,445
Total Revenues (GAAP Basis)	\$ 160,445

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 160,445
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	\$ 160,445

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

STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
JUNE 30, 2014
NOTES TO FINANCIAL STATEMENTS

A. 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, 2014
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.

SNMERC (26101) – To account for the science resource kits provided by a state Grant to assist the district schools with science education. Authority of PED of New Mexico.

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.

STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
JUNE 30, 2014
NOTES TO FINANCIAL STATEMENTS

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

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

2. Receivables and Payables

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

3. Inventories

None

4. Capital Assets

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

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

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

Property, plant, and equipment of the cooperative 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

STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
JUNE 30, 2014
NOTES TO FINANCIAL STATEMENTS

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

5. Long-Term Obligations

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

6. Fund Equity

Reservations of fund balance represent amounts that are not 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 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:

**STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
 JUNE 30, 2014
 NOTES TO FINANCIAL STATEMENTS**

Capital Outlay	\$	-
Depreciation Expense		<u>(32,891)</u>
Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net assets of Governmental activities	\$	<u>(32,891)</u>

IV. 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

**STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
JUNE 30, 2014
NOTES TO FINANCIAL STATEMENTS**

appropriated budget for the year ended June 30, 2014 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

	Original Budget	Final Budget	Performance
Special Revenue Fund	\$ 1,852,904	\$ 2,686,237	\$ 1,703,707

B. Deficit Fund Equity

There were not any deficit fund balances at June 30, 2014.

V. Detailed Notes on all Funds

A. Cash and Temporary Investments

At June 30, 2014, the carrying amount of the Cooperative's deposits was \$790,591 and the bank balance was \$687,710. Of this balance \$250,000 was covered by federal depository insurance and \$437,710 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, 2014, \$540,591 of the government's bank balance of \$790,591 was exposed to custodial credit risk as follows:

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
 JUNE 30, 2014
 NOTES TO FINANCIAL STATEMENTS

Uninsured and uncollateralized	\$	-
Collateralized by bank, not in entity's name		575,000
		575,000
	\$	575,000

C. Unearned 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 *unearned revenue* reported in the governmental funds were as follows:

Grant Draw downs prior to meeting all eligibility requirements		\$1,409
Total 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	25,977	-	-	25,977
Capital Assets Being Depreciated:				
Buildings	317,361	-	-	317,361
Equipment & Furniture	530,878	-	-	530,878
Total Assets being Depreciated	848,239	-	-	848,239
Less accumulated depreciation for:				
Buildings	88,860	6,347		95,207
Equipment & Furniture	455,674	26,544		482,218
Total Accumulated depreciation	544,534	32,891	-	577,425
Total Assets being depreciated, net	303,705	(32,891)	-	270,814
Capital Assets, Net	\$ 329,682	\$ (32,891)	\$ -	\$ 296,791

Depreciation expense was charged to governmental activities as follows:

Support Services Students	\$	26,544
Support Services Administration		6,347
	\$	32,891

STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
JUNE 30, 2014
NOTES TO FINANCIAL STATEMENTS

E. Long-Term Obligations

As of June 30, 2014 there was no Long Term Debt.

VI. 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 10.1% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the plan: 10.1% of their gross salary in fiscal year 2014, and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions

In the fiscal year 2014, the Cooperative was required to contribute 13.15% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 10.1% of the gross covered salary for employees whose annual salary is more that \$20,000.

In the future, the Pecos Valley Regional Education Cooperative will contribute the following percentages of the gross covered salary of employees: 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,

STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
JUNE 30, 2014
NOTES TO FINANCIAL STATEMENTS

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, 2014, 2013, and 2012 were: \$112,933, \$82,803, and \$103,152, 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 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.

STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
JUNE 30, 2014
NOTES TO FINANCIAL STATEMENTS

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.

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, 2014, 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, 2014, 2012, and 2011 were \$14,614, \$12,117 and \$13,979 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

Statement NO. 67, Financial Reporting for Pension Plans. This statement also amends NO. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and NO 50, Pension Disclosures, as they relate to pension plans that are administered through trust or equivalent arrangements. The requirements of Statement 25 and 50 remain applicable to pension plans that are not administered through trusts covered plans that provide

STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
JUNE 30, 2014
NOTES TO FINANCIAL STATEMENTS

postemployment benefits other than pensions. The Statement is effective for financial statements for the fiscal years beginning after June 15, 2013 with earlier application encouraged. The cooperative has reviewed the statement and has determined that this does not apply to the district.

Statement No. 68, Accounting and Financial Reporting for Pensions. The statement replaces the requirement of GASBS 27, Accounting for Pensions by State and Local Governmental Employers, and the requirements of GASBS 50 Pension Disclosures, as they related to pensions that are provided through pension plans administered as trusts. The requirement of Statements 27 and 50 remain applicable for pensions that are covered by GASBS 68. This statement is effective for financial statements for fiscal years beginning after June 15, 2014. The Cooperative is reviewing the effects of the implementation of this statement.

Statement NO. 69, Government Combinations and Disposals of Government Operations. This statement established accounting and financial reporting standards related to government mergers, acquisitions, and transfers of operation. The requirements of this Statement are effective for government combinations and disposal of government operation occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis. The Cooperative has reviewed the statement and has determined that this does not apply to the Cooperative.

Statement No. 70. Accounting and Financial Reporting for Non-exchange Financial Guarantees. This statement establishes accounting and financial reporting standards for Financial guarantees that are non-exchange transactions extended or received by a state or local government. A non-exchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions. This statement is effective for financial statement for reporting periods beginning after June 15, 2013. The Cooperative has reviewed the statement and has determined that this does not apply to the Cooperative.

F. Subsequent Events Review

A review of subsequent events through August 22, 2014, 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.

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

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
 NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

	CARL D PERKINS SECONDARY 24174	MMEDICAID 0/2 YEARS 25152	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS			
Cash on Deposit	\$ 1,409	\$ -	\$ 1,409
Due from other Governments	-	-	-
TOTAL ASSETS	\$ 1,409	\$ -	\$ 1,409
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
Unearned Revenue	1,409	-	1,409
TOTAL LIABILITIES	1,409	-	1,409
FUND BALANCE			
Fund Balance Restricted	-	-	-
TOTAL LIABILITIES & FUND BALANCE	\$ 1,409	\$ -	\$ 1,409

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, 2014

	Carl D PERKINS SECONDARY 24174	MEDICAID 0/2 25152	BIRTH 0/2 YEAR DD HED 28105	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
REVENUES				
Federal Grants	\$ 3,591	\$ 4,867	\$ 79,570	\$ 88,028
State Grants	-	-	-	-
TOTAL REVENUES	<u>3,591</u>	<u>4,867</u>	<u>79,570</u>	<u>88,028</u>
EXPENDITURES				
Current				
Instruction	-	-	-	-
Support Services				
Students	3,428	-	-	3,428
Instruction				
General Administration	163	-	-	163
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
TOTAL EXPENDITURES	<u>3,591</u>	<u>-</u>	<u>-</u>	<u>3,591</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	4,867	79,570	84,437
OTHER FINANCING SOURCES (USES)				
Transfers	-	(25,457)	(79,570)	(105,027)
Total Other financing sources (uses)	<u>-</u>	<u>(25,457)</u>	<u>(79,570)</u>	<u>(105,027)</u>
FUND BALANCE- JUNE 30, 2013	-	20,590	-	20,590
FUND BALANCE - JUNE 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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 REVENUE & EXPENDITURES - BUDGET (NON-GAAP)
 AND ACTUAL - SPECIAL REVENUE FUND - CARL D PERKINS SECONDARY 24174

Year Ended June 30, 2014

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 15,225	\$ 15,100	\$ 10,137	\$ (4,963)
TOTAL REVENUE	15,225	15,100	10,137	(4,963)
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	\$ 15,225	\$ 15,100		
EXPENDITURES				
Current				
Support Services - Students	\$ 14,500	\$ 14,375	\$ 3,428	\$ 10,947
Support Services - General Administration	725	725	163	562
TOTAL EXPENDITURES	\$ 15,225	\$ 15,100	\$ 3,591	\$ 11,509

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

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 10,137
Differences budget to GAAP	
Prior Year Receivable	(5,136)
Current Year Deferral	(1,410)
Total Revenues (GAAP Basis)	\$ 3,591

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ 3,591
Differences-budget to GAAP	-
Total Expenditures (GAAP Basis)	\$ 3,591

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, 2014

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ -	\$ -	\$ 4,867	\$ 4,867
TOTAL REVENUE	-	-	\$ 4,867	\$ 4,867
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	\$ -	\$ -		
EXPENDITURES				
Current				
Support Services - Students	\$ -	\$ -	\$ -	\$ -
Support Services - General Administration	-	-	-	-
Support Services - Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
TOTAL EXPENDITURES	\$ -	\$ -	\$ -	\$ -

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

Sources/Inflows of Resources

Actual amounts (budgetary basis)	\$ 4,867
Differences budget to GAAP	-
Prior Year Deferral	-
Current Year Deferral	-
Total Revenues (GAAP Basis)	\$ 4,867

Uses/Outflows of Resources

Actual amounts (budgetary basis)	\$ -
Differences-budget to GAAP	-
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 - BIRTH/2 YEAR DD HED 28105

Year Ended June 30, 2014

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State Revenue	\$ -	\$ -	\$ 4,937	\$ 4,937
Services	-	-	-	-
TOTAL REVENUE	<u>-</u>	<u>-</u>	<u>\$ 4,937</u>	<u>\$ 4,937</u>
BUDGETED CASH BALANCE	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ -</u>	<u>\$ -</u>		
EXPENDITURES				
Current				
Support Services - Students	\$ -	\$ -	\$ -	\$ -
Support Services - General Administration	-	-	-	-
Support Services - Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Sources/Inflows of Resources	
Actual amounts (budgetary basis)	\$ 4,937
Differences budget to GAAP	
Prior Year Deferral	74,633
Current Year Deferral	-
Total Revenues (GAAP Basis)	<u>\$ 79,570</u>
Uses/Outflows of Resources	
Actual amounts (budgetary basis)	\$ -
Differences-budget to GAAP	
Current Year Accounts Payable	-
Total Expenditures (GAAP Basis)	<u>\$ -</u>

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, 2014

	<u>FIRST</u> <u>AMERICAN BANK</u>
Cash on Deposit at June 30, 2014	\$ 790,591
Less FIDC Coverage	<u>250,000</u>
Uninsured Funds	540,591
50% Collateral Requirement	<u>270,296</u>
Amount Requiring Pledged Collateral	270,296
Pledged Collateral	<u>575,000</u>
Excess of Pledged Collateral	<u>\$ 304,705</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			
Belen NM Cons Sch Dist	08/01/20	077581MQ6	\$ 175,000
Los Lunas School District Bonds	07/15/17	545562PD6	200,000
Los Alamos NM Public School	08/01/20	54422NBY1	<u>200,000</u>
Total First American Bank			<u>\$ 575,000</u>

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

STATE OF NEW MEXICO
 PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO 8
 CASH RECONCILIATION
 June 30, 2014

	Beginning Cash	Receipts	Distributions
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO 8			
Fund 24107 Discretionary IDEA-B	\$ -	\$ -	\$ -
Fund 24174 Carl Perkins Secondary	(5,136)	10,137	3,591
Fund 24176 Carl Perkins Redistribution	-	-	-
Fund 25152 Title XIX Medicaid 0/2 Years	20,590	4,867	-
Fund 25153 Title XIX Medicaid 3/21 Years	116,652	214,182	256,540
Fund 26101 SNMERC	264,265	282,431	297,191
Fund 27101 REC (General)	583,269	721,396	745,446
Fund 27200 State Directed Activities	(208,097)	307,292	240,494
Fund 27114 NM Reads to Lead	(123,287)	123,287	160,445
Fund 28105 Family Infants & Children	74,633	4,937	-
Total Pecos Valley REC	\$ 722,889	\$ 1,668,529	\$ 1,703,707

<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	\$ 762,779
Operating	Payroll	First American	27,813
Savings	Savings	State Treas Pool	101
Total Pecos Valley Regional Education Cooperative			\$ 790,592
Total Bank Balances			\$ 790,592
Reconciling Items			(102,882)
Report Balance			\$ 687,710

Other	Net Cash end of Period	Adjustments to the report	Total Cash on Report
\$ -	\$ -	\$ -	\$ -
-	1,410	(1)	1,409
-	-	-	-
(25,457)	-	-	-
-	74,294	-	74,294
-	249,505	-	249,505
105,027	664,246	(301,744)	362,502
-	(141,299)	141,299	-
-	(160,445)	160,445	-
(79,570)	-	-	-
<u>\$ -</u>	<u>\$ 687,711</u>	<u>\$ (1)</u>	<u>\$ 687,710</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**

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, 2014, 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 August 22, 2014.

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.

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
August 22, 2014

STATE OF NEW MEXICO
PECOS VALLEY REGIONAL EDUCATION COOPERATIVE NO. 8
Schedule of Findings and Responses
For the Year Ended June 30, 2014

Prior Year Audit Findings

There were no prior year audit findings.

Current Year Audit Findings

There are no current year audit findings

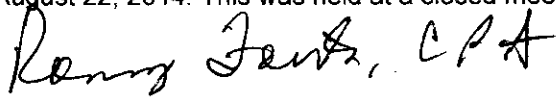
STATE OF NEW MEXICO
Pecos Valley Regional Education Cooperative No. 8

Exit Conference
For the Year Ended June 30, 2014

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, Keley Aisup, Program director, and Ronny Fouts, CPA on August 22, 2014. This was held at a closed meeting of the Cooperative.



Ronny Fouts, CPA
Melrose, New Mexico
August 22, 2014