

NEW MEXICO JUNIOR COLLEGE

FINANCIAL STATEMENTS
With
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
Year ended June 30, 2013



NEW MEXICO JUNIOR COLLEGE

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
Year Ended June 30, 2013

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JUNE 30, 2013

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NEW MEXICO JUNIOR COLLEGE
OFFICIAL ROSTER
JUNE 30, 2013

Name	BOARD MEMBERS	Title
Guy Kesner		Chairman
Pat Chappelle		Secretary
Zeak 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. Dennis Atherton	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
Daniel Johncox		President
Betty Rickman		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
New Mexico Junior College Board
New Mexico Junior College
Hobbs, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of New Mexico Junior College (the College) as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the College's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of New Mexico Junior College, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects, the respective budgetary basis of accounting as prescribed in the New Mexico Administrative Code, as more fully described in Note 2 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the College's financial statements and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, Supporting Schedules I through III required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and Supporting Schedules I through III required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Award and Supporting Schedules I through III required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013 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* in considering New Mexico Junior College's internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Hobbs, New Mexico
October 30, 2013

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 Position, the Statement of Revenues, Expenses, and Changes in Net Position, 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 2013.

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, 2013. This discussion gives a comparative analysis of business-type activity from fiscal year 2012 to fiscal year 2013.

Financial Highlights

- The College's assets exceeded its liabilities at the close of the June 30, 2013 fiscal year by \$81,660,484. Of this amount, \$16,107,125 is unrestricted and may be used for the College's ongoing operations.
- The College's financial position improved in 2012/2013 as compared to prior years. Net Position increased during the year by \$2,066,632 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, 2013, all of which are with the Local Government Investment Pool.

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

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position report the College's Net Position and how they have changed. Net Position—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 Position 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 position as of June 30, 2013, and includes the comparison to the prior year.

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013 Component Unit</u>
Assets:			
Current assets	\$ 18,593,462	\$ 17,236,000	\$ 781,947
Capital assets	66,575,200	66,387,654	-
Noncurrent assets-			
Investments	-	-	5,483,760
Restricted cash	563,797	555,600	-
Total assets	<u>\$ 85,732,459</u>	<u>\$ 84,179,254</u>	<u>\$ 6,265,707</u>
Liabilities:			
Current liabilities	\$ 2,705,925	\$ 2,599,764	\$ 26,868
Non-current liabilities	1,366,050	1,985,638	-
Total liabilities	<u>4,071,975</u>	<u>4,585,402</u>	<u>26,868</u>
Net Position:			
Net investment in capital assets	64,989,562	64,190,392	-
Restricted:			
Nonexpendable endowments	-	-	4,464,438
Expendable grants, bequests and contributions	-	-	1,665,894
Expendable future debt service requirements	563,797	555,600	-
Unrestricted net assets	16,107,125	14,847,860	108,507
Total net position	<u>\$ 81,660,484</u>	<u>\$ 79,593,852</u>	<u>\$ 6,238,839</u>

Analysis of Net Position

As noted earlier, Net Position may serve as a useful indicator of the College's financial position. For the College, assets exceeded liabilities by \$79,593,852 at the close of June 30, 2012, as compared to the \$81,660,484 as of June 30, 2013. As of June 30, 2013, the Net Position consists of investment of capital assets (e.g. land, building, and equipment), net of related debt in the amount of \$64,989,562 or 79%. 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 2013 fiscal year by \$187,546, net of depreciation expense of \$3,234,638. Net Position also consist of 20% unrestricted Net Position, or \$16,107,125. Restricted Net Position includes \$563,797, or 1% of expendable future debt service funds. The Statement of Net Position indicates growth in capital assets. Increases are due to the completion of construction projects and as well as renewal and replacement projects.

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table summarizes the College's revenues, expenses, and changes in Net Position for the year ending June 30, 2013 and includes a comparison to the year ended June 30, 2012.

Revenues, Expenses and Changes in Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013 Component Unit</u>
Operating revenues	\$ 8,259,349	\$ 9,943,080	\$ 330,035
Operating expenses	<u>32,174,996</u>	<u>34,495,614</u>	<u>249,068</u>
Operating (loss) income	(23,915,647)	(24,552,534)	80,967
Non-operating revenues and expenses	<u>25,975,177</u>	<u>26,016,096</u>	<u>660,657</u>
Income before other revenue	2,059,530	1,463,562	741,624
Capital appropriations	<u>7,102</u>	<u>1,805,462</u>	<u>-</u>
Increase (decrease) in net position	<u>\$ 2,066,632</u>	<u>\$ 3,269,024</u>	<u>\$ 741,624</u>

Analysis of Changes in Net Position

The College's Net Position increased by \$2,066,632 during the 2013 fiscal year as compared to an increase of \$3,269,024 for the 2012 fiscal year. Operating revenues were \$8,259,349 in 2013, which is a decline of \$1,683,731 from fiscal year 2012. Operating expenses were \$32,174,996 in fiscal year 2013, which is a decrease of \$2,320,618 from fiscal year 2012.

Operating Revenues

The following table summarizes the College's operating revenues of \$8,259,349 for the fiscal year ended June 30, 2013, as compared to the operating revenues of \$9,943,080 in 2012. FY 13 reflects a decrease in gross tuition and fees, which is mostly due to a decline in enrollment. The operating revenue report shows a decrease in Federal grants and contract revenue which is related to a decrease in Federal Direct Loan revenue. Component Unit revenues for the year total \$330,035, which is an increase over FY 12.

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Revenues

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013 Component Unit</u>
Student tuition and fees, net	\$ 3,779,883	\$ 4,005,769	\$ -
Federal grants and contracts	1,135,186	1,931,585	-
State and other grants and contracts	673,756	657,797	-
Auxiliary enterprises	2,342,563	3,347,929	-
Intercollegiate athletics	327,961	-	-
Gifts, bequests and endowments	-	-	330,035
	<u> </u>	<u> </u>	<u> </u>
Total operating revenues	<u>\$ 8,259,349</u>	<u>\$ 9,943,080</u>	<u>\$ 330,035</u>

Operating Expenses

The following table summarizes the College's operating expenses of \$32,174,996 for the fiscal year ended June 30, 2013, as compared to the operating expenses of \$34,495,614 in 2012. The decrease in operating expenses is attributed to the decrease in demand for student financial aid, decrease in Auxiliary Enterprises, and decrease in part-time faculty cost. Component Unit expenses for the year were \$249,068.

Operating Expenses

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013 Component Unit</u>
Instruction	\$ 8,970,880	\$ 9,266,203	\$ -
Academic support	2,137,903	2,171,294	-
Student services	2,295,015	2,347,919	-
Institutional support	3,403,917	3,087,081	249,068
Operations and maintenance	3,511,435	3,345,919	-
Depreciation	3,234,638	3,217,711	-
Capital outlay	1,311,548	1,353,690	-
Student aid	3,896,958	5,824,615	-
Private grants	-	66,549	-
Student activities	162,212	154,819	-
Intercollegiate athletics	1,186,626	1,185,346	-
Auxiliary enterprises	2,063,864	2,474,468	-
	<u> </u>	<u> </u>	<u> </u>
Total operating expenses	<u>\$ 32,174,996</u>	<u>\$ 34,495,614</u>	<u>\$ 249,068</u>

Non-Operating Revenues (Expenses)

The following table summarizes the College's non-operating revenues (expenses) of \$25,975,177 for the fiscal year ended June 30, 2013. Local appropriations continue to remain strong but there was a decrease in Federal Pell Grants. Local appropriations were significantly higher than the budget level approved by the governing board. There were no significant or unexpected changes in the other areas of non-operating revenues and expenses.

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-operating Revenues (Expenses)

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013 Component Unit</u>
Property taxes	\$ 6,204,764	\$ 5,415,280	\$ -
Oil and gas taxes	10,867,046	11,416,154	-
Federal pell grants	2,561,689	3,555,999	-
State appropriations, non-capital	5,989,296	5,707,386	-
Investment income	397,613	30,842	613,910
Interest on capital related debt	21,577	(127,721)	-
Gain (Loss) on disposal of assets	(66,808)	18,156	-
Production taxes	-	-	(5,440)
Royalties	-	-	52,187
	<u> </u>	<u> </u>	<u> </u>
Total non-operating revenues and expenses	<u>\$ 25,975,177</u>	<u>\$ 26,016,096</u>	<u>\$ 660,657</u>

Increase in Net Position

The following table summarizes the College's increase in Net Position of \$3,269,024 for June 30, 2012 compared to the increase in Net Position of \$2,066,632 for June 30, 2013.

Increase in Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013 Component Unit</u>
Income before capital appropriations	\$ 2,059,530	\$ 1,463,562	\$ 741,624
Capital appropriations	<u>7,102</u>	<u>1,805,462</u>	<u>-</u>
Increase (decrease) in Net Position	2,066,632	3,269,024	741,624
Net position - beginning of year	<u>79,593,852</u>	<u>76,324,828</u>	<u>5,497,215</u>
Net position - end of year	<u>\$ 81,660,484</u>	<u>\$ 79,593,852</u>	<u>\$ 6,238,839</u>

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

At June 30, 2013, the College had \$66,575,200 invested in capital assets as compared to \$66,387,654 at June 30, 2012.

Capital Assets, Net

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u> <u>Component Unit</u>
Land Improvements	\$ 1,759,715	\$ 2,009,847	\$ -
Buildings	47,405,642	42,351,075	-
Infrastructure	8,449,783	8,547,677	-
Software	137,527	213,119	-
Library books	647,015	640,240	-
Furniture and equipment	2,638,199	3,137,323	-
Automobiles	219,070	151,854	-
Construction in progress	5,109,986	9,128,256	-
Land	208,263	208,263	-
	<u>\$ 66,575,200</u>	<u>\$ 66,387,654</u>	<u>\$ -</u>

Major capital expenditures during the 2013 fiscal year include the Roof Replacement project, the Front entrance landscaping construction, and Technology upgrade and various remodel projects.

The College disbursed a debt service payment on the principal of the 2005 Revenue Bonds. The payment was for \$611,624 in accordance with the amortization schedule and the outstanding balance of the revenue bonds at June 30, 2013 was \$1,585,638.

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.

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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. Over the past several years the financial support from the State has declined, but in fiscal year 2013 State Funding held steady as compared to fiscal year 2012. Current indications from the State Legislative Finance Committee are that the State funding appears to remain 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 38% 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
STATEMENT OF NET POSITION
June 30, 2013

ASSETS	Primary Government	Component Unit
Current assets:		
Cash and cash equivalents	\$ 5,082,687	\$ 773,857
Short-term investments	9,589,592	-
Accounts receivable, net	2,831,259	8,090
Inventory	621,664	-
Prepaid expenses	287,864	-
Prepaid summer expenses	180,396	-
Total current assets	18,593,462	781,947
Non-current assets:		
Restricted cash and cash equivalents	563,797	-
Investments	-	5,483,760
Capital assets, net	66,575,200	-
Total non-current assets	67,138,997	5,483,760
Total assets	\$ 85,732,459	\$ 6,265,707
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 336,026	\$ 26,868
Accrued expenses	1,012,160	-
Interest payable	10,706	-
Unearned revenues	906,972	-
Compensated absences	220,473	-
Current maturity of bonds payable	219,588	-
Total current liabilities	2,705,925	26,868
Non-current liabilities:		
Bonds payable	1,366,050	-
Total non-current liabilities	1,366,050	-
Total liabilities	4,071,975	26,868
Net position:		
Net investment in capital assets	64,989,562	-
Restricted for:		
Nonexpendable endowments	-	4,464,438
Expendable grants and contributions	-	1,665,894
Expendable future debt service requirements	563,797	-
Unrestricted	16,107,125	108,507
Total net position	81,660,484	6,238,839
Total liabilities and net position	\$ 85,732,459	\$ 6,265,707

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2013

	Primary Government	Component Unit
Operating revenues:		
Student tuition and fees	\$ 3,779,883	\$ -
Federal grants and contracts	1,135,186	-
State and other grants and contracts	673,756	-
Auxiliary enterprises	2,342,563	-
Intercollegiate athletics	327,961	-
Gifts, bequests and endowments	-	330,035
Total operating revenues	<u>8,259,349</u>	<u>330,035</u>
Operating expenses:		
Instruction	8,970,880	-
Academic support	2,137,903	-
Student services	2,295,015	-
Institutional support	3,403,917	249,068
Operations and maintenance	3,511,435	-
Depreciation	3,234,638	-
Capital outlay	1,311,548	-
Student aid	3,896,958	-
Student activities	162,212	-
Intercollegiate athletics	1,186,626	-
Auxiliary enterprise expenses	2,063,864	-
Total operating expenses	<u>32,174,996</u>	<u>249,068</u>
Operating income (loss)	<u>(23,915,647)</u>	<u>80,967</u>
Non-operating revenues (expenses):		
Property taxes	6,204,764	-
Oil and gas taxes	10,867,046	-
Federal pell grants	2,561,689	-
State appropriations, non-capital	5,989,296	-
Other revenue sources	397,613	-
Investment income (loss)	21,577	613,910
Interest on capital related debt	(66,808)	-
Production taxes	-	(5,440)
Royalties	-	52,187
Net non-operating revenues (expenses)	<u>25,975,177</u>	<u>660,657</u>
Income before capital appropriations	2,059,530	741,624
State appropriations, capital	<u>7,102</u>	<u>-</u>
Change in net position	2,066,632	741,624
Net position, beginning of year	<u>79,593,852</u>	<u>5,497,215</u>
Net position, end of year	<u>\$ 81,660,484</u>	<u>\$ 6,238,839</u>

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, 2013

	Primary Government
Cash flows from operating activities:	
Tuition and fees	\$ 3,971,460
Federal and state grants and contracts	1,808,942
Auxiliary enterprise charges	2,342,563
Intercollegiate athletics	327,961
Payments to employees and for employee benefits	(17,357,723)
Disbursement of net aid to students	(4,767,290)
Payments to suppliers	(6,939,717)
Net cash (used) by operating activities	<u>(20,613,804)</u>
Cash flows from noncapital financing activities:	
State appropriations	5,989,296
Federal pell grants	2,561,689
Property taxes	6,204,764
Oil and gas taxes	10,867,046
Net cash provided by noncapital financing activities	<u>25,622,795</u>
Cash flows from capital financing activities:	
Principal payments on long term debt	(611,624)
Interest paid	(80,675)
Other revenue sources	397,611
Capital appropriations	7,102
Net cash (used) by capital financing activities	<u>(287,586)</u>
Cash flows from investing activities:	
Purchase of capital assets	(3,422,182)
Interest received	21,577
Net cash (used) by investing activities	<u>(3,400,605)</u>
Net increase in cash and cash equivalents	1,320,800
Cash and cash equivalents - beginning of year	13,915,276
Cash and cash equivalents - end of year	<u>\$ 15,236,076</u>
Reconciliation to Statement of Net Position	
Cash and cash equivalents	\$ 5,082,687
Short-term investments	9,589,592
Restricted cash and cash equivalents	563,797
Cash and cash equivalents - end of year	<u>\$ 15,236,076</u>
Operating Loss	\$ (23,915,647)
Reconciliation of operating loss to net cash used by operating activities:	
Depreciation expense	3,234,638
Changes in assets and liabilities:	
Accrued expenses	174,687
Inventory	(106,051)
Deferred revenues	(970)
Prepaid expenses	(131,355)
Compensated absences	24,920
Accounts payable	(86,573)
Accounts receivable, net	192,547
Net cash (used) by operating activities	<u>\$ (20,613,804)</u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2013

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 297,136
Accounts receivable	970
	<hr/>
Total assets	\$ 298,106
	<hr/> <hr/>
LIABILITIES	
Accounts payable	\$ 5,288
Due to student organizations	292,818
	<hr/>
Total liabilities	\$ 298,106
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

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; 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.

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.

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 No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, the accompanying financial statements present the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows of the New Mexico Junior College and its discretely presented component unit.

In evaluating how to define the government for financial reporting purposes, the College has considered all potential component units. The decision to include potential component units 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.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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

- 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.

Component Unit

Component units are legally separate organizations for which the primary organization is financially accountable. Component units can also be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entities financial statements to be misleading or incomplete. In addition, component units can be organizations that raise and hold economic resources for the direct benefit of a primary unit. Because of the closeness of their relationships with the primary organization, some component units are blended as though they are part of the primary organization. However, most component units are discretely presented. The College has one blended and one discretely presented component unit. The College does not have any related organizations, joint ventures or jointly governed organizations.

The following is a blended component unit:

On October 25, 2011, the NMJC Research Foundation (the Research Foundation) was incorporated by New Mexico Junior College. The Research Foundation is a blended component unit of the College presented and reported upon as a part of the basic financial statements of the College.

The Research Foundation was organized pursuant to the University Research Park and Economic Development Act, NMSA 1978 Section 21-28-1, et. seq (“Act”). Specifically, the Research Foundation is organized to engage in cooperative ventures of innovative technological significance that will advance education, science, research, conservation, health care and/or economic development within New Mexico. The Research Foundation will serve as a resource, source of information, conduit and liaison between educational institutions, private industry and governmental entities to promote research in numerous areas including, but not limited to education and science.

The research and education activities will be aimed toward promoting collaboration between various entities to eliminate or reduce duplicate research efforts. The Research Foundation will seek to recruit technical experts, scientists, and other qualified individuals, including community and business leaders to be available for such research.

In addition to the activities set forth above, the Research Foundation will:

- Work with faculty and staff of New Mexico Junior College to develop and administer research, training and community service grants, contracts and self-service programs;
- Develop and manage major centers, institutes, community partnerships, and programs;
- Provide technology transfer services;
- Acquire, develop and manage real property to provide space for sponsored research programs;
- Administer fellowships and financially manage and invest gifts, trusts, and endowments, as they relate to the primary function of the Research Foundation.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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

The following is a discretely presented component unit:

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.

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.

During the year ended June 30, 2013, the College adopted GASB Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The College does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources

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.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

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

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.

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.

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, 2013, 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. Unearned Revenue and Expenditures

Unearned 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.

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

10. *Capital Assets*

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings 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.

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 Debt Service Fund accounts for principal and interest due to the Series 2005 Bonds. 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'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.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

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

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 \$6,204,764 or 18% of total revenue in fiscal year 2013. Oil and gas production and equipment tax revenue fluctuates significantly upon demand and was \$10,867,046 or 31% of total revenue in fiscal year 2013.

15. Net position

The College's net position is classified into the following net position categories:

Net investment in capital assets: 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 position subject to externally imposed conditions that the College retain them in perpetuity. Net position in this category consist of endowments held by the Foundation. All amounts for the primary government that are restricted in the statement of net position are considered restricted by enabling legislation.

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

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

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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

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.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appointed in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as restricted fund balance.

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).

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 position as reported on a budgetary basis to the change in net position 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.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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

19. Income Tax Status

The income generated by the College, as an instrumentality of the State of New Mexico, generally is excluded from federal income taxes under Section 115(a) of the Internal Revenue Code. However, the College is subject to taxation on income derived from business activities not substantially related to the College's exempt function (unrelated business income under Internal Revenue Code Section 511); such income is taxed at the normal corporate rate. Contributions to the College are deductible by donors as provided under Section 170 of the Internal Revenue Code.

The Foundations are exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

20. Property Tax Calendar

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

NOTE 2 – DEPOSITS AND INVESTMENTS

State statutes authorize the investment of funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts and United States Government obligations. Management of the College is not aware of any investments that did not properly follow State investment requirements as of June 30, 2013.

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.

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction accounts (including an Interest of Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the FDIC. Beginning January 1, 2013, all of the College's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

Section 6-10-17, NMSA 1978, requires that all depositories provide collateral equal to at least one-half of the amount of public monies on deposit. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. All depositories had collateral exceeding the amount required by law.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 – DEPOSITS AND INVESTMENTS, (continued)

Custodial Credit Risk - 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, 2013, \$2,488,861 of the College's bank balance of \$3,046,497 was exposed to custodial credit risk. \$1,577,629 was uninsured and collateralized by the collateral held by the pledging bank's trust department, not in the College's name and \$911,232 was uninsured and uncollateralized.

	Wells Fargo Bank	Western Commerce Bank	Lea County Bank	Bank of America	Total
Total amount of deposits	\$ 2,002,967	\$ 25,124	\$ 32,512	\$ 985,894	\$ 3,046,497
Deposit accounts covered by the FDIC coverage	<u>250,000</u>	<u>25,124</u>	<u>32,512</u>	<u>250,000</u>	<u>557,636</u>
Total uninsured public funds	1,752,967	-	-	735,894	2,488,861
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the College's name	<u>918,684</u>	<u>-</u>	<u>-</u>	<u>658,945</u>	<u>1,577,629</u>
Uninsured and uncollateralized	<u>\$ 834,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,949</u>	<u>\$ 911,232</u>
Collateral requirement (50% of uninsured public funds)	876,484	-	-	367,947	1,244,431
Pledged security	<u>918,684</u>	<u>-</u>	<u>-</u>	<u>658,945</u>	<u>1,577,629</u>
Over (under) collateralization	<u>\$ 42,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,998</u>	<u>\$ 333,198</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 United States Government. State statute also authorizes the College to invest in bonds or negotiable securities of the United States, 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
JUNE 30, 2013**

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, 2013, 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	\$ 2,461,552
Deposit accounts covered by the FDIC coverage	<u>-</u>
Total uninsured public funds	2,461,552
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the College’s name	<u>2,461,552</u>
Uninsured and uncollateralized	\$ <u><u>-</u></u>
Collateral requirement (102% of uninsured public funds)	2,510,783
Pledged security	<u>2,510,783</u>
Over collateralization	\$ <u><u>-</u></u>

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, 2013, 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
JUNE 30, 2013**

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

	<u>Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
New MexiGROW LGIP	AAAm	\$ 9,589,592	59 days
New MexiGROW LGIP – Reserve Contingency Fund	Not rated	5,931	Does not earn interest
New Mexico Finance Authority	Not rated	360,329	Less than 90 days
State Treasurer's Debt Service	Not rated	203,468	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, 2013, 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, 2013:

<u>Investment</u>	<u>Market Value</u>	<u>Percent of Investment</u>
New MexiGROW LGIP	\$ 9,589,592	94.4%
New Mexico Finance Authority	360,329	3.5%
State Treasurer's Debt Service	203,468	2.0%
 Total investments	 \$ 10,153,389	 100.0%

The following represents the concentration of credit risk regarding the investments of the Foundation at June 30, 2013:

<u>Investment</u>	<u>Market Value</u>	<u>Percent of Foundation's Investment</u>
Equities	\$ 3,662,417	66.8%
Mutual funds	1,821,343	33.2%
 Total Foundation investments	 \$ 5,483,760	 100.0%

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
JUNE 30, 2013**

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 Position and Statement of Fiduciary Assets and Liabilities

Deposits	\$	3,046,497
US Government securities underlying an overnight repurchase agreement		2,461,552
<i>New MexiGROW</i> LGIP		9,589,592
New Mexico Finance Authority mutual fund		203,468
State Treasurer's debt service		360,329
Total deposits and investments		<u>15,661,438</u>
Petty cash		4,240
Subtract reconciling items		<u>(132,466)</u>
Total cash and cash equivalents and investments	\$	<u>15,533,212</u>
Statement of Net Position:		
Cash and cash equivalents	\$	5,082,687
Short-term investments		9,589,592
Restricted cash and cash equivalents		<u>563,797</u>
Cash and cash equivalents, end of year per statement of cash flows		15,236,076
Statement of Fiduciary Assets and Liabilities:		
Cash and cash equivalents		<u>297,136</u>
Net deposits and investments	\$	<u>15,533,212</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
JUNE 30, 2013**

NOTE 3 – ACCOUNTS RECEIVABLE

The College's accounts receivable at June 30, 2013 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 taxes	\$	247,833
Oil and gas taxes		1,839,224
General receivables		271,126
Student receivables		1,137,161
Other taxes receivable		48,880
		<u>3,544,224</u>
Less allowance for uncollectible accounts		<u>(712,965)</u>
Net total accounts receivable	\$	<u><u>2,831,259</u></u>

NOTE 4 – ACCRUED EXPENSES

The College's accrued expenses at June 30, 2013 are as follows:

Payroll	\$	448,690
Payroll taxes and related liabilities		<u>563,470</u>
Total accrued expenses	\$	<u><u>1,012,160</u></u>

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 5 – CAPITAL ASSETS

The following table summarizes the changes in capital assets during the fiscal year ended June 30, 2013:

	June 30, 2012	Additions	Deletions	June 30, 2013
Assets not being depreciated:				
Construction in progress	\$ 9,128,257	\$ 2,469,372	\$ 6,487,643	\$ 5,109,986
Land	208,263	-	-	208,263
	<u>9,336,520</u>	<u>2,469,372</u>	<u>6,487,643</u>	<u>5,318,249</u>
Assets being depreciated:				
Land improvements	4,683,972	-	-	4,683,972
Buildings	60,037,855	6,318,978	-	66,356,833
Infrastructure	10,161,516	362,856	-	10,524,372
Software	934,573	10,206	-	944,779
Library books	3,041,083	172,182	-	3,213,265
Furniture and equipment	10,893,959	439,492	1,195	11,332,256
Automobiles	1,288,985	136,739	112,509	1,313,215
	<u>91,041,943</u>	<u>7,440,453</u>	<u>113,704</u>	<u>98,368,692</u>
Totals	<u>100,378,463</u>	<u>9,909,825</u>	<u>6,601,347</u>	<u>103,686,941</u>
Less accumulated depreciation:				
Land improvements	2,674,125	250,132	-	2,924,257
Buildings	17,686,780	1,264,411	-	18,951,191
Infrastructure	1,613,839	460,750	-	2,074,589
Software	721,454	85,798	-	807,252
Library books	2,400,843	165,407	-	2,566,250
Furniture and equipment	7,756,636	938,616	1,195	8,694,057
Automobiles	1,137,131	69,523	112,509	1,094,145
	<u>33,990,808</u>	<u>3,234,637</u>	<u>113,704</u>	<u>37,111,741</u>
Net capital assets	<u>\$ 66,387,655</u>	<u>\$ 6,675,188</u>	<u>\$ 6,487,643</u>	<u>\$ 66,575,200</u>

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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The College's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$235,193, \$219,979 and \$201,113, respectively, which equal the required contributions for each year.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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.

Member Contributions

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

Employer Contributions

In fiscal year 2013, the College was required to contribute 12.4% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than \$20,000.

In the future, New Mexico Junior College will contribute the following percentages of the gross covered salary of employees: 13.15% of gross covered salary in fiscal year 2014; and 13.9% of gross covered salary in fiscal year 2015.

The contribution requirements of plan members and the College are established in State statute under Chapter 22, Article 11, NMSA1978. The requirements may be amended by acts of the legislature. The College's contributions to ERB for the fiscal years ending June 30, 2013, 2012, and 2011, were \$1,162,290, \$1,052,823 and \$1,225,873, 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 Presbyterian. 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.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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.

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 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. 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 Governmental Accounting Standards Board (GASB) pronouncements. Revenues and expenses are classified for reporting purposes into net position categories according to externally (donor) imposed restrictions. A description of the net position categories follows:

Net Position

Unrestricted net position represent resources whose use is not limited or restricted by donors. Unrestricted net position have arisen from exchange transactions and receipt of unrestricted contributions. Restricted net position represent those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. Restricted expendable net position are resources that the Foundation is legally or contractually obligated to spend in accordance with imposed restrictions by third parties, such as donors.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

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

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

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 as a percentage of net interest and dividend earnings, investment fees and net capital change for the year. The Investment Committee of the Foundation and College management sets the annual distribution, which endowment donors must approve.

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, 2013, 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 2010.

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. Accounts held by an official custodian of a government unit will be insured as follows:

- Up to \$250,000 for the combined total of all time and savings accounts (including NOW accounts), and
- Up to \$250,000 for the combined amount of all interest-bearing and noninterest-bearing demand deposit accounts

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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

As of June 30, 2013, there were no balances in excess of insurance coverage.

	Merrill Lynch	Wells Fargo Bank	First American Bank	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total amount of deposits	\$ 398,818	\$ 188,496	\$ 188,863	\$ 776,177
Less: FDIC coverage	250,000	188,496	188,863	627,359
Less: SIPC coverage	<u>148,818</u>	<u>-</u>	<u>-</u>	<u>148,818</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>

Receivables

The Foundation considers receivables to be 100% collectible; therefore no allowance has been made for uncollectible amounts. The receivable at June 30, 2013 consists of the following:

Golf tournament fundraising pledges receivable	\$ 5,500
Oil and gas receivable	1,583
Other receivable	<u>1,007</u>
Accounts receivable, net	<u>\$ 8,090</u>

Functional expenses

The Foundation had the following functional expenses during the year ended June 30, 2013:

Program expenses	\$ 214,581
Fundraising expenses	<u>34,487</u>
Total functional expenses	<u>\$ 249,068</u>

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Institutional support

The Foundation provided the following institutional support to the College during the year ended June 30, 2013:

Scholarships	\$ 139,406
Program Assistance	34,791
Work-Study	13,002
Administrative Support	23,382
Awards	<u>4,000</u>
Total institutional support	<u>\$ 214,581</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, 2013. The commitments related to these projects are approximately \$586,453 as of June 30, 2013. These project costs are as follows:

<u>Project Description</u>	<u>Amount</u>
Cafeteria Upgrade	\$ 202,238
Campus Signage	68,339
Infrastructure Renewal & Upgrade	31,738
Caster Activity Center Restroom Remodel	20,541
Mechanical work at Heidel Hall	15,754
Track Upgrades	13,512
Original Entrance Landscaping	19,009
Rodeo Arena Improvement	<u>215,322</u>
	<u>\$ 586,453</u>

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 College. The College had a liability for accrued vacations as of June 30, 2013 as follows:

Accrued vacation – beginning of year	\$ 195,553
Additions	255,975
Deletions	<u>(231,055)</u>
Accrued vacation – end of year	<u>\$ 220,473</u>

The College estimates that the entire \$220,473 will be due within one year.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013 consist of the following issue:

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, 2013 was as follows:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>	<u>Due within One Year</u>
System Revenue Bonds Series 7/15/2005	\$ <u>2,197,262</u>	\$ <u>-</u>	\$ <u>611,624</u>	\$ <u>1,585,638</u>	\$ <u>219,588</u>

The annual debt service requirements to maturity, including principal and interest for System Revenue Bonds Series 2005 long-term debt as of June 30, 2013 are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 219,588	\$ 64,238	\$ 283,826
2015	228,061	55,786	283,847
2016	237,060	46,808	283,868
2017	246,595	37,296	283,891
2018	256,658	27,258	283,916
2019-2021	<u>397,676</u>	<u>22,160</u>	<u>419,836</u>
Totals	\$ <u>1,585,638</u>	\$ <u>253,546</u>	\$ <u>1,839,184</u>

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is October 30, 2013, which is the date on which the financial statements were available to be issued.

NOTE 18 – SUBSEQUENT PRONOUNCEMENTS

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.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The College is still evaluating how this reporting standard will affect the College.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 18 – SUBSEQUENT PRONOUNCEMENTS, (continued)

In April 2013, GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The College is still evaluating how this reporting standard will affect the College.

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 College 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 governments and other holders of publicly held U.S. Treasury Securities.

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NEW MEXICO JUNIOR COLLEGE

UNRESTRICTED AND RESTRICTED - ALL OPERATIONS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ 6,134,276	\$ 13,045,739	\$ 13,206,300	\$ 160,561
<i>Unrestricted and restricted revenues:</i>				
State general fund appropriations	8,578,480	8,713,004	6,584,462	(2,128,542)
Federal revenue sources	5,884,231	4,534,637	4,438,112	(96,525)
Tuition and fees	3,684,200	3,507,607	3,779,882	272,275
Other	1,856,480	728,130	3,272,289	2,544,159
Local funding	11,355,000	15,596,431	17,071,810	1,475,379
Private grants	-	-	32,685	32,685
<i>Total unrestricted and restricted revenues</i>	<u>31,358,391</u>	<u>33,079,809</u>	<u>35,179,240</u>	<u>2,099,431</u>
<i>Unrestricted and restricted expenditures:</i>				
Instruction	8,980,272	9,602,032	8,955,098	646,934
Academic support	2,273,414	2,280,960	2,141,654	139,306
Student services	2,428,753	2,506,739	2,278,398	228,341
Institutional support	3,153,000	3,310,341	3,420,725	(110,384)
Operation and maintenance of plant	3,234,438	3,577,632	3,511,430	66,202
Student social and cultural activities	206,000	233,226	162,211	71,015
Auxiliary services	1,780,078	1,900,967	1,930,278	(29,311)
Intercollegiate athletics	1,150,211	1,192,082	1,187,834	4,248
Internal service	81,772	145,914	134,655	11,259
Capital outlay	4,417,000	5,169,267	3,873,730	1,295,537
Building renewal and replacement	930,001	1,103,974	857,142	246,832
Retirement of indebtedness	359,064	359,064	66,808	292,256
Student aid, grants and stipends	5,540,634	4,414,655	4,767,290	(352,635)
Private grants	-	-	13,002	(13,002)
<i>Total unrestricted and restricted expenditures</i>	<u>34,534,637</u>	<u>35,796,853</u>	<u>33,300,255</u>	<u>2,496,598</u>
<i>Net transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(3,176,246)</u>	<u>(2,717,044)</u>	<u>1,878,985</u>	<u>4,596,029</u>
<i>Ending fund balance</i>	<u>\$ 2,958,030</u>	<u>\$ 10,328,695</u>	<u>\$ 15,085,285</u>	<u>\$ 4,756,590</u>
<i>Change in net position per statement of revenues, expenses and changes in net position</i>			2,066,632	
Capital outlay expenditures capitalized			(3,422,285)	
Depreciation expense			3,234,638	
<i>Financial statements change in net position reconciled to budgetary basis</i>			<u>\$ 1,878,985</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, 2013

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Beginning fund balance</i>	\$ 3,354,887	\$ 11,130,499	\$ 11,291,060	\$ 160,561
<i>Unrestricted revenues:</i>				
Internal service dept	24,000	14,286	34,330	20,044
Auxiliary enterprises	2,198,000	2,352,933	2,349,665	(3,268)
Athletics	326,200	327,961	327,961	-
STB Drawdowns	1,240,754	-	34,652	34,652
Other	30,000	113,452	195,115	81,663
<i>Total unrestricted revenues</i>	<u>3,818,954</u>	<u>2,808,632</u>	<u>2,941,723</u>	<u>133,091</u>
<i>Unrestricted expenditures:</i>				
Internal services	81,772	145,914	134,655	11,259
Student aid, grants and stipends	543,551	758,551	804,545	(45,994)
Auxiliary services	1,780,078	1,900,967	1,930,278	(29,311)
Intercollegiate athletics	1,150,211	1,192,082	1,187,834	4,248
Capital outlay	4,417,000	5,169,267	3,873,730	1,295,537
Building renewal and replacement	930,001	1,103,974	857,142	246,832
Retirement of indebtedness	359,064	359,064	66,808	292,256
<i>Total unrestricted expenditures</i>	<u>9,261,677</u>	<u>10,629,819</u>	<u>8,854,992</u>	<u>1,774,827</u>
<i>Net transfers</i>	<u>4,061,681</u>	<u>6,059,101</u>	<u>7,501,688</u>	<u>1,442,587</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(1,381,042)</u>	<u>(1,762,086)</u>	<u>1,588,419</u>	<u>3,350,505</u>
<i>Ending fund balance</i>	<u>\$ 1,973,845</u>	<u>\$ 9,368,413</u>	<u>\$ 12,879,479</u>	<u>\$ 3,511,066</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, 2013**

	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	4,997,083	3,656,104	3,709,016	52,912
State government contracts/grants	206,000	233,226	450,473	217,247
Private grants	-	-	13,002	13,002
<i>Total restricted revenues</i>	<u>5,203,083</u>	<u>3,889,330</u>	<u>4,172,491</u>	<u>283,161</u>
<i>Restricted expenditures:</i>				
Student social and cultural activities	206,000	233,226	162,211	71,015
Student aid, grants and stipends	4,997,083	3,656,104	3,962,745	(306,641)
Private grants	-	-	13,002	(13,002)
<i>Total restricted expenditures</i>	<u>5,203,083</u>	<u>3,889,330</u>	<u>4,137,958</u>	<u>(248,628)</u>
<i>Net transfers</i>	-	-	(34,533)	(34,533)
<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, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ 2,779,389	\$ 1,915,240	\$ 1,915,240	\$ -
<i>Unrestricted revenues:</i>				
Tuition and fees	3,684,200	3,507,607	3,779,882	272,275
State government appropriations	5,888,800	5,888,800	5,989,296	100,496
Local government appropriations	11,355,000	15,596,431	17,071,810	1,475,379
Federal grants and contracts	62,000	62,000	50,839	(11,161)
Other	235,526	272,431	330,566	58,135
<i>Total unrestricted revenues</i>	<u>21,225,526</u>	<u>25,327,269</u>	<u>27,222,393</u>	<u>1,895,124</u>
<i>Unrestricted expenditures:</i>				
Instruction	8,638,205	9,317,382	8,715,689	601,693
Academic support	2,247,244	2,254,790	2,121,973	132,817
Student services	1,704,267	1,781,086	1,694,857	86,229
Institutional support	3,137,158	3,294,499	3,420,725	(126,226)
Operation and maintenance of plant	3,232,175	3,575,369	3,511,430	63,939
<i>Total unrestricted expenditures</i>	<u>18,959,049</u>	<u>20,223,126</u>	<u>19,464,674</u>	<u>758,452</u>
<i>Net transfers</i>	<u>(4,061,681)</u>	<u>(6,059,101)</u>	<u>(7,467,153)</u>	<u>(1,408,052)</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(1,795,204)</u>	<u>(954,958)</u>	<u>290,566</u>	<u>1,245,524</u>
<i>Ending fund balance</i>	<u>\$ 984,185</u>	<u>\$ 960,282</u>	<u>\$ 2,205,806</u>	<u>\$ 1,245,524</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, 2013**

	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	825,148	816,533	678,257	(138,276)
State government contracts/grants	285,680	238,045	144,693	(93,352)
Private grants	-	-	19,683	19,683
<i>Total restricted revenues</i>	<u>1,110,828</u>	<u>1,054,578</u>	<u>842,633</u>	<u>(211,945)</u>
<i>Restricted expenditures:</i>				
Instruction	342,067	284,650	239,409	45,241
Academic support	26,170	26,170	19,683	6,487
Student services	724,486	725,653	583,541	142,112
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>1,110,828</u>	<u>1,054,578</u>	<u>842,633</u>	<u>211,945</u>
<i>Net transfers</i>	-	-	-	-
<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, 2013

	<u>June 30, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2013</u>
Baseball Booster Club	\$ 18,520	\$ 39,941	\$ 39,269	\$ 19,192
Pam Bickerton Family Scholarship	1,133	-	-	1,133
Cheerleaders	1,489	500	-	1,989
Athletic Training	-	611	222	389
Golf Booster Club	12,797	16,504	7,895	21,406
Basketball Tournaments	-	13,625	5,150	8,475
Men's Basketball	6,668	6,356	9,129	3,895
Women's Cross Country	299	810	-	1,109
Rodeo Club	14,647	5,696	7,247	13,095
Women's Basketball	17,227	7,062	5,958	18,331
AMP Club	180	-	-	180
ASSET Student Recognition	731	1,480	1,025	1,185
Automotive Competition	59	1,489	1,437	111
Backpacking & Camping	271	-	-	271
Burke Poetry Contest	444	-	-	444
Campus Ambassadors	1,380	231	242	1,369
College Democrats	316	-	-	316
Career Connections/Communications	299	-	-	299
Cosmetology Students	18,608	28,380	37,809	9,179
College Republicans	604	-	-	604
Drama Club	1,888	2,326	791	3,423
Emergency Services Law Camp	2,485	473	1,196	1,762
Faculty Senate	645	2,236	2,000	881
FFA	3,406	-	-	3,406
Fellowship of Christian Athletes	413	-	-	413
FCA Special Events	108	-	-	108
Ford ASSET Helping Hand	233	167	-	400
Geology Club	605	-	-	605
Healthy Active Lifestyle Challenge	94	-	-	94
GM ASEP Student Recognition	21	585	-	606
Law Enforcement Guest Speakers	1,000	-	-	1,000
Moran Lecture Series	5,430	4,944	5,146	5,229
NJCAA Division I Golf Association	43	-	-	43
NMJC Band Club	4,253	1,772	550	5,475
NMJC Sensations	4,623	-	-	4,623
NMJC Social Committee	7,008	3,924	5,308	5,624
Nature Trail Sculptures	9,888	7,160	9,160	7,887
NM Education Service Center	26,115	-	-	26,115
Phi Beta Lambda-NMJC	365	-	126	239
MU Alpha Theta	636	745	432	948
Phi Theta Kappa	3,382	5,621	4,253	4,750
Library Contest	-	100	-	100
Public Safety Account	2	647	649	-
Rope Climbing and Rappelling Club	635	-	-	635
Short Go Bible Study	-	700	597	103
Student Nurses Association	3	-	-	3
Support and Maintenance Council	4,672	-	3,194	1,478
Thunderbird Booster Club	181	20,540	19,721	1,000
Talent Search	10	-	-	10

Schedule I

	<u>June 30, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2013</u>
VICA Postsec Automotive	74	-	-	74
VICA Postsec Cosmetology	-	160	160	-
NMJC Skills USA- High School	-	19,540	17,181	2,359
Prepaid Tuition Agreement	23,526	2,451	156	25,822
SBDC Program Services	16,163	6,195	630	21,728
Student Support Services-SSS	863	112	224	751
NMJC Research Foundation	9,185	543	1,649	8,078
Upward Bound	7,643	15,148	14,568	8,223
Western Heritage Donations	34,935	5,469	17,860	22,543
Western Heritage Archaeological	111	1,242	810	544
Western Heritage Museum Membership	544	2,995	1,530	2,009
WHM Special Events	3,312	35,355	24,744	13,923
WHM Centennial	11,895	10,688	13,852	8,730
WHM Archaeological Memorial	584	15	47	552
WHM Publications Endowment	93	12	12	93
WHM Mammoth Fund Raiser	1,078	222	-	1,300
WHM Discretionary Fund	-	744	268	476
	<hr/>	<hr/>	<hr/>	<hr/>
Total agency fund cash	283,820	275,515	262,199	297,136
Accounts Payable	(8,997)	(5,817)	(9,526)	(5,288)
Accounts Receivable	569	487	86	970
	<hr/>	<hr/>	<hr/>	<hr/>
Due to student organizations	<u>\$ 275,392</u>	<u>\$ 270,185</u>	<u>\$ 252,759</u>	<u>\$ 292,818</u>

NEW MEXICO JUNIOR COLLEGE
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
June 30, 2013

<u>Account Name</u>	<u>Type</u>	<u>Western Commerce Bank</u>	<u>New MexiGROW LGIP</u>	<u>New Mexico Finance Authority</u>
NMJC	Checking	\$ 25,124	\$ -	\$ -
Instructional and general	Checking	-	-	-
Instructional and general	Overnight Repurchase	-	-	-
NMFA program funds	Mutual fund	-	-	203,468
NMFA debt service reserve	State Treasurer	-	-	360,329
NMJC money market	Deposit	-	-	-
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		25,124	9,589,592	563,797
Outstanding items		-	-	-
		<u>\$ 25,124</u>	<u>\$ 9,589,592</u>	<u>\$ 563,797</u>

Lea County State Bank	Bank of America	Wells Fargo Bank	Total	Component Unit			Total
				Merrill Lynch	Wells Fargo Bank	First American	
\$ -	\$ -	\$ -	\$ 25,124	\$ -	\$ -	\$ -	\$ -
-	-	2,002,967	2,002,967	-	-	-	-
-	-	2,461,552	2,461,552	-	-	-	-
-	-	-	203,468	-	-	-	-
-	-	-	360,329	-	-	-	-
32,512	-	-	32,512	-	-	-	-
-	25,853	-	25,853	-	-	-	-
-	606,979	-	606,979	-	-	-	-
-	50,232	-	50,232	-	-	-	-
-	302,830	-	302,830	-	-	-	-
-	-	-	9,589,592	-	-	-	-
-	-	-	-	20,090	-	-	20,090
-	-	-	-	145,328	-	-	145,328
-	-	-	-	78,814	-	-	78,814
-	-	-	-	12,710	-	-	12,710
-	-	-	-	51,748	-	-	51,748
-	-	-	-	90,128	-	188,863	278,991
-	-	-	-	-	100,345	-	100,345
-	-	-	-	-	88,151	-	88,151
-	-	-	-	-	-	-	-
32,512	985,894	4,464,519	15,661,438	398,818	188,496	188,863	776,177
-	(59,199)	(73,267)	(132,466)	-	(2,350)	-	(2,350)
\$ 32,512	\$ 926,695	\$ 4,391,252	15,528,972	\$ 398,818	\$ 186,146	\$ 188,863	773,827
		Petty cash	4,240				30
			<u>\$ 15,533,212</u>				<u>\$ 773,857</u>
Reconciliation to the Financial Statements:							
		Cash and cash equivalents	\$ 5,082,687				\$ 773,857
		Restricted cash and cash equivalents	563,797				-
		Short-term investment	9,589,592				-
			15,236,076				773,857
Statement of Fiduciary Assets and Liabilities:							
		Cash and cash equivalents	297,136				-
		Total deposits and investments	<u>\$ 15,533,212</u>				<u>\$ 773,857</u>

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NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY

Schedule III

June 30, 2013

Depository	Description of Pledged Collateral	Fair Market Value June 30, 2013	Name and Location of Safekeeper
Wells Fargo Bank			
	FMAC, Due 7/1/2042		Wells Fargo Bank
	CUSIP #3132GUYE8	\$ 213,730	Minneapolis, MN
	FNMA, Due 12/1/2040		Wells Fargo Bank
	CUSIP #3138A2BQ1	11,437	Minneapolis, MN
	FNMA, Due 3/1/2041		Wells Fargo Bank
	CUSIP #3138AAYX3	28,621	Minneapolis, MN
	FNMA, Due 11/1/2026		Wells Fargo Bank
	CUSIP #3138AVF83	6,805	Minneapolis, MN
	FNMA, Due 11/1/2026		Wells Fargo Bank
	CUSIP #3138AWJC8	20,576	Minneapolis, MN
	FNMA, Due 11/1/2026		Wells Fargo Bank
	CUSIP #3138AXCP4	3,329	Minneapolis, MN
	FNMA, Due 11/1/2026		Wells Fargo Bank
	CUSIP #3138AYW88	324,772	Minneapolis, MN
	FNMA, Due 1/1/2043		Wells Fargo Bank
	CUSIP #3138MRF30	14,420	Minneapolis, MN
	FNMA, Due 2/1/2043		Wells Fargo Bank
	CUSIP #3138MSC56	4,826	Minneapolis, MN
	FNMA, Due 2/1/2043		Wells Fargo Bank
	CUSIP #3138NXG35	4,856	Minneapolis, MN
	FNMA, Due 3/1/2043		Wells Fargo Bank
	CUSIP #3138W7GH1	4,860	Minneapolis, MN
	FNMA, Due 1/1/2037		Wells Fargo Bank
	CUSIP #31410FV44	212,150	Minneapolis, MN
	FNMA, Due 6/1/2042		Wells Fargo Bank
	CUSIP #31417CB79	32,784	Minneapolis, MN
	FNMA, Due 1/1/2043		Wells Fargo Bank
	CUSIP #31417EKV2	4,833	Minneapolis, MN
	FNMA, Due 12/1/2039		Wells Fargo Bank
	CUSIP #31419AGZ4	30,685	Minneapolis, MN
	FN-30 AK2955, Due 4/1/2042		Wells Fargo Bank
	CUSIP # 3138E7H98	<u>2,510,783</u>	Minneapolis, MN
	Total collateral on repurchase agreement deposits at Wells Fargo Bank	<u>3,429,467</u>	
Bank of America			
	FNCL Pool AO0758, Due 04/01/2042		Federal Reserve Bank
	CUSIP #3138LQZY3	<u>658,945</u>	Richmond, VA
	Total collateral on repurchase agreement deposits at Bank of America	<u>658,945</u>	
		<u>\$ 4,088,412</u>	

See accompanying independent auditor's report



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**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the 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, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC, the financial statements of the business-type activities and the discretely presented component unit of New Mexico Junior College (College), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise New Mexico Junior College's basic financial statements, and the budgetary comparisons presented as supplemental information for the year ended June 30, 2013, and have issued our report thereon dated October 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned 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 New Mexico Junior College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as findings FS 2013-004, FS 2013-005 and FS 2013-006 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 2013-001, FS 2013-002 and FS 2013-003.

College's Response to Findings

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Hobbs, New Mexico
October 30, 2013



Accounting & Consulting Group, LLP
Certified Public Accountants

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited New Mexico Junior College's 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 New Mexico Junior College's major federal program for the year ended June 30, 2013. New Mexico Junior College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Hobbs, New Mexico
October 30, 2013

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Schedule IV

Year ended June 30, 2013

	<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	\$ 2,557,135
Federal SEOG program (1)	84.007	42325	27,119
Federal work study program (1)	84.033	42511	37,390
TRIO cluster:			
TRIO-Student support services (2)	84.042A	41131	245,415
TRIO-Upward bound (2)	84.047A	41133	245,440
Passed through New Mexico			
Public Education Department:			
Carl Perkins vocational support services	84.048	41312	76,146
Carl Perkins vocational technical education	84.048A	41314	16,540
Adult Basic Education Federal	84.002	41310	<u>82,846</u>
Total US Department of Education			<u><u>3,288,032</u></u>
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>\$ 3,309,721</u></u>

* Tested as major program

() Denotes cluster

Federal Direct loans advanced to students in fiscal year 2013 were not included on this schedule.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013**

- 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 unearned 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.
- NOTE 5** Federal Direct loans advanced to students in fiscal year 2013 totaled \$870,332.

NEW MEXICO JUNIOR COLLEGE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes x No

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

Noncompliance material to financial statements noted? x Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes x No

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

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

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

Identification of major programs:

CFDA Number(s)

84.063
84.007
84.033

Name of Federal Program or Cluster

Student Financial Assistance Cluster
Federal PELL Grant program
Federal SEOG program
Federal Work Study program

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

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

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

B. FINDINGS—FINANCIAL STATEMENT AUDIT

FS 2013-001 – IPA Recommendation Form and Contract – Other Matter

Condition: The College submitted the IPA recommendation form and the signed contract to the Office of the State Auditor (OSA) on May 2, 2013.

Criteria: Pursuant to 2.2.2.8(G)(6)(c)(ii) NMAC, the College is required to submit the IPA recommendation and signed audit contract to OSA by May 1st.

Effect: The College is not in compliance with the New Mexico Administration Code.

Cause: The College was unable to approve their IPA recommendation form and contract during their March 2013 board meeting; therefore, the form and contract were approved at the April 24, 2013 meeting prior to submitting the information to the Higher Education Department (HED) for final approval. (The College ensured the IPA recommendation form and contract were delivered to HED by HED's deadline of April 26th in order to ensure the IPA recommendation form and contract was submitted to OSA by the deadline; however, HED did not submit the IPA recommendation form and contract to OSA timely.)

Auditors' Recommendation: The College should ensure they prepare the IPA recommendation form and contract with sufficient time to have the approval of all required parties and submit the information to OSA by the required deadline.

Management's Response: Management agrees that the College must be in compliance with the May 1st submittal of the IPA recommendation and signed audit contract to (OSA). Steps will be taken to get the IPA recommendation and signed audit contract to the Higher Education Department (HED) earlier in the month of April, allowing the HED more time to get the documents to the Office of the State Auditor.

FS 2013-002 – Per Diem Mileage Reimbursement – Other Matter

Condition: In one out of the ten travel expenditures tested, the College reimbursed an individual for mileage at the rate of \$.32 per mile instead of \$.40 per mile, which resulted in an under-reimbursement of \$77.68.

Criteria: Pursuant to Sections 6-1 and 6-8 of the Travel and Per Diem policy of the College requires reimbursement of mileage at \$.40 per mile for the use of private vehicles.

Effect: The College is not in compliance with their Board's policy regarding the mileage reimbursement rate.

Cause: The College's Travel and Per Diem Policy does not clearly specify a mileage reimbursement rate for non-employees.

Auditors' Recommendation: The College needs to update the Travel and Per Diem policy in accordance with 10-8-1 et seq. NMSA 1978 and 2-42-2 NMAC and train staff regarding state compliance. Additionally, the Board should consider revising the policy to specify a mileage rate for non-employee mileage reimbursements.

Management's Response: Management will make recommendations to the Board to update the Travel and Per Diem policy to address mileage reimbursement for non-employee and non-student mileage reimbursements.

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

FS 2013-003 – Procurement – Other Matter

Condition: For one of ten procurements tested, the College obtained quotes from a formalized quotation process instead of issuing a competitive bid or sealed proposal as the total award exceeded the cost of \$20,000. For one of the ten procurements tested, the College advertised the invitation for bid nine days prior to the bid opening, instead of the ten days as required by law.

Criteria: State Procurement Code, Sections 13-1-1 to 13-1-199 NMSA 1978 and the State Purchasing Regulations 1.4.1 NMAC requires the use of a formal bid process or formal request for proposal process for purchases exceeding the prescribed threshold and the use of quotes below that threshold. In addition, the Statute requires an invitation for bid or a notice thereof to be published not less than ten calendar days prior to the date set forth for the opening of bids (13-1-104 NMSA 1978 and 1.4.1.17 NMAC).

Effect: The College is not in compliance with the state procurement code and the state purchasing regulations.

Cause: The College was aware of the procurement codes that regulate purchasing; however, they did not anticipate the cost of the purchase to be greater than \$20,000.

Auditors' Recommendation: The College should take measures to ensure they are following the state procurement code, the state purchasing regulations, and the policies set forth by the Board.

Management's Response: It is the policy of the College to follow procurement guidelines. Management agrees and will make every effort to follow procurement guidelines and regulations.

FS 2013-004 – Fixed Asset Observation Board Certification and Disposals – Significant Deficiency

Condition:

- A full inventory of fixed assets was not completed during the year so the College did not present or get the New Mexico Junior College Board to certify fixed asset inventory.
- Included in the listing were several immaterial fixed assets that were fully depreciated and old, not in use or out of service.

Criteria: Pursuant to 2.20.1.16 NMAC, "The results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency. The state auditor or independent public accountant under a contract approved by the state auditor may test the correctness of the inventory by generally accepted auditing procedures."

Effect: The College is not in compliance with the state code. Assets may be capitalized and depreciated that, for financial reporting purposes, should not be.

Cause: A full inventory of fixed assets was not completed and the board did not certify the annual fixed asset inventory. Several old, not in use or out of service assets were not removed from listing.

Auditors' Recommendation: The College should take measures to ensure they are following the state code and present the results of the fixed asset inventory to the board and have the board sign off on it. All fixed assets should be evaluated and any items that are old, not in use or out of service should be removed from the listing.

Management's Response: Management agrees that a full inventory of fixed assets should be completed each year and presented to the Board, with the appropriate adjustments made to the fixed assets listing.

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

FS 2013-005 – Miscounts during inventory observation – Significant Deficiency

Condition: During our June 30, 2013 inventory observation, there were 3 bookstore miscounts by the College.

Criteria: Sections 6-5-1 through 6-5-6 NMSA, 1978 require internal accounting controls designed to prevent accounting errors and violations of state and federal laws and rules related to financial matters.

Effect: Without proper inventory controls, the College cannot verify what inventory they have on hand.

Cause: Three miscounts occurred during the inventory observation and were later discovered by auditor.

Auditors' Recommendation: The College should train employees at the bookstore on the proper use of the accounting software and a process should be developed where inventory is taken at least monthly and the inventory matches the quantity in the system.

Management's Response: Management agrees that proper inventory control in the Bookstore is critical. The Bookstore went through a software conversion in April of 2013 and is still doing training and working on different areas including the inventory. Every effort will be made to insure the proper accounting of the Bookstore inventory.

FS 2013-006 – Vacation time not being recorded by HR – Significant Deficiency

Condition: During the year there were instances where Department Supervisors did not turn in leave reports to HR.

Criteria: Sections 6-5-1 through 6-5-6 NMSA, 1978 require internal accounting controls designed to prevent accounting errors and violations of state and federal laws and rules related to financial matters.

Effect: Without leave forms being turned in, employees have the ability to take more vacation hours than allowed and more accrued vacation payout.

Cause: There were several employee leave reports not turned into human resources by department supervisors.

Auditors' Recommendation: The College should train all supervisors that leave forms must be completed and turned in to human resources in a timely manner. Vacation requests should be turned in a certain number of days before the employee takes the vacation. Sick leave forms should be turned in by a certain number of days after the employee returns to work.

Management's Response: Management agrees that it is important for Supervisors to monitor sick and vacation leave of all employees, and to ensure that the leave forms are submitted to HR in a timely manner. Management will emphasize to all supervisors the importance of submitting timely leave forms.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No findings

NEW MEXICO JUNIOR COLLEGE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

D. PRIOR YEAR FINDINGS

FS 2012-1: Stale Dated Checks – Other Matter
Resolved and not repeated.

FS 2012-2: Accounts Receivable Subsidiary Ledger – Material Weakness
Resolved and not repeated.

FA 2012-1: Special Tests and Provision – Verification – Significant Deficiency
Resolved and not repeated.

NEW MEXICO JUNIOR COLLEGE

**OTHER DISCLOSURES
JUNE 30, 2013**

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, 2013 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 13, 2013. The following persons were in attendance:

Foundation Officials

Dan Hardin, Foundation Treasurer
Tina Kunko, Secretary

College Officials

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

Auditor

Cindy Bryan, Partner
Sara Specht, Office of the New Mexico State Auditor
Lisa Jennings, Office of the New Mexico State Auditor