

NEW MEXICO JUNIOR COLLEGE

FINANCIAL STATEMENTS
With
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
Year Ended June 30, 2008

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**NEW MEXICO JUNIOR COLLEGE
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OFFICIAL ROSTER

JUNE 30, 2008

BOARD MEMBERS

Name	Title
Larry Hanna	Chairman
Patricia Chappelle	Secretary
Ron Black	Member
Mary Lou Vinson	Member
Phillip Jones	Member
Yvonne Williams	Member
Guy Kesner	Member

PRINCIPAL ADMINISTRATIVE OFFICIALS

Dr. Steve McCleery	President
Dan Hardin	Vice-President for Finance
Dr. John Gratton	Vice-President for Instruction
Dr. Regina Organ	Vice-President for Student Services
Robert Rhodes	Vice-President for Training & Outreach

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
Board of Directors
New Mexico Junior College
Hobbs, New Mexico

We have audited the accompanying basic financial statements of New Mexico Junior College (the College) and its discretely presented component unit, as of and for the year ended June 30, 2008, as listed in the table of contents. We have also audited the budget comparison schedules presented as supplemental information for the year ended June 30, 2008. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College and its discretely presented component unit as of June 30, 2008, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparison schedules referred to above present fairly, in all material respects, the respective budgetary comparison for the College as of June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2008 on our consideration of the New Mexico Junior College, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As more fully described in Note 1 to the financial statements, the College increased their capitalization threshold to \$5,000 effective July 1, 2007. The College considered the increase to be a change in estimate, accordingly, the College applied the change prospectively. The effect of the difference between the application of the old capitalization threshold and the new capitalization threshold on the statement of net assets and the statement of activities has not been determined.

The management's discussion and analysis on pages 7 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the College and its discretely presented component unit. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The supplemental data presented in schedules I through schedule III is presented for additional purposes and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Certified Public Accountants
Carlsbad, New Mexico
November 17, 2008

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**STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
Management's Discussion and Analysis**

Overview of the Financial Statements and Financial Analysis

For financial reporting purposes, New Mexico Junior College (Institute) is considered a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. Accordingly, the Institute's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

This report consists of Management's Discussion and Analysis (this part), the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These statements provide both long-term and short-term financial information for the Institute. Included in the reports and discussion is the New Mexico Junior College Foundation as a component unit for fiscal year 2008.

The discussion and analysis of the Institute's financial statements provides an overview of its financial activities as of and for the year ended June 30, 2008. This discussion gives a comparative analysis of business-type activity from fiscal year 2007 to fiscal year 2008.

Financial Highlights

- The Institute's assets exceeded its liabilities at the close of the June 30, 2008 fiscal year by \$56,827,860. Of this amount, \$19,626,666 is unrestricted and may be used for the Institute's ongoing operations.
- The Institute's financial position improved in 2007/2008 as compared to prior years. Net assets increased during the year by \$9,404,549 over the previous year. The increase resulted primarily from unbudgeted revenue from local mill levy, and completion of a major construction project.
- The Institute's investments reflect \$12,625,000 at June 30, 2008, all of which are with the Local Government Investment Pool.

The Statement of Net Assets and Statement of Revenue, Expenses, and Changes in Net Assets

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets report the Institute's net assets and how they have changed. Net Assets--the difference between assets and liabilities--is one way to measure the Institute's financial health, or position. Over time, increases or decreases in the Institute's net assets are an indicator of whether its financial health is improving or deteriorating. Non-financial factors are also important to consider, including student enrollment and the condition of campus facilities. These statements include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting method used by private-sector institutions. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The following table summarizes the Institute's assets, liabilities, and net assets as of June 30, 2008, and includes the comparison to the prior year.

**STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
Management's Discussion and Analysis**

Statement of Net Assets

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2008 Component Unit</u>
Assets:			
Current assets	\$ 16,691,161	\$ 21,931,055	\$ 339,618
Capital assets	36,404,605	46,069,869	-
Noncurrent assets-			
Investments	-	-	4,382,468
Restricted cash	457,562	919,727	-
Total assets	<u>\$ 53,553,328</u>	<u>\$ 68,920,651</u>	<u>\$ 4,722,086</u>
Liabilities:			
Current liabilities	\$ 2,921,251	\$ 3,362,327	\$ 8,535
Non-current liabilities	4,475,661	8,730,464	-
Total liabilities	<u>7,396,912</u>	<u>12,092,791</u>	<u>8,535</u>
Net Assets:			
Invested in capital assets, net of related of debt	31,920,016	37,201,194	-
Restricted:			
Nonexpendable endowment	-	-	3,646,673
Expendable grants, bequests and contributions	-	-	989,011
Unrestricted net assets	14,236,400	19,626,666	77,867
Total net assets	<u>\$ 46,156,416</u>	<u>\$ 56,827,860</u>	<u>\$ 4,713,551</u>

Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of the Institute's financial position. For the Institute, assets exceeded liabilities by \$56,827,860 at the close of June 30, 2008, as compared to the \$46,156,416 as of June 30, 2007. As of June 30, 2008 the Net Assets consists of 66% Capital Assets (e.g. land, buildings, and equipment) of \$46,069,985. The College uses these capital assets in its mission to provide postsecondary educational services to the Institute's service area; consequently, these assets are not available for future spending. Capital Assets increased in the 2008 fiscal year by \$9,665,264, net of depreciation expense of \$2,590,525. Net Assets also consist of 34% unrestricted Net Assets, or \$19,626,666, which is available to be used for the Institute's ongoing operation. The Statement of Net Assets indicates a large growth in capital assets. Increases are due to the completion of a large construction project and another project in process as well as renewal and replacement projects.

**STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
Management's Discussion and Analysis**

The following table summarizes the College's revenues, expenses, and changes in net assets for the year ended June 30, 2008 and include a comparison to the year ended June 30, 2007.

Revenues, Expenses and Changes in Net Assets

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2008 Component Unit</u>
Operating revenues	\$ 10,612,156	\$ 11,279,266	\$ 279,572
Operating expenses	<u>28,703,057</u>	<u>30,552,592</u>	<u>359,449</u>
Operating (loss) income	(18,090,901)	(19,273,326)	(79,877)
Non-operating revenues and expenses	<u>22,135,698</u>	<u>26,977,513</u>	<u>(52,257)</u>
Income before other expenses	4,044,797	7,704,187	(132,134)
Capital appropriations	<u>2,038,549</u>	<u>1,700,362</u>	-
Increase (decrease) in net assets	<u><u>\$ 6,083,346</u></u>	<u><u>\$ 9,404,549</u></u>	<u><u>\$ (132,134)</u></u>

Analysis of Changes in Net Assets

The Institute's net assets increased by \$9,194,665 during the 2008 fiscal year as compared to an increase of \$6,083,346 for the 2007 fiscal year. Operating revenues were \$11,279,266 in 2008, which is an increase of \$667,110 from fiscal year 2007. Operating expenses were \$30,552,592 in fiscal year 2008, which is an increase of \$1,849,535 from fiscal year 2007.

Operating Revenues

The following table summarizes the Institute's operating revenues of \$11,279,266 for the fiscal year ended June 30, 2008, as compared to the operating revenues of \$10,612,156 in 2007. There was some increase in gross tuition and fees, the result of changes in tuition and course fees. There is a decline in Federal grants mainly in Title V as that grant is coming to an end, but there is an increase in State Grants and Private Grants. Auxiliary enterprises and other revenue experienced a small increase.

**STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
Management's Discussion and Analysis**

Operating Revenues

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2008 Component Unit</u>
Student tuition and fees, net	\$ 3,135,572	\$ 3,372,946	\$ -
Federal grants and contracts	4,956,489	4,478,259	-
State and other grants and contracts	313,405	473,949	-
Auxiliary enterprises	2,206,690	2,954,112	-
Gifts, bequests and endowments	-	-	182,384
Royalties	-	-	97,188
Total operating revenues	<u>\$ 10,612,156</u>	<u>\$ 11,279,266</u>	<u>\$ 279,572</u>

Operating Expenses

The following table summarizes the Institute's operating expenses of \$30,552,592 for the fiscal year ended June 30, 2008, as compared to the operating expenses of \$28,703,057 in 2007. The increase in operating expenses is attributed to the increase in student enrollment and facility operation costs. Component Unit expenses for the year were \$359,449.

Operating Expenses

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2008 Component Unit</u>
Instruction	\$ 7,731,079	\$ 8,099,698	\$ -
Academic support	2,243,731	2,401,649	-
Student services	2,248,505	2,287,139	-
Institutional support	2,809,255	2,970,066	359,449
Operations and maintenance	2,832,135	2,993,454	-
Depreciation	2,190,467	2,590,525	-
Capital outlay	885,642	1,400,060	-
Student aid	4,833,646	4,184,027	-
Student activities	320,298	417,811	-
Intercollegiate athletics	888,277	952,537	-
Auxiliary enterprises	1,720,022	2,255,626	-
Total operating expenses	<u>\$ 28,703,057</u>	<u>\$ 30,552,592</u>	<u>\$ 359,449</u>

Non-operating Revenues (Expenses)

The following table summarizes the College's non-operating revenues (expenses) of \$26,767,629 for the fiscal year ended June 30, 2008. State and Local appropriations continue to remain strong with increase in support. Local appropriations were significantly higher than the budget level approved by the governing board. There were no significant or unexpected changes in the other areas of non-operating revenues and expenses.

**STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
Management's Discussion and Analysis**

Non-operating Revenues (Expenses)

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2008 Component Unit</u>
Property taxes	\$ 3,115,909	\$ 3,350,719	\$ -
Oil and gas taxes	9,661,408	12,612,095	-
State appropriations, non-capital	8,965,522	10,527,697	-
Investment income	538,196	656,118	(54,796)
Interest on capital related debt	(144,407)	(169,116)	-
(Loss) on disposal of assets	(930)	-	-
Fundraising income	-	-	2,539
	<u> </u>	<u> </u>	<u> </u>
Total non-operating revenues and expenses	<u>\$ 22,135,698</u>	<u>\$ 26,977,513</u>	<u>\$ (52,257)</u>

Increase in net assets

The following table summarizes the College's increase in net assets of \$9,404,549 for June 30, 2008 compared to the increase in net assets of \$6,083,346 for June 30, 2007.

Increase in Net Assets

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2008 Component Unit</u>
Income before capital appropriations	\$ 4,044,797	\$ 7,704,187	\$ (132,134)
Capital appropriations	2,038,549	1,700,362	-
	<u> </u>	<u> </u>	<u> </u>
Increase (decrease) in Net Assets	6,083,346	9,404,549	(132,134)
Net assets-beginning of year-as restated	<u>40,073,070</u>	<u>47,423,311</u>	<u>4,845,685</u>
	<u> </u>	<u> </u>	<u> </u>
Net assets - end of year	<u>\$ 46,156,416</u>	<u>\$ 56,827,860</u>	<u>\$ 4,713,551</u>

**STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
Management's Discussion and Analysis**

Capital Asset and Debt Administration

At June 30, 2008, the Institute had \$46,069,869 invested in capital assets as compared to \$36,404,605 at June 2007.

Capital Assets, Net

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2008 Component Unit</u>
Land Improvements	\$ 598,147	\$ 1,311,713	\$ -
Buildings	26,733,761	31,530,984	-
Infrastructure	196,363	1,927,496	-
Software	516,277	486,664	-
Library books	336,678	467,575	-
Furniture and equipment	3,403,841	2,922,392	-
Automobiles	319,894	321,013	-
Construction in progress	4,052,600	6,854,988	-
Land	<u>247,044</u>	<u>247,044</u>	<u>-</u>
Net capital assets	<u>\$ 36,404,605</u>	<u>\$ 46,069,869</u>	<u>\$ -</u>

Major capital expenditures during the 2008 fiscal year include the completion of construction of the Workforce Training Center and construction in progress on the Student Housing as well as various remodel projects.

Budget Comparison

The significant variation between the original budget and the final budget is in the area of State Funding for capital projects. The original budget included all of the available funding from the State for capital projects. The final budget reflects the anticipated draws on the available State funding through the end of the fiscal year. The capital outlay was increased from the original budget to the final budget to reflect the Board approved designation of funds for capital projects. The other significant increase in the original budget to the final budget was in Local Government Appropriations. The Board and Management are very conservative in the original budgeting of Local Government Appropriations of oil and gas mill levy revenue. The increase in the final budget reflects only what is received over the budget with three months remaining in the fiscal year.

The impact of the variances in State Funding and Local Government Appropriations on future services or liquidity is positive. The State Funding for capital projects is available for use in future fiscal years for new and ongoing projects. The capital outlay will also be available for use in future years for new and ongoing projects to maintain and improve facilities and services for students. The conservative approach to the Local Government Appropriations by the Board and Management will have a positive effect on future services and liquidity. The conservative approach minimizes a negative affect on the budget by a drop in revenue from oil and gas, and provides means to maintain and upgrade the campus facilities and infrastructure when oil and gas revenue is high.

**STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
Management's Discussion and Analysis**

Economic Outlook

The Institute's economic outlook is closely tied to its role as a community college hub for the communities in southeastern New Mexico and portions of West Texas. The Institute is largely dependent on the local mill levy support in Lea County and the ongoing financial and political support from state government. As reported by the Legislative Finance Committee, the economic outlook for oil and gas remains steady for the next fiscal year, which is significant to the support from the local oil and gas mill levy. The overall state economic outlook is flat, the ongoing state support is anticipated to decline in FY '09 and '10 as the state addresses declining revenues. Local economy in Lea County appears to be very active, but property assessment appears to have leveled off.

NEW MEXICO JUNIOR COLLEGE

STATEMENTS OF NET ASSETS

June 30, 2008

ASSETS	Primary Government	Component Unit
Current assets:		
Cash and cash equivalents	\$ 5,190,571	\$ 318,220
Short-term investments	12,625,000	-
Accounts receivable, net	3,433,879	21,398
Inventories	306,680	-
Prepaid expenses	242,394	-
Deferred expenditures	132,531	-
Total current assets	21,931,055	339,618
Non-current assets:		
Restricted cash and cash equivalents	919,727	-
Investments	-	4,382,468
Property, plant and equipment, net	46,069,869	-
Total non-current assets	46,989,596	4,382,468
Total assets	\$ 68,920,651	\$ 4,722,086
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	1,060,443	\$ 8,535
Accrued expenses	909,782	-
Compensated absences	5,200	-
Deferred revenue	1,051,057	-
Current maturity of bonds payable	335,845	-
Total current liabilities	3,362,327	8,535
Non-current liabilities:		
Compensated absences	197,634	-
Bonds payable	8,532,830	-
Total non-current liabilities	8,730,464	-
Total liabilities	12,092,791	8,535
Net assets:		
Invested in capital assets, net of related debt	37,201,194	-
Restricted for:		
Nonexpendable endowments	-	3,646,673
Expendable grants and contributions	-	989,011
Unrestricted	19,626,666	77,867
Total net assets	56,827,860	4,713,551
	\$ 68,920,651	\$ 4,722,086

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30, 2008

	Primary Government	Component Unit
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$1,011,796	\$ 3,372,946	\$ -
Federal grants and contracts	4,478,259	-
State and other grants and contracts	473,949	-
Auxiliary enterprises	2,954,112	-
Gifts, bequests and endowments	-	182,384
Royalties	-	97,188
Total operating revenues	11,279,266	279,572
Operating expenses:		
Instruction	8,099,698	-
Academic support	2,401,649	-
Student services	2,287,139	-
Institutional support	2,970,066	359,449
Operations and maintenance	2,993,454	-
Depreciation	2,590,525	-
Capital outlay	1,400,060	-
Student aid	4,184,027	-
Student activities	417,811	-
Intercollegiate athletics	952,537	-
Auxiliary enterprise expenses	2,255,626	-
Total operating expenses	30,552,592	359,449
Operating income (loss)	(19,273,326)	(79,877)
Non-operating revenues (expenses):		
Property taxes	3,350,719	-
Oil and gas taxes	12,612,095	-
State appropriations, non-capital	10,527,697	-
Investment income (loss)	656,118	(54,796)
Interest on capital related debt	(169,116)	-
Fundraising income	-	2,539
Net non-operating revenues (expenses)	26,977,513	(52,257)
Income (loss) before capital appropriations	7,704,187	(132,134)
State appropriations, capital	1,700,362	-
Change in net assets	9,404,549	(132,134)
Net assets beginning of year	46,156,416	4,845,685
Prior period restatements	1,266,895	-
Net assets beginning of year, as restated	47,423,311	4,845,685
Net assets, end of year	\$ 56,827,860	\$ 4,713,551

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE**STATEMENT OF CASH FLOWS**

Year ended June 30, 2008

Cash flows from operating activities:	
Tuition and fees	\$ 3,349,727
Federal and state grants and contracts	4,339,178
Auxiliary enterprise charges	2,954,112
Payments to employees and for employee benefits	(15,097,923)
Disbursement of net aid to students	(4,184,027)
Payments to suppliers	(7,580,469)
Net cash (used) for operating activities	<u>(16,219,402)</u>
Cash flows from noncapital financing activities:	
State appropriations	10,527,697
Property taxes	3,350,719
Oil and gas taxes	12,612,095
Net cash provided by noncapital financing activities	<u>26,490,511</u>
Cash flows from capital financing activities:	
Principal payments on long term debt	(179,634)
Loan proceeds	4,563,720
Interest paid	(169,116)
Capital appropriations	1,700,362
Purchase of capital assets	(12,255,789)
Net cash (used) for capital financing activities	<u>(6,340,457)</u>
Cash flows from investing activities:	
Interest income	656,118
Net cash provided by investing activities	<u>656,118</u>
Net increase in cash and cash equivalents	4,586,770
Cash and cash equivalents - beginning of year, as restated	<u>14,148,528</u>
Cash and cash equivalents - end of year	<u>\$ 18,735,298</u>
Reconciliation of net operating loss to net cash used by operating activities:	
	\$ (19,273,326)
Depreciation expense	2,590,525
Changes in assets and liabilities:	
Accrued expenses	97,635
Deferred expenses	59,393
Inventory	4,473
Deferred revenues	(119,682)
Prepaid expenses	123,322
Compensated absences	27,628
Accounts payable	306,212
Accounts receivable, net	(1,302,477)
Restatement	1,266,895
Net cash (used) for operating activities	<u>\$ (16,219,402)</u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2008

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 116,089
Accounts receivable	<u>1,184</u>
Total assets	<u><u>\$ 117,273</u></u>
LIABILITIES	
Accounts payable	\$ 583
Held in trust for others	<u>116,690</u>
Total liabilities	<u><u>\$ 117,273</u></u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

New Mexico Junior College (the College) was established in 1965, in accordance with laws of the State of New Mexico to serve the needs of the residents of Lea County, New Mexico. The College has grown into a comprehensive community college. New Mexico Junior College (NMJC) offers a variety of educational opportunities and services to meet needs in the lifelong process of personal and professional development. NMJC offers programs for students to develop basic academic skills for successful post-secondary study; courses and programs that prepare individuals for employment, career updating, and job advancement; the first two years of study for those seeking transfer to a four-year college or university; public service activities, including workshops, seminars, forums, and cultural arts programs; comprehensive student development services which provide student support and assistance; and courses for personal growth and cultural enrichment. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.

In 1970, the New Mexico Junior College Foundation (the Foundation) was established to advance educational excellence at the College. The Foundation is a component unit of the College discretely presented and reported upon as a part of the basic financial statements of the College. The Foundation engages in fund raising to support the College's academic programs, scholarships, building funds and faculty/staff development. The Foundation coordinates all private capital fund raising for the College, including fund solicitations, gift acceptance, acknowledgements and asset management.

2. Financial Statement Presentation

The accounting and reporting policies of the College reflected in the accompanying financial statements conform to accounting principles generally acceptable in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements, and has opted not to incorporate Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989.

As a public institution, the College is considered a special purpose government under the provisions of GASB Statement No. 35. The College records revenue in part from fees and other charges for services to external users and, accordingly, has chosen to present its financial statements using the reporting model for special-purpose governments engaged in business-type activities. This model allows all financial information for the College to be reported in a single column in each of the financial statements, accompanied by the financial information for the Foundation. The effect of internal activity between funds or groups has been eliminated from these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

3. Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statements 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, the accompanying financial statements present the statement of net assets, statement of revenues, expenses, and changes in net assets, and statement of cash flows of the New Mexico Junior College and its discretely presented component unit.

In evaluating how to define the government for financial reporting purposes, the College has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. Organizations that are legally separate tax-exempt entities that meet *all* of the criteria should be discretely presented as component units.

- A. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- B. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- C. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The New Mexico Junior College Foundation (the Foundation) is presented in the financial statements of the College due to the nature and significance of its relationship with the College. The Foundation is discretely presented to allow the financial statement users to distinguish between the College and the Foundation.

4. Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The Fiduciary Funds are used to account for assets held by the College in a capacity as an agent for various student organizations and outside parties. Fiduciary Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

5. Management's Estimates and Assumptions

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates. The more significant estimates included in the financial statements include allowances for doubtful accounts and the estimated useful lives of capital assets.

6. Cash and Cash Equivalents and Statement of Cash Flows

For purposes of the statement of cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Immediate cash needs are met with resources deposited at the College's bank. Cash resources not used are swept nightly and invested overnight. Cash resources not needed to meet immediate needs are invested with the New Mexico State Treasurer's Office short-term investment pool. Amounts invested with the State Treasurer are readily available to the College when needed and are recorded at cost which approximates fair value.

Cash and cash equivalents include cash on hand, cash in banks, securities subject to overnight sweep repurchase agreements, and certificates of deposit with various financial institutions. At June 30, 2008, the amount of cash and cash equivalents reported on the financial statements differs from the amount on deposit with the various financial institutions because of transactions in transit and outstanding checks.

7. Receivables

Receivables consist primarily of amounts due from federal and state governmental entities for grants and contracts, local government entities for unremitted district mill levy collections, and student and third-party payers for student tuition and fees. The allowance for doubtful accounts is maintained at a level which, in the administration's judgment, is sufficient to provide for possible losses in the collection of these accounts.

8. Deferred Revenue and Expenditures

Deferred revenue relates to student tuition, fees, and bookstore sales received during the current physical period for classes to be held in the following period. Similarly, deferred expenditures represent scholarship funds expended in the current period relating to the following period.

9. Inventories

Inventories consist of items held for resale or exchange within the College. The bookstore inventory within the current unrestricted fund is valued at cost, which is lower than market, based on average cost method. The cost method is applied on a basis consistent with prior year.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

10. Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements costing \$100,000 or more and that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset, generally 40 years for buildings, 20 years for infrastructure and land improvements, 10 years for library books, 5 to 12 years for equipment and 3 to 15 years for externally purchased software. Information technology equipment including software is being capitalized in accordance with 2.20.1.9(C)(5) NMAC [9-30-99, recompiled 10/01/01].

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest of \$209,884 was included as part of the cost of capital assets under construction.

11. Compensated Absences

Accumulated unpaid vacation is accrued when incurred in the current unrestricted fund. Employees entitled to earn vacation may accrue five, ten, or fifteen days vacation each year. According to College policy, conversion of sick leave accrual to cash is not permitted and in accordance with the provisions of Statement of Financial Accounting Standards No. 43, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick leave.

12. Restricted Assets

Restricted assets are assets which have third-party limitations on their use.

13. Revenue

Operating revenue includes activities that have the characteristics of an exchange transaction, such as a) student tuition and fees, net of scholarship discounts and allowances; b) sales and services; and c) contracts and grants.

Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as a) appropriations, b) taxes, c) gifts, and d) investment income. These revenue streams are recognized under GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*. Revenues are recognized when all applicable eligibility requirements have been met and the resources are available.

14. Net Assets

The College's net assets are classified into the following three net asset categories:

Invested in capital assets, net of related debt. Capital assets, net of accumulated depreciation, amortization, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

14. *Net Assets, continued*

Restricted:

Nonexpendable: Net assets subject to externally imposed conditions that the College retain them in perpetuity. Net assets in this category consist of endowments held by the Foundation.

Expendable: Net assets subject to externally imposed conditions that can be fulfilled by the actions of the College or the passage of time.

Unrestricted: All other categories of net assets. In addition, unrestricted net assets may be designated for use by management of the College. This requirement limits the area of operations for which expenditures of net assets may be made, and require that unrestricted net assets be designated to support future operations in these areas. College housing programs are a primary example of operations that have unrestricted net assets with designated uses.

The College has adopted a policy of utilizing restricted – expendable funds, when available, prior to unrestricted funds.

15. *Revenue Recognition for Derived Tax Revenues*

It is the policy of the College to recognize nonexchange revenue for which there are time requirements in the period in which those time requirements are met, regardless of whether the revenues are due or whether an enforceable legal claim exists. If no time requirements are specified in enabling legislation, revenues are recognized when the College has an enforceable legal claim to the assets or when they are received, whatever occurs first.

16. *Budgetary Process*

The Administration prepares an annual budget for the current unrestricted and restricted funds, and the unexpended plant funds. The budget is approved by the Board, the State of New Mexico Commission on Higher Education, and the State Budget Division of the Department of Finance and Administration.

To amend the budget, the College requires the following order of approval: (1) College President, (2) College Board Members, (3) Commission on Higher Education, and (4) State Department of Finance and Administration.

Budgets are adopted on a basis of accounting that is not in accordance with accounting principles generally accepted in the United States of America. The purpose of the Budget Comparison is to reconcile the change in net assets as reported on a budgetary basis to the change in net assets as reported using generally accepted accounting principles. The reporting of actuals (budgetary basis) is a non-GAAP accounting method that excludes depreciation expense and includes the cost of capital equipment purchases. The budgetary basis approximates the fund basis accounting.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

17. Interfund borrowing

Interfund borrowing is recorded in each fund as due to/due from other funds. Such borrowing is temporary in nature and is authorized in advance by the board or administrative action. The borrowing provides needed working capital. No interest is charged on interfund loans.

18. Income Tax Status

The College is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations*. The College had no unrelated business income tax liability for the year ended June 30, 2008.

19. Reclassifications

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

20. Property Tax Calendar

Property Taxes are levied on November 1 based on the assessed value of property listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after May 10th are considered delinquent. The taxes attach as an enforceable lien on property as of January 1st.

NOTE 2 – DEPOSITS AND INVESTMENTS

State statutes authorize the investment of funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts and United States Government obligations. Management of the College is not aware of any investments that did not properly follow State investment requirements as of June 30, 2008.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the College. 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.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS AND INVESTMENTS, (continued)

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. 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 \$100,000 in aggregate and separate from the \$100,000 coverage for public unit's demand deposits at that same institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2008, \$302,365 of the College's bank balances of \$459,533 was exposed to custodial credit risk because they were collateralized with securities held by the pledging financial institution's trust department or agent, but not in the College's name.

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation requires that all depositories provide collateral equal to at least one-half of the amount of public monies on deposit. 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. All depositories had collateral exceeding the amount required by law.

	Western Commerce Bank	Lea County State Bank	Bank of America	Total
Total amount of deposits	\$ 25,028	\$ 32,140	\$ 402,365	\$ 459,533
FDIC coverage	<u>25,028</u>	<u>32,140</u>	<u>100,000</u>	<u>157,168</u>
Total uninsured public funds	-	-	302,365	302,365
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the College's name	<u>-</u>	<u>-</u>	<u>302,365</u>	<u>302,365</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured public funds)	\$ -	\$ -	\$ 151,183	\$ 151,183
Pledged security	<u>-</u>	<u>-</u>	<u>936,912</u>	<u>936,912</u>
Over collateralization	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 785,729</u>	<u>\$ 785,729</u>

The collateral pledged is listed on Schedule III of this report.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS AND INVESTMENTS, (continued)

Investments

State statute authorizes the College to invest in direct obligations of the United States or securities that are backed by the full faith and credit of the United States Government or agencies guaranteed by the U.S. Government. State statute also authorizes the College to invest in bonds or negotiable securities of the U.S., the State of New Mexico, or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding.

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The College has no investment policy that would further limit its investment choices.

All investments purchased for the *New MexiGROW* (LGIP) must be high quality, with a credit rating of A or better to ensure the highest level of safety; U.S. Governments securities are rated AAA and all commercial paper investments are A-1+. Also, the State Treasurer is required by law to have the overnight repurchase agreements secured by U.S. Government securities at 102%. The LGIP has no foreign currency risk as all investments in the LGIP are U.S. dollar-denominated assets.

The LGIP is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Section 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

The College’s investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - Investments

	<u>Wells Fargo Bank</u>
US Government securities underlying an overnight repurchase agreement	\$ <u>675,566</u>
Total uninsured public funds	675,566
Collateralized by securities held by the pledging institution or its trust department or agent in other than the College’s name	<u>675,566</u>
	\$ <u>-</u>
Collateral requirement – 102% of uninsured public funds	\$ 689,077
Pledged security	<u>1,852,359</u>
Over (under) collateralization	<u>\$ 1,163,282</u>

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS AND INVESTMENTS, (continued)

Credit Quality and Interest Rate Risk

	Rating	Fair Value	Weighted Average Maturity
<i>New MexiGROW LGIP</i>	AAAm	\$12,625,000	24-days
New Mexico Finance Authority	Not rated	4,824,569	Less than 90 days
State Treasurer's Debt Service	Not rated	215,630	Less than 90 days

Beginning Cash and Cash Equivalents – Statement of Cash Flows

The College considers all instruments with an original maturity of 90 days or less to be cash equivalents for the purpose of presenting the statement of cash flows. Accordingly, beginning cash and cash equivalents as presented on the statement of cash flows has been adjusted to reflect the \$10,625,000 invested with the *New MexiGROW LGIP* as cash equivalents.

Reconciliation of Deposits and Investments to the Statement of Net Assets and Statement of Fiduciary Assets and Liabilities

Deposits	\$	459,533
US Government securities underlying an overnight repurchase agreement		675,566
<i>New MexiGROW LGIP</i>		12,625,000
New Mexico Finance Authority		4,824,569
State Treasurer's Debt Service		<u>215,630</u>
Total deposits and investments		18,800,298
Add reconciling items		<u>51,089</u>
Net deposits and investments	\$	<u><u>18,851,387</u></u>
Statement of Net Assets:		
Cash and cash equivalents	\$	5,190,571
Short-term investments		12,625,000
Restricted cash and cash equivalents		<u>919,727</u>
Cash and cash equivalents, end of year per statement of cash flows		18,735,298
Statement of Fiduciary Assets and Liabilities:		
Cash and cash equivalents		<u>116,089</u>
Net deposits and investments	\$	<u><u>18,851,387</u></u>

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS AND INVESTMENTS, (continued)

Restricted cash and cash equivalents represent amounts held by the trustee for the System Revenue Bonds Series July 1, 2005 for the bond project and debt service reserve funds.

NOTE 3 – ACCOUNTS RECEIVABLE AND ACCRUED EXPENSES

The College's accounts receivable at June 30, 2008 represent revenues earned from student tuition and fees, loans, advances to students, local tax levy, federal government grants and contracts, and State of New Mexico agencies that include pass through federal and state grants. With the exception of the loan funds receivable, all amounts are expected to be collected within sixty days after year-end. A schedule of receivables and allowance for doubtful accounts is as follows:

Property and oil and gas taxes	\$	2,784,220
General receivables		153,041
Students		1,115,631
Grants receivable		<u>290,182</u>
		4,343,074
Less allowance for uncollectibles		<u>909,195</u>
Net total accounts receivable	\$	<u>3,433,879</u>

The College's accrued expenses at June 30, 2008 are as follows:

Payroll	\$	388,455
Payroll taxes and related liabilities		<u>521,327</u>
Total accrued expenses	\$	<u>909,782</u>

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

The following table summarizes the changes in capital assets during the fiscal year ended June 30, 2008:

	June 30, 2007	Increases	Decreases	June 30, 2008
Assets not being depreciated:				
Construction in progress	\$ 4,052,600	\$ 10,147,372	\$ 7,344,984	\$ 6,854,988
Land	247,044	-	-	247,044
	<u>4,299,644</u>	<u>10,147,372</u>	<u>7,344,984</u>	<u>7,102,032</u>
Land improvements	2,230,902	838,182	-	3,069,084
Buildings	39,831,725	5,736,724	-	45,568,449
Infrastructure	908,835	1,800,552	-	2,709,387
Software	769,964	55,000	-	824,964
Library books	1,975,978	348,126	-	2,324,104
Furniture and equipment	9,212,401	542,620	81,252	9,673,769
Automobiles	1,258,113	133,123	81,084	1,310,152
	<u>56,187,918</u>	<u>9,454,327</u>	<u>162,336</u>	<u>65,479,909</u>
Totals	<u>60,487,562</u>	<u>19,601,699</u>	<u>7,507,320</u>	<u>72,581,941</u>
Less accumulated depreciation				
Land improvements	1,623,755	124,616	-	1,757,371
Buildings	13,097,964	939,501	-	14,037,465
Infrastructure	712,472	69,419	-	781,891
Software	253,687	84,613	-	338,300
Library books	1,639,300	217,229	-	1,856,529
Furniture and equipment	5,808,560	1,023,162	80,345	6,751,377
Automobiles	938,219	131,984	81,064	989,139
	<u>24,082,957</u>	<u>2,590,524</u>	<u>161,409</u>	<u>26,512,072</u>
Net capital assets	<u>\$ 36,404,605</u>	<u>\$ 17,011,175</u>	<u>\$ 7,345,911</u>	<u>\$ 46,069,869</u>

During the year ended June 30, 2008, management identified an error in the capital assets. As a result, a prior period adjustment was recorded to adjust cost to agree to the correct records. The effect of the entry was to increase total capital assets by \$719,007.

NOTE 5 – POST EMPLOYMENT BENEFITS

Plan Description. New Mexico Junior College contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents and surviving spouse 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 the period of time made contributions as a participant in the RHCA plan on the person's behalf unless the person retires before the employers' RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

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 employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of insurance premiums to cover their claims and the administrative expense of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of the salary. Employers joining after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of the two formulas at agreed-upon intervals.

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

For the fiscal years ended June 30, 2008, 2007 and 2006, the New Mexico Junior College remitted \$143,696, \$140,213, and \$128,278 respectively, in employer contributions and \$71,848, \$70,099, and \$64,135 respectively, in employee contributions to the Retiree Health Care Authority.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM

Plan Description. Substantially all of the College's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978) (ERA). 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, disability benefits and cost-of-living adjustment 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 supplemental information. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. The College is required to contribute 10.9% of the gross salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and the College are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by the acts of legislature.

The College's contributions to ERB for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,148,706, \$994,434 and \$902,810 respectively, which equal the amount of the required contributions for each fiscal year. The employee contributions for the fiscal years ended June 30, 2008, 2007 and 2006 were \$779,415, \$717,180 and \$702,500, respectively.

NOTE 7– GROUP INSURANCE PROGRAM

The College participates in the State of New Mexico Public Schools Insurance Authority group health insurance plan. The Authority's two primary insurance underwriters are Blue Cross/Blue Shield of New Mexico and Lovelace HMO. The plan covers all full-time employees of the College who choose to participate in the plan. The College pays premiums under the plan and employees contribute based on percentage splits established by NMSA 10-7-4 for public employees.

NOTE 8– OPERATING LEASES

The College has entered into various operating leases for equipment. The terms of all leases are one year or less. The College expects that in the normal course of business, such leases will continue to be required.

NOTE 9 – RISK MANAGEMENT

The College is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; injuries to employees, and natural disaster. The College has property and liability insurance coverage with Coregis Insurance Company and workers compensation insurance coverage with Mountain States Mutual.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – JOINT POWERS AGREEMENTS

The College has established a joint powers agreement with Lea County, Hobbs Municipal School District, City of Hobbs, City of Lovington, Eunice Municipal School District, Tatum Municipal School District and Jal Municipal School District for the purpose of enabling the parties involved to benefit from substantial savings in the procurement of similar services, construction or tangible personal property. The agreement became effective November 17, 2003, and any party to the agreement can terminate participation by providing thirty days written notice. Any of the participating agencies may act as the Lead Agency whereby that agency shall contact the remaining participating agencies to determine if they are willing to participate in a bid or proposal for quote to be prepared by the Lead Agency.

The College has entered into a joint powers agreement on February 14, 1994 with a group consisting of every public school system in Lea County, New Mexico, together with New Mexico Junior College and College of the Southwest to form the Lea County Distance Consortium (Consortium). The purpose of the Consortium is to purchase a two-way interactive television network to provide educational services between each of the members. This agreement shall continue as mutually agreeable by all parties. CDR Services, Inc. serves as the fiscal agent for the Consortium.

NOTE 11 – NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT)

Nature of Operations

The New Mexico Junior College Foundation (the Foundation) is a nonprofit corporation, organized to solicit, receive, hold, invest and transfer funds for the benefit of the College.

Basis of Accounting

The Foundation's financial statements have been prepared on the accrual basis of accounting. The Foundation follows Financial Accounting Standards Board (FASB) pronouncements. Revenues and expenses are classified for reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net assets categories follows:

Unrestricted net assets – include the revenues and expenses associated with the general and administrative functions of the Foundation.

Temporarily restricted net assets – presented in the Statement of Net Assets as restricted – expendable include contributions and gifts for which donor imposed restrictions have not been met and the ultimate use of the proceeds is not permanently restricted.

Permanently restricted net assets – presented in the Statement of Net Assets as restricted – nonexpendable include contributions, gifts and trusts which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT), (continued)

Cash and Cash Equivalents

The Foundation maintains cash balances in a local bank and an investment company. These cash balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 for each location or by the Securities Investor Protection Corporation (SIPC) up to \$500,000 for each location. As of June 30, 2008, the balances in excess of insurance are \$0.

	Merrill Lynch	Wells Fargo Bank	Total
Total amount of deposits	\$ 195,169	\$ 123,714	\$ 318,883
FDIC coverage	-	100,000	100,000
SIPC coverage	<u>195,169</u>	<u>-</u>	<u>195,169</u>
Total uninsured public funds	-	23,714	23,714
Collateralized by securities held by the pledging institution or its trust department or agent in other than the Foundation's name	<u>-</u>	<u>23,714</u>	<u>23,714</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured public funds)	\$ -	\$ 11,857	\$ 11,857
Pledged security	<u>-</u>	<u>23,714</u>	<u>23,714</u>
Over collateralization	<u>\$ -</u>	<u>\$ 11,857</u>	<u>\$ 11,857</u>

Credit Quality and Interest Rate Risk

	<u>Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Merrill Lynch Institutional Fund	Not Rated	\$ 29,369	Less than 90 days

Receivables

The Foundation considers receivables to be 100% collectible; therefore no allowance has been made for uncollectible amounts. The receivable at June 30, 2008 consists of the following:

Accrued interest receivable	\$ 18,734
NM State withholdings refund receivable	<u>2,664</u>
Total receivables	<u>\$ 21,398</u>

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT), (continued)

Functional expenses

The Foundation had the following functional expenses during the year ended June 30, 2008:

Management and general expenses	\$	83,656
Program expenses		275,793
Fundraising expenses		<u>2,539</u>
Total functional expenses	\$	<u>361,988</u>

Institutional support

The Foundation provided the following institutional support to the College during the year ended June 30, 2008:

Scholarships	\$	181,225
Program Assistance		30,061
Awards		<u>4,000</u>
Total institutional support	\$	<u>215,286</u>

Related party

On July 7, 2003, the Foundation formed Lea County Student Housing, LLC (the LLC). The Foundation is the 100% member of the LLC which was formed for the purpose of building and renting dorm space to the College's students. The LLC has not had any activity since its formation.

Subsequent event

The market value of the investments held at Merrill Lynch has shown a decline of approximately \$860,000 in value since the balance sheet date.

NOTE 12 – CONSTRUCTION COMMITMENTS

The College has various construction projects as of June 30, 2008. The commitments related to these projects are approximately \$2 million as of June 30, 2008.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – COMPENSATED ABSENCES

The College had a liability for accrued vacation as of June 30, 2008 as follows:

Accrued vacation – beginning of year	\$ 175,206
Additions	39,987
Deletions	<u>(12,359)</u>
Accrued vacation – end of year	<u>\$ 202,834</u>

The College estimates that \$5,200 will be due within one year. The general fund is used to liquidate compensated absences.

NOTE 14 – BONDS PAYABLE

The College issued revenue bonds to provide funds for the construction of student housing on the New Mexico Junior College campus. Bonds outstanding at June 30, 2008 consist of the following issues:

System Revenue Bonds
Series: July 15, 2005
Original Issue: \$4,589,369
Principal: May 1
Interest: June 1 and December 1
Rates: 2.86% to 4.45%

System Revenue Bonds
Series: July 06, 2007
Original Issue: \$4,563,720
Principal: May 1
Interest: June 1 and December 1
Rates: 3.58% to 3.95%

The Series 2005 Bonds are special limited obligations of the College and the principal and interest on the Series 2005 Bonds are payable solely from the revenues and other moneys pledged to secure the payments. The bond agreement requires the creation and maintenance of a debt service reserve account and a capitalized interest account. The College is in compliance with all significant requirements of the bond agreement.

The Series 2005 Bonds do not constitute a debt or pledge of the faith and credit of the College or the State, and the New Mexico Finance Authority, as the owner of the Series 2005 Bonds, has no right to have taxes levied for the payment of debt service.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – BONDS PAYABLE, (continued)

The Series 2007 Bonds are special limited obligations of the College and the principal and interest on the Series 2007 Bonds are payable solely from the revenues and other moneys pledged to secure the payments. The bond agreement requires the creation and maintenance of a debt service reserve account and a capitalized interest account. The College is in compliance with all significant requirements of the bond agreement.

The Series 2007 Bonds do not constitute a debt or pledge of the faith and credit of the College or the State, and the New Mexico Finance Authority, as the owner of the Series 2007 Bonds, has no right to have taxes levied for the payment of debt service.

The Series 2007 Bonds were retired in July 2008, subsequent to the date of this report.

Long-term liability for the year ended June 30, 2008 was as follows:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2008</u>	<u>Due within One Year</u>
System Revenue Bonds					
Series					
July 15, 2005	\$ 4,484,589	\$ -	\$ 179,634	\$ 4,304,955	\$ 173,960
System Revenue Bonds					
Series					
July 6, 2007	-	4,563,720	-	4,563,720	161,885
	<u>\$ 4,484,589</u>	<u>\$ 4,563,720</u>	<u>\$ 179,634</u>	<u>\$ 8,868,675</u>	<u>\$ 335,845</u>

The annual debt service requirements to maturity, including principal and interest for System Revenue Bonds 2005 long-term debt as of June 30, 2008 are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$ 185,036	\$ 173,960	\$ 358,996
2010	190,902	168,110	359,012
2011	197,281	161,746	359,027
2012	204,175	154,868	359,043
2013	211,624	147,437	359,061
2014-2018	1,187,962	607,657	1,795,619
2019-2023	1,454,367	341,898	1,796,265
2024-2028	673,608	45,120	718,728
Totals	<u>\$ 4,304,955</u>	<u>\$ 1,800,796</u>	<u>\$ 6,464,735</u>

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – BONDS PAYABLE, (continued)

The annual debt service requirements to maturity, including principal and interest for System Revenue Bonds 2007 long-term debt as of June 30, 2008 are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$ 169,873	\$ 173,175	\$ 343,048
2010	175,966	166,938	342,904
2011	182,278	160,620	342,898
2012	188,834	154,058	342,892
2013	195,664	147,223	342,887
2014-2018	1,091,385	622,967	1,714,352
2019-2023	1,313,522	400,718	1,714,240
2024-2028	<u>1,246,198</u>	<u>125,135</u>	<u>1,371,333</u>
Totals	<u>\$ 4,563,720</u>	<u>\$ 1,950,834</u>	<u>\$ 6,514,554</u>

NOTE 15 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure of certain information concerning individual funds including:

A. Deficit fund balance of individual funds

None

B. Excess of expenditures over appropriations by fund.

None

C. Designated cash appropriation in excess of available balances.

None

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 – PRIOR PERIOD RESTATEMENT

It was determined the various balances were incorrectly stated in prior years. The following balances have been restated in the current year to correctly reflect the current Statements of Net Assets:

Prepays	\$	178,629
Property taxes receivable		(45,584)
Grants receivable		31,123
Oil and gas taxes receivable		(696,569)
Student accounts receivable		(15,487)
Capital assets		<u>(719,007)</u>
Total restatement	\$	<u><u>(1,266,895)</u></u>

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NEW MEXICO JUNIOR COLLEGE

UNRESTRICTED AND RESTRICTED - ALL OPERATIONS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Beginning fund balance</i>	\$ 10,270,235	\$ 13,115,674	\$ 42,981,669	\$ 29,865,995
Prior period restatement	-	-	(32,681,970)	(32,681,970)
<i>Beginning fund balance, as restated</i>	<u>10,270,235</u>	<u>13,115,674</u>	<u>10,299,699</u>	<u>(2,815,975)</u>
<i>Unrestricted and restricted revenues:</i>				
State general fund appropriations	14,053,215	14,090,351	14,311,416	221,065
Federal revenue sources	1,210,230	1,210,230	1,386,513	176,283
Tuition and fees	3,112,065	3,175,583	3,409,022	233,439
Other	6,359,912	6,614,599	4,984,720	(1,629,879)
Local funding	8,000,000	13,233,843	16,034,585	2,800,742
<i>Total unrestricted and restricted revenues</i>	<u>32,735,422</u>	<u>38,324,606</u>	<u>40,126,256</u>	<u>1,801,650</u>
<i>Unrestricted and restricted expenditures:</i>				
Instruction	7,932,676	8,412,516	8,213,719	198,797
Academic support	2,295,936	2,407,834	2,423,937	(16,103)
Student services	2,230,463	2,295,668	2,319,040	(23,372)
Institutional support	2,502,091	2,632,626	2,624,869	7,757
Operation and maintenance of plant	2,608,806	2,880,397	2,993,454	(113,057)
Student social and cultural activities	388,417	390,917	417,811	(26,894)
Auxiliary services	1,625,535	1,725,495	1,669,648	55,847
Intercollegiate athletics	735,585	924,009	977,224	(53,215)
Internal service	446,563	531,303	708,774	(177,471)
Capital outlay	14,069,918	19,903,840	12,644,856	7,258,984
Building renewal and replacement	1,915,652	1,915,652	470,047	1,445,605
Retirement of indebtedness	358,986	358,986	20,561	338,425
Student aid, grants and stipends	4,727,589	5,074,521	4,184,027	890,494
<i>Total unrestricted and restricted expenditures</i>	<u>41,838,217</u>	<u>49,453,764</u>	<u>39,667,967</u>	<u>9,785,797</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(9,102,795)</u>	<u>(11,129,158)</u>	<u>458,289</u>	<u>11,587,447</u>
<i>Ending fund balance</i>	<u>\$ 1,167,440</u>	<u>\$ 1,986,516</u>	<u>\$ 10,757,988</u>	<u>\$ 8,771,472</u>
<i>Change in net assets per statement of revenues, expenses and changes in net assets</i>			\$ 9,404,549	
Capital outlay			(11,537,712)	
Depreciation expense			2,590,525	
Loss on sale of assets			927	
<i>Financial statements change in net assets reconciled to budgetary basis</i>			<u>\$ 458,289</u>	

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

UNRESTRICTED - NON INSTRUCTION AND GENERAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ 3,956,699	\$ 10,271,612	\$ 32,989,397	\$ 22,717,785
Prior period restatement	-	-	(22,689,698)	(22,689,698)
<i>Beginning fund balance, as restated</i>	<u>3,956,699</u>	<u>10,271,612</u>	<u>10,299,699</u>	<u>28,087</u>
<i>Unrestricted revenues:</i>				
Internal service dept	20,000	20,000	36,076	16,076
Sales and services	2,228,048	2,228,048	2,102,722	(125,326)
GOB Drawdowns	3,715,080	3,969,767	1,700,362	(2,269,405)
Athletics	189,100	189,100	189,100	-
<i>Total unrestricted revenues</i>	<u>6,152,228</u>	<u>6,406,915</u>	<u>4,028,260</u>	<u>(2,378,655)</u>
<i>Unrestricted expenditures:</i>				
Student social and cultural activities	192,617	195,117	199,697	(4,580)
Internal services	446,563	531,303	708,774	(177,471)
Student aid, grants and stipends	308,250	618,046	704,501	(86,455)
Auxiliary services	1,625,535	1,725,495	1,669,648	55,847
Intercollegiate athletics	735,585	924,009	977,224	(53,215)
Capital outlay	14,069,918	19,903,840	12,644,856	7,258,984
Building renewal and replacement	1,915,652	1,915,652	470,047	1,445,605
Retirement of indebtedness	358,986	358,986	20,561	338,425
<i>Total unrestricted expenditures</i>	<u>19,653,106</u>	<u>26,172,448</u>	<u>17,395,308</u>	<u>8,777,140</u>
<i>Change in fund balance (budgetary bas.</i>	<u>(13,500,878)</u>	<u>(19,765,533)</u>	<u>(13,367,048)</u>	<u>6,398,485</u>
<i>Ending fund balance</i>	<u>\$ (9,544,179)</u>	<u>\$ (9,493,921)</u>	<u>\$ (3,067,349)</u>	<u>\$ 6,426,572</u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

RESTRICTED - NON INSTRUCTION AND GENERAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ -	\$ -	\$ 1,542,183	\$ 1,542,183
Prior period restatement	-	-	(1,542,183)	(1,542,183)
<i>Beginning fund balance, as restated</i>	-	-	-	-
<i>Restricted revenues:</i>				
Federal government contracts/grant	195,800	195,800	218,024	22,224
State government contracts/grants	4,419,339	4,456,475	3,309,770	(1,146,705)
<i>Total restricted revenues</i>	4,615,139	4,652,275	3,527,794	(1,124,481)
<i>Restricted expenditures:</i>				
Student social and cultural activities	195,800	195,800	218,114	(22,314)
Student aid, grants and stipends	4,419,339	4,456,475	3,479,526	976,949
<i>Total restricted expenditures</i>	4,615,139	4,652,275	3,697,640	954,635
<i>Change in fund balance (budgetary basis)</i>	-	-	(169,846)	(169,846)
<i>Ending fund balance</i>	\$ -	\$ -	\$ (169,846)	\$ (169,846)

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

UNRESTRICTED - INSTRUCTION AND GENERAL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ 6,313,536	\$ 2,844,062	\$ 8,878,545	\$ 6,034,483
Prior period restatement	-	-	(8,878,545)	(8,878,545)
<i>Beginning fund balance, as restated</i>	<u>6,313,536</u>	<u>2,844,062</u>	<u>-</u>	<u>(2,844,062)</u>
<i>Unrestricted revenues:</i>				
Tuition and fees	3,092,065	3,155,583	3,372,946	217,363
State government appropriations	9,253,289	9,253,289	10,527,697	1,274,408
Local government appropriations	8,000,000	13,233,843	15,962,814	2,728,971
Federal grants and contracts	45,000	45,000	75,000	30,000
Other	227,684	227,684	992,536	764,852
<i>Total unrestricted revenues</i>	<u>20,618,038</u>	<u>25,915,399</u>	<u>30,930,993</u>	<u>5,015,594</u>
<i>Unrestricted expenditures:</i>				
Instruction	7,537,874	8,017,714	7,877,530	140,184
Academic support	2,266,594	2,378,492	2,378,006	486
Student services	1,329,500	1,394,705	1,371,791	22,914
Institutional support	2,479,444	2,609,979	2,624,869	(14,890)
Operation and maintenance of plant	2,606,543	2,878,134	2,993,454	(115,320)
<i>Total unrestricted expenditures</i>	<u>16,219,955</u>	<u>17,279,024</u>	<u>17,245,650</u>	<u>33,374</u>
<i>Change in fund balance (budgetary basis)</i>	<u>4,398,083</u>	<u>8,636,375</u>	<u>13,685,343</u>	<u>5,048,968</u>
<i>Ending fund balance</i>	<u>\$ 10,711,619</u>	<u>\$ 11,480,437</u>	<u>\$ 13,685,343</u>	<u>\$ 2,204,906</u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

RESTRICTED - INSTRUCTION AND GENERAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS AND ACTUAL
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ -	\$ -	\$ (428,456)	\$ (428,456)
Prior period restatement	-	-	428,456	428,456
<i>Beginning fund balance, as restated</i>	-	-	-	-
<i>Restricted revenues:</i>				
Federal government contracts/grant	969,430	969,430	1,093,489	124,059
State government contracts/grants	380,587	380,587	473,949	93,362
Private grants	-	-	71,771	71,771
<i>Total restricted revenues</i>	<u>1,350,017</u>	<u>1,350,017</u>	<u>1,639,209</u>	<u>289,192</u>
<i>Restricted expenditures:</i>				
Instruction	394,802	394,802	336,189	58,613
Academic support	29,342	29,342	45,931	(16,589)
Student services	900,963	900,963	947,249	(46,286)
Institutional support	22,647	22,647	-	22,647
Operations and maintenance of plant	2,263	2,263	-	2,263
<i>Total restricted expenditures</i>	<u>1,350,017</u>	<u>1,350,017</u>	<u>1,329,369</u>	<u>20,648</u>
<i>Change in fund balance (budgetary basis)</i>	-	-	309,840	309,840
<i>Ending fund balance</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,840</u>	<u>\$ 309,840</u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

AGENCY FUNDS

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND BALANCES

Year ended June 30, 2008

	June 30, 2007	Receipts	Disbursements	June 30, 2008
ACTA Student Activity	\$ 30	\$ -	\$ -	\$ 30
AMP Club	179	-	-	179
ASSET Student Recognition	2,210	972	1,683	1,499
Auto Youth Ed Services	9	-	-	9
B&T Invitational Competition	2,541	-	-	2,541
Baseball Booster Club	829	12,121	12,824	126
Burke Poetry Contest	336	108	-	444
CADD/College	420	-	-	420
CADD-High School	1,631	-	-	1,631
Campus Ambassadors	518	1,180	1,314	384
Cheerleaders	65	-	-	65
College Democrats	111	122	23	210
College Republicans	302	100	-	402
Cosmetology Students	16,111	40,952	40,679	16,384
Cultural Activities	193	-	-	193
Drama Club	1,789	3,734	3,111	2,412
Employee Reimbursement Plan	892	-	-	892
Fellowship of Christian Athletes	122	109	-	231
FFA	3,615	5,763	5,972	3,406
Geology Club	605	-	-	605
Golf	687	7,865	1,232	7,320
Job Fair (Career Connections)	299	-	-	299
Literacy Volunteers of Lea County	1,743	-	-	1,743
Men's Basketball	1,940	500	2,201	239
Men's CRS Country	624	-	-	624
Moran Lecture Series	423	24,875	21,500	3,798
MU Alpha Theta	512	222	467	267
Music Educators National Conference	141	-	-	141
National Conference Rodeo	1	-	-	1
National Golf Tournament	-	-	-	-
NJCAA Div 1 Golf Coaches Association	43	-	-	43
NM College/High School Rodeo Challen	-	-	-	-
NM Placement Council	6,176	-	-	6,176
NMJC Band Club	5,721	3,334	6,760	2,295
NMJC Chorale Club	429	-	300	129
NMJC Journalism Club	366	-	-	366
NMJC Sensations	6,231	3,730	4,500	5,461
NMJC Skills USA	646	10,947	10,713	880
NMJC Social Committee	1,125	5,549	6,429	245
Non-Traditional Students Association	28	-	-	28
Pathway Program	850	-	-	850

(continued)

See Independent Auditor's Report

	<u>June 30, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2008</u>
Phi Beta Lambda - State	\$ 24	\$ -	\$ -	\$ 24
Phi Beta Lambda-NMJC	22	1,817	1,108	731
Phi Theta Kappa	459	3,133	3,540	52
Physical Education Majors Club	250	-	-	250
Prepaid Tuition Agreements	11,674	3,458	3,674	11,458
Public Safety Account	-	1,475	874	601
Rodeo Club	2,681	1,000	500	3,181
Rope Climbing and Rappelling Club	657	70	142	585
SBDC Program Services	9,294	3,808	2,136	10,966
Sigma Kappa Delta	23	-	-	23
Southwestern American Literature	14	-	-	14
Student CIS Fund	154	-	-	154
Student Nurses Association	10	70	-	80
Student Senate	355	-	-	355
Student Senate Fundraiser	111	-	-	111
Student Services Support	6,078	-	-	6,078
Student Support Services	194	220	45	369
Support/Maintenance Council	1,618	842	-	2,460
Upward Bound	1,701	5,340	4,976	2,065
VICA - AVHS - Automotive	11	-	-	11
VICA - AVHS - HOE/CADD	208	-	-	208
VICA - Postsec - Automotive	1,402	3,150	2,757	1,795
VICA - Postsec - Cosmetology	2,112	5,802	7,610	304
Virtual College	-	-	-	-
Welding Students	1,158	-	-	1,158
Western Heritage Archaeological	-	1,628	524	1,104
Western Heritage Community Assistant	1,288	10,415	3,412	8,291
Western Heritage Museum Memorial	150	-	150	-
Western Heritage Museum Membership	-	225	-	225
Women's Basketball	1,871	-	802	1,069
	<u>104,012</u>	<u>164,636</u>	<u>151,958</u>	<u>116,690</u>
Accounts Payable	-	583	-	583
Accounts Receivable	-	(1,184)	-	(1,184)
Total agency fund cash	<u>\$ 104,012</u>	<u>\$ 164,035</u>	<u>\$ 151,958</u>	<u>\$ 116,089</u>

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS

June 30, 2008

Account Name	Type	Western Commerce Bank	New Mexico State Treasurer	New MexiGROW LGIP	New Mexico Finance Authority
NMJC	Checking	\$ 25,028	\$ -	\$ -	\$ -
Instructional and general	Overnight Repurchase	-	-	-	-
Program funds	Mutual fund	-	-	-	4,120,473
Bond debt service	Mutual fund	-	-	-	704,096
Debt service reserve	State treasurer	-	215,630	-	-
NMJC money market	Deposit	-	-	-	-
Grant account	Checking	-	-	-	-
Student loan fund	Checking	-	-	-	-
Pell federal account	Checking	-	-	-	-
Payroll dep account	Checking	-	-	-	-
Agency account	Checking	-	-	-	-
NMJC	Short-term investment	-	-	12,625,000	-
NMJC Foundation	Cash Fund	-	-	-	-
NMJC Foundation	Cash Fund	-	-	-	-
NMJC Foundation	Cash Fund	-	-	-	-
NMJC Foundation	Cash Fund	-	-	-	-
NMJC Foundation	Cash Fund	-	-	-	-
NMJC Foundation	Checking	-	-	-	-
Amounts on deposit		<u>25,028</u>	<u>215,630</u>	<u>12,625,000</u>	<u>4,824,569</u>
Outstanding items		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 25,028</u>	<u>\$ 215,630</u>	<u>\$ 12,625,000</u>	<u>\$ 4,824,569</u>

See Independent Auditor's Report

Lea County State Bank	Bank of America	Wells Fargo Bank	Total	Component Unit	
				Merrill Lynch	Wells Fargo Bank
\$ -	\$ -	\$ -	\$ 25,028	\$ -	\$ -
-	-	675,566	675,566	-	-
-	-	-	4,120,473	-	-
-	-	-	704,096	-	-
			215,630	-	-
32,140	-	-	32,140	-	-
-	10,000	-	10,000	-	-
-	25,372	-	25,372	-	-
-	177,733	-	177,733	-	-
-	69,782	-	69,782	-	-
-	119,478	-	119,478	-	-
-	-	-	12,625,000	-	-
-	-	-	-	29,389	-
-	-	-	-	32,008	-
-	-	-	-	90,003	-
-	-	-	-	8,300	-
-	-	-	-	35,469	-
-	-	-	-	-	123,714
			-		
32,140	402,365	675,566	18,800,298	195,169	123,714
-	(110,953)	162,042	51,089	15	(678)
			-		
<u>\$ 32,140</u>	<u>\$ 291,412</u>	<u>\$ 837,608</u>	<u>\$ 18,851,387</u>	<u>\$ 195,184</u>	<u>\$ 123,036</u>

Reconciliation to the Statement of Net Assets:

Cash and cash equivalents	\$ 5,190,571
Restricted cash and cash equivalents	919,727
Short-term investment	<u>12,625,000</u>
	18,735,298

Reconciliation to the Statement of Fiduciary

Assets and Liabilities:

Cash and cash equivalents	<u>116,089</u>
Total deposits and investments	<u>\$ 18,851,387</u>

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NEW MEXICO JUNIOR COLLEGE**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY**

Schedule III

June 30, 2008

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Fair Market Value June 30, 2007</u>	<u>Name and Location of Safekeeper</u>
Wells Fargo Bank	FNCL 831610, Due 6/1/36 CUSIP #31407H3T1	\$ 1,768,326	Wells Fargo Bank Minneapolis, MN
Wells Fargo Bank	G2SF 3321, Due 12/20/32 CUSIP #36202DVN8	90,651	Wells Fargo Bank Minneapolis, MN
Wells Fargo Bank	GVSF 781260, Due 3/15/31 CUSIP #36225BMH8	<u>17,096</u>	Wells Fargo Bank Minneapolis, MN
		1,876,073	
Bank of America	FNMA Pool 555424, Due 5/1/33 CUSIP #31385XAZ0	<u>936,912</u>	Federal Home Loan Bank Dallas, TX
		\$ <u><u>2,812,985</u></u>	

See Independent Auditor's Report

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Schedule IV

Year ended June 30, 2008

	<u>Federal CFDA Number</u>	<u>Program or Grantor Number</u>	<u>Federal Expenditures</u>
US Department of Education			
Direct programs:			
Student financial assistance cluster: (1)			
Federal pell grant program	84.063	42310	\$ 1,682,776
Federal FEELP loan program	84.032	42320	1,204,874
Federal SEOG program	84.007	42325	35,909
Federal work study program	84.033	42511	55,459
TRIO cluster:			
Student support services 2007-2008	84.042A	41131	255,586
Talent search 2007-2008	84.044A	41132	250,000
Upward bound 2007-2008	84.047A	41133	257,769
Higher Education Reconciliation Act	84.375	42330	8,800
Passed through New Mexico			
Public Education Department			
Carl Perkins vocational support services	84.048	41312	96,569
Special programs for the aging cluster:			
Adult Basic Education State	84.002	41211	94,621
Adult Basic Education Textbooks		41212	10,376
Adult Basic Education ESL/Civics		41213	12,454
Adult Basic Education		41310	203,800
US Nuclear Regulatory Commission			
Direct program:			
Nuclear Education Grant	77.006	41141	185,062
US Small Business Administration			
Passed through New Mexico			
Public Education Department			
Small Business Development Center	59.037	41220	<u>224,231</u>
Total expenditures of federal awards			<u><u>\$ 4,578,286</u></u>

(1) Tested as major program

See accompanying Notes to Schedule of Expenditures of Federal Awards

See Independent Auditor's Report

NEW MEXICO JUNIOR COLLEGE

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008**

- NOTE 1** Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, and when such funds are received, they are recorded as deferred revenues until earned.
- NOTE 2** The period of availability for federal funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provision in Section H-Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement.
- NOTE 3** This schedule was prepared on the accrual basis of accounting.
- NOTE 4** New Mexico Junior College is not a direct participant in federally funded student loan programs where it enables them to track outstanding balances of the loans.

See Independent Auditor's Report

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

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
Board of Directors
New Mexico Junior College
Hobbs, New Mexico

We have audited the basic financial statements of New Mexico Junior College (the College) and its discretely presented component unit as of and for the year ended June 30, 2008, and have issued our report thereon dated November 17, 2008. We have also audited the budget comparison schedules presented as supplemental information for the year ended June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Mexico Junior College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2008 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as item 2007-2, 2008-2, 2008-3, 2008-4 and 2008-5.

New Mexico Junior College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the College's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of directors, management, others within the organization, the Office of the State Auditor, the New Mexico State Legislature, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Certified Public Accountants
Carlsbad, New Mexico
November 17, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
Board of Directors
New Mexico Junior College
Hobbs, New Mexico

Compliance

We have audited the compliance of New Mexico Junior College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the board of directors, management, others within the organization, New Mexico State Auditor, the New Mexico State Legislature, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Certified Public Accountants
Carlsbad, New Mexico
November 17, 2008

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STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

A. SUMMARY OF AUDIT RESULTS**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes x No

Significant deficiency(ies) identified that are not considered to be material weakness(es): x Yes No

Noncompliance material to financial statements noted? Yes x No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes x No

Significant deficiency(ies) identified that are not considered to be material weakness(es): Yes x No

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

Any audit findings disclosed that are required To be reported in accordance with section 510(a) of OMB Circular A-133? x Yes No

Identification of major programs:

CFDA Number(s)

84.063
84.032
84.007
84.033

Name of Federal Program or Cluster

Federal PELL Grant Program
Federal FEELP Loan Program
Federal SEOG Program
Federal Work Study Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? x Yes No

STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

B. FINDINGS—FINANCIAL STATEMENT AUDIT

2007-2: Preparation of Financial Statements

Criteria

According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

Condition

The financial statements and related disclosures are not being prepared by the College.

Cause

The College's personnel do not have the time to prepare the financial statements and related footnote disclosures.

Effect

When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Recommendation

The College's personnel are knowledgeable in the preparation of financial statements and related footnotes, however, due to the significant number of new accounting pronouncements that have to be considered each year, we recommend the College's management and personnel receive additional training on elements of external financial reporting, particularly those relevant to the College's reporting.

The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information
 - Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

Agency Response

Management agrees with the finding. We began receiving outside training last year, unfortunately the Accountant that received most of the training resigned from the College. We will begin the process again with the new accountant.

STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

B. FINDINGS—FINANCIAL STATEMENT AUDIT (continued)

2008-1: Lack of Reconciliations to the General Ledger

Criteria

The *Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Condition

Reconciliations for Accounts Receivable, Accounts Payable, Prepaid Insurance accounts as well as expense accounts such as ERA and RHC are not being prepared or reviewed by College management and are not being reconciled to the general ledger.

Cause

The agency did not realize that the personnel responsible for the various aspects of the accounting function were not reconciling balances to the general ledger at the end of each month and at year end.

Effect

The College's books or records are at risk of containing material misstatements, as errors or intentional misstatements may occur and not be detected in a timely manner.

Recommendation

We recommend that the College develop a reconciliation process in which accounts are reconciled on a monthly basis and are reviewed and approved at month and year end.

Agency Response

Management agrees with the finding. We have already had meetings to start the monthly reconciliations for A/R, A/P, Prepaid Insurance, ERA, and RHC.

STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

B. FINDINGS—FINANCIAL STATEMENT AUDIT (continued)

2008-2: Missing Documentation -Receipts: Cash Deposits

Criteria

Per Section 2-1 of NMJC Policies and Procedures Manual, the Cashiers office receives cash and checks from various departments of the College, to be deposited to appropriate fiscal accounts. Receipts are derived from Bookstore (daily), Continuing Education (daily), Del Norte Fitness Center (daily), Cashier Activity Center (daily), Cosmetology (daily), Library (daily), Graphics (periodically), Museum (periodically) and activity accounts (periodically). Receipts from each department are accompanied by cash recap which is a summary of the department's cash flow. The Cashier verifies cash to the recap and rings up each transaction to the appropriate account.

Condition

The College is not following their Policies and Procedures Manual Section 2-1. Receipts from different departments are not being receipted daily. There is a time lag in which money is being receipted to the various departments. The departments are receiving their recap report a day after the money is being turned into the cashier for deposit. Therefore, the cashier cannot verify the cash to the recap when ringing up each transaction.

Cause

Cash being deposited with the cashier is not being counted while the person making the deposit is present. This allows for a savings of time on the part of the person making the deposit.

Effect

The College's receipting process allows an opportunity for the misappropriation of cash. If there is a dispute of how much money was deposited there is no way to go back and find the error in a timely manner.

Recommendation

We recommend that the cashier count the cash and signoff on the recap at the time the money is received so they may take care of any problems that arise at that time.

Agency Response

Management agrees with the recommendation of verifying the cash in the deposits as they are received. Notification has been sent out to departments and the cashiers that are required to verify cash before we can process a deposit.

STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

B. FINDINGS—FINANCIAL STATEMENT AUDIT (continued)

2008-3: Lack of Supporting Documentation for Credit Cards

Criteria

New Mexico Procurement Code 13-1-1 to 13-1-99, NMSA 1978, states that payments must be supported by valid receipts and that payments may only be made for valid charges.

Condition

During our test work of credit cards, we noted that there was one disbursement for \$46.00 out of five (that totaled \$411.82) tested was missing a receipt.

Cause

The College is paying credit card charges without obtaining the corresponding receipts for charges. The College did not follow up to make certain that the charge for gas was valid.

Effect

The College could be paying for expenses not incurred or for unallowable expenses.

Recommendation

We recommend that the College require credit card holders to turn in receipts as charges are incurred. In the case of an occasional lost receipt, have the credit card holder sign and date an explanation as to the amount of the charge as well as the purpose of the charge.

Agency Response

Management agrees with the recommendation of requiring receipts or at minimum a lost receipt affidavit describing the transaction by the card holder. It is our policy to require receipts for Purchase Card and Gas Card transactions, and we will continue to take a stronger stand on the institutional staff not providing this documentation.

STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

B. FINDINGS—FINANCIAL STATEMENT AUDIT (continued)

2008-4: Insufficient Advertisement of Invitation to Bid

Criteria

Section 1.4.1.17 of NMAC states the Invitation to Bid or notice thereof shall be published not less than ten calendar days prior to the date set for the opening of bids.

Condition

We noted during our audit test work of ten bids, the College had not advertised one of the bid openings at least ten days prior to bid opening. In this case we noted that the bid was not awarded since all bids were in excess of available budget for the project, but not due to the improper bid advertising.

Cause

The architect firm handling the specifications for the bid did not publish the notice ten days prior to the due date of bid packages. The College relied upon the architect to handle the bid process properly.

Effect

If the College does not follow the procurement code requirements for the bid process they will be in noncompliance with Section 1.4.1.17 of NMAC. This could result in lawsuits by unsuccessful bidders.

Recommendation

We recommend that the College's personnel more closely monitor the bid process in the future to ensure that the College is in compliance with the state procurement code.

Agency Response

Management agrees with the recommendation and will more closely examine the bid advertising process. This includes the bids produced by the architects.

STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2008

B. FINDINGS—FINANCIAL STATEMENT AUDIT (continued)

2008-5: Pledged Collateral Issues

Criteria

Section 6.20.2.15 of NMAC requires that colleges require pledged collateral or all cash and investment in accordance with Section 22-8-40, NMSA 1978. Also, Section 6-10-15, NMSA 1978 lists the following allowable security deposits for public money:

1. securities of the United States, its agencies or instrumentalities;
2. securities of the State of New Mexico, its agencies, instrumentalities, counties, municipalities or other subdivisions'
3. securities, including student loans, that are guaranteed by the United States or the state of New Mexico; revenue bonds that are underwritten by a member of the national association of securities dealers, known as "N.A.S.D", and are rated "BAA" or above by a nationally recognized bond rating service; or
5. letters of credit issued by a federal loan bank. Securities which obligations of the State of New Mexico, its agencies, institution, counties municipalities or other subdivisions shall be accepted as security at par value. All other securities shall be accepted as security at market value.

Condition

We noted during our review of investments and pledged collateral that some of the investments and collateral pledged for the College is not guaranteed by the full faith and credit of the United States government [per AG Advisory Letter 85-08]:

Federal National Mortgage Association (FNMA) Discount Notes; FNMA mortgage backed securities; Federal Home Loan Mortgage Corporation (FHLMC) mortgage backed securities; and securities of the Federal Land Bank and the Federal Farm Credit Bank. The market value of the pledged collateral that is not guaranteed by the full faith and credit of the U.S. government may be volatile.

Cause

United States government sponsored entities' mortgage backed and other securities that are not guaranteed by the full faith and credit of the U.S. government may be volatile because of the current general environment in mortgage-backed securities.

Effect

The fair market value of the College's investments and pledged collateral that is not guaranteed by the full faith and credit of the United States could decrease due to the volatile market, leaving the College without the expected value of the investments and/or unexpectedly without the required amount of pledged collateral.

Recommendation

We recommend that the College implement regular and frequent monitoring of its investments and collateral that has been pledged by each financial institution holding their deposits, to ensure that the market value has not fallen unexpectedly.

Agency Response

Management understands the importance of protecting the large sums of deposits that flow in and out of the Institutions accounts. We receive monthly updates from the Federal Reserve giving the amount and types of pledges from the various banks. We will continue to monitor these pledges for any further decline in the strength of these pledges.

STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

D. PRIOR YEAR FINDINGS

- 2007-1 Capital Assets
Resolved and not repeated.
- 2007-2 Preparation of Financial Statements
Repeated as 2007-2.
- 2007-3 Employees Not Informed of College's Guidelines for Ethical Business Conduct
Resolved and not repeated.
- 2007-4 Error in Payment of Wages
Resolved and not repeated.
- 2007-5 Incorrect Tax Withholding
Resolved and not repeated.
- 2007-6 Taxes Not Withheld
Resolved and not repeated.
- 2007-7 Overspending Budgeted Amounts
Resolved and not repeated.

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STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
OTHER DISCLOSURES
June 30, 2008

FINANCIAL STATEMENT PREPARATION

The financial statements were prepared from the original books and records and with the assistance of the management of New Mexico Junior College as of June 30, 2008 by Accounting and Consulting Group, LLP.

EXIT CONFERENCE

The contents of this report and its schedules related to the component unit were discussed on November 14, 2008. The following persons were in attendance:

Foundation Officials

Dan Hardin, Foundation Treasurer
Larry Hanna, Foundation President
Jennifer Jordan, Foundation Executive Director
Tina Kunko, Foundation Comptroller

Auditor

Cindy Bryan, Partner

College Officials

Larry Hanna, Board Chairman
Dr. Steve McCleery, President
Dan Hardin, Vice-President for Finance
Josh Morgan, Accountant/Comptroller