

NEW MEXICO JUNIOR COLLEGE

FINANCIAL STATEMENTS
With
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
Year Ended June 30, 2009

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NEW MEXICO JUNIOR COLLEGE
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JUNE 30, 2009

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OFFICIAL ROSTER

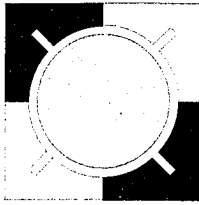
JUNE 30, 2009

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 and Outreach



Accounting & Consulting Group, LLP

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, 2009, 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, 2009. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management; as well as evaluating the overall financial 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, 2009, 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, 2009, 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 9, 2009 on our consideration of the New Mexico Junior College'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.

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 9, 2009

Overview of the Financial Statements and Financial Analysis

For financial reporting purposes, New Mexico Junior College (College) is considered a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. Accordingly, the College'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 College. Included in the reports and discussion is the New Mexico Junior College Foundation as a component unit for fiscal year 2009.

The discussion and analysis of the College's financial statements provides an overview of its financial activities as of and for the year ended June 30, 2009. This discussion gives a comparative analysis of business-type activity from fiscal year 2008 to fiscal year 2009.

Financial Highlights

- The College's assets exceeded its liabilities at the close of the June 30, 2009 fiscal year by \$63,674,213. Of this amount, \$17,773,293 is unrestricted and may be used for the College's ongoing operations.
- The College's financial position improved in 2008/2009 as compared to prior years. Net assets increased during the year by \$5,740,634 over the previous year. The increase resulted primarily from unbudgeted revenue from local mill levy, and completion of a major construction project.
- The College's investments reflect \$11,583,020 at June 30, 2009, 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 College's net assets and how they have changed. Net Assets—the difference between assets and liabilities—is one way to measure the College's financial health, or position. Over time, increases or decreases in the College'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 College's assets, liabilities, and net assets as of June 30, 2009, and includes the comparison to the prior year.

NEW MEXICO JUNIOR COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Assets

	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2009 Component Unit</u>
Assets:			
Current assets	\$ 21,931,055	\$ 19,829,715	\$ 721,716
Capital assets	46,069,869	50,020,839	-
Noncurrent assets-			
Investments	-	-	3,467,261
Restricted cash	919,727	485,471	-
Total assets	<u>\$ 68,920,651</u>	<u>\$ 70,336,025</u>	<u>\$ 4,188,977</u>
Liabilities:			
Current liabilities	\$ 3,362,327	\$ 2,499,328	\$ -
Non-current liabilities	8,730,464	4,162,484	-
Total liabilities	<u>12,092,791</u>	<u>6,661,812</u>	<u>-</u>
Net Assets:			
Invested in capital assets, net of related of debt	37,201,194	45,900,920	-
Restricted:			
Nonexpendable endowments	-	-	4,016,604
Expendable grants, bequests and contributions	-	-	272,555
Unrestricted net assets	19,626,666	17,773,293	(100,182)
Total net assets	<u>\$ 56,827,860</u>	<u>\$ 63,674,213</u>	<u>\$ 4,188,977</u>

Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of the College's financial position. For the College, assets exceeded liabilities by \$63,674,213 at the close of June 30, 2009, as compared to the \$56,827,860 as of June 30, 2008. As of June 30, 2009 the Net Assets consists of 72% Capital Assets (e.g. land, buildings, and equipment) of \$50,020,839. The College uses these capital assets in its mission to provide postsecondary educational services to the College's service area; consequently, these assets are not available for future spending. Capital Assets increased in the 2009 fiscal year by \$3,950,970, net of depreciation expense of \$2,649,936. Net Assets also consist of 28% unrestricted Net Assets, or \$17,773,293, which is available to be used for the College'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.

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, 2009 and includes a comparison to the year ended June 30, 2008.

Revenues, Expenses and Changes in Net Assets

	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2009 Component Unit</u>
Operating revenues	\$ 11,279,266	\$ 12,600,680	\$ 397,737
Operating expenses	<u>30,552,592</u>	<u>31,374,215</u>	<u>309,431</u>
Operating (loss) income	(19,273,326)	(18,773,535)	88,306
Non-operating revenues and expenses	<u>26,977,513</u>	<u>24,283,345</u>	<u>(612,880)</u>
Income before other expenses	7,704,187	5,509,810	(524,574)
Capital appropriations	<u>1,700,362</u>	<u>230,824</u>	-
Increase (decrease) in net assets	<u>\$ 9,404,549</u>	<u>\$ 5,740,634</u>	<u>\$ (524,574)</u>

Analysis of Changes in Net Assets

The College's net assets increased by \$5,740,634 during the 2009 fiscal year (including the prior period restatement of \$1,105,719) as compared to an increase of \$9,404,549 for the 2008 fiscal year. Operating revenues were \$12,600,680 in 2009, which is an increase of \$1,321,414 from fiscal year 2008. Operating expenses were \$31,374,215 in fiscal year 2009, which is an increase of \$821,623 from fiscal year 2008.

Operating Revenues

The following table summarizes the College's operating revenues of \$12,600,680 for the fiscal year ended June 30, 2009, as compared to the operating revenues of \$11,279,266 in 2008. 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.

NEW MEXICO JUNIOR COLLEGE**MANAGEMENT'S DISCUSSION AND ANALYSIS****Operating Revenues**

	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2009 Component Unit</u>
Student tuition and fees, net	\$ 3,372,946	\$ 3,261,437	\$ -
Federal grants and contracts	4,478,259	4,636,053	-
State and other grants and contracts	473,949	423,496	-
Auxiliary enterprises	2,954,112	4,279,694	-
Gifts, bequests and endowments	-	-	320,658
Royalties	-	-	77,079
Total operating revenues	<u>\$ 11,279,266</u>	<u>\$ 12,600,680</u>	<u>\$ 397,737</u>

Operating Expenses

The following table summarizes the College's operating expenses of \$31,374,215 for the fiscal year ended June 30, 2009, as compared to the operating expenses of \$30,552,592 in 2008. The increase in operating expenses is attributed to the increase in student enrollment and facility operation costs. Component Unit expenses for the year were \$309,431.

Operating Expenses

	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2009 Component Unit</u>
Instruction	\$ 8,099,698	\$ 9,146,051	\$ -
Academic support	2,401,649	2,462,060	-
Student services	2,287,139	2,365,763	-
Institutional support	2,970,066	2,700,381	309,431
Operations and maintenance	2,993,454	3,223,547	-
Depreciation	2,590,525	2,649,937	-
Capital outlay	1,400,060	360,284	-
Student aid	4,184,027	4,180,111	-
Student activities	417,811	429,146	-
Intercollegiate athletics	952,537	1,139,742	-
Auxiliary enterprises	2,255,626	2,717,193	-
Total operating expenses	<u>\$ 30,552,592</u>	<u>\$ 31,374,215</u>	<u>\$ 309,431</u>

Non-operating Revenues (Expenses)

The following table summarizes the College's non-operating revenues (expenses) of \$24,283,345 for the fiscal year ended June 30, 2009. State and Local appropriations continue to remain strong with an 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.

NEW MEXICO JUNIOR COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-operating Revenues (Expenses)

	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2009 Component Unit</u>
Property taxes	\$ 3,350,719	\$ 3,976,804	\$ -
Oil and gas taxes	12,612,095	10,501,030	-
State appropriations, non-capital	10,527,697	9,773,467	-
Investment income	656,118	119,119	(612,880)
Interest on capital related debt	(169,116)	(74,974)	-
(Loss) on disposal of assets	-	(12,101)	-
	<u> </u>	<u> </u>	<u> </u>
Total non-operating revenues and expenses	<u>\$ 26,977,513</u>	<u>\$ 24,283,345</u>	<u>\$ (612,880)</u>

Increase in net assets

The following table summarizes the College's increase in net assets of \$5,740,634 for June 30, 2009 compared to the increase in net assets of \$9,404,549 for June 30, 2008.

Increase in Net Assets

	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2009 Component Unit</u>
Income before capital appropriations	\$ 7,704,187	\$ 5,509,810	\$ (524,574)
Capital appropriations	<u>1,700,362</u>	<u>230,824</u>	<u>-</u>
Increase (decrease) in Net Assets	9,404,549	5,740,634	(524,574)
Net assets-beginning of year-as restated	<u>47,423,311</u>	<u>57,933,579</u>	<u>4,713,551</u>
Net assets - end of year	<u>\$ 56,827,860</u>	<u>\$ 63,674,213</u>	<u>\$ 4,188,977</u>

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

At June 30, 2009, the College had \$50,020,839 invested in capital assets as compared to \$46,069,869 at June 2008.

Capital Assets, Net

	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2009</u> <u>Component Unit</u>
Land Improvements	\$ 1,311,713	\$ 2,301,144	\$ -
Buildings	31,530,984	36,657,102	-
Infrastructure	1,927,496	3,112,287	-
Software	486,664	475,880	-
Library books	467,575	494,859	-
Furniture and equipment	2,922,392	2,423,540	-
Automobiles	321,013	238,704	-
Construction in progress	6,854,988	4,109,060	-
Land	247,044	208,263	-
	<u>\$ 46,069,869</u>	<u>\$ 50,020,839</u>	<u>\$ -</u>

Major capital expenditures during the 2009 fiscal year include several landscaping projects, fencing at student housing and the baseball field, paving projects, rodeo arena remodel, and 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.

Economic Outlook

The College'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 College 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 unstable for the next fiscal year, oil and gas prices experienced a large increase then a sharp decline during the 2009 fiscal year. The overall state economic outlook is bleak, the ongoing state support is anticipated to decline in FY '10 and '11 as the state addresses declining revenues. Local economy in Lea County appears to be steady, but property assessment appears to have leveled off.

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NEW MEXICO JUNIOR COLLEGE
STATEMENTS OF NET ASSETS
June 30, 2009

ASSETS	Primary Government	Component Unit
Current assets:		
Cash and cash equivalents	\$ 3,940,193	\$ 706,023
Short-term investments	11,583,020	-
Accounts receivable, net	3,551,168	16,400
Inventories	346,804	-
Prepaid expenses	217,912	-
Deferred expenditures	190,618	-
Total current assets	19,829,715	722,423
Non-current assets:		
Restricted cash and cash equivalents	485,471	-
Investments	-	3,466,554
Property, plant and equipment, net	50,020,839	-
Total non-current assets	50,506,310	3,466,554
Total assets	\$ 70,336,025	\$ 4,188,977
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 579,965	\$ -
Accrued expenses	677,949	-
Compensated absences	6,200	-
Deferred revenue	1,044,312	-
Current maturity of bonds payable	190,902	-
Total current liabilities	2,499,328	-
Non-current liabilities:		
Compensated absences	233,467	-
Bonds payable	3,929,017	-
Total non-current liabilities	4,162,484	-
Total liabilities	6,661,812	-
Net assets:		
Invested in capital assets, net of related debt	45,900,920	-
Restricted for:		
Nonexpendable endowments	-	4,016,604
Expendable grants and contributions	-	272,555
Unrestricted	17,773,293	(100,182)
Total net assets	63,674,213	4,188,977
	\$ 70,336,025	\$ 4,188,977

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, 2009

	<u>Primary Government</u>	<u>Component Unit</u>
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$1,478,280	\$ 3,261,437	\$ -
Federal grants and contracts	4,636,053	-
State and other grants and contracts	423,496	-
Auxiliary enterprises	4,279,694	-
Gifts, bequests and endowments	-	320,658
Royalties	-	77,079
Total operating revenues	<u>12,600,680</u>	<u>397,737</u>
Operating expenses:		
Instruction	9,146,051	-
Academic support	2,462,060	-
Student services	2,365,763	-
Institutional support	2,700,381	309,431
Operations and maintenance	3,223,547	-
Depreciation	2,649,937	-
Capital outlay	360,284	-
Student aid	4,180,111	-
Student activities	429,146	-
Intercollegiate athletics	1,139,742	-
Auxiliary enterprise expenses	2,717,193	-
Total operating expenses	<u>31,374,215</u>	<u>309,431</u>
Operating income (loss)	<u>(18,773,535)</u>	<u>88,306</u>
Non-operating revenues (expenses):		
Property taxes	3,976,804	-
Oil and gas taxes	10,501,030	-
State appropriations, non-capital	9,773,467	-
Investment income (loss)	119,119	(612,880)
Interest on capital related debt	(74,974)	-
(Loss) on disposal of assets	(12,101)	-
Net non-operating revenues (expenses)	<u>24,283,345</u>	<u>(612,880)</u>
Income (loss) before capital appropriations	5,509,810	(524,574)
State appropriations, capital	<u>230,824</u>	<u>-</u>
Change in net assets	<u>5,740,634</u>	<u>(524,574)</u>
Net assets beginning of year	56,827,860	4,713,551
Prior period restatements	<u>1,105,719</u>	<u>-</u>
Net assets beginning of year, as restated	<u>57,933,579</u>	<u>4,713,551</u>
Net assets, end of year	<u>\$ 63,674,213</u>	<u>\$ 4,188,977</u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

STATEMENT OF CASH FLOWS

Year ended June 30, 2009

	Primary Government
Cash flows from operating activities:	
Tuition and fees	\$ 3,378,726
Federal and state grants and contracts	5,124,381
Auxiliary enterprise charges	4,279,694
Payments to employees and for employee benefits	(16,979,428)
Disbursement of net aid to students	(4,180,111)
Payments to suppliers	(7,399,959)
Net cash (used) for operating activities	(15,891,111)
Cash flows from noncapital financing activities:	
State appropriations	9,773,467
Property taxes	3,976,804
Oil and gas taxes	10,501,030
Net cash provided by noncapital financing activities	24,251,301
Cash flows from capital financing activities:	
Principal payments on long term debt	(4,748,756)
Interest paid	(74,974)
Capital appropriations	230,824
Sale of capital assets	(12,101)
Purchase of capital assets	(6,600,916)
Net cash (used) for capital financing activities	(11,205,923)
Cash flows from investing activities:	
Interest income	119,119
Net cash provided by investing activities	119,119
Net decrease in cash and cash equivalents	(2,726,614)
Cash and cash equivalents - beginning of year, as restated	18,735,298
Cash and cash equivalents - end of year	\$ 16,008,684
Reconciliation of net operating loss to net cash used by operating activities:	
Depreciation expense	\$ 2,649,936
Changes in assets and liabilities:	
Accrued expenses	(231,833)
Deferred expenses	(58,087)
Inventory	(40,124)
Deferred revenues	(6,745)
Prepaid expenses	24,482
Compensated absences	36,833
Accounts payable	(480,468)
Accounts receivable, net	(117,289)
Restatement	1,105,719
Net cash (used) for operating activities	\$ (15,891,111)

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2009

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 143,533
Total assets	<u>\$ 143,533</u>
LIABILITIES	
Accounts payable	\$ 897
Held in trust for others	142,636
Total liabilities	<u>\$ 143,533</u>

The accompanying notes are an integral part of these 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.

NOTES TO THE 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's LGIP are readily available to the College when needed and are recorded at cost which approximates fair value. Amounts in the State Treasurer's Reserve Contingency Fund are not currently available to the College and are recorded at their cost value less the estimated loss as provided by the State Treasurer's office. Further disclosure regarding the Reserve Contingency Fund is discussed in Note 2 to the Financial Statements.

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, 2009, 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.

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, 5 years for library books, 5 years for automobiles, 5 to 7 years for equipment and 5 to 10 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 \$94,964 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.

The total expenditures in each of the following budgetary functions will be used as the items of budgetary control: (1) unrestricted expenditures and restricted expenditures, (2) instruction and general, (3) each budget function in current funds other than instruction and general, (4) within the plant funds budget: major projects, library bonds, equipment bonds, minor capital outlay, renewal and replacement, and debt service, and (5) each individual item of transfer between funds and/or functions.

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.

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, 2009.

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, 2009.

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 \$250,000 in aggregate and separate from the coverage for public unit’s demand deposits at that same institution. On October 14, 2008, the FDIC announced a temporary Transaction Account Guarantee Program that provides depositors with unlimited coverage for noninterest-bearing transaction accounts if the bank elects to participate in the Temporary Liquidity Guarantee Program. Wells Fargo Bank is participating in the program, so all noninterest bearing checking accounts at Wells Fargo Bank are insured by FDIC at 100% through December 31, 2009.

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, 2009, \$305,055 of the College’s bank balances of \$2,614,361 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.

	<u>Wells Fargo Bank</u>	<u>Western Commerce Bank</u>	<u>Lea County State Bank</u>	<u>Bank of America</u>	<u>Total</u>
Total amount of deposits	\$ 2,001,993	\$ 25,009	\$ 32,304	\$ 555,055	\$ 2,614,361
FDIC coverage	<u>2,001,993</u>	<u>25,009</u>	<u>32,304</u>	<u>250,000</u>	<u>2,309,306</u>
Total uninsured public funds	-	-	-	305,055	305,055
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>-</u>	<u>305,055</u>	<u>305,055</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured public funds)	\$ -	\$ -	\$ -	\$ 152,528	\$ 152,528
Pledged security	<u>1,517,930</u>	<u>-</u>	<u>-</u>	<u>812,651</u>	<u>2,330,581</u>
Over collateralization	<u>\$ 1,517,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 660,123</u>	<u>\$ 2,178,053</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>2,502,299</u>
Total uninsured public funds	2,502,299
Collateralized by securities held by the pledging institution or its trust department or agent in other than the College’s name	<u>2,502,299</u>
	\$ <u>-</u>
Collateral requirement – 102% of uninsured public funds	\$ 2,552,346
Pledged security	<u>2,552,346</u>
Over (under) collateralization	\$ <u><u>-</u></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</i> LGIP	AAAm	\$ 11,335,495	34 days
Reserve Contingency Fund	Unrated	289,505	Does not earn interest
New Mexico Finance Authority	Not rated	359,577	Less than 90 days
State Treasurer’s Debt Service	Not rated	125,894	Less than 90 days

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The New Mexico Junior College does not have a policy to manage the credit risk of its investments.

The State Treasurer’s New Mexico Grow Local Government Investment Pool (LGIP) is rated “AAA” by Standard and Poor’s. However, the LGIP experienced some problems during the fiscal year ended June 30, 2009, as described below.

The State Treasurer’s Office (STO) communicated to LGIP participants on January 9, 2009, that on September 15, 2008, \$381,700,000 or 23.1% of the LGIP assets, were invested with the Reserve Primary Fund (the Reserve), and that on September 16, 2008, the Reserve was downgraded from “AAA” to “D”. The Reserve was the nation’s oldest SEC-registered money market fund and widely considered one of the most conservative “AAA” rated funds, per the STO correspondence. To avoid negative impact on the participant’s LGIP principal balances and to maintain its “AAA” rating, the STO sold the investment in the Reserve to the State’s General Fund investment pool. The put agreement allowed the State’s general fund investment pool, the purchaser of the security, to reverse the purchase transaction at any time and sell the security back to the LGIP at par, by requesting repayment from the LGIP in exchange for security. The put agreement is scheduled to expire on October 31, 2009 but is subject to extension. The STO’s original plan was to amortize the related loss by decreasing the interest earnings of LGIP participants over the first ten months or so of calendar year 2009, with the goal of avoiding any negative impact on the principal balances of LGIP participants. Therefore, interest payments were decreased accordingly. However, on February 27, 2009, the State Treasurer’s Office notified LGIP participants that the Reserve unexpectedly announced that it was setting aside an initial \$3.5 billion for the purpose of anticipated and pending litigation against it. STO revised its original plan and announced its intent to isolate the LGIP’s Reserve position into a segregated fund named “The Reserve Contingency Fund” that will not earn interest. Any future distributions made by the Reserve will be placed into that fund and then be distributed to the LGIP participants based on each participant’s pro rata share of the LGIP balance as of September 15, 2008. The STO is evaluating the new information received from the Reserve to determine whether STO has any recourse in light of the Reserve’s actions.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS AND INVESTMENTS, (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the College's or the Foundation's investment in a single type of security. The College and the Foundation do not have a formal policy to address concentration of credit risk. The College did not have any investments at June 30, 2009, other than investments in the State Treasurer's *New MexiGROW* LGIP. Therefore they are not subject to any concentration of credit risk. The following represents the concentration of credit risk regarding the investments of the Foundation at June 30, 2009:

Investment	Market Value	Percent of Foundation's Investment
Government securities	\$ 1,022,930	29.5%
Corporate bonds	46,966	1.3%
Equities	1,552,906	44.8%
Mutual funds	824,170	23.8%
Royalty interest	19,582	0.6%
Total Foundation investments	<u>\$ 3,466,554</u>	<u>100.0%</u>

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 \$11,625,000 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	\$ 2,614,361
US Government securities underlying an overnight repurchase agreement	2,502,299
<i>New MexiGROW</i> LGIP	11,335,495
Reserve Contingency Fund	289,505
New Mexico Finance Authority	359,577
State Treasurer's Debt Service	<u>125,894</u>
Total deposits and investments	17,227,131
Petty cash	3,985
Subtract reconciling items	<u>(1,078,899)</u>
Net deposits and investments	<u>\$ 16,152,217</u>

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS AND INVESTMENTS, (continued)

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

Statement of Net Assets:	
Cash and cash equivalents	\$ 3,940,193
Short-term investments	11,583,020
Restricted cash and cash equivalents	<u>485,471</u>
Cash and cash equivalents, end of year per statement of cash flows	16,008,684
Statement of Fiduciary Assets and Liabilities:	
Cash and cash equivalents	<u>143,533</u>
Net deposits and investments	\$ <u>16,152,217</u>

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, 2009 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	\$ 1,172,685
General receivables	996,861
Students	1,199,333
Grants receivable	<u>258,910</u>
	3,627,789
Less allowance for uncollectibles	<u>76,621</u>
Net total accounts receivable	\$ <u>3,551,168</u>

The College's accrued expenses at June 30, 2009 are as follows:

Payroll	\$ 50,687
Payroll taxes and related liabilities	<u>627,262</u>
Total accrued expenses	\$ <u>677,949</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, 2009:

	June 30, 2008	Additions	Deletions	Adjustments	June 30, 2009
Assets not being depreciated:					
Construction in progress	\$ 6,854,988	\$ 4,623,847	\$ 7,369,775	\$ -	\$ 4,109,060
Land	247,044	-	-	(38,781)	208,263
	<u>7,102,032</u>	<u>4,623,847</u>	<u>7,369,775</u>	<u>(38,781)</u>	<u>4,317,323</u>
Land improvements	3,069,084	1,200,141	-	(34,959)	4,234,266
Buildings	45,568,449	6,111,200	-	(47,726)	51,631,923
Infrastructure	2,709,387	1,404,105	-	-	4,113,492
Software	824,964	60,042	-	47,400	932,406
Library books	2,324,104	194,531	-	(6,481)	2,512,154
Furniture and equipment	9,673,769	495,439	885,690	(225,073)	9,058,445
Automobiles	1,310,152	44,000	2,631	4,050	1,355,571
	<u>65,479,909</u>	<u>9,509,458</u>	<u>888,321</u>	<u>(262,789)</u>	<u>73,838,257</u>
Totals	<u>72,581,941</u>	<u>14,133,305</u>	<u>8,258,096</u>	<u>(301,570)</u>	<u>78,155,580</u>
Less accumulated depreciation:					
Land improvements	1,757,371	155,499	-	20,252	1,933,122
Buildings	14,037,465	938,549	-	(1,193)	14,974,821
Infrastructure	781,891	147,292	-	72,022	1,001,205
Software	338,300	91,141	-	27,085	456,526
Library books	1,856,529	162,062	-	(1,296)	2,017,295
Furniture and equipment	6,751,377	1,022,664	865,494	(273,642)	6,634,905
Automobiles	989,139	132,729	2,631	(2,370)	1,116,867
	<u>26,512,072</u>	<u>2,649,936</u>	<u>868,125</u>	<u>(159,142)</u>	<u>28,134,741</u>
Net capital assets	<u>\$ 46,069,869</u>	<u>\$ 11,483,369</u>	<u>\$ 7,389,971</u>	<u>\$ (142,428)</u>	<u>\$ 50,020,839</u>

During the year ended June 30, 2009, management identified errors in the capital assets and the related accumulated depreciation from an accumulation of years where detailed capital assets listing were not properly reconciled to the actual inventory owned by the College. As a result, a prior period adjustment was recorded to adjust amounts to agree to the detail records. The effect of the entry was to decrease net capital assets by \$142,428.

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 retirees 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, 2009, 2008 and 2007, the New Mexico Junior College remitted \$153,111, \$143,696, and \$140,213 respectively, in employer contributions and \$76,556, \$71,848, and \$70,099 respectively, in employee contributions to the Retiree Health Care Authority.

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 7.9% of their gross salary. The College is required to contribute 11.65% of the 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, 2009, 2008 and 2007 were \$1,319,778, \$1,148,706, and \$994,434 respectively, which equal the amount of the required contributions for each fiscal year. The employee contributions for the fiscal years ended June 30, 2009, 2008 and 2007 were \$ 837,601, \$779,415, and \$717,180, 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.

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. It also includes losses on the investments of donor-restricted endowment funds where market value of endowments are less than their historical costs.

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 \$250,000 for each location or by the Securities Investor Protection Corporation (SIPC) up to \$500,000 for each location. As of June 30, 2009, the balances in excess of insurance are \$0.

	Merrill Lynch	Wells Fargo Bank	Total
Total amount of deposits	\$ 560,856	\$ 144,430	\$ 705,286
FDIC coverage	295,000	144,430	439,430
SIPC coverage	<u>265,856</u>	<u>-</u>	<u>265,856</u>
Total uninsured public funds	-	-	-
Collateralized by securities held by the pledging institution or its trust department or agent in other than the Foundation's name	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured public funds)	\$ -	\$ -	\$ -
Pledged security	<u>-</u>	<u>-</u>	<u>-</u>
Over collateralization	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Quality and Interest Rate Risk

	Rating	Fair Value	Weighted Average Maturity
Merrill Lynch Institutional Fund	Not Rated	\$ 29,866	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, 2009 consists of the following:

Accrued interest receivable	\$ 7,337
Golf tournament fundraising pledges receivable	6,225
NM State withholdings refund receivable	<u>2,838</u>
Total receivables	<u>\$ 16,400</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, 2009:

Management and general expenses	\$	97,422
Program expenses		210,126
Fundraising expenses		<u>1,883</u>
Total functional expenses	\$	<u>309,431</u>

Institutional support

The Foundation provided the following institutional support to the College during the year ended June 30, 2009:

Scholarships	\$	168,475
Program Assistance		26,286
Awards		<u>4,000</u>
Total institutional support	\$	<u>198,761</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 an increase of approximately \$400,000 in value since during the quarter subsequent to the balance sheet date.

NOTE 12 – CONSTRUCTION COMMITMENTS

The College has various construction projects as of June 30, 2009. The commitments related to these projects are approximately \$6.6 million as of June 30, 2009.

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, 2009 as follows:

Accrued vacation – beginning of year	\$ 202,834
Additions	335,299
Deletions	<u>(298,466)</u>
Accrued vacation – end of year	<u>\$ 239,667</u>

The College estimates that \$6,200 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, 2009 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.

Long-term liability for the year ended June 30, 2009 was as follows:

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>	<u>Due within One Year</u>
System Revenue Bonds Series July 15, 2005	\$ 4,304,955	\$ -	\$ 185,036	\$ 4,119,919	\$ 190,902
System Revenue Bonds Series July 6, 2007	<u>4,563,720</u>	<u>-</u>	<u>4,563,720</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,868,675</u>	<u>\$ -</u>	<u>\$ 4,748,756</u>	<u>\$ 4,119,919</u>	<u>\$ 190,902</u>

The annual debt service requirements to maturity, including principal and interest for System Revenue Bonds Series 2005 long-term debt as of June 30, 2009 are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	219,588	139,493	359,081
2015-2019	1,235,654	560,081	1,795,735
2020-2024	1,516,622	279,794	1,796,416
2025-2029	<u>344,073</u>	<u>15,310</u>	<u>359,383</u>
Totals	<u>\$ 4,119,919</u>	<u>\$ 1,626,839</u>	<u>\$ 5,746,758</u>

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 16 – PRIOR PERIOD RESTATEMENT

It was determined that 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:

Amount posted to CIP in 2007 was not properly moved to capital assets in subsequent year	\$ 371,098
Allowance for uncollectible accounts had been carrying an erroneous balance for numerous years.	877,049
Capital assets record cleanup was necessary as a result of not properly reconciling detailed capital asset listing to actual inventory by the College in prior years.	<u>(142,428)</u>
Total restatement	<u>\$ 1,105,719</u>

NOTE 17 – SUBSEQUENT PRONOUNCEMENTS

In July 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which is effective for periods beginning after June 15, 2009. For governments that were classified as phase 1 or phase 2 governments, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated. Retroactive reporting of these intangible assets by phase 3 governments is encouraged but not required. Retroactive reporting is not required but is permitted for intangible assets considered to have indefinite useful lives as of the effective date of this Statement and those considered to be internally generated. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The College is analyzing the effect that this standard will have on the financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17 – SUBSEQUENT PRONOUNCEMENTS, (continued)

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for financial statements for periods beginning after June 15, 2010 with earlier implementation encouraged. GASB Statement No. 54 distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purpose for which specific amounts can be spent. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The College is analyzing the effect that this standard will have on the financial statements.

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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, 2009

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Beginning fund balance</i>	\$ 1,167,440	\$ 1,986,516	\$ 10,757,988	\$ 8,771,472
Prior period restatement	-	-	877,049	877,049
<i>Beginning fund balance, as restated</i>	<u>1,167,440</u>	<u>1,986,516</u>	<u>11,635,037</u>	<u>9,648,521</u>
<i>Unrestricted and restricted revenues:</i>				
State general fund appropriations	13,479,856	13,243,619	13,922,422	678,803
Federal revenue sources	1,185,100	1,395,428	1,131,687	(263,741)
Tuition and fees	3,256,500	3,222,883	3,292,955	70,072
Other	2,941,604	2,933,604	3,555,406	621,802
Local funding	8,300,000	14,665,460	14,695,195	29,735
<i>Total unrestricted and restricted revenues</i>	<u>29,163,060</u>	<u>35,460,994</u>	<u>36,597,665</u>	<u>1,136,671</u>
<i>Unrestricted and restricted expenditures:</i>				
Instruction	8,974,583	9,153,089	9,199,158	(46,069)
Academic support	2,656,167	2,822,916	2,726,926	95,990
Student services	2,258,067	2,454,365	2,421,419	32,946
Institutional support	2,729,883	2,806,363	2,700,381	105,982
Operation and maintenance of plant	2,890,691	3,158,444	3,223,547	(65,103)
Student social and cultural activities	410,104	412,838	429,146	(16,308)
Auxiliary services	1,684,636	1,740,781	2,093,891	(353,110)
Intercollegiate athletics	983,542	1,069,209	1,139,742	(70,533)
Internal service	506,502	561,264	661,610	(100,346)
Capital outlay	1,861,600	16,600,351	6,002,085	10,598,266
Building renewal and replacement	1,024,300	744,141	276,654	467,487
Retirement of indebtedness	358,999	358,999	13,425	345,574
Student aid, grants and stipends	4,753,038	5,063,577	4,180,111	883,466
<i>Total unrestricted and restricted expenditures</i>	<u>31,092,112</u>	<u>46,946,337</u>	<u>35,068,095</u>	<u>11,878,242</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(1,929,052)</u>	<u>(11,485,343)</u>	<u>1,529,570</u>	<u>13,014,913</u>
<i>Ending fund balance</i>	<u>\$ (761,612)</u>	<u>\$ (9,498,827)</u>	<u>\$ 13,164,607</u>	<u>\$ 22,663,434</u>
<i>Change in net assets per statement of revenues, expenses and changes in net assets</i>			\$ 5,740,634	
Capital outlay			(6,600,916)	
Depreciation expense			2,649,936	
Other			11	
Deferred property taxes			(117,667)	
Restatement			(142,428)	
<i>Financial statements change in net assets reconciled to budgetary basis</i>			<u>\$ 1,529,570</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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ (9,544,179)	\$ (9,493,921)	\$ (3,067,349)	\$ 6,426,572
Prior period restatement	-	-	-	-
<i>Beginning fund balance, as restated</i>	<u>(9,544,179)</u>	<u>(9,493,921)</u>	<u>(3,067,349)</u>	<u>6,426,572</u>
<i>Unrestricted revenues:</i>				
Internal service dept	22,000	22,000	31,518	9,518
Sales and services	2,327,600	2,327,600	2,269,749	(57,851)
GOB Drawdowns	-	-	230,824	230,824
Athletics	320,500	312,500	316,500	4,000
<i>Total unrestricted revenues</i>	<u>2,670,100</u>	<u>2,662,100</u>	<u>2,848,591</u>	<u>186,491</u>
<i>Unrestricted expenditures:</i>				
Student social and cultural activities	214,304	217,038	208,053	8,985
Internal services	506,502	561,264	661,610	(100,346)
Student aid, grants and stipends	372,643	607,102	642,733	(35,631)
Auxiliary services	1,684,636	1,740,781	2,093,891	(353,110)
Intercollegiate athletics	983,542	1,069,209	1,139,742	(70,533)
Capital outlay	1,861,600	16,600,351	6,002,085	10,598,266
Building renewal and replacement	1,024,300	744,141	276,654	467,487
Retirement of indebtedness	358,999	358,999	13,425	345,574
<i>Total unrestricted expenditures</i>	<u>7,006,526</u>	<u>21,898,885</u>	<u>11,038,193</u>	<u>10,860,692</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(4,336,426)</u>	<u>(19,236,785)</u>	<u>(8,189,602)</u>	<u>11,047,183</u>
<i>Ending fund balance</i>	<u><u>\$(13,880,605)</u></u>	<u><u>\$(28,730,706)</u></u>	<u><u>\$(11,256,951)</u></u>	<u><u>\$ 17,473,755</u></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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ -	\$ -	\$ (169,846)	\$ (169,846)
Prior period restatement	-	-	-	-
<i>Beginning fund balance, as restated</i>	-	-	(169,846)	(169,846)
<i>Restricted revenues:</i>				
Federal government contracts/grants	195,800	206,719	221,093	14,374
State government contracts/grants	4,380,395	4,380,395	3,725,459	(654,936)
<i>Total restricted revenues</i>	4,576,195	4,587,114	3,946,552	(640,562)
<i>Restricted expenditures:</i>				
Student social and cultural activities	195,800	195,800	221,093	(25,293)
Student aid, grants and stipends	4,380,395	4,456,475	3,537,378	919,097
<i>Total restricted expenditures</i>	4,576,195	4,652,275	3,758,471	893,804
<i>Change in fund balance (budgetary basis)</i>	-	(65,161)	188,081	253,242
<i>Ending fund balance</i>	\$ -	\$ (65,161)	\$ 18,235	\$ 83,396

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ 10,711,619	\$ 11,480,437	\$ 13,685,343	\$ 2,204,906
Prior period restatement	-	-	877,049	877,049
<i>Beginning fund balance, as restated</i>	<u>10,711,619</u>	<u>11,480,437</u>	<u>14,562,392</u>	<u>3,081,955</u>
<i>Unrestricted revenues:</i>				
Tuition and fees	3,234,500	3,200,883	3,261,437	60,554
State government appropriations	8,738,874	8,536,474	9,773,467	1,236,993
Local government appropriations	8,300,000	14,665,460	14,360,167	(305,293)
Federal grants and contracts	45,000	45,000	61,699	16,699
Other	293,504	293,504	738,333	444,829
<i>Total unrestricted revenues</i>	<u>20,611,878</u>	<u>26,741,321</u>	<u>28,195,103</u>	<u>1,453,782</u>
<i>Unrestricted expenditures:</i>				
Instruction	8,579,781	8,758,629	8,859,728	(101,099)
Academic support	2,626,825	2,793,574	2,610,293	183,281
Student services	1,402,234	1,432,618	1,457,033	(24,415)
Institutional support	2,707,236	2,783,716	2,700,381	83,335
Operation and maintenance of plant	2,888,428	3,156,181	3,223,547	(67,366)
<i>Total unrestricted expenditures</i>	<u>18,204,504</u>	<u>18,924,718</u>	<u>18,850,982</u>	<u>73,736</u>
<i>Change in fund balance (budgetary basis)</i>	<u>2,407,374</u>	<u>7,816,603</u>	<u>9,344,121</u>	<u>1,527,518</u>
<i>Ending fund balance</i>	<u>\$ 13,118,993</u>	<u>\$ 19,297,040</u>	<u>\$ 23,906,513</u>	<u>\$ 4,609,473</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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ -	\$ -	\$ 309,840	\$ 309,840
Prior period restatement	-	-	-	-
<i>Beginning fund balance, as restated</i>	-	-	309,840	309,840
<i>Restricted revenues:</i>				
Federal government contracts/grants	944,300	1,143,709	848,895	(294,814)
State government contracts/grants	360,587	326,750	423,496	96,746
Private grants	-	-	335,028	335,028
<i>Total restricted revenues</i>	<u>1,304,887</u>	<u>1,470,459</u>	<u>1,607,419</u>	<u>136,960</u>
<i>Restricted expenditures:</i>				
Instruction	394,802	394,460	339,430	55,030
Academic support	29,342	29,342	116,633	(87,291)
Student services	855,833	1,021,747	964,386	57,361
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>1,304,887</u>	<u>1,470,459</u>	<u>1,420,449</u>	<u>50,010</u>
<i>Change in fund balance (budgetary basis)</i>	-	-	186,970	186,970
<i>Ending fund balance</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 496,810</u>	<u>\$ 496,810</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, 2009**

	June 30, 2008	Receipts	Disbursements	June 30, 2009
ACTA Student Activity	\$ 30	\$ -	\$ -	\$ 30
AMP Club	179	-	-	179
ASSET Student Recognition	1,499	100	1,017	582
Automotive Competition	-	4,851	4,575	276
Auto Youth Ed Services	9	-	-	9
B&T Invitational Competition	2,541	-	-	2,541
Backpacking and Camping	-	200	-	200
Baseball Booster Club	126	496	455	167
Burke Poetry Contest	444	-	-	444
CADD/College	420	-	-	420
CADD-High School	1,631	-	-	1,631
Campus Ambassadors	384	340	240	484
Cheerleaders	65	-	-	65
CIA Club	-	3,110	2,647	463
College Democrats	210	-	8	202
College Republicans	402	13	111	304
Cosmetology Students	16,384	30,800	27,034	20,150
Cultural Activities	193	-	-	193
Drama Club	2,412	4,420	1,805	5,027
Employee Reimbursement Plan	892	-	-	892
Fellowship of Christian Athletes	231	-	-	231
FFA	3,406	-	-	3,406
Geology Club	605	-	-	605
Golf	7,320	7,837	3,011	12,146
Job Fair (Career Connections)	299	-	-	299
Literacy Volunteers of Lea County	1,743	-	-	1,743
Men's Basketball	239	13	12	240
Men's CRS Country	624	45	45	624
Moran Lecture Series	3,798	9,498	10,847	2,449
MU Alpha Theta	267	607	762	112
Music Educators National Conference	141	-	-	141
National Conference Rodeo	1	-	-	1
NJCAA Div 1 Golf Coaches Association	43	-	-	43
NM College/High School Rodeo Challenge	-	68,889	68,889	-
NM Placement Council	6,176	-	-	6,176
NMJC Band Club	2,295	2,163	2,830	1,628
NMJC Chorale Club	129	-	-	129
NMJC Journalism Club	366	-	-	366
NMJC Sensations	5,461	5,225	6,192	4,494
NMJC Skills USA	880	13,940	14,596	224
NMJC Social Committee	245	4,910	3,845	1,310
Non-Traditional Students Association	28	-	-	28
Pathway Program	850	-	-	850

(continued)

See Independent Auditor's Report

	<u>June 30, 2008</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2009</u>
Phi Beta Lambda - State	\$ 24	\$ -	\$ -	\$ 24
Phi Beta Lambda-NMJC	731	-	82	649
Phi Theta Kappa	52	4,582	4,583	51
Physical Education Majors Club	250	-	-	250
Prepaid Tuition Agreements	11,458	6,401	1,504	16,355
Public Safety Account	601	354	908	47
Rodeo Club	3,181	100	61	3,220
Rope Climbing and Rappelling Club	585	-	105	480
SBDC Program Services	10,966	13,709	13,930	10,745
Sigma Kappa Delta	23	-	-	23
Southwestern American Literature	14	-	-	14
Student CIS Fund	154	-	-	154
Student Nurses Association	80	-	-	80
Student Senate	355	-	-	355
Student Senate Fundraiser	111	-	-	111
Student Services Support	6,078	-	259	5,819
Student Support Services	369	-	-	369
Support/Maintenance Council	2,460	2,040	1,729	2,771
Upward Bound	2,065	8,111	6,705	3,471
VICA - AVHS - Automotive	11	-	-	11
VICA - AVHS - HOE/CADD	208	-	-	208
VICA - Postsec - Automotive	1,795	1,721	3,442	74
VICA - Postsec - Cosmetology	304	5,883	6,187	-
Welding Students	1,158	-	-	1,158
Western Heritage Archaeological	1,104	255	661	698
Western Heritage Community Assistance	8,291	8,097	7,347	9,041
Western Heritage Museum Memorial	-	3,635	3,635	-
Western Heritage Museum Membership	225	3,755	404	3,576
WHM Special Events	-	26,033	15,724	10,309
Women's Basketball	1,069	-	-	1,069
	<u>116,690</u>	<u>242,133</u>	<u>216,187</u>	<u>142,636</u>
Accounts Payable	583	897	583	897
Accounts Receivable	(1,184)	1,184	-	-
Total agency fund cash	<u>\$ 116,089</u>	<u>\$ 244,214</u>	<u>\$ 216,770</u>	<u>\$ 143,533</u>

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS

June 30, 2009

Account Name	Type	Western Commerce Bank	New Mexico State Treasurer	New MexiGROW LGIP	New Mexico Finance Authority
NMJC	Checking	\$ 25,009	\$ -	\$ -	\$ -
Instructional and general	Overnight Repurchase	-	-	-	-
Bond debt service	State treasurer	-	125,894	-	-
Debt service reserve	Mutual fund	-	-	-	359,577
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	-	-	11,625,000	-
NMJC Foundation	Cash Fund	-	-	-	-
NMJC Foundation	Cash Fund	-	-	-	-
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		25,009	125,894	11,625,000	359,577
Outstanding items		-	-	(41,980)	-
		<u>\$ 25,009</u>	<u>\$ 125,894</u>	<u>\$11,583,020</u>	<u>\$ 359,577</u>

See Independent Auditor's Report

Lea County State Bank	Bank of America	Wells Fargo Bank	Total	Component Unit		
				Merrill Lynch	Wells Fargo Bank	Total
\$ -	\$ -	2,001,993	\$ 2,027,002	\$ -	\$ -	\$ -
-	-	2,502,299	2,502,299	-	-	-
-	-	-	125,894	-	-	-
-	-	-	359,577	-	-	-
32,304	-	-	32,304	-	-	-
-	10,000	-	10,000	-	-	-
-	25,537	-	25,537	-	-	-
-	299,840	-	299,840	-	-	-
-	61,262	-	61,262	-	-	-
-	158,416	-	158,416	-	-	-
-	-	-	11,625,000	-	-	-
-	-	-	-	30,244	-	30,244
-	-	-	-	85,000	-	85,000
-	-	-	-	210,000	-	210,000
-	-	-	-	32,990	-	32,990
-	-	-	-	109,236	-	109,236
-	-	-	-	21,855	-	21,855
-	-	-	-	71,530	-	71,530
-	-	-	-	-	144,431	144,431
32,304	555,055	4,504,292	17,227,131	560,855	144,431	705,286
-	(94,160)	(942,759)	(1,078,899)	-	-	-
<u>\$ 32,304</u>	<u>\$ 460,895</u>	<u>\$ 3,561,533</u>	<u>16,148,232</u>	<u>\$ 560,855</u>	<u>\$ 144,431</u>	<u>705,286</u>
		Petty cash	<u>3,985</u>			<u>30</u>
			<u>\$ 16,152,217</u>			<u>\$ 705,316</u>
Reconciliation to the Statement of Net Assets:						
		Cash and cash equivalents	\$ 3,940,193			\$ 705,316
		Restricted cash and cash equivalents	485,471			-
		Short-term investment	<u>11,583,020</u>			<u>-</u>
			16,008,684			705,316
Reconciliation to the Statement of Fiduciary Assets and Liabilities:						
		Cash and cash equivalents	<u>143,533</u>			<u>-</u>
		Total deposits and investments	<u>\$ 16,152,217</u>			<u>\$ 705,316</u>

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
June 30, 2009

Schedule III

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2009	Name and Location of Safekeeper
Wells Fargo Bank	FNCL 831610, Due 6/1/36 CUSIP #31407H3T1	\$ 1,422,602	Wells Fargo Bank Minneapolis, MN
Wells Fargo Bank	G2SF 3321, Due 12/20/32 CUSIP #36202DVN8	80,680	Wells Fargo Bank Minneapolis, MN
Wells Fargo Bank	GVSF 781260, Due 3/15/31 CUSIP #36225BMH8	<u>14,648</u>	Wells Fargo Bank Minneapolis, MN
Total collateral on cash deposits at Wells Fargo Bank		<u>1,517,930</u>	
Wells Fargo Bank	FNCL 831367, Due 1/1/36 CUSIP #31407HTY2	<u>2,552,346</u>	Wells Fargo Bank Minneapolis, MN
Total collateral on repurchase agreement deposits at Wells Fargo Bank		<u>2,552,346</u>	
Total collateral at Wells Fargo Bank		<u>4,070,276</u>	
Bank of America	FNMA Pool 555424, Due 5/1/33 CUSIP #31385XAZO	<u>812,651</u>	Federal Home Loan Bank Dallas, TX
		<u>\$ 4,882,927</u>	

See Independent Auditor's Report

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Schedule IV

Year ended June 30, 2009

	<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	\$ 1,855,273
Federal FEELP loan program	84.032	42320	1,177,743
Federal SEOG program	84.007	42325	30,609
Federal work study program	84.033	42511	44,038
TRIO cluster:			
Student support services 2008-2009	84.042A	41131	250,722
Talent search 2008-2009	84.044A	41132	253,871
Upward bound 2008-2009	84.047A	41133	234,798
Passed through New Mexico			
Public Education Department			
Carl Perkins vocational support services	84.048	41312	115,492
Special programs for the aging cluster:			
Adult Basic Education State	84.002	41211	192,928
Adult Basic Education Textbooks		41212	8,665
Adult Basic Education ESL/Civics		41213	11,529
Adult Basic Education		41310	94,883
US Nuclear Regulatory Commission			
Direct program:			
Nuclear Education Grant	77.006	41141	73,769
US Small Business Administration			
Passed through New Mexico			
Public Education Department			
Small Business Development Center	59.037	41220	<u>221,093</u>
Total expenditures of federal awards			<u><u>\$ 4,565,413</u></u>

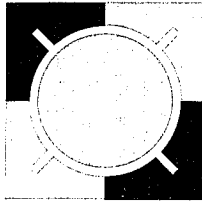
(1) Tested as major program

See accompanying Notes to Schedule of Expenditures of Federal Awards

NEW MEXICO JUNIOR COLLEGE

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009**

- 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.



Accounting & Consulting Group, LLP

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, 2009, and have issued our report thereon dated November 9, 2009. We have also audited the budget comparison schedules presented as supplemental information for the year ended June 30, 2009. 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-2, 2009-1, 2009-4 and 2009-5 to be significant deficiencies 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, of the significant deficiencies described above, we considered 2009-4 to be 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*.

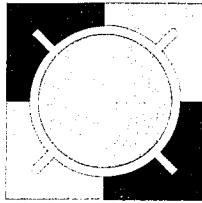
We noted certain matters that are required to be reported under *Government Auditing Standards January 2008 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as items 2009-2 and 2009-3.

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 9, 2009



Accounting & Consulting Group, LLP

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, 2009. 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, 2009.

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, L.L.P.

Accounting & Consulting Group, LLP
Certified Public Accountants
Carlsbad, New Mexico
November 9, 2009

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? x Yes 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063	Federal PELL Grant Program
84.032	Federal FEELP Loan Program
84.007	Federal SEOG Program
84.033	Federal Work Study Program

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

Auditee qualified as low-risk auditee? Yes x No

B. FINDINGS—FINANCIAL STATEMENT AUDIT2007-2: Preparation of Financial Statements (College)***Condition***

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

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.

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.

Cause

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

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 that knowledge of financial statement preparation is very important to the accurate reporting of the financial status of the College. In response to this finding from the 2008 audit, the College contracted consultants to come to the College three different times during the year to work with Business Office personnel on fixed assets and accounts receivable. Also, Business Office personnel attended professional training classes in government accounting and audit updates. We will continue this emphasis on training for accounts receivable, GASB updates, and concentrate on financial statement preparation during the FY 10.

B. FINDINGS—FINANCIAL STATEMENT AUDIT (continued)2009-1: Overspent Purchase Orders (College)***Condition***

During our testwork of disbursements, we noted the following:

- 1 disbursement (totaling \$65) out of the 10 (totaling \$13,273) tested exceeded the original blanket purchase order. This created a total overage on this purchase order for the year of \$330.

Criteria

New Mexico Junior College Policy states, "All requisitions, whether requesting that a purchase order be issued or requisitions with the invoice attached, must first be submitted to Purchasing for processing". This process ensures that the proper account code has been used, that sufficient budget exists to purchase the requested items, that appropriate approval signatures have been obtained, and that each request adheres to the State of New Mexico Procurement Code.

Effect

The College is circumventing their own internal controls and the potential for fraud or material misstatement is present.

Cause

The accounts payable module in Banner software allows the accounts payable clerk to pay invoices over the amount of the purchase order.

Recommendation

We recommend that the College implement controls in their accounting software that does not allow purchase orders to be overspent.

Agency Response

Management agrees that overspending on a Purchase Order should not be an option for the Accounts Payable Clerk. Changes to the Banner software were implemented in July of 2009 to prevent the Accounts Payable Clerk from having the capability to overpay a Purchase Order.

B. FINDINGS—FINANCIAL STATEMENT AUDIT (continued)2009-2: Lack of Documentation for Purchase Orders (College)***Condition***

During our testwork of disbursements we noted that 1 disbursement (totaling \$5,727) out of 10 (totaling \$13,273) checks was missing a purchase order.

Criteria

New Mexico Junior College Purchasing Policy 7-2: *Small Purchases* requires a purchase order for goods or services over \$1,500.

Effect

Internal control over expenditures and the ability of responsible parties to appropriately monitor budgets for which they bear responsibility may be compromised.

Cause

The College has not placed the appropriate emphasis on adherence to stated control policies.

Recommendation

We recommend that the College follow their own internal purchasing policy procedures.

Agency Response

Management agrees that policy should be followed and requisitions over \$1,500.00 should have a purchase order. The Accounts Payable Clerk, Purchase Coordinator, and Accountant are reviewing requisitions over \$1,500.00 and will require a Purchase Order to be in place.

B. FINDINGS—FINANCIAL STATEMENT AUDIT (continued)2009-3: Stale Dated Checks (College)***Condition***

During our testwork of cash, we found 199 checks totaling \$21,994 that were written more than a year ago and listed as outstanding checks on the bank reconciliations. New Mexico Junior College has not reported the payees or turned over the funds to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Criteria

Section 7-8A, NMSA 1978, and related regulations require the College provide information about the payees and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year.

Effect

The College cash balance could be misstated due to old outstanding items on the bank reconciliations. In addition, this increases the risk of errors or irregularities in the area of cash.

Cause

The College failed to review the reconciliations for old outstanding checks. In addition, the College was not aware of the requirement to remit stale dated check funds to the New Mexico Taxation and Revenue Department.

Recommendation

We recommend that the College implement a monthly review of bank reconciliations and ensure that all outstanding checks that are older than one year be voided. Information about the payees and the related funds should be reported to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Agency Response

Management agrees that with the reconciliation of outstanding checks, checks dated over one year should be remitted to the State in a timely fashion. Steps have been taken to ensure the timely remittance of stale dated checks.

B. FINDINGS—FINANCIAL STATEMENT AUDIT (continued)2009-4: Lack of Segregation of Duties (Foundation)***Condition***

During our testwork of the cash receipting and disbursements we noted the following instances of a lack of appropriate segregation of duties. We also noted that the Foundation accountant performs many of the duties and functions that are required for the cash receipt and disbursements process, however, another person actually makes deposits and writes the checks:

- The accountant prepares the bank reconciliations and
- The accountant is one of the authorized check signers who also has access to the on-line banking and
- The accountant prepared the general ledger

Criteria

Appropriate segregation of duties in cash receipting and cash disbursements is required to maintain proper and sufficient internal controls and properly report all revenues and expenditures as required by Section 6-6-3, NMSA 1978.

Effect

Without adequate segregation of duties in key control processes, there is an increased risk of fraudulent activity, and also an increased risk of errors that may not be detected timely.

Cause

Due to limited resources, the Foundation relies on the expertise of one individual to perform many duties. Limited resources in the process noted above, appear to result in a lack of segregation of duties.

Recommendation

We recommend that the Foundation develop a formal review process for the receipt and disbursement transaction cycle. When there are only two employees, additional oversight become very crucial. These processes should be written and implemented to ensure proper internal controls are present, including segregation of duties.

Agency Response

Management agrees with the segregation of duties, and will develop a formal review process for the receipt and distribution transaction cycle.

B. FINDINGS—FINANCIAL STATEMENT AUDIT (continued)2009-5: Incomplete reconciliations (College)***Condition***

Allowance for Bad Debts and Capital Assets are in need of additional reconciliation to the subsidiary detail and need to be reviewed by College management.

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.

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.

Cause

The College's staff has been diligently working to ensure all balance sheet accounts are in agreement with their subsidiary details. Capital Assets and Allowance for Bad Debts were in the reconciliation process, however, not all differences had been located and corrected by the time of the audit.

Recommendation

We recommend that the College continue to work on these reconciliations and to have the reconciliations reviewed on a regular basis.

Agency Response

Management agrees that regular reconciliation is important to the financial stability of the College. Accounting staff will continue to reconcile balance sheet accounts with subsidiary details.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

D. PRIOR YEAR FINDINGS

2007-2 Preparation of Financial Statements
Repeated as 2007-2.

2008-1 Lack of Reconciliations to the General Ledger
Resolved and not repeated.

2008-2 Missing Documentation – Receipts: Cash Deposits
Resolved and not repeated.

2008-3 Lack of Supporting Documentation for Credit Cards
Resolved and not repeated.

2008-4 Insufficient Advertisement of Invitation to Bid
Resolved and not repeated.

2008-5 Pledged Collateral Issues
Resolved and not repeated.

OTHER DISCLOSURES

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, 2009 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 9, 2009. The following persons were in attendance:

Foundation Officials

Dan Hardin, Foundation Treasurer
Larry Hanna, Foundation President

Auditor

Cindy Bryan, Partner

College Officials

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