

Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
NEW MEXICO JUNIOR COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012



NEW MEXICO JUNIOR COLLEGE

FINANCIAL STATEMENTS
With
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
Year Ended June 30, 2012

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NEW MEXICO JUNIOR COLLEGE
OFFICIAL ROSTER
JUNE 30, 2012

Name	BOARD MEMBERS	Title
Guy Kesner		Chairman
Pat Chappelle		Secretary
Zeke Williams		Member
Mary Lou Vinson		Member
Ron Black		Member
Hector Baeza		Member
Travis Glenn		Member

**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
Dr. Robert Rhodes	Vice-President for Training and Outreach

Name	NMJC FOUNDATION BOARD MEMBERS	Title
Debra Hicks		President
David Shaw		Vice President
Dan Hardin		Treasurer
Tina Kunko		Secretary



Accounting & Consulting Group, LLP
Certified Public Accountants

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 financial statements of the business-type activities of New Mexico Junior College (the College) and its discretely presented component unit, as of and for the year ended June 30, 2012, as listed in the table of contents. We have also audited the budgetary comparison schedules presented as supplemental information for the year ended June 30, 2012. 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 College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 respective financial position of the College and its discretely presented component unit as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparisons referred to above present fairly, in all material respects, the budgetary comparisons for the College for the year ended June 30, 2012, in conformity with the budgetary basis of accounting as prescribed in the New Mexico Administrative Code, as more fully described in Note 1 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012 on our consideration of the 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.

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 8 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements, its discretely presented component unit and the budgetary comparisons presented as supplemental information. 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, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying financial information listed as Supporting Schedules I through III in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Certified Public Accountants
Hobbs, New Mexico
November 5, 2012

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 No. 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 2012.

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, 2012. This discussion gives a comparative analysis of business-type activity from fiscal year 2011 to fiscal year 2012.

Financial Highlights

- The College's assets exceeded its liabilities at the close of the June 30, 2012 fiscal year by \$79,593,852. Of this amount, \$14,847,860 is unrestricted and may be used for the College's ongoing operations.
- The College's financial position improved in 2011/2012 as compared to prior years. Net assets increased during the year by \$3,269,024 over the previous year. The increase resulted primarily from unbudgeted revenue from local mill levy.
- The College's investments reflect \$9,589,592 at June 30, 2012, 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, 2012, and includes the comparison to the prior year.

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012 Component Unit</u>
Assets:			
Current assets	\$ 17,236,000	\$ 19,439,373	\$ 659,747
Capital assets	66,387,654	62,759,429	-
Noncurrent assets-			
Investments	-	-	4,840,121
Restricted cash	555,600	538,831	-
Total assets	<u>\$ 84,179,254</u>	<u>\$ 82,737,633</u>	<u>\$ 5,499,868</u>
Liabilities:			
Current liabilities	\$ 2,599,764	\$ 3,576,282	\$ 2,653
Non-current liabilities	1,985,638	2,836,523	-
Total liabilities	<u>4,585,402</u>	<u>6,412,805</u>	<u>2,653</u>
Net Assets:			
Invested in capital assets, net of related of debt	64,190,392	59,857,992	-
Restricted:			
Nonexpendable endowment	-	-	4,257,591
Expendable grants, bequests and contribution:	-	-	1,151,177
Expendable future debt service requirements	555,600	538,831	-
Unrestricted net assets	14,847,860	15,928,005	88,447
Total net assets	<u>\$ 79,593,852</u>	<u>\$ 76,324,828</u>	<u>\$ 5,497,215</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 \$76,324,828 at the close of June 30, 2011, as compared to the \$79,593,852 as of June 30, 2012. As of June 30, 2012, the Net Assets consists of investment of capital assets (e.g. land, building, and equipment), net of related debt in the amount of \$64,190,392 or 80%. The College uses these capital assets in its mission to provide postsecondary educational services to the College' service area; consequently, these assets are not available for future spending. Capital Assets increased in the 2012 fiscal year by \$3,628,225, net of depreciation expense of \$3,217,711. Net Assets also consist of 19% unrestricted Net Assets, or \$14,847,860. Unrestricted net assets include \$555,600, or 1% of expendable future debt service funds and unrestricted net assets available for the College's ongoing operation. The Statement of Net Assets indicates growth in capital assets. Increases are due to the completion of construction projects and as well as renewal and replacement projects.

See Independent Auditor's Report

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 ending June 30, 2012 and includes a comparison to the year ended June 30, 2011.

Revenues, Expenses and Changes in Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012 Component Unit</u>
Operating revenues	\$ 9,943,080	\$ 11,036,419	\$ 142,147
Operating expenses	<u>34,495,614</u>	<u>35,063,319</u>	<u>206,588</u>
Operating (loss) income	(24,552,534)	(24,026,900)	(64,441)
Non-operating revenues and expenses	<u>26,016,096</u>	<u>25,127,213</u>	<u>49,417</u>
Income before other revenue	1,463,562	1,100,313	(15,024)
Capital appropriations	<u>1,805,462</u>	<u>1,611,028</u>	-
Increase (decrease) in net assets	<u>\$ 3,269,024</u>	<u>\$ 2,711,341</u>	<u>\$ (15,024)</u>

Analysis of Changes in Net Assets

The College's net assets increased by \$3,269,024 during the 2012 fiscal year as compared to an increase of \$2,711,341 for the 2011 fiscal year. Operating revenues were \$9,943,080 in 2012, which is a decline of \$1,093,339 from fiscal year 2011. Operating expenses were \$34,495,614 in fiscal year 2012, which is a decrease of \$567,705 from fiscal year 2011.

Operating Revenues

The following table summarizes the College's operating revenues of \$9,943,080 for the fiscal year ended June 30, 2012, as compared to the operating revenues of \$11,036,419 in 2011. FY 12 reflects an increase in gross tuition and fees, which is mostly due to the increase in tuition rates. The operating revenue report has a decrease in Federal grants and contract revenue as Federal Direct Loan revenue decreased and the Talent Search grant ended during FY 12. Component Unit revenues for the year total \$142,147.

See Independent Auditor's Report

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Revenues

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012 Component Unit</u>
Student tuition and fees, net	\$ 4,005,769	\$ 3,782,268	\$ 506
Federal grants and contracts	1,931,585	3,383,022	-
State and other grants and contracts	657,797	829,508	-
Auxiliary enterprises	3,347,929	3,041,621	-
Gifts, bequests and endowments	-	-	141,641
	<u> </u>	<u> </u>	<u> </u>
Total operating revenues	<u>\$ 9,943,080</u>	<u>\$ 11,036,419</u>	<u>\$ 142,147</u>

Operating Expenses

The following table summarizes the College's operating expenses of \$34,495,614 for the fiscal year ended June 30, 2012, as compared to the operating expenses of \$35,063,319 in 2011. The decrease in operating expenses is attributed to the decrease in demand for student financial aid. Component Unit expenses for the year were \$206,588.

Operating Expenses

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012 Component Unit</u>
Instruction	\$ 9,266,203	\$ 9,015,026	\$ -
Academic support	2,171,294	2,286,697	-
Student services	2,347,919	2,692,727	-
Institutional support	3,087,081	3,289,193	206,588
Operations and maintenance	3,345,919	3,362,725	-
Depreciation	3,217,711	3,170,479	-
Capital outlay	1,353,690	1,076,437	-
Student aid	5,824,615	6,723,114	-
Private grants	66,549	15,766	-
Student activities	154,819	231,939	-
Intercollegiate athletics	1,185,346	1,123,905	-
Auxiliary enterprises	2,474,468	2,075,311	-
	<u> </u>	<u> </u>	<u> </u>
Total operating expenses	<u>\$ 34,495,614</u>	<u>\$ 35,063,319</u>	<u>\$ 206,588</u>

Non-Operating Revenues (Expenses)

The following table summarizes the College's non-operating revenues (expenses) of \$26,016,096 for the fiscal year ended June 30, 2012. Local appropriations continue to remain strong but there was a decrease in State 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.

See Independent Auditor's Report

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-operating Revenues (Expenses)

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012 Component Unit</u>
Property taxes	\$ 5,415,280	\$ 5,413,435	\$ -
Oil and gas taxes	11,416,154	9,581,640	-
Federal pell grants	3,555,999	3,544,618	-
State appropriations, non-capital	5,707,386	6,672,580	-
Investment income	30,842	30,669	(6,556)
Interest on capital related debt	(127,721)	(134,597)	-
Gain (Loss) on disposal of assets	18,156	18,868	-
Production taxes	-	-	(5,640)
Royalties	-	-	61,613
	<hr/>	<hr/>	<hr/>
Total non-operating revenues and expenses	<u>\$ 26,016,096</u>	<u>\$ 25,127,213</u>	<u>\$ 49,417</u>

Increase in net assets

The following table summarizes the College's increase in net assets of \$2,711,341 for June 30, 2011 compared to the increase in net assets of \$3,269,024 for June 30, 2012.

Increase in Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012 Component Unit</u>
Income before capital appropriations	\$ 1,463,562	\$ 1,100,313	\$ (15,024)
Capital appropriations	<u>1,805,462</u>	<u>1,611,028</u>	<u>-</u>
Increase (decrease) in Net Assets	3,269,024	2,711,341	(15,024)
Net assets - beginning of year	<u>76,324,828</u>	<u>73,613,487</u>	<u>5,512,239</u>
Net assets - end of year	<u>\$ 79,593,852</u>	<u>\$ 76,324,828</u>	<u>\$ 5,497,215</u>

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NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

At June 30, 2012, the College had \$66,943,254 invested in capital assets as compared to \$62,759,429 at June 30, 2011.

Capital Assets, Net

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	June 30, 2012 <u>Component Unit</u>
Land Improvements	\$ 2,009,847	\$ 2,262,703	\$ -
Buildings	42,351,075	42,572,748	-
Infrastructure	8,547,677	8,546,569	-
Software	213,119	290,186	-
Library books	640,240	689,295	-
Furniture and equipment	3,137,323	3,560,270	-
Automobiles	151,854	222,463	-
Construction in progress	9,128,256	4,406,932	-
Land	<u>208,263</u>	<u>208,263</u>	<u>-</u>
Net capital assets	<u>\$ 66,387,654</u>	<u>\$ 62,759,429</u>	<u>\$ -</u>

Major capital expenditures during the 2012 fiscal year include the Roof Replacement project, the Baseball Field House construction, and the indoor Rodeo Arena construction and various remodel projects.

The College disbursed a debt service payment on the principal of the 2005 Revenue Bonds. The payment was for \$704,175 in accordance with the amortization schedule and the outstanding balance of the revenue bonds at June 30, 2012 was \$2,197,262.

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 effect 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.

See Independent Auditor's Report

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Economic Outlook

New Mexico Junior College serves as a community college center for the communities of southeastern New Mexico and portions of West Texas. The College is largely supported by the local mill levy in Lea County and the ongoing financial and political support from the State of New Mexico. As has been the case for the past several years, the financial support from the State has declined. Funding from the State has decreased by 37% over the last five fiscal years. Current indications from the State Legislative Finance Committee are that the State funding appears to be more stable for the coming fiscal years. The local economy has been strong and, from all forecasts, the economic outlook for Lea County will remain steady to strong. The unemployment rate in Lea County hovers around 4%, which is well below the State and national percentages. History shows that unemployment in Lea County drives the student enrollment at New Mexico Junior College. Steps such as the online course offerings, low tuition, housing, and athletics have been taking the highs and lows out of the enrollment roller coaster, but the low unemployment rate remains a factor in the number of student credit hours at the college. The oil and gas industry is still the driving economic factor in Lea County. Because of new technology in the industry there has been revitalization and extension of the projected life of some oil fields in Lea County. Drilling and exploration continue to be strong in the county and all information signals this will continue. Lea County property assessment continues to increase and construction is steady in the county. Property tax revenue for the college has increased by 47% over the past five years. The increases in property tax revenue have largely been the offset for the declining State support. Over all, the economic outlook for New Mexico Junior College for the coming year appears to be optimistic and stable.

NEW MEXICO JUNIOR COLLEGE

STATEMENTS OF NET ASSETS

June 30, 2012

ASSETS	Primary Government	Component Unit
Current assets:		
Cash and cash equivalents	\$ 3,770,084	\$ 655,847
Short-term investments	9,589,592	-
Accounts receivable, net	3,023,806	3,900
Inventory	515,613	-
Prepaid expenses	336,905	-
Total current assets	17,236,000	659,747
Non-current assets:		
Restricted cash and cash equivalents	555,600	-
Investments	-	4,840,121
Capital assets, net	66,387,654	-
Total non-current assets	66,943,254	4,840,121
Total assets	\$ 84,179,254	\$ 5,499,868
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 422,599	\$ 2,653
Accrued expenses	837,473	-
Interest payable	24,573	-
Deferred revenue	907,942	-
Compensated absences	195,553	-
Current maturity of bonds payable	211,624	-
Total current liabilities	2,599,764	2,653
Non-current liabilities:		
Bonds payable	1,985,638	-
Total non-current liabilities	1,985,638	-
Total liabilities	4,585,402	2,653
Net assets:		
Invested in capital assets, net of related debt	64,190,392	-
Restricted for:		
Nonexpendable endowments	-	4,257,591
Expendable grants and contributions	-	1,151,177
Expendable future debt service requirements	555,600	-
Unrestricted	14,847,860	88,447
Total net assets	79,593,852	5,497,215
Total liabilities and net assets	\$ 84,179,254	\$ 5,499,868

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2012

	Primary Government	Component Unit
Operating revenues:		
Student tuition and fees	\$ 4,005,769	\$ 506
Federal grants and contracts	1,931,585	-
State and other grants and contracts	657,797	-
Auxiliary enterprises	3,347,929	-
Gifts, bequests and endowments	-	141,641
Total operating revenues	9,943,080	142,147
Operating expenses:		
Instruction	9,266,203	-
Academic support	2,171,294	-
Student services	2,347,919	-
Institutional support	3,087,081	206,588
Operations and maintenance	3,345,919	-
Depreciation	3,217,711	-
Capital outlay	1,353,690	-
Student aid	5,824,615	-
Private grants	66,549	-
Student activities	154,819	-
Intercollegiate athletics	1,185,346	-
Auxiliary enterprise expenses	2,474,468	-
Total operating expenses	34,495,614	206,588
Operating (loss)	(24,552,534)	(64,441)
Non-operating revenues (expenses):		
Property taxes	5,415,280	-
Oil and gas taxes	11,416,154	-
Federal pell grants	3,555,999	-
State appropriations, non-capital	5,707,386	-
Investment income (loss)	30,842	(6,556)
Interest on capital related debt	(127,721)	-
Gain on disposal of capital assets	18,156	-
Production taxes	-	(5,640)
Royalties	-	61,613
Net non-operating revenues	26,016,096	49,417
Income (loss) before capital appropriations	1,463,562	(15,024)
State appropriations, capital	1,805,462	-
Change in net assets	3,269,024	(15,024)
Net assets beginning of year	76,324,828	5,512,239
Net assets, end of year	\$ 79,593,852	\$ 5,497,215

The accompanying notes are an integral part of these financial statements

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

For the year ended June 30, 2012

	Primary Government
Cash flows from operating activities:	
Tuition and fees	\$ 3,636,464
Federal and state grants and contracts	2,589,382
Auxiliary enterprise charges	3,347,929
Payments to employees and for employee benefits	(17,291,665)
Disbursement of net aid to students	(5,693,312)
Payments to suppliers	(8,365,772)
Net cash (used) by operating activities	<u>(21,776,974)</u>
Cash flows from noncapital financing activities:	
State appropriations	5,707,386
Federal pell grants	3,555,999
Property taxes	5,415,280
Oil and gas taxes	11,416,154
Net cash provided by noncapital financing activities	<u>26,094,819</u>
Cash flows from capital financing activities:	
Principal payments on long term debt	(704,175)
Interest paid	(128,959)
Capital appropriations	1,805,462
Net cash provided by capital financing activities	<u>972,328</u>
Cash flows from investing activities:	
Proceeds from the sale of capital assets	27,178
Purchase of capital assets	(6,988,727)
Interest received	30,842
Net cash (used) by investing activities	<u>(6,930,707)</u>
Net decrease in cash and cash equivalents	(1,640,534)
Cash and cash equivalents - beginning of year	<u>15,555,810</u>
Cash and cash equivalents	3,770,084
Short-term investments	9,589,592
Restricted cash and cash equivalents	555,600
Cash and cash equivalents - end of year	<u>\$ 13,915,276</u>
Operating Loss	(24,552,534)
Reconciliation of operating loss to net cash used for operating activities:	
Depreciation expense	3,217,711
Construction in progress abandoned	133,769
Changes in assets and liabilities:	
Accrued expenses	(148,728)
Inventory	(183,927)
Deferred revenues	(794,767)
Prepaid expenses	304,535
Compensated absences	(44,708)
Accounts payable	(133,787)
Accounts receivable, net	425,462
Net cash (used) for operating activities	<u>\$ (21,776,974)</u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2012

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 283,820
Accounts receivable	<u>569</u>
Total assets	<u><u>\$ 284,389</u></u>
LIABILITIES	
Accounts payable	\$ 8,997
Due to student organizations	<u>275,392</u>
Total liabilities	<u><u>\$ 284,389</u></u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

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

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

2. Financial Statement Presentation

The accounting and reporting policies of the College reflected in the accompanying financial statements conform to accounting principles generally acceptable in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements, and the College has opted not to incorporate Financial Accounting Standards Board (FASB) FASB Accounting Standards Codification (ASC) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated. The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

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.

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 uncollectible 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 (LGIP). 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.

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

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. For the purposes of the cash flow statement, due to its liquidity and characteristics, the investment on hand at the LGIP is considered a cash equivalent. At June 30, 2012, 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. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property tax receivables are recognized in the period for which the taxes are levied, net of estimated refunds and uncollectible amounts.

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.

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 costing \$100,000 or more, and infrastructure and land improvements costing \$50,000 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 costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

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 Accounting Standards Codification No. 710, *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. The College's Foundation endowment consists of funds established for tuition assistance and institutional support. As required by generally accepted accounting principles, restricted assets associated with endowment funds, including funds designated by the governing body to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's endowment policy requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the donor restricted endowment fund that is not classified in permanently restricted assets is classified as temporarily restricted assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with applicable State laws and internal policies.

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.

14. Economic dependency

The College depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the College is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

The College receives a significant portion of their revenue from property tax revenue and oil and gas tax revenue. Property tax revenue was \$5,415,280 or 15% of total revenue in fiscal year 2012. Oil and gas production and equipment tax revenue fluctuates significantly upon demand and was \$11,416,154 or 32% of total revenue in fiscal year 2012.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

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

15. Net Assets

The College's net assets are classified into the following 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.

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.

16. 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, whichever occurs first.

17. Budgetary Process

The College follows the requirements established by the New Mexico Higher Education Department (HED) in formulating its budgets and in exercising budgetary control. It is through the HED's policy that, when the appropriation has been made to the College, its Board can, in general, adopt an operating budget within the limits of available income.

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.

Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year, and are available for expenditures to the College in subsequent years pursuant to the General Appropriation Act of 2004, Section 4, J (Higher Education).

NOTES TO THE FINANCIAL STATEMENTS

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

Budgetary Control. Total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary control are as follows: (1) unrestricted and restricted expenditures are considered separately; (2) total expenditures in instruction and general; (3) total expenditures of each budget function in current funds other than instruction and general; and (4) within the plant funds budget, the items of budgetary control are major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service.

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.

18. *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.

19. *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, 2012.

20. *Change in Estimate*

During the year ended June 30, 2012, the College made changes in its allowance calculation for student receivables and in its calculation for accumulated depreciation. As a result, change of estimate adjustments have been recorded to adjust related balances. The effect of the entries were an increase in the allowance for doubtful accounts of \$369,271, and an increase in accumulated depreciation balances of \$43,204.

21. *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.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

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, 2012.

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 collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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 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.

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state were insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The separate coverage on non-interest bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to July 20, 2012 accounts held by an official custodian for a government unit are insured as follows:

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts), and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts through July 20, 2012, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

Through July 20, 2012, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

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, 2012, none of the College's bank balance of \$2,647,836 was subject to custodial credit risk. There was no uninsured and uncollateralized amounts at June 30, 2012.

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 that are uninsured by FDIC limits. 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.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS AND INVESTMENTS, (continued)

	Wells Fargo Bank	Western Commerce Bank	Lea County Bank	Bank of America	Total
Total amount of deposits	\$ 2,021,929	\$ 25,099	\$ 32,480	\$ 568,328	\$ 2,647,836
Deposit accounts covered by the "Dodd-Frank Insurance Provision" FDIC coverage	2,021,929	25,099	32,480	568,328	2,647,836
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total uninsured public funds	-	-	-	-	-
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>-</u>	<u>-</u>
Uninsured and uncollateralized	<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>	<u>-</u>	<u>-</u>
Over (under) collateralization	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS AND INVESTMENTS, (continued)

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The New Mexico Junior College does not have a policy to manage the credit risk of its investments. The overnight repurchase is the only investment subject to custodial credit risk, as the other investments are external pools. As of June 30, 2012, all of the deposits in the overnight repurchase account were subject to custodial credit risk, however the entire amount was collateralized by collateral held by the pledging bank's trust department, not in the College's name.

Custodial Credit Risk - Investments

	Wells Fargo Bank
Total amount of deposits	\$ 1,655,515
Deposit accounts covered by the "Dodd-Frank Insurance Provision" FDIC coverage	-
Total uninsured public funds	1,655,515
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the College's name	1,655,515
Uninsured and uncollateralized	\$ -
Collateral requirement (102% of uninsured public funds)	1,688,625
Pledged security	1,688,625
Over collateralization	\$ -

The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico 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.

As of June 30, 2012, the College's investment in the State Treasurer Local Government Investment Pool was rated as AAAM by Standard & Poor's and the investment in the State Treasurer Local Government Investment Pool – Reserve Contingency Fund was unrated.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS AND INVESTMENTS, (continued)

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.

Credit Quality and Interest Rate Risk

	Rating	Fair Value	Weighted Average Maturity
New MexiGROW LGIP	AAAm	\$ 9,589,592	60 days
New Mexico Finance Authority	Not rated	360,978	Less than 90 days
State Treasurer's Debt Service	Not rated	194,622	Less than 90 days

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, 2012, 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 College at June 30, 2012:

Investment	Market Value	Investment
New MexiGROW LGIP	\$ 9,589,592	94.5%
New Mexico Finance Authority	360,978	3.6%
State Treasurer's Debt Service	194,622	1.9%
Total investments	<u>\$ 10,145,192</u>	<u>100.0%</u>

The following represents the concentration of credit risk regarding the investments of the Foundation at June 30, 2012:

Investment	Market Value	Percent of Foundation's Investment
Equities	\$ 3,084,612	64.0%
Mutual funds	1,735,926	36.0%
Total Foundation investments	<u>\$ 4,820,538</u>	<u>100.0%</u>

The Foundation also maintains a royalty interest in the amount of \$19,583, however it is not a financial instrument subject to credit risk.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS AND INVESTMENTS, (continued)

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 \$9,589,592 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	\$	2,615,356
US Government securities underlying an overnight repurchase agreement		1,655,515
<i>New MexiGROW</i> LGIP		9,589,592
Money market account		32,480
New Mexico Finance Authority		360,978
State Treasurer's debt service		194,622
Total deposits and investments		<u>14,448,543</u>
Petty cash		4,236
Subtract reconciling items		<u>(253,683)</u>
Net deposits and investments	\$	<u><u>14,199,096</u></u>
Statement of Net Assets:		
Cash and cash equivalents	\$	3,770,084
Short-term investments		9,589,592
Restricted cash and cash equivalents		<u>555,600</u>
Cash and cash equivalents, end of year per statement of cash flows		13,915,276
Statement of Fiduciary Assets and Liabilities:		
Cash and cash equivalents		<u>283,820</u>
Net deposits and investments	\$	<u><u>14,199,096</u></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.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – ACCOUNTS RECEIVABLE

The College's accounts receivable at June 30, 2012 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. All amounts are expected to be collected within sixty days after year-end. An allowance for uncollectible accounts has been established for student accounts judged to be uncollectible due to the age of the receivables. A schedule of receivables and allowance for uncollectible accounts is as follows:

Property and oil and gas taxes	\$	210,000
General receivables		443,382
Student receivables		1,276,706
Other taxes receivable		<u>1,671,996</u>
		3,602,084
Less allowance for uncollectible accounts		<u>(578,278)</u>
Net total accounts receivable	\$	<u><u>3,023,806</u></u>

NOTE 4 – ACCRUED EXPENSES

The College's accrued expenses at June 30, 2012 are as follows:

Payroll	\$	431,192
Payroll taxes and related liabilities		<u>406,281</u>
Total accrued expenses	\$	<u><u>837,473</u></u>

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS

The following table summarizes the changes in capital assets during the fiscal year ended June 30, 2012:

	June 30, 2011	Additions	Deletions	June 30, 2012
Assets not being depreciated:				
Construction in progress	\$ 4,406,932	\$ 5,853,473	\$ 1,132,148	\$ 9,128,256
Land	208,263	-	-	208,263
	<u>4,615,195</u>	<u>5,853,473</u>	<u>1,132,148</u>	<u>9,336,519</u>
Assets being depreciated:				
Land improvements	4,683,972	-	-	4,683,972
Buildings	59,039,496	998,359	-	60,037,855
Infrastructure	9,720,728	440,788	-	10,161,516
Software	943,184	15,195	23,806	934,573
Library books	2,914,544	126,539	-	3,041,083
Furniture and equipment	11,074,666	596,263	776,970	10,893,959
Automobiles	1,306,462	-	17,477	1,288,985
	<u>89,683,052</u>	<u>2,177,144</u>	<u>818,253</u>	<u>91,041,943</u>
Totals	<u>94,298,247</u>	<u>8,030,617</u>	<u>1,950,401</u>	<u>100,378,462</u>
Less accumulated depreciation:				
Land improvements	2,421,269	252,856	-	2,674,125
Buildings	16,466,748	1,220,038	6	17,686,780
Infrastructure	1,174,159	439,680	-	1,613,839
Software	652,998	91,720	23,264	721,454
Library books	2,225,249	175,594	-	2,400,843
Furniture and equipment	7,514,396	967,211	724,971	7,756,636
Automobiles	1,083,999	70,612	17,480	1,137,131
	<u>31,538,818</u>	<u>3,217,711</u>	<u>765,721</u>	<u>33,990,808</u>
Net capital assets	<u>\$ 62,759,429</u>	<u>\$ 4,812,906</u>	<u>\$ 1,184,680</u>	<u>\$ 66,387,654</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. New Mexico Junior College contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents and surviving spouse and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long term care policies.

Eligible retirees are 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during the period of time made contributions as a participant in the RHCA plan on the person’s behalf unless the person retires before the employers’ RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer’s effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the 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 the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee’s annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013 the contribution rate for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.000%	1.000%

Also, employers joining the program after January 1, 1998 are required to make a surplus-amount contribution to the RHCA based on one of 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. The College’s contributions to the RHCA for the years ended June 30, 2012, 2011, and 2010 were \$219,979, \$201,113 and \$167,670 respectively which equal the required contributions for each year.

NOTE 7 – PENSION PLAN - EDUCATIONAL RETIREMENT BOARD

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). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing, multiple employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy. Plan members earning \$20,000 or less annually are required by statute to contribute 7.9% of their gross salary. Plan members earning over \$20,000 annually were required to contribute 11.15% of their gross salary in fiscal year 2012 and will be required to contribute 9.4% of their gross salary in fiscal year 2013. The College has been and is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less in fiscal years 2012 and 2013. In fiscal year 2012 the College contributed 9.15% of the gross covered salary of employees earning more than \$20,000 annually. In fiscal year 2013 the College will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. 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 acts of the legislature. The College's contributions to ERB for the fiscal years ending June 30, 2012, 2011, and 2010, were \$1,052,823, \$1,225,873, and \$1,311,119, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 8 – 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 10-7-4 NMSA 1978 for public employees.

NOTE 9 – 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 10 – RISK MANAGEMENT

The College currently is party to various litigation and other claims in the ordinary course of business. The College has property and liability insurance coverage with Coregis Insurance Company and workers compensation insurance coverage with Mountain States Mutual. The College believes that the outcome of all pending and threatened litigation will not have a material adverse effect on the financial position or operations of the College.

Federal grants received by the College are subject to audit by the grantors. In the event of noncompliance with funding requirements, grants may be required to be refunded to the grantor. College management estimates that such refunds, if any, will not be significant.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – 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 revised a joint powers agreement on February 19, 2004 to include Eastern New Mexico University-Portales as a member of the Lea County Distance Education Consortium, Inc. (Consortium). The group consists of every public school system in Lea County, New Mexico, together with New Mexico Junior College and Eastern New Mexico University-Portales. 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.

NOTE 12 – NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT)

Nature of Operations

The New Mexico Junior College Foundation (the Foundation) is a New Mexico 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.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings used for distributions are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

NOTE 12 – NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT), (continued)

Donor Restricted endowment disbursements of the net appreciation of investments are permitted in accordance with the Uniform Prudent Management of Institutional Funds Act [46-9A-1 to 46-9A-12 NMSA], except where a donor has specified otherwise. The investment committee of the Foundation and College management review the investment earnings designed to support distributions from the Endowment and to protect the purchasing power of the endowment principal. Distributions from the Endowment are made available to the College, which benefits from each individual endowment. The annual spending distribution is computed at the end of the year based on the interest received during the year. The Investment Committee of the Foundation and College management sets the annual distribution, which must be in accordance with agreement with endowment donors.

Tax Status

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been determined to be an organization which is not a private foundation.

Effective October 1, 2009, the Foundation adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2012, the Foundation has no material uncertain tax positions to be accounted for in the financial statements under the new rules. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense and penalties expense, respectively.

The Foundation files its forms 990 in the U.S. federal jurisdiction and a copy is filed with the Attorney General of New Mexico, Registry of Charitable Organizations. The Foundation is generally no longer subject to examination by the Internal Revenue Service for years before 2009.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – 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. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The separate coverage on non-interest bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to July 20, 2012 accounts held by an official custodian for a government unit are insured as follows:

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts), and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts through July 20, 2012, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

As of June 30, 2012, there were no balances in excess of insurance coverage.

	Merrill Lynch	Wells Fargo Bank	First American Bank	Total
Total amount of deposits	\$ 299,236	\$ 228,233	\$ 188,381	\$ 715,850
Less: FDIC coverage	(250,000)	(228,233)	(188,381)	(666,614)
Less: SIPC coverage	(49,236)	-	-	(49,236)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total uninsured public funds	-	-	-	-
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> </u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured public funds)	-	-	-	-
Pledged security	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Over (under) collateralization	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT), (continued)

Receivables

The Foundation considers receivables to be 100% collectible; therefore no allowance has been made for uncollectible amounts. The receivable at June 30, 2012 consists of the following:

Golf tournament fundraising pledges receivable	\$ <u>3,900</u>
Total receivables	\$ <u><u>3,900</u></u>

Functional expenses

The Foundation had the following functional expenses during the year ended June 30, 2012:

Management and general expenses	\$ 250
Program expenses	202,980
Fundraising expenses	<u>3,358</u>
Total functional expenses	\$ <u><u>206,588</u></u>

Institutional support

The Foundation provided the following institutional support to the College during the year ended June 30, 2012:

Scholarships	\$ 113,651
Program Assistance	51,243
Awards	<u>4,000</u>
Total institutional support	\$ <u><u>168,894</u></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.

NOTE 13 – CONSTRUCTION COMMITMENTS

The College has various construction projects as of June 30, 2012. The commitments related to these projects are approximately \$1,112,013 million as of June 30, 2012. These project costs are as follows:

<u>Project Description</u>	<u>Amount</u>
Museum South Gallery	\$ 347,703
Baseball Field	3,559
Rodeo Arena	22,650
Original Entrance Landscaping	42,189
Campus Paving	117,967
Roof Replacement	<u>577,945</u>
	\$ <u><u>1,112,013</u></u>

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – COMPENSATED ABSENCES

Accumulated unpaid vacation is accrued when incurred. Employees entitled to earn vacation pay earn it at various rates based on length of employment. Up to 240 hours of vacation may be accrued and paid out upon termination. Sick leave is not paid out upon termination; accordingly, no liability for sick leave is recorded by the University. The College had a liability for accrued vacations as of June 30, 2012 as follows:

Accrued vacation – beginning of year	\$ 240,261
Additions	352,146
Deletions	<u>(396,854)</u>
Accrued vacation – end of year	<u>\$ 195,553</u>

The College estimates that the whole \$195,553 will be due within one year.

NOTE 15 – 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, 2012 consist of the following issues:

System Revenue Bonds
 Series: July 15, 2005
 Original Issue: \$4,589,369
 Principal: May 1
 Interest: May 1 and November 1
 Rates: 2.34% to 4.26%
 Matures: May 1, 2021

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 auxiliary activities revenue and from the local Mill Levy 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 not aware of any instances where it is not 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.

Long-term liability for the year ended June 30, 2012 was as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Due within One Year</u>
System Revenue Bonds Series 7/15/2005	\$ <u>2,901,437</u>	\$ <u>-</u>	\$ <u>704,175</u>	\$ <u>2,197,262</u>	\$ <u>211,624</u>
	\$ <u>2,901,437</u>	\$ <u>-</u>	\$ <u>704,175</u>	\$ <u>2,197,262</u>	\$ <u>211,624</u>

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 – BONDS PAYABLE, (continued)

The annual debt service requirements to maturity, including principal and interest for System Revenue Bonds Series 2005 long-term debt as of June 30, 2012 are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 211,624	89,168	300,792
2014	219,588	81,224	300,812
2015	228,061	72,770	300,831
2016	237,060	63,792	300,852
2017	246,595	54,280	300,875
2018-2021	<u>1,054,334</u>	<u>111,113</u>	<u>1,165,447</u>
Totals	<u>\$ 2,197,262</u>	<u>\$ 472,347</u>	<u>\$ 2,669,609</u>

NOTE 16 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

A. Deficit equity

The College does not maintain a deficit equity position.

B. Excess of expenditures over appropriations.

The College is not aware of any expenses in excess of budgetary authority

C. Designated cash appropriation in excess of available balances.

The College is not aware of any designated cash appropriations in excess of available balances.

NOTE 17 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 5, 2012, which is the date on which the financial statements were available to be issued.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 – SUBSEQUENT PRONOUNCEMENTS

In November 2010, GASB Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective date: the provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The College will implement this standard during the fiscal year ended June 30, 2013.

In December 2010, GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective date: the requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The College will implement this standard during the fiscal year ended June 30, 2013.

In June 2011, GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* effective date: the provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The College will implement this standard during the fiscal year ended June 30, 2013.

In March 2012, Statement No. 65 *Items Previously Reported as Assets and Liabilities*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The College will implement this standard during the fiscal year ended June 30, 2014.

In March 2012, Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The College will implement this standard during the fiscal year ended June 30, 2014.

In June 2012, Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statements No. 25*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The College will implement this standard during the fiscal year ended June 30, 2014.

In June 2012, Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The College will implement this standard during the fiscal year ended June 30, 2014.

NOTE 19 – CONCENTRATIONS

The College depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the University is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

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, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ 9,807,304	\$ 13,565,400	\$ 13,565,400	\$ -
<i>Unrestricted and restricted revenues:</i>				
State general fund appropriations	6,006,097	7,150,148	6,365,183	(784,965)
Federal revenue sources	6,213,692	5,812,797	5,487,584	(325,213)
Tuition and fees	3,589,200	3,793,658	4,005,769	212,111
Other	2,809,339	2,971,297	4,662,845	1,691,548
Local funding	10,805,732	15,583,627	16,831,434	1,247,807
Private grants	-	20,234	548,665	528,431
<i>Total unrestricted and restricted revenues</i>	<u>29,424,060</u>	<u>35,331,761</u>	<u>37,901,480</u>	<u>2,569,719</u>
<i>Unrestricted and restricted expenditures:</i>				
Instruction	8,789,732	9,418,490	9,266,203	152,287
Academic support	2,232,599	2,331,286	2,171,294	159,992
Student services	2,669,315	2,531,232	2,347,920	183,312
Institutional support	3,003,535	3,169,802	3,087,081	82,721
Operation and maintenance of plant	2,960,730	3,329,825	3,345,919	(16,094)
Student social and cultural activities	169,615	169,615	154,819	14,796
Auxiliary services	1,706,196	2,291,914	2,385,109	(93,195)
Intercollegiate athletics	972,058	1,150,029	1,185,346	(35,317)
Internal service	80,394	118,734	89,359	29,375
Capital outlay	6,406,354	11,380,006	7,479,942	3,900,064
Building renewal and replacement	930,001	930,001	728,703	201,298
Retirement of indebtedness	359,045	359,045	127,721	231,324
Student aid, grants and stipends	5,550,047	5,583,006	5,824,615	(241,609)
Private grants	-	-	66,549	(66,549)
<i>Total unrestricted and restricted expenditures</i>	<u>35,829,621</u>	<u>42,762,985</u>	<u>38,260,580</u>	<u>4,502,405</u>
<i>Net transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(6,405,561)</u>	<u>(7,431,224)</u>	<u>(359,100)</u>	<u>7,072,124</u>
<i>Ending fund balance</i>	<u>\$ 3,401,743</u>	<u>\$ 6,134,176</u>	<u>\$ 13,206,300</u>	<u>\$ 7,072,124</u>
<i>Change in net assets per statement of revenues, expenses and changes in net assets</i>			3,269,024	
Capital outlay expenditures capitalized			(6,988,727)	
Prior year CIP abandoned			133,870	
Depreciation expense			3,217,711	
Book Value of Assets Disposed			9,022	
<i>Financial statements change in net assets reconciled to budgetary basis</i>			<u>\$ (359,100)</u>	

See accompanying independent auditor's report

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, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ 6,518,633	\$ 11,083,159	\$ 11,083,159	\$ -
<i>Unrestricted revenues:</i>				
Internal service dept	24,000	24,000	36,078	12,078
Sales and services	2,184,000	2,389,002	2,525,808	136,806
GOB Drawdowns	37,000	1,187,609	1,805,462	617,853
Athletics	326,200	324,100	324,085	(15)
Other	-	-	40,000	40,000
<i>Total unrestricted revenues</i>	<u>2,571,200</u>	<u>3,924,711</u>	<u>4,731,433</u>	<u>806,722</u>
<i>Unrestricted expenditures:</i>				
Student social and cultural activities	-	-	-	-
Internal services	80,394	118,734	89,359	29,375
Student aid, grants and stipends	516,579	716,579	747,334	(30,755)
Auxiliary services	1,706,196	2,291,914	2,385,109	(93,195)
Intercollegiate athletics	972,058	1,150,029	1,185,346	(35,317)
Capital outlay	6,406,354	11,380,006	7,479,942	3,900,064
Building renewal and replacement	930,001	930,001	728,703	201,298
Retirement of indebtedness	359,045	359,045	127,721	231,324
<i>Total unrestricted expenditures</i>	<u>10,970,627</u>	<u>16,946,308</u>	<u>12,743,514</u>	<u>4,202,794</u>
<i>Net transfers</i>	<u>4,087,832</u>	<u>5,293,325</u>	<u>8,219,982</u>	<u>2,926,657</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(4,311,595)</u>	<u>(7,728,272)</u>	<u>207,901</u>	<u>7,936,173</u>
<i>Ending fund balance</i>	<u>\$ 2,207,038</u>	<u>\$ 3,354,887</u>	<u>\$ 11,291,060</u>	<u>\$ 7,936,173</u>

See accompanying independent auditor's report

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, 2012**

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Beginning fund balance</i>	\$ -	\$ -	\$ -	\$ -
<i>Restricted revenues:</i>				
Federal government contracts/grants	5,033,468	4,866,427	4,661,604	(204,823)
State government contracts/grants	169,615	169,615	532,945	363,330
Private Grants	-	-	99,215	99,215
<i>Total restricted revenues</i>	<u>5,203,083</u>	<u>5,036,042</u>	<u>5,293,763</u>	<u>257,721</u>
<i>Restricted expenditures:</i>				
Student social and cultural activities	169,615	169,615	154,819	14,796
Student aid, grants and stipends	5,033,468	4,866,427	5,077,281	(210,854)
Private Grants	-	-	66,549	(66,549)
<i>Total restricted expenditures</i>	<u>5,203,083</u>	<u>5,036,042</u>	<u>5,298,649</u>	<u>(262,607)</u>
<i>Net transfers</i>	-	-	4,885	4,885
<i>Change in fund balance (budgetary basis)</i>	-	-	-	-
<i>Ending fund balance</i>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

See accompanying independent auditor's report

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, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ 3,288,671	\$ 2,482,241	\$ 2,482,241	\$ -
<i>Unrestricted revenues:</i>				
Tuition and fees	3,589,200	3,793,658	4,005,769	212,111
State government appropriations	5,505,200	5,505,200	5,667,386	162,186
Local government appropriations	10,805,732	15,583,627	16,831,434	1,247,807
Federal grants and contracts	74,332	74,332	54,880	(19,452)
Other	275,139	234,195	(68,588)	(302,783)
<i>Total unrestricted revenues</i>	<u>20,249,603</u>	<u>25,191,012</u>	<u>26,490,881</u>	<u>1,299,869</u>
<i>Unrestricted expenditures:</i>				
Instruction	8,437,426	9,063,310	8,600,985	462,325
Academic support	2,206,429	2,295,951	2,134,064	161,887
Student services	1,665,722	1,759,856	1,661,060	98,796
Institutional support	2,987,693	3,153,960	3,087,081	66,879
Operation and maintenance of plant	2,958,467	3,327,562	3,345,919	(18,357)
<i>Total unrestricted expenditures</i>	<u>18,255,737</u>	<u>19,600,639</u>	<u>18,829,109</u>	<u>771,530</u>
<i>Net transfers</i>	<u>(4,087,832)</u>	<u>(5,293,325)</u>	<u>(8,228,773)</u>	<u>(2,935,448)</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(2,093,966)</u>	<u>297,048</u>	<u>(567,001)</u>	<u>(864,049)</u>
<i>Ending fund balance</i>	<u>\$ 1,194,705</u>	<u>\$ 2,779,289</u>	<u>\$ 1,915,240</u>	<u>\$ (864,049)</u>

See accompanying independent auditor's report

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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, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ -	\$ -	\$ -	\$ -
<i>Restricted revenues:</i>				
Federal government contracts/grants	1,105,892	872,038	771,101	(100,937)
State government contracts/grants	294,282	287,724	164,852	(122,872)
Private grants	-	20,234	449,450	429,216
<i>Total restricted revenues</i>	<u>1,400,174</u>	<u>1,179,996</u>	<u>1,385,403</u>	<u>205,407</u>
<i>Restricted expenditures:</i>				
Instruction	352,306	355,180	665,219	(310,039)
Academic support	26,170	35,335	37,231	(1,896)
Student services	1,003,593	771,376	686,860	84,516
Institutional support	15,842	15,842	-	15,842
Operations and maintenance of plant	2,263	2,263	-	2,263
<i>Total restricted expenditures</i>	<u>1,400,174</u>	<u>1,179,996</u>	<u>1,389,310</u>	<u>(209,314)</u>
<i>Net transfers</i>	-	-	3,907	3,907
<i>Change in fund balance (budgetary basis)</i>	-	-	-	-
<i>Ending fund balance</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report

NEW MEXICO JUNIOR COLLEGE

AGENCY FUNDS

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

Year ended June 30, 2012

	<u>June 30, 2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2012</u>
AMP Club	\$ 180	\$ -	\$ -	\$ 180
ASSET Student Recognition	1,171	3,464	3,904	731
Automotive Competition	107	4,222	4,269	59
Backpacking and Camping	71	200	-	271
Baseball Booster Club	10,826	32,824	25,130	18,520
Burke Poetry Contest	444	-	-	444
Campus Ambassadors	1,436	13	68	1,380
Career Connections/Communications	299	-	-	299
Cheerleaders	1,269	373	153	1,489
College Democrats	396	80	160	316
College Republicans	604	-	-	604
Cosmetology Students	26,687	39,928	48,007	18,608
Drama Club	1,888	-	-	1,888
Emergency Services Law Camp	2,602	471	587	2,485
Faculty Senate	603	3,043	3,000	645
FCA Special Events	-	3,800	3,693	108
Fellowship of Christian Athletes	704	150	441	413
FFA	3,406	-	-	3,406
Ford ASSET Helping Hand	500	-	267	233
Geology Club	605	-	-	605
GM ASEP Student Recognition	421	700	1,100	21
Golf Booster Club	11,078	27,587	25,868	12,797
Healthy Active Lifestyle Challenge	94	-	-	94
Law Enforcement Guest Speakers	1,000	-	-	1,000
Men's Basketball	5,751	2,958	2,041	6,668
Moran Lecture Series	3,680	8,500	6,750	5,430
MU Alpha Theta	481	894	739	636
Nature Trail Sculptures	-	21,802	11,915	9,888
NJCAA Division I Golf Association	43	-	-	43
NM Education Service Center	26,115	-	-	26,115
NMJC Band Club	5,288	1,715	2,750	4,253
NMJC Research Foundation	10,451	2,393	3,659	9,185
NMJC Sensations	4,623	-	-	4,623
NMJC Skills USA-High School	8,066	7,290	15,356	-
NMJC Social Committee	6,345	4,106	3,443	7,008
Pam Bickerton Family Scholarship	1,391	-	258	1,133
Phi Beta Lambda-NMJC	365	-	-	365
Phi Theta Kappa	2,246	5,223	4,088	3,382
Prepaid Tuition Agreement	20,827	2,905	206	23,526
Public Safety Account	2	-	-	2
Red Cross Donations	-	205	205	-
Rodeo Club	12,369	2,743	465	14,647
Rope Climbing and Rappelling Club	635	-	-	635
SBDC Program Services	13,529	2,690	56	16,163
Student Nurses Association	3	-	-	3
Student Senate	129	129	258	-
Student Support Services-SSS	1,550	686	1,373	863

See Independent Auditor's Report

Schedule I

	<u>June 30, 2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2012</u>
Support and Maintenance Council	4,712	1,082	1,121	4,672
Talent Search	10	-	-	10
Thunderbird Booster Club	532	13,893	14,244	181
Upward Bound	6,281	17,695	16,333	7,643
VICA Postsec Automotive	74	-	-	74
VICA Postsec Cosmetology	-	13	13	-
Western Heritage Archaeological	7,154	3,527	10,570	111
Western Heritage Donations	44,254	1,145	10,464	34,935
Western Heritage Museum Membership	4,996	3,395	7,847	544
Western Heritage Museum Memorial	75	25	100	-
WHM Archaeological Memorial	2,175	944	2,535	584
WHM Centennial	500	110,280	98,885	11,895
WHM Mammoth Fund Raiser	-	1,091	13	1,078
WHM Publications Endowment	-	2,296	2,202	93
WHM Special Events	596	19,256	16,539	3,312
Women's Basketball	13,912	4,050	735	17,227
Women's Cross Country	-	975	675	299
	<u>\$ 275,547</u>	<u>\$ 360,757</u>	<u>\$ 352,484</u>	<u>\$ 283,820</u>
Accounts Payable	(2,233)	(9,525)	(2,761)	(8,997)
Accounts Receivable	477	157	65	569
	<u>\$ 273,790</u>	<u>\$ 351,390</u>	<u>\$ 349,789</u>	<u>\$ 275,392</u>

See Independent Auditor's Report

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS

June 30, 2012

Account Name	Type	Western Commerce Bank	New MexiGROW LGIP	New Mexico Finance Authority
NMJC	Checking	\$ 25,099	\$ -	\$ -
Instructional and general	Overnight Repurchase	-	-	-
Debt service cash	State Treasurer	-	-	194,622
Debt service reserve	State Treasurer	-	-	360,978
NMJC money market	Money Market	-	-	-
Grant account	Checking	-	-	-
Student loan fund	Checking	-	-	-
Pell federal account	Checking	-	-	-
Payroll dep account	Checking	-	-	-
Agency account	Checking	-	-	-
NMJC	Short-Term Investment	-	9,589,592	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	CD	-	-	-
NMJC Foundation	Savings	-	-	-
NMJC Foundation	Checking	-	-	-
Amounts on deposit		25,099	9,589,592	555,600
Outstanding items		-	-	-
		<u>\$ 25,099</u>	<u>\$ 9,589,592</u>	<u>\$ 555,600</u>

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Lea County State Bank	Bank of America	Wells Fargo Bank	Total	Component Unit			
				Merrill Lynch	Wells Fargo Bank	First American	Total
\$ -	\$ -	\$ 2,021,929	\$ 2,047,028	\$ -	\$ -	\$ -	\$ -
-	-	1,655,515	1,655,515	-	-	-	-
-	-	-	194,622	-	-	-	-
-	-	-	360,978	-	-	-	-
32,480	-	-	32,480	-	-	-	-
-	10,000	-	10,000	-	-	-	-
-	25,795	-	25,795	-	-	-	-
-	161,882	-	161,882	-	-	-	-
-	37,497	-	37,497	-	-	-	-
-	333,154	-	333,154	-	-	-	-
-	-	-	9,589,592	-	-	-	-
-	-	-	-	15,617	-	-	15,617
-	-	-	-	96,238	-	-	96,238
-	-	-	-	58,810	-	-	58,810
-	-	-	-	9,460	-	-	9,460
-	-	-	-	28,725	-	-	28,725
-	-	-	-	90,355	-	188,381	278,736
-	-	-	-	-	100,179	-	100,179
-	-	-	-	-	128,054	-	128,054
32,480	568,328	3,677,444	14,448,543	299,205	228,233	188,381	715,819
-	(94,276)	(159,407)	(253,683)	-	(60,002)	-	(60,002)
<u>\$ 32,480</u>	<u>\$ 474,052</u>	<u>\$ 3,518,037</u>	<u>14,194,860</u>	<u>\$ 299,205</u>	<u>\$ 168,231</u>	<u>\$ 188,381</u>	<u>655,817</u>
		Petty cash	4,236				30
			<u>\$ 14,199,096</u>				<u>\$ 655,847</u>
Reconciliation to the Financial Statements:							
		Cash and cash equivalents	\$ 3,770,084				\$ 655,847
		Restricted cash and cash equivalents	555,600				-
		Short-term investment	9,589,592				-
			13,915,276				655,847
Statement of Fiduciary Assets and Liabilities:							
		Cash and cash equivalents	283,820				-
		Total deposits and investments	<u>\$ 14,199,096</u>				<u>\$ 655,847</u>

See Independent Auditor's Report

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY

Schedule III

June 30, 2012

<u>Depository</u>	<u>CUSIP#</u>	<u>Type</u>	<u>Description of Pledged Collateral</u>	<u>Fair Market Value June 30, 2012</u>	<u>Name and Location of Safekeeper</u>
Wells Fargo Bank	31407HTY2	Bond	FNCL 831367 Due 1/1/36	\$ <u>1,688,625</u>	Wells Fargo Bank Minneapolis, MN
Total collateral on repurchase agreement deposits at Wells Fargo Bank				\$ <u><u>1,688,625</u></u>	

See Independent Auditor's Report

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Accounting & Consulting Group, LLP
Certified Public Accountants

**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 financial statements of the business-type activities of New Mexico Junior College (the College) and its discretely presented component unit as of and for the year ended June 30, 2012, and have issued our report thereon dated November 5, 2012. We have also audited the budgetary comparison schedules presented as supplemental information for the year ended June 30, 2012. 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

Management of the College is responsible for establishing and maintaining effective 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item FS 2012-2 in the accompanying schedule of findings and questioned cost to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that is required to be reported under Government Auditing Standards January 2007 Revision paragraphs 5.14 and 5.16, and section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as item FS 2012-1.

The 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 it.

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, the New Mexico Higher Education Department, 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
Hobbs, New Mexico
November 5, 2012



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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 New Mexico Junior College's (the College) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item FA 2012-1

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item FA 2012-1. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The 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 the responses.

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, the New Mexico Higher Education Department, 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
Hobbs, New Mexico
November 5, 2012

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Schedule IV

Year ended June 30, 2012

	<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: *			
Federal Pell Grant program (1)	84.063	42310	\$ 3,555,999
Federal SEOG program (1)	84.007	42325	33,250
Federal work study program (1)	84.033	42511	46,609
Federal Direct Sub Loan (1)	84.268	42315	744,048
Federal Direct Unsub Loan (1)	84.268	42315	281,698
TRIO cluster:			
TRIO-Student support services (2)	84.042A	41131	267,172
TRIO-Talent search (2)	84.044A	41132	39,789
TRIO-Upward bound (2)	84.047A	41133	224,402
Passed through New Mexico			
Public Education Department:			
Carl Perkins vocational support services	84.048	41312	101,107
Carl Perkins vocational technical education	84.048A	41314	16,482
Adult Basic Education ESL/Civics	84.002	41216	4,862
Adult Basic Education Federal	84.002	41310	84,241
US Nuclear Regulatory Commission			
Direct program:			
Nuclear Education Grant	77.006	41141	37,715
US Small Business Administration			
Passed through New Mexico			
Public Education Department:			
Small Business Development Center	59.037	41220	<u>21,689</u>
Total expenditures of federal awards			<u><u>\$ 5,459,062</u></u>

* Tested as major program

() Denotes cluster

See independent auditor's report

NEW MEXICO JUNIOR COLLEGE

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2012**

- NOTE 1** Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, 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.

NEW MEXICO JUNIOR COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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): Yes x 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): x Yes No

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

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

Identification of major programs:

CFDA Number(s)

84.063
 84.007
 84.033
 84.268

Name of Federal Program or Cluster

Student Financial Aid Cluster
 Federal PELL Grant Program
 Federal SEOG Program
 Federal Work Study Program
 Federal Direct Student Loans

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

Auditee qualified as low-risk auditee under the requirements set forth by OMB Circular A-133 section 530? x Yes No

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

B. FINDINGS—FINANCIAL STATEMENT AUDIT

FS 2012-1 – Stale Dated Checks – Other Matter

Condition: The College maintained four checks totaling \$441 in the outstanding checks listing of the payroll bank reconciliation that were dated over one year old at June 30, 2012.

Criteria: Chapter 7 Article 8A, NMSA 1978, and related regulations require that 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 is in violation of state statutes regarding stale-dated checks. Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Cause: The College did not implement a process to account for stale dated outstanding checks and did not void these checks on a timely basis.

Auditors' Recommendations: We recommend the College implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old we recommend they be voided, replaced or submitted to the Property Division of New Mexico Taxation and Revenue Department as required

Management's 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.

FS 2012-2 – Accounts Receivable Subsidiary Ledger – Material Weakness

Condition: The College was unable to provide reliable accounts receivable listings for several balances on the trial balance.

- Bookstore accounts receivable balance is not reconciled to the subsidiary ledger each month and presents the risk of variances going undetected.
- Cashiers have the ability to put "detail codes" with negative amounts on student accounts. These detail codes are not reviewed by management.

Criteria: Per Section 6.20.2.13 of NMAC, all Colleges shall establish and maintain an accurate general ledger in accordance with GAAP. The general ledger will be comprised of individual funds and account groups using the department's uniform chart of accounts and shall be reconciled every fiscal year with department records. The general ledger must tie with the accounting documentation including the utility aging reports and other ledgers. Colleges shall use funds and account groups to report their financial position and operating results accurately. In accordance with GASB 34, College shall use a full accrual basis of accounting in preparation of annual financial statements.

Effect: The College's bookstore accounts receivable did not reconcile to the subsidiary ledger by \$4,313 which could result in misstatements going undetected. Also, the College may not have reliable information to analyze its collections of outstanding bookstore balances.

Cause: The College does not have a mechanism in place to reconcile bookstore accounts receivable subsidiary ledgers.

Auditors' Recommendation: We recommend a process be put in place to agree bookstore accounts receivable subsidiary ledgers/reports to the balance on the trial balance each month. In addition, we recommend that the College include in this process a review of the subsidiary ledger to determine that balance is reasonable and the reconciliation process is occurring.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Management’s Response: Management agrees that regular reconciliation is important to the financial stability of the College. The Bookstore Accounts Receivable subsidiary ledger will be reconciled monthly back to the General Ledger. Management also understands the importance of management review of negative charges on student’s accounts. Management has taken steps to ensure that proper oversight of these “detail codes” is taking place.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

FA 2012-1 – Special Tests and Provision – Verification – Significant Deficiency

Federal Program Information:

Funding agency: U.S. Department of Education
Title: Federal Pell Grant program
CFDA number: 84.063

Condition: A student was asked to provide verification of income by submitting a 2010 tax return. NMJC verified the tax return submitted and changed the student’s EFC (Expected Family Contribution) from \$0 to \$8,446. Having an EFC of \$8,446 is over the limit to receive a Pell grant, therefore, the student should not have been eligible. The student has access to change information on their FAFSA which the student did decreasing her EFC to \$3,948, and this amount was used to determine eligibility and the amount paid. The student who had been determined ineligible to receive a Pell Grant, was paid out for the semesters attended which amounted to \$1,478.

Criteria: The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management maintain adequate controls to ensure unqualified students do not receive Pell grants.

Questioned Costs: \$1,478

Effect: Because the internal control structure is inadequate over the verification process, the College cannot be certain all students who receive Pell grants are qualified.

Cause: Lack of controls over Pell grant verification process.

Recommendation: We recommend that once a student’s verification is complete, the account be locked so no changes can be made to the account. This can prevent unqualified students from receiving pell grants.

Management’s Response: Management agrees that a student’s account should be locked allowing no changes to be made once the file has been verified by financial aid. Management has a process in place where all student’s records are locked once their financial aid has been paid out.

D. PRIOR YEAR FINDINGS

2011-1: Changes in Inventory not posted to the G/L (College)
Resolved and not repeated.

2011-2: Fixed Asset Reconciliation (College)
Resolved and not repeated.

2011-3: Pledged Collateral (College)
Resolved and not repeated.

NEW MEXICO JUNIOR COLLEGE

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, 2012 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 12, 2012. The following persons were in attendance:

Foundation Officials

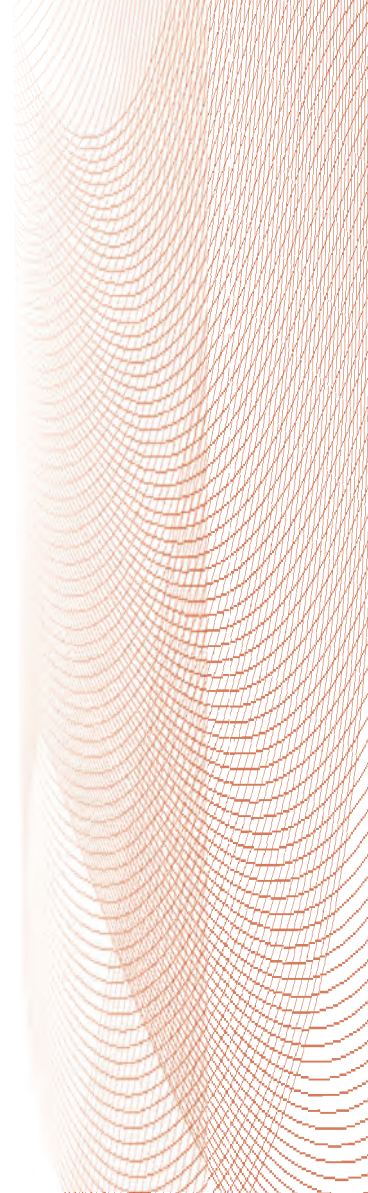
Dan Hardin, Foundation Treasurer
Tina Kunko, Secretary

Auditor

John Manganaro, Partner

College Officials

Dr. Steve McCleery, President
Dan Hardin, Vice-President for Finance
Josh Morgan, Accountant/Comptroller
Guy Kesner, Board Member



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