

**NORTHERN NEW MEXICO  
COLLEGE**

**Financial Statements  
for the Year Ended  
June 30, 2008  
and Independent  
Auditors' Report**



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**Northern New Mexico College**

**June 30, 2008**

**Ex Officio Members:**

The Honorable Bill Richardson	Governor of the State of New Mexico
Veronica Garcia	Cabinet Secretary for Public Education
Litticia Chambers	CEO of Commission of Higher Education

**Board of Regents**

**Appointed Members:**

Michael Branch	Chair
Dennis Salazar	Vice Chair
Theresa Martinez	Secretary/Treasurer
Feliberto Martinez	Member
Cecille Martinez-Wechsler	Member

**Principal Administrative Officials**

Jose Griego	President
Tom Garcia	Executive Vice President
Loretto Garcia	Vice President for Finance

## INDEPENDENT AUDITORS' REPORT

Board of Regents  
Northern New Mexico College  
Española, New Mexico and  
Mr. Hector H. Balderas  
New Mexico State Auditor

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Northern New Mexico College (the College) as of and for the year ended June 30, 2008, 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 supplemental information for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 2, the basic financial statements of the College and its discretely presented component unit are intended to present the net assets, changes in net assets and cash flows, where applicable, of only that portion of the State of New Mexico that is attributable to the transactions of the College and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MEYERS + COMPANY, LLC

Certified Public Accountants/Consultants to Business



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Board of Regents  
Northern New Mexico College  
Española, New Mexico and  
Mr. Hector H. Balderas  
New Mexico State Auditor

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

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

The management's discussion and analysis presented on pages 5 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedule listed as the "Schedule of Deposit Accounts" in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Board of Regents  
Northern New Mexico College  
Española, New Mexico and  
Mr. Hector H. Balderas  
New Mexico State Auditor

*Meyers + Company, LLC*

November 17, 2008

### **Overview of the Financial Statements**

For financial reporting purposes, Northern New Mexico College (the College) is considered a special-purpose government institution engaged only in business-type activities. 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 (MDA); the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. These statements provide both long-term and short-term financial information for the College and its component unit, the Northern New Mexico College Foundation (Foundation). This MDA focuses on the College and not the Foundation.

An agreement between the Foundation and the College was entered into on March 12, 1997. This agreement formalizes the relationship between the Foundation and the College and establishes the sole purpose of the Foundation as raising scholarship funds for the students of the College.

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, 2008.

### **Financial Highlights**

- The College's assets exceeded its liabilities at the close of the June 30, 2008 fiscal year by \$27,517,530 (net assets). Of this amount, \$4,630,921 is unrestricted and may be used for the College's ongoing operations.
- The College's financial position has remained constant as compared to prior years. Net assets increased during the year by \$2,183,169 over the previous year.

**NORTHERN NEW MEXICO COLLEGE**

**Management's Discussion and Analysis -  
Year Ended June 30, 2008 - continued**

**The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets**

The statement of net assets and statement of revenues, expenses and changes in net assets report the College's net assets and how they have changed. Net assets – the difference between assets and liabilities – is one way to measure the College's financial health or position. Over time, increases or decreases in the College's net assets may serve as a useful indicator of whether the financial position of the College 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 summarizes the College's assets, liabilities and net assets as of June 30:

Net Assets, as of June 30,	2008	2007
Assets:		
Current assets	\$ 7,795,126	4,660,543
Capital assets	20,229,538	20,580,959
Other non-current assets	<u>2,283,839</u>	<u>2,236,969</u>
Total assets	\$ <u>30,308,503</u>	<u>27,478,471</u>
Liabilities:		
Current liabilities	\$ 2,171,567	2,144,110
Other non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	2,171,567	2,144,110
Net assets:		
Invested in capital assets, net of related debt	20,229,538	20,580,959
Restricted	2,657,071	2,714,823
Unrestricted	<u>5,250,327</u>	<u>2,038,579</u>
Total net assets	<u>28,136,936</u>	<u>25,334,361</u>
Total liabilities and net assets	\$ <u>30,308,503</u>	<u>27,478,471</u>

Current assets increased primarily due to the increases in student enrollment, resulting in additional federal grant revenues earned but not collected by the fiscal year ended June 30, 2008.



**The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets - continued**

**Analysis of Net Assets**

As noted earlier, net assets may serve as a useful indicator of the College's financial position. For the College, assets exceeded liabilities by \$27,517,530 at the close of the fiscal year. Net assets consist of 74% capital assets (e.g., land, buildings and equipment), or \$20,229,538. The College uses these capital assets in its mission to provide post-secondary educational services to the College's service area. Consequently, these assets are not available for future spending. Net assets also consist of 17% unrestricted net assets, or \$4,630,921, which is available to be used for the College's ongoing operation.

The following summarizes the College's revenues, expenses and changes in net assets as of June 30:

Revenues, Expenses and Changes in Net Assets, as of June 30,

	2008	2007
Operating revenues	\$ 11,165,482	10,523,157
Operating expenses	<u>25,779,963</u>	<u>20,814,082</u>
Operating loss	(14,614,481)	(10,290,925)
Non-operating revenues (expenses)	<u>18,134,397</u>	<u>11,768,745</u>
Increase (decrease) in net assets	\$ <u>3,519,916</u>	<u>1,477,820</u>

**Analysis of Changes in Net Assets**

The College's net assets increased by \$3,519,916 and increased by \$1,477,820 during the fiscal years ended June 30, 2008 and 2007, respectively, as noted above in the Financial Highlights.

NORTHERN NEW MEXICO COLLEGE

Management's Discussion and Analysis -  
Year Ended June 30, 2008 - continued

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets -  
continued

**Operating Revenues**

The following summarizes the College's operating revenues of \$11,165,482 and \$10,523,127 for the fiscal years ended June 30, 2008 and 2007, respectively. Operating revenues increased due to a higher student enrollment over the prior year and additional federal grant revenues, primarily student financial aid.

Operating Revenues, as of June 30,

	2008	2007
Student tuition and fees	\$ 1,824,023	1,444,714
Federal grants and contracts	4,772,373	5,089,088
State grants and contracts	1,184,043	1,857,762
Other grants and contracts	1,049,960	912,578
Scholarships	181,066	117,452
State land and permanent fund income	131,858	377,569
Sales and services of auxiliary enterprises	790,983	973,275
Other operating revenues	<u>1,231,176</u>	<u>713,327</u>
		11,485,765
Less scholarship allowance	<u>-</u>	<u>962,608</u>
Total operating revenues	\$ <u>11,165,482</u>	<u>10,523,157</u>

**NORTHERN NEW MEXICO COLLEGE**

**Management's Discussion and Analysis -  
Year Ended June 30, 2008 - continued**

**The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets -  
continued**

**Operating Expenses**

The following summarizes the College's operating expenses of \$25,779,963 and \$20,814,082 for the fiscal years ended June 30, 2008 and 2007, respectively. Operating expenses increased due to the addition of two new bachelor degree programs, the renovation of dorms located at the El Rito campus, the initiation of construction on dorms for the Espanola campus, and the addition of men's and women's basketball teams.

Operating Expenses, as of June 30,

	2008	2007
Instruction	\$ 7,984,714	7,785,374
Academic support	3,291,274	3,315,359
Student services	2,166,888	2,106,013
International support	2,833,390	1,663,165
Scholarships	199,313	178,358
Operations and maintenance	-	12,984
Depreciation	1,269,861	1,427,002
Public service	462,273	354,296
Student aid	3,190,909	2,940,233
Auxiliary expenses	1,207,721	956,044
Plant	2,355,222	638,417
Internal service	746,973	732,842
Student activities	<u>71,424</u>	<u>66,731</u>
	<b>25,779,963</b>	<b>22,176,818</b>
Less expense related to scholarship allowances	-	962,608
Less expense related to tuition discounts and allowances	<u>-</u>	<u>400,128</u>
Total operating expenses	<b>\$ <u>25,779,963</u></b>	<b><u>20,814,082</u></b>

**NORTHERN NEW MEXICO COLLEGE**

**Management's Discussion and Analysis -  
Year Ended June 30, 2008 - continued**

**The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets -  
continued**

**Non-operating Revenues and Expenses**

The College had non-operating revenues of \$18,134,397 and \$11,768,745 for the fiscal years ended June 30, 2008 and 2007, respectively. The College received additional state appropriations over the prior year, although investment income decreased due to market decline from the state permanent land grant fund.

Non-operating Revenues and Expenses, as of June 30,	2008	2007
State appropriations	\$ 18,030,803	11,286,218
Investment income	<u>103,594</u>	<u>482,527</u>
Total non-operating revenues and expenses	\$ <u>18,134,397</u>	<u>11,768,745</u>

**Capital Assets and Debt Administration**

At June 30, 2008 and 2007, the College had \$20,229,538 and \$20,580,959, respectively, invested in capital assets, net of accumulated depreciation. The following summarizes the College's capital assets, net of accumulated depreciation:

Capital Assets, Net, as of June 30,	2008	2007
Land and improvements	\$ 5,143,128	4,966,188
Automobiles	97,364	-
Buildings and improvements	35,052,679	35,052,679
Library books	2,027,161	1,612,317
Furniture, fixtures and equipment	<u>6,965,129</u>	<u>6,735,836</u>
	49,285,461	48,367,020
Less accumulated depreciation	<u>29,055,923</u>	<u>27,786,061</u>
Total capital assets, net	\$ <u>20,229,538</u>	<u>20,580,959</u>

## NORTHERN NEW MEXICO COLLEGE

### Management's Discussion and Analysis - Year Ended June 30, 2008 - continued

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#### **The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets - continued**

##### **Budgetary Highlights**

Differences between the original revenue budget and the final revenue budget increased because the College received additional state appropriations during the year. There were not significant variances between the original expense budget and final expense budget.

There were no significant variances between the final revenue budget and actual revenues (approximately 1%). There was a significant variance between the final expense budget and actual expenses (12%) due to delays with certain capital projects.

##### **Economic Outlook**

The College is largely dependent on the state appropriations and federal and state grants. The state economic outlook is at a no growth level. The ongoing state support is anticipated to remain level with no planned reductions in state appropriations.

The College's Board of Regents has pursued the change of the College's mission and vision and has also worked closely with the governor and legislatures to change the name from College to University, and to continue to offer four year programs. The College is working on criteria to add new Baccalaureate programs to the College, as well as four new post-graduate degrees. The criteria has been submitted for review to the New Mexico Higher Education Department.

##### **Contacting Northern New Mexico College's Financial Management**

The financial report is designed to provide a general overview of Northern New Mexico College's finances for those with an interest in the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Loretto Garcia  
Northern New Mexico College  
921 Paseo de Oñate  
Española, New Mexico 87532

## **BASIC FINANCIAL STATEMENTS**

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AS OF JUNE 30, 2008

ASSETS:

	<u>Primary Institution</u>	<u>Component Unit</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2,139,747	1,260,943
Restricted cash and cash equivalents	3,374,829	-
Contract and grant receivables	1,516,872	-
Student accounts receivable, net of allowance for doubtful receivables of \$373,154	72,331	-
Pledges receivable	-	8,266
Loan receivables	115,733	-
Accounts receivable	214,196	5,000
Other receivables	13,920	-
Due from Foundation	136,328	-
Inventories	211,170	-
Other assets	<u>-</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>	<u>7,795,126</u>	<u>1,274,209</u>
<b>NON-CURRENT ASSETS:</b>		
Interest in State Permanent Land Grant Fund	2,283,839	-
Endowment investments	-	1,723,432
Capital assets	49,285,460	-
Accumulated depreciation	<u>(29,055,922)</u>	<u>-</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>22,513,377</u>	<u>1,723,432</u>
<b>TOTAL ASSETS</b>	<u>\$ 30,308,503</u>	<u>2,997,641</u>

NORTHERN NEW MEXICO COLLEGE

Statement of Net Assets

AS OF JUNE 30, 2008

LIABILITIES AND NET ASSETS:

	<u>Primary Institution</u>	<u>Component Unit</u>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 166,474	54,745
Accrued salaries and other benefits	934,749	-
Accrued compensated absences	439,052	-
Due to College	-	136,328
Deferred revenue	630,100	-
Deposits held in trust for others	<u>1,192</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,171,567</u>	<u>191,073</u>
<b>TOTAL LIABILITIES</b>	<u>2,171,567</u>	<u>191,073</u>
<b>NET ASSETS:</b>		
Invested in capital assets	20,229,538	-
Restricted for:		
Nonexpendable:		
Restricted - Loan programs	115,733	1,723,432
Interest in State Permanent Land Grant Fund	2,283,839	-
Expendable:		
Scholarships, research, instruction and other	135,512	1,083,136
Capital projects	4,210,703	-
Unrestricted	<u>1,161,611</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>28,136,936</u>	<u>2,806,568</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 30,308,503</u>	<u>2,997,641</u>



**NORTHERN NEW MEXICO COLLEGE**

**Statement of Revenues, Expenses and Changes in Net Assets**

**YEAR ENDED JUNE 30, 2008**

	<b>Primary Institution</b>	<b>Component Unit</b>
<b>OPERATING REVENUES:</b>		
Tuition and fees	\$ 1,824,023	-
Less tuition discounts and allowances	-	-
	1,824,023	-
Federal grants and contracts	4,772,373	-
State and local grants and contracts	1,184,043	-
Other grants and contracts	1,049,960	630,811
Scholarship	181,066	235
State land and permanent fund income	131,858	-
Sales and services of auxiliary enterprises	790,983	-
Less scholarship allowances	-	-
	8,110,283	631,046
Other	1,231,176	-
Interest applied to current operations	-	-
	1,231,176	-
<b>TOTAL OPERATING REVENUES</b>	<b>11,165,482</b>	<b>631,046</b>

NORTHERN NEW MEXICO COLLEGE

**Statement of Revenues, Expenses and Changes in Net Assets - continued**

YEAR ENDED JUNE 30, 2008

	Primary Institution	Component Unit
<b>EXPENSES:</b>		
Instruction and general:		
Instruction	\$ 7,984,715	-
Academic support	3,291,274	-
Student services	2,166,888	-
Institutional support	2,833,390	132,576
Scholarships	199,313	130,220
	16,475,580	262,796
Non-instruction:		
Public service	462,273	-
Student aid grants and stipends	3,190,909	-
Plant	2,355,222	-
Internal service	746,973	-
Student activities	71,424	-
Auxiliary enterprises	1,207,721	-
Less expense related to scholarship allowances	-	-
	8,034,522	-
Depreciation	1,269,861	-
	1,269,861	-
<b>TOTAL OPERATING EXPENSES</b>	<b>25,779,963</b>	<b>262,796</b>
<b>OPERATING (LOSS) INCOME</b>	<b>(14,614,481)</b>	<b>368,250</b>

**NORTHERN NEW MEXICO COLLEGE**

**Statement of Revenues, Expenses and Changes in Net Assets - continued**

**YEAR ENDED JUNE 30, 2008**

	<b>Primary Institution</b>	<b>Component Unit</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
State appropriations	\$ 18,030,803	-
Investment income	103,594	104,176
Transfers in (out)	-	-
<b>TOTAL NON-OPERATING REVENUES</b>	<u>18,134,397</u>	<u>104,176</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	3,519,916	472,426
<b>NET ASSETS, BEGINNING OF YEAR</b>	25,334,361	2,334,142
<b>RESTATEMENT OF PRIOR YEAR NET ASSETS</b>	<u>(717,341)</u>	<u>-</u>
<b>BEGINNING NET ASSETS, AS RESTATED</b>	<u>24,617,020</u>	<u>2,334,142</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 28,136,936</u>	<u>2,806,568</u>

NORTHERN NEW MEXICO COLLEGE

Statement of Cash Flows

YEAR ENDED JUNE 30, 2008

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Tuition and fees	\$ 2,190,148
Grants and contracts	6,920,652
Sales and services of educational activities	669,681
Other operating receipts	1,360,902
Payments to employees for salaries and benefits	(10,092,076)
Payments to suppliers	(10,794,782)
Loans and grants issued to students and employees	(3,390,222)
Collection of loans to students and employees	(249,115)
Other payments	-

**NET CASH USED BY OPERATING ACTIVITIES** (13,384,812)

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:**

State appropriations	18,030,803
Agency payments	(317,970)
Investment income	<u>103,594</u>

**NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES** 17,816,427

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Purchases of capital assets	(918,441)
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**NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES** (918,441)

**NET DECREASE IN CASH AND CASH EQUIVALENTS** 3,513,174

**BALANCE, BEGINNING OF YEAR** 2,001,402

**BALANCE, END OF YEAR** \$ 5,514,576

NORTHERN NEW MEXICO COLLEGE

Statement of Cash Flows - continued

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YEAR ENDED JUNE 30, 2008

RECONCILIATION OF OPERATING INCOME TO NET  
CASH USED BY OPERATING ACTIVITIES:

OPERATING LOSS \$ (14,614,481)

ADJUSTMENTS TO RECONCILE OPERATING LOSS TO  
NET CASH USED BY OPERATING ACTIVITIES:

Depreciation expense 1,269,861

CHANGE IN ASSETS AND LIABILITIES:

Accounts receivable	(158,257)
Grants, contracts and receivables	(85,724)
Student accounts receivable	366,125
Loans receivable	50,245
Other receivables	(13,290)
Inventories	(43,550)
Other assets	(46,870)
Other receivables	-
Due from Northern New Mexico College Foundation	(136,328)
Accounts payable	32,097
Accrued salaries and other payroll liabilities	124,412
Accrued compensated absences	48,639
Deposits held in trust for others	(7,646)
Deferred revenue	<u>(170,045)</u>

NET CASH USED BY OPERATING ACTIVITIES \$ (13,384,812)

## ORGANIZATION

Northern New Mexico College (the College) was created under Section 21-8-1 New Mexico Statutes Annotated (NMSA), Article XII, Section 11 of the New Mexico State Constitution. Under Article XII, Section 13 of the New Mexico Constitution, the College is governed by a five-member Board of Regents appointed by the Governor, with the advice and consent of the Senate, for six-year terms.

The College was originally founded in 1909 by the New Mexico Territorial Legislature. The original mission of the College was to teach English to Spanish speaking teachers in the area. Technical-vocational programs were instituted during the 1960's. In 1969, the College became a full-time post secondary technical-vocational school. In 1977 the New Mexico Legislature passed enabling legislation to merge the College and the Northern Branch of the University of New Mexico. In 2005, the College changed its name because they now offered four-year degree programs.

The College is a two-year and four-year degree granting institution of higher learning. The College offers degrees in biology, business administration, elementary education, environmental science, information technology, and integrative health studies. The College's main campus is located in Espanola, New Mexico, and operates a branch campus in El Rito, New Mexico.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Basis of Presentation**

The College and component unit present their financial statements in accordance with Government Accounting Standards Board (GASB) 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; GASB 35 – *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; GASB 37 – *Basic Financial Statement's and Management's Discussion and Analysis for State and Local Governments: Omnibus*; and GASB 38 – *Certain Financial Statement Note Disclosures*. This financial report provides an entity-wide perspective of the College's assets, liabilities, and net assets, revenues, expenses and changes in net assets and cash flows.

The College has adopted Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB 14. GASB 39 provides additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as discretely presented component units based on the nature and significance of their relationship with the College. As required by GASBs 14 and 39, these basic financial statements present the College and its component unit, an entity for which the College is considered to be financially accountable. The entity was selected for inclusion based on the criteria as set forth in GASB 14 and 39. The entity discretely presented in the financial statements as a component unit is the Northern New Mexico College Foundation (Foundation). The Foundation is a not-for-profit corporation established to acquire and manage charitable gifts, including endowed funds, to be used solely for the benefit of the College.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****• Basis of Presentation - continued**

The College is part of the primary government of the State of New Mexico; however, these basic financial statements are intended to present the net assets, changes in net assets and cash flows, where applicable, of only that portion of the State of New Mexico that is attributable to the transactions of the College and its discretely presented component unit. They do not purport to, and do not, present fairly the net assets of the State of New Mexico as of June 30, 2008, and the changes in net assets and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the fiscal year ended June 30, 2006, the College changed the capitalization threshold for movable chattel and equipment from its previous threshold of \$1,000 to \$5,000 in accordance with the 12-6-10, NMSA 1978, which was enacted during the 2005 Regular Legislative Session effective July 1, 2005. As required by the state, all equipment capitalized at the \$1,000 threshold prior to July 1, 2005 remains included in Net Capital Assets on the Statement of Net Assets and will continue to be depreciated over the appropriate useful lives.

**• Basis of Accounting**

For financial reporting purposes, the College is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated.

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected not to apply FASB pronouncements issued after the applicable date.

**• Budget**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

• **Budget - continued**

Procedures for Approval of Operating Budgets

1. The College will submit an original typed copy that has been approved by the College's regents to the HED's office by May 1<sup>st</sup>.
2. The HED meets in June and acts on approval of the budgets.
3. The budgets, as approved by the HED, are transmitted to the Budget Division of the Department of Finance and Administration for official approval prior to July 1<sup>st</sup>.

Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year, and are available for appropriation by the College in subsequent years, per the General Appropriation Act of 2003, Chapter 76, Laws of 2003.

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. Budget revisions must be approved by the executive secretary of the HED and then by the Budget Division of the Department of Finance and Administration.

• **Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain 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 reported period. Actual results could differ significantly from those estimates.

• **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and all highly-liquid investments with original maturities of six months or less. For purposes of the statement of cash flows, cash and cash equivalents include demand deposits and money market accounts with an original maturity of three months or less.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****• Investments**

The College accounts for its investments at fair value. Changes in the unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. The College's investment policy requires that endowment and similar funds only be invested with the State of New Mexico's Investment Council, State Treasurer's Local Government Investment Pool and with government-insured financial institutions with offices in New Mexico. The Foundation does have a specific investment policy, but its investments are not regulated by the State of New Mexico.

The Foundation originally records marketable securities purchased at cost. Marketable securities received by gift are recorded at estimated fair value at the date of donation. Marketable securities are carried by the Foundation at fair value. Third-party investment managers administer substantially all marketable securities of the Foundation. Gains and losses resulting from securities transactions are recorded in investment income.

The income derived from the College's lands under the control of the State of New Mexico Commissioner of Public Lands is distributed monthly to the College.

Donor restricted endowment disbursements of the net appreciation of investments are permitted in accordance with the Uniform Management of Institutional Funds Act (46-9-1 to 46-9-12 NMSA), except where a donor has specified otherwise.

**• Contracts and Grants Receivable**

Contracts and grants receivable are amounts due from the federal government, state and local governments or private resources in connection with reimbursement of allowable expenditures made pursuant to the College's grant awards. Contract and grant receivables are recorded net of estimated uncollectible amounts.

**• Student Accounts Receivable**

The College records student accounts receivable at the time a student registers for classes. Provisions for uncollectible student accounts are recorded to maintain an adequate allowance for probable losses.

**• Loan Receivables**

Loan receivables are amounts due from Perkins loans made by the College to students. Loan receivables are recorded net of estimated uncollectible amounts.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****• Inventories**

Inventories are generally stated at the lower of cost (average cost) or market. Cost is determined by using the retail method for bookstore items and the average cost method for other items. Inventories consist of items which are available for resale to individuals and other College departments.

Departmental inventories, comprised of such items as classroom and laboratory supplies, teaching materials and office supply items, which are consumed in the teaching and administrative process, are expensed when purchased.

**• 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 capital assets, the College's capitalization policy includes all items with a unit cost of \$5,000 or greater for all capital assets acquired beginning July 1, 2005 and \$1,000 or greater for all capital assets acquired prior to July 1, 2005. The College includes software purchased with a piece of equipment in the cost of capitalization. Software purchased for internal use is capitalized and depreciated. Renovations to buildings, infrastructure, or land improvements that significantly increase the value, increase the productivity, 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 was incurred. The College does not capitalize historical treasures or works of art.

Depreciation for the College is computed using the straight-line method over the estimated useful lives of the assets. Generally buildings are depreciated over 40 to 50 years; infrastructure and land improvements are depreciated over 20 to 25 years; library books are depreciated over 10 years; and equipment is depreciated over 5 to 7 years. Land is not depreciated.

**• Compensated Absences**

Accumulated annual leave is reported as a liability in the current unrestricted and restricted funds. Annual leave earned is immediately vested unless the employee is in a six month probationary period, but only 192 hours of annual leave is available for carryover at year end.

**• Deferred Revenue**

Revenue for each academic session is reported within the fiscal year during which the session is completed. Revenues for the summer session beginning in May, and amounts charged to the accounts of students pre-registering for fall semester, are reported as deferred revenue in the accompanying financial statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Net Assets**

The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Net Assets – Nonexpendable. Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted Net Assets – Expendable. Restricted expendable net assets are resources that the College is legally or contractually obligated to spend in accordance with imposed restrictions by third parties.

Unrestricted Net Assets. Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted, and then toward restricted resources.

- **Classification of Revenues**

The College has classified its revenues as either operating or non-operating revenues, according to the following criteria:

Operating Revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as 1) student tuition and fees, net of scholarship discounts and allowances, 2) most Federal, state and local grants and contracts and Federal appropriations, and 3) interest on institutional student loans.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Classification of Revenues - continued**

Non-operating Revenues. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

- **Classification of Expenses**

Expenses are classified as operating or non-operating, according to the following criteria:

Operating Expenses. Operating expenses include activities that have the characteristics of exchange transactions, such as 1) employee salaries, benefits and related expense; 2) scholarships and fellowships, net of scholarship discounts and allowances; 3) utilities, supplies and other services; 4) professional fees; and 5) depreciation expenses related to the College's capital assets.

Non-operating Expenses. Non-operating expenses include activities that have the characteristics of non-exchange transactions, such as interest on capital asset-related debt and bond expenses that are defined as non-operating expenses by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34.

- **State Appropriations**

Unexpended appropriations generally do not revert to the State of New Mexico at the end of the year and are available to the College in subsequent years.

- **Tuition and Fees**

Student tuition and fees are recorded as revenue during the fiscal year in which the session is completed. The Board of Regents determines the rates to be charged to students.

- **Grant and Contract Revenue**

Grant and contract revenues are recognized at the time the expenditure is incurred, if the expenditure of funds is the prime factor for determining eligibility for reimbursement.

# NORTHERN NEW MEXICO COLLEGE

## Notes to Financial Statements - continued

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Tax Status**

As a post-secondary College, the College's income is exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code to the extent the income is derived from essential governmental functions.

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation had no material unrelated business income during the year ended June 30, 2008; therefore, no provision for income taxes has been included in the financial statements.

### 2. CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2008 is as follows:

#### The College

Cash on hand	\$	4,466
Deposits with financial institutions		<u>5,510,110</u>
Total cash and cash equivalents (includes CDs)	\$	<u>5,514,576</u>

#### The Foundation

Deposits with financial institutions (includes CDs)	\$	1,260,943
Mutual funds		1,543,432
Real Estate Investment Trust		<u>180,000</u>
Total investments		<u>1,723,432</u>
Total cash and cash equivalents and investments	\$	<u>2,984,375</u>

2. **CASH AND INVESTMENTS - continued**

- **Investment Policy**

The College utilizes certificates of deposit to invest its excess funds. The College could also invest in the short-term investment pool held by the New Mexico State Treasurer, but it has not utilized this option. The College automatically has an interest in the State of New Mexico Land Grant Permanent Fund (Note 6). The Foundation's investment policy authorizes monies to be invested in equity and debt securities of United States institutions, corporate and government securities.

- **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the College or the Foundation. The College did not have any investments at June 30, 2008 other than its interest in the State of New Mexico Land Grant Permanent Fund. The credit risk for this interest was not available. Credit ratings were not available for the investments held by the Foundation.

- **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The College and the Foundation do not have formal investment policies that limit investment maturities as a means of managing its exposure to changing interest rates. The College did not have any investments at June 30, 2008 other than its interest in the State of New Mexico Land Grant Permanent Fund. The interest rate risk for its interest in the State of New Mexico Land Grant Permanent Fund was not available.

The Foundation's investments were not interest-bearing obligations, so it was not subject to interest rate risk at June 30, 2008.

2. CASH AND INVESTMENTS - continued

• **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributable to the magnitude of the College's or the Foundation's investment in a single type of security. The College and the Foundation do not have a formal policy to address concentration of credit risk. The College did not have any investments at June 30, 2008, so it was not subject to any concentration of credit risk. The following represents the concentration of credit risk regarding the investments of the Foundation at June 30, 2008:

Investment	Market Value	% of Foundation's Investment
KBS Real Estate	\$ 68,243	4%
AIG Sun America 9329277	11,124	0.5%
SFS KFP 000256	373,309	22%
BTS Asset Management 294453	840,325	49%
BTS Asset Management 294450	250,431	14%
Wells Reit 521000970676	100,000	6%
Wells Reit 521001219079	<u>80,000</u>	<u>4.5%</u>
Total Foundation investments	\$ <u>1,723,432</u>	<u>100%</u>

• **Custodial Credit Risk**

The custodial credit risk for deposits is the risk that, in the event of a depository institution failure, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

All deposits and investments in commercial banks and savings and loan associations are collateralized required by Section 6-10-16 to Section 6-10-17 NMSA 1978. All deposits of the College are either insured or collateralized. All deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the College's agent in the College's name. The College has no policy regarding custodial credit risk for deposits.

2. **CASH AND INVESTMENTS - continued**

• **Custodial Credit Risk - continued**

At June 30, 2008, the College's deposits had carrying amounts of \$5,510,110 and bank balances of \$6,348,363. Of the bank balances, \$200,000 was covered by federal depository insurance at June 30 2008, and the rest of the deposits were collateralized with securities held by the financial institution in the College's name.

Of the investments in federal agency and corporate obligations and marketable securities, the Foundation had custodial risk exposure at June 30, 2008 because the related securities are held by the Foundation's brokerage firm, which is also the counterparty for these securities.

At June 30, 2008, the Foundation's deposits had carrying amounts of \$1,260,943 and bank balances of \$1,246,120. The entire amount was either covered by federal depository insurance or collateralized by securities pledged by the financial institution and also held by the financial institution.



## 2. CASH AND INVESTMENTS - continued

The following is a description of cash on deposit by financial institution and the related pledged collateral at June 30, 2008.

Depository	Account Name	Type of Account	Bank Balance
<b>VALLEY NATIONAL BANK:</b>	General Account	Checking	\$ 1,586,333
	Student Account	Checking	1,659
	Plant Account	Checking	264,684
	Payroll Account	Checking	9,531
	Endowment (Foundation) Account	Checking	561,865
	Endowment (Foundation) Account	Checking	12,519
	NRGHA	Checking	35,766
	JCI	Checking	17,896
	Investment (General)	CD	3,357,986
	Investment (Foundation)	CD	<u>671,736</u>
<b>TOTAL VALLEY NATIONAL BANK</b>			6,519,975
<b>LESS FDIC COVERAGE</b>			<u>100,000</u>
<b>TOTAL NOT FEDERALLY INSURED</b>			<b>\$ <u>6,419,975</u></b>
Depository collateral required, New Mexico Statutes (Section 6-10-17) - 50%			\$ 3,209,988
Depository collateral, at par and market values, held for the College by Wells Fargo Bank, Dallas, TX:			
Southern Sandoval NM, August 1, 2010 (Pledged), (CUSIP #843789BK3)			100,000
Torrance Etc. Cntys NM Mun, January 1, 2011 (Pledged), (CUSIP #891400JN4)			260,000
Los Lunas SCH, July 15, 2011 (Pledged), (CUSIP #545562JH4)			100,000
Catron & Cibola Cntys NM, July 15, 2019 (Pledged) (CUSIP #149321BV2))			200,000
Kernville CA Un Sch Dist CTFS, Sept. 1, 2018 (Pledged) (CUSIP #492316AN4)			130,554
American Canyon CA JT PWRS, June 1, 2022 (Pledged) (CUSIP #024890BE4)			513,760
CWALT 2006-65CB 2A-1, February 25, 2036 (Pledged) (CUSIP #12688BEF6)			1,033,357
Federal National Mortgage Association, December 15, 2021 (Pledged) (CUSIP #3138F8AD7)			1,000,677
FNR 2003-81 LD, September 25, 2018 (Pledged) (CUSIP #31393THP4)			619,035

NORTHERN NEW MEXICO COLLEGE

Notes to Financial Statements - continued

2. CASH AND INVESTMENTS - continued

Depository	Account Name	Type of Account	Bank Balance
<b>VALLEY NATIONAL BANK - continued:</b>			
FNMA #761477, July 1, 2019 (Pledged) (CUSIP #31403X6N0)			\$ 577,489
CWALT 2006-12CB A-6, August 25, 2018 (Pledged) (CUSIP #12869EA63)			646,992
Federal Home Loan Bank, November 19, 2027 (Pledged) (CUSIP #3133XN4D6)			994,369
CWALT 2006-12CB A-6, May 25, 2036 (Pledged) (CUSIP #12668BXB4)			612,376
Rocket Tex SPL Utility District Water, July 10, 2023 (Pledged) (CUSIP #773138FU1)			275,391
Total			<u>7,064,000</u>
Excess collateral			\$ <u>3,854,012</u>
<b>COMMUNITY BANK:</b>	General Account	Checking	\$ 748,460
	Investment	CD	<u>99,615</u>
<b>TOTAL COMMUNITY BANK</b>			848,075
<b>LESS FDIC COVERAGE</b>			<u>100,000</u>
<b>TOTAL NOT FEDERALLY INSURED</b>			\$ <u>748,075</u>
Depository collateral required, New Mexico Statutes (Section 6-10-17) - 50%			\$ 374,038
Depository collateral, at market values, held for the College by Community Bank, Espanola, New Mexico:			
FCSB, July 15, 2008, 3.375% (Pledged), (CUSIP #33331SJK0)			300,130
FHLB, November 14, 2008, 3.75% (Pledged), (CUSIP #3133X9V72)			401,768
FNMA, November 9, 2009, (Pledged), (CUSIP #3136F6LL1)			202,155
FNMA AS042535, November 1, 2016 (Pledged) (CUSIP #31361VHL6)			15,623
GNMA, January 20, 2022 (Pledged) (CUSIP #36202K3H6)			<u>17,196</u>
Total			<u>936,872</u>
Excess collateral			\$ <u>562,835</u>

2. CASH AND INVESTMENTS - continued

Depository	Account Name	Type of Account	Bank Balance
<b>BANK OF AMERICA:</b>	Direct Deposit Payroll	Checking	\$ 96,910
	Federal Account	Checking	20,013
	Perkins Loan Account	Checking	101,539
	Luis Bustos Account	Checking	<u>7,971</u>
<b>TOTAL COMMUNITY BANK</b>			226,433
<b>LESS FDIC COVERAGE</b>			<u>100,000</u>
<b>TOTAL NOT FEDERALLY INSURED</b>			<b>\$ <u>126,433</u></b>
Depository collateral required, New Mexico Statutes (Section 6-10-17) - 50%			\$ 63,217
Depository collateral, at market values, held for the College by Bank of America, Richmond, VA:			
FNMA, May 1, 2033, 5.5% (Pledged), (CUSIP #31385XAZ0)			<u>991,362</u>
Total			<u>991,362</u>
Excess collateral			<b>\$ <u>928,146</u></b>

**3. RECEIVABLES**

- **Grants and Contracts Receivable**

Grants and contracts receivable at June 30, 2008 were as follows:

Due from grantors	\$ <u>1,516,872</u>
Total	\$ <u>1,516,872</u>

Amounts shown as due from state and local agencies, as well as amounts due from the federal government, represent expenditures to be reimbursed under various cost-sharing agreements. The amounts recorded were received subsequent to the statement of net assets date. Therefore, no allowance for uncollectible has been recorded.

3. RECEIVABLES - continued

- **Student Accounts Receivable**

Amounts due from students are for tuition and fees not covered by financial aid. The total due was \$445,485 and the College has provided an allowance for doubtful receivables of \$373,154 at June 30, 2008. It is the opinion of management that this allowance is adequate.

- **Accounts Receivable**

Amounts shown as accounts receivable represent private gifts and other receivables received subsequent to the statement of net assets date, but which were due on or before June 30. Therefore, no allowance for uncollectible has been recorded. The Foundation had pledges of \$8,266 as of June 30, 2008. It is the opinion of management that no allowance for doubtful pledges receivable was needed at June 30, 2008.

- **Loans Receivable**

Loans receivable consist of \$115,733 in loans at June 30, 2008. It is the opinion of management that no allowance for doubtful loans was necessary at June 30, 2008.

- **Other Receivables**

Other receivables at June 30, 2008 for the Foundation consist of non-sufficient fund checks which the College and the Foundation had yet to collect at June 30, 2008. It is the opinion of management that no allowance for doubtful receivables was necessary at June 30, 2008.

4. INVENTORIES

Inventory at June 30, 2008 was as follows:

Bookstore inventory	\$	187,701
Central supply inventory		20,184
Cafeteria inventory		<u>3,285</u>
	\$	<u><u>211,170</u></u>

**NORTHERN NEW MEXICO COLLEGE**

**Notes to Financial Statements - continued**

**5. CAPITAL ASSETS**

A summary of changes in the capital assets for the year ended June 30, 2008 follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments/ Transfers</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets not being depreciated:					
Paintings	\$ -	-	-	13,500	13,500
Land and improvements	<u>4,966,188</u>	<u>163,440</u>	-	-	<u>5,129,628</u>
 Total capital assets not being depreciated	 4,966,188	 163,440	 -	 13,500	 5,143,128
 Capital assets being depreciated:					
Automobiles	-	97,364	-	-	97,364
Building and improvements	35,052,679	-	-	-	35,052,679
Furniture, fixtures and equipment	6,735,836	242,793	-	(13,500)	6,965,129
Library materials	<u>1,612,317</u>	<u>414,843</u>	-	-	<u>2,027,160</u>
 Total capital assets being depreciated	 <u>43,400,832</u>	 <u>755,000</u>	 -	 <u>(13,500)</u>	 <u>44,142,333</u>
 Total capital assets	 48,367,020	 918,440	 -	 -	 49,285,460
 Less accumulated depreciation for:					
Automobiles	-	8,114	-	-	8,114
Buildings and improvements	21,148,810	736,077	-	-	21,884,887
Furniture, fixtures and equipment	5,280,379	448,490	-	-	5,728,869
Library materials	<u>1,356,872</u>	<u>77,180</u>	-	-	<u>1,434,052</u>
 Total accumulated depreciation	 <u>27,786,061</u>	 <u>1,269,861</u>	 -	 -	 <u>29,055,922</u>
 Total capital assets being depreciated, net	 \$ <u>20,580,959</u>	 <u>(351,421)</u>	 -	 -	 <u>(20,229,538)</u>

The College does not capitalize interest expense because its additions are not financed by any debt of the College.

NORTHERN NEW MEXICO COLLEGE

Notes to Financial Statements - continued

6. COMPENSATED ABSENCES

A summary of changes in compensated absences for the year ended June 30, 2008 follows:

		<u>Balance</u> <u>June 30, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance,</u> <u>June 30, 2008</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Compensated absences	\$	<u>390,413</u>	<u>354,683</u>	<u>306,044</u>	<u>439,052</u>	<u>439,052</u>

7. ENDOWMENT

• State Investment Council Assets

The College has an undivided interest in assets of the State of New Mexico Land Grant Permanent Fund. At June 30, 2008, the cost and fair market value of such interest is \$1,653,769 and \$2,283,838, respectively. These investments are not categorized by custodial risk.

The College's interest in the Permanent Fund was .020959% at June 30, 2008. The College's interest in the State of New Mexico Land Grant Permanent Fund increased by \$46,870.

8. OPERATING LEASES

The College leases certain office space and office equipment under lease agreements with terms ranging from one year to five years. Expenditures for operating leases for the year ended June 30, 2008 were \$61,352. Future minimum lease payments under these operating leases are as follows:

2009	\$	41,729
2010		1,263
2011		-
2012		-
Total	\$	<u>42,992</u>

9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

• Plan Description

Some of the College's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability

**9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION - continued****• Plan Description - continued**

benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA 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 PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

**• Funding Policy**

Plan members are required to contribute 7.2% (ranges from 4.78% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The College is required to contribute 16.59% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the College are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The College's contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$46,659, \$43,480, and \$38,688, respectively, which equal the amount of the required contributions for each fiscal year.

**10. 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](http://www.nmerb.org).

**• Funding Policy**

Plan members are required to contribute 7.42% of their gross salary. The College is required to contribute 10.9% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011, when the employer contribution will be 13.9%. The contribution requirements of plan members and the College are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The College's contributions to ERB for the fiscal years ending June 30, 2008, 2007, and 2006, were \$930,752, \$766,386, and \$662,784, respectively, which equal the amount of the required contributions for each fiscal year.



**11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN****• Plan Description**

The 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 spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the 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](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

**11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN - continued**

• **Funding Policy - continued**

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

The College's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$111,669, \$98,888 and \$92,225, respectively, which equal the required contributions for each year.

**12. INSURANCE COVERAGE**

New Mexico Statutes (Section 15-7-2 NMSA 1978) require Risk Management Division (RMD) to be responsible “for the acquisition and administration of all insurance purchased by the State.” Various statutes allow RMD to insure, self-insure and use a combination of both for all risks administered by it. RMD operates under the supervision of the Secretary of New Mexico, General Services Department.

The College is exposed to various risks of loss related to general, automobile and aircraft liabilities, including those relating to civil rights (torts); theft of, damage to and destruction of state property assets; errors and omissions; injuries to employees; group insurance; and natural disasters, all of which are insured against by participation in the public entity risk pool described above, subject to limits of coverage set by RMD. All employees of the College are covered by a blanket fidelity bond up to \$5,000,000, with a \$1,000 deductible per occurrence, by the State of New Mexico for the period July 1, 2007 through June 30, 2008.

**13. COMMITMENTS AND CONTINGENCIES**

The various federal and state grants and programs are subject to audit by governmental agencies. These audits may result in disallowance of claimed reimbursable expenditures under rules and regulations of the various grants and programs. Management believes that the amounts of potential disallowances, if any, will not be material to the financial statements.

The College is undergoing an audit by the Internal Revenue Service (IRS) for fiscal year ended June 30, 2007. The results of the IRS audit are unknown as of the date of this report and the financial impact, if any, are unknown for the fiscal year-end June 30, 2008.

NORTHERN NEW MEXICO COLLEGE

Notes to Financial Statements - continued

14. RESTATEMENT OF BEGINNING NET ASSETS

Several corrections were made to beginning net assets as of June 30, 2007:

	Net Assets Beginning of Year, as Previously <u>Reported</u>	<u>Restatement</u>	Net Assets Beginning of Year, <u>as Restated</u>
Invested in capital assets	\$ 20,580,959	-	20,580,959
Restricted for:			
Non-expendable:		-	165,978
Restricted loan programs	165,978		
College's interest in State of NM Permanent Fund	2,236,969	-	2,236,969
Expendable:			
Scholarships, research, instruction and other	102,353	-	102,353
Capital projects	209,523	-	209,523
Unrestricted	<u>2,038,579</u>	<u>(717,341)</u>	<u>1,321,238</u>
Total	\$ <u>25,334,361</u>	<u>(717,341)</u>	<u>24,617,020</u>

The net assets at the beginning of the year were restated to correct prior year accounts receivable and bond receivable balances for revenues recorded in the wrong accounting period.

**SUPPLEMENTARY INFORMATION**

**NORTHERN NEW MEXICO COLLEGE**

**Budgetary Comparison - Unrestricted and Restricted -  
All Operations (Non-GAAP Budgetary Basis)**

**YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget</u>
			<u>Basis)</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>REVENUES:</b>				
State government appropriations	\$ 17,478,583	18,510,795	18,030,803	(479,992)
Federal government contracts/grants	5,908,881	6,092,062	5,349,386	(742,676)
State government contracts/grants	997,715	989,750	1,549,641	559,891
Local government contracts/grants	482,877	589,537	482,313	(107,224)
Tuition & miscellaneous fees	1,608,927	1,503,124	1,720,347	217,223
Land and permanent fund	377,173	180,000	131,858	(48,142)
Sales and services	1,061,931	1,377,934	1,367,653	(10,281)
Other	<u>291,522</u>	<u>236,231</u>	<u>777,482</u>	<u>541,251</u>
<b>TOTAL REVENUES</b>	<b>28,207,609</b>	<b>29,479,433</b>	<b>29,409,483</b>	<b>(69,950)</b>

NORTHERN NEW MEXICO COLLEGE

**Budgetary Comparison - Unrestricted and Restricted -  
All Operations (Non-GAAP Budgetary Basis) - continued**

YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget</u>
			<u>Basis)</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>EXPENDITURES:</b>				
Instruction	\$ 8,653,600	8,718,276	8,855,063	(136,787)
Academic support	1,014,636	1,023,763	877,098	146,665
Student services	2,611,562	2,408,447	1,805,721	602,726
Institutional support	2,770,112	2,705,897	3,150,497	(444,600)
Operation and maintenance of plant	2,422,628	2,088,586	1,984,443	104,143
Public service	493,842	518,787	613,022	(94,235)
Internal service	37,572	37,572	743,903	(706,331)
Auxiliary enterprises	951,234	1,154,185	1,093,388	60,797
Capital outlay	8,888,964	3,094,655	1,508,940	1,585,715
Renewal and replacement	2,429,111	2,082,779	905,274	1,177,505
Other (student aid, grants stipends and independent operations)	3,119,978	3,137,163	3,550,097	(412,934)
Intercollegiate athletics	-	100,000	114,610	(136,787)
<b>TOTAL EXPENDITURES</b>	<b>33,393,239</b>	<b>27,070,110</b>	<b>25,202,056</b>	<b>1,745,877</b>
<b>NET TRANSFERS OUT</b>			<u>(500,000)</u>	
<b>CHANGE IN FUND BALANCE</b>			3,707,427	
<b>BEGINNING FUND BALANCE</b>			<u>2,761,535</u>	
<b>ENDING FUND BALANCE</b>			\$ <u><u>6,468,962</u></u>	
<b>RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET ASSETS:</b>				
Change in fund balance			\$ 3,707,427	
Less capitalized assets			(918,440)	
Net change in accruals			(538,932)	
Plus depreciation expense			<u>1,269,861</u>	
Change in net assets			\$ <u><u>3,519,916</u></u>	

**NORTHERN NEW MEXICO COLLEGE**

**Budgetary Comparison - Restricted -  
Non-Instruction and General (Non-GAAP Budgetary Basis)**

**YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget</u>
			<u>Basis)</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>REVENUES:</b>				
Federal contracts and grants	\$ 2,959,313	2,965,757	2,474,133	(491,624)
State contracts and grants	441,340	438,375	460,927	22,552
Local contracts and grants	35,470	72,567	119,670	47,103
Other	<u>          -</u>	<u>          -</u>	<u>          284</u>	<u>          284</u>
<b>TOTAL REVENUES</b>	<b>3,436,123</b>	<b>3,476,699</b>	<b>3,055,014</b>	<b>(421,685)</b>
<b>EXPENDITURES:</b>				
Public service	-	20,444	151,022	(130,578)
Auxiliary enterprises	8,835	-	-	-
Other (student aid, grants and stipends; and independent operations)	<u>2,959,313</u>	<u>2,965,757</u>	<u>3,507,653</u>	<u>(541,896)</u>
<b>TOTAL EXPENDITURES</b>	<b>2,968,148</b>	<b>2,986,201</b>	<b>3,658,675</b>	<b>(672,474)</b>
<b>NET TRANSFERS IN (OUT)</b>	<u>          -</u>	<u>      35,653</u>	<u>      35,653</u>	<u>          -</u>
<b>CHANGE IN FUND BALANCE</b>			(568,009)	
<b>BEGINNING FUND BALANCE</b>			<u>      797,826</u>	
<b>ENDING FUND BALANCE</b>			\$ <u>      229,818</u>	

**NORTHERN NEW MEXICO COLLEGE**

**Budgetary Comparison - Unrestricted -  
Non-Instruction and General (Non-GAAP Budgetary Basis)**

**YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget</u>
			<u>Basis)</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>REVENUES:</b>				
State general fund appropriations	\$ 4,110,204	5,075,051	4,531,207	(543,844)
Local contracts and grants	319,166	391,729	121,175	(270,554)
Sales and services	1,056,931	1,371,934	1,240,580	(131,354)
Other	<u>57,683</u>	<u>56,714</u>	<u>56,708</u>	<u>(6)</u>
<b>TOTAL REVENUES</b>	<b>5,543,984</b>	<b>6,895,428</b>	<b>5,949,670</b>	<b>(945,758)</b>
<b>EXPENDITURES:</b>				
Student services	-	-	-	-
Public service	493,842	485,938	462,000	23,938
Internal services	37,572	37,572	743,903	(706,331)
Auxiliary services	942,399	1,251,937	1,093,388	158,549
Capital outlay	8,888,964	3,094,655	1,508,940	1,585,715
Renewal and replacement	2,429,111	2,082,779	905,274	1,177,505
Other (student aid, grants and stipends; independent operations)	160,665	171,406	42,444	128,962
Athletics	<u>-</u>	<u>100,000</u>	<u>114,610</u>	<u>(14,610)</u>
<b>TOTAL EXPENDITURES</b>	<b>12,952,553</b>	<b>7,224,287</b>	<b>4,870,558</b>	<b>2,353,729</b>
<b>NET TRANSFERS IN (OUT)</b>	<u><b>2,015,532</b></u>	<u><b>2,086,024</b></u>	<u><b>2,082,943</b></u>	<u><b>3,081</b></u>
<b>CHANGE IN FUND BALANCE</b>			3,162,055	
<b>BEGINNING FUND BALANCE</b>			<u>1,131,679</u>	
<b>ENDING FUND BALANCE</b>			<b>\$ <u>4,293,734</u></b>	



NORTHERN NEW MEXICO COLLEGE

**Budgetary Comparison - Restricted -  
Instruction and General (Non-GAAP Budgetary Basis)**

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Federal contracts and grants	\$ 2,868,068	3,065,522	2,812,447	(253,075)
State contracts and grants	541,375	541,375	1,062,350	520,975
Local contracts and grants	25,241	25,241	241,467	216,226
<b>TOTAL REVENUES</b>	3,434,684	3,632,138	4,116,264	484,126
<b>EXPENDITURES:</b>				
Instruction	2,414,056	2,627,380	2,877,221	(249,841)
Academic support	80,749	80,749	84,396	(3,647)
Student services	924,009	924,009	498,367	425,642
Institutional support	15,870	-	51,990	(51,990)
<b>TOTAL EXPENDITURES</b>	3,434,684	3,632,138	3,511,974	120,164
<b>NET TRANSFERS IN (OUT)</b>	-	-	-	-
<b>CHANGE IN FUND BALANCE</b>			604,290	
<b>BEGINNING FUND BALANCE</b>			(256,611)	
<b>ENDING FUND BALANCE</b>			\$ 347,679	

NORTHERN NEW MEXICO COLLEGE

Budgetary Comparison - Unrestricted -  
Instruction and General (Non-GAAP Budgetary Basis)

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
	<b>REVENUES:</b>			
State government appropriations	\$ 13,368,379	13,435,744	13,499,596	63,852
Federal contracts and grants	81,500	60,783	62,806	2,023
State contracts and grants	15,000	10,000	26,364	16,364
Local contracts and grants	103,000	100,000	-	(100,000)
Tuition and fees	1,608,927	1,503,124	1,720,347	217,223
Land and permanent fund	377,173	180,000	131,858	(48,142)
Sales and services	5,000	6,000	127,073	121,073
Other	233,839	179,517	720,490	540,973
<b>TOTAL REVENUES</b>	15,792,818	15,475,168	16,288,534	813,366
<b>EXPENDITURES:</b>				
Instruction	6,239,544	6,090,896	5,977,842	113,054
Academic support	933,887	943,014	792,702	150,312
Student services	1,687,553	1,484,438	1,307,354	177,084
Institutional support	2,754,242	2,705,897	3,098,507	(392,610)
Operation and maintenance of plant	2,422,628	2,088,586	1,984,443	104,143
<b>TOTAL EXPENDITURES</b>	14,037,854	13,312,831	13,160,848	151,983
<b>NET TRANSFERS IN (OUT)</b>	<u>(2,015,532)</u>	<u>(2,121,677)</u>	<u>(2,618,596)</u>	<u>(496,919)</u>
<b>CHANGE IN FUND BALANCE</b>			509,090	
<b>BEGINNING FUND BALANCE</b>			<u>1,088,642</u>	
<b>ENDING FUND BALANCE</b>			\$ <u><u>1,597,732</u></u>	

NORTHERN NEW MEXICO COLLEGE

Schedule of Deposit Accounts

YEAR ENDED JUNE 30, 2008

Depository/Account Name	Type of Account	Cash per Bank June 30, 2008	Add Deposits in Transit	Less Outstanding Checks	Other Reconciling Items	Adjusted Cash Balance June 30, 2008
<b>COLLEGE</b>						
<b>VALLEY NATIONAL BANK:</b>						
General	Checking	\$ 1,586,334	54,024	867,340	347	773,365
Payroll	Checking	9,531	-	16,439	(325,652)	(332,560)
Student	Checking	1,659	-	26,096	700	(23,737)
Plant	Checking	264,684	-	2,522	-	262,162
NRGHNA	Checking	35,766	-	-	-	35,766
JCI	Checking	17,895	-	85	-	17,810
Certificate of Deposit	CD	3,357,986	-	-	28,352	3,386,338
<b>BANK OF AMERICA:</b>						
Payroll	Checking	96,910	-	-	325,652	422,562
Grants	Checking	-	-	1,003	-	(1,003)
Perkins	Checking	101,539	1,250	-	-	102,789
Luis Bustos	Checking	7,971	-	-	-	7,971
Federal	Checking	20,013	-	10,953	-	9,060
<b>COMMUNITY BANK:</b>						
General	Checking	748,460	-	-	1,259	749,719
Certificate of Deposit	Certificate of Deposit	99,615	-	-	253	99,868
Cash in Bank		6,348,363	55,274	924,438	30,911	5,510,110
Petty cash and cash drawers		4,466	-	-	-	4,466
<b>TOTAL COLLEGE CASH AND CASH EQUIVALENTS</b>		<b>\$ 6,352,829</b>	<b>55,274</b>	<b>924,438</b>	<b>30,911</b>	<b>5,514,576</b>
<b>FOUNDATION</b>						
<b>VALLEY NATIONAL BANK:</b>						
Operating	Checking	\$ 561,865	103	660	(100)	561,208
Savings	Checking	12,519	-	-	-	12,519
Certificate of Deposit	Certificate of Deposit	671,736	-	-	15,480	687,216
<b>TOTAL FOUNDATION CASH AND CASH EQUIVALENTS</b>		<b>\$ 1,246,120</b>	<b>103</b>	<b>660</b>	<b>15,380</b>	<b>1,260,943</b>

NORTHERN NEW MEXICO COLLEGE

Schedule of Expenditures of Federal Awards

YEAR ENDED JUNE 30, 2008

Federal Grantor Program Title	CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION:</b>		
<i>Direct Programs:</i>		
Student Financial Aid Cluster:		
Supplemental Education Opportunity (SEOG)	84.007	\$ 120,238
Federal Family Education Loan Program	84.032	377,886
College Work Study	84.033	106,890
Federal Perkins Loans	84.038	42,855
Upward Bound Program	84.047A	103,735
Federal Pell Grant	84.063	2,194,656
ACG Grant	84.375	<u>10,175</u>
Total Student Financial Aid Cluster		<u>2,956,435</u>
Trio Cluster:		
Student Support Services	84.042	279,063
Educational Opportunity Center	84.066	<u>497,567</u>
Total Trio Cluster		<u>776,630</u>
Migrant Education Cluster:		
High School Equivalent Program	84.141	<u>355,817</u>
Total Migrant Education Cluster		<u>355,817</u>
Title V	84.031	<u>654,317</u>
Minority Science and Engineering Improvement	84.120	<u>60,673</u>
Subtotal Direct Programs		<u>4,803,872</u>
<b>Pass-through the State of New Mexico:</b>		
Department of Education:		
Adult Basic Education	84.048	54,023
EDA-University Center	84.306	<u>82,598</u>
Subtotal Pass-Through Programs		<u>136,621</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<u>4,940,493</u>

NORTHERN NEW MEXICO COLLEGE

Schedule of Expenditures of Federal Awards - continued

YEAR ENDED JUNE 30, 2008

Federal Grantor Program Title	Pass-Through Number	CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>			
HSIAC		14.514	\$ <u>67,188</u>
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>67,188</u>
<b>NATIONAL SCIENCE FOUNDATION:</b>			
Pass-through NM State University:			
PUSH Project	DBI-0353642	47.076	68,681
Alliance for Minority Participation	HRD-0331446	47.076	<u>13,390</u>
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>			<u>82,071</u>
Federal indirect costs		VARIOUS	<u>62,806</u>
<b>TOTAL FEDERAL PROGRAMS</b>			<u>\$ 5,152,558</u>

During the year ended June 30, 2008, various lenders made loans to students under the Guaranteed Student Loan Program (which includes Stafford and Plus Loans):

Federal Family Education Loan Program	CFDA #84.032	\$ 377,886
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Basis of Accounting: The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.

Non-cash Assistance: The College did not receive any federal awards in the form of non-cash assistance during the year.

**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***

Board of Regents  
Northern New Mexico College  
Española, New Mexico and  
Mr. Hector H. Balderas  
New Mexico State Auditor

We have audited the financial statements of the business-type activities, the discretely presented component unit and the budgetary comparisons presented as supplementary information of Northern New Mexico College (College) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

A **control deficiency** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A **significant deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more



Board of Regents  
Northern New Mexico College  
Española, New Mexico and  
Mr. Hector H. Balderas  
New Mexico State Auditor

than inconsequential will not be prevented or detected by the College's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Significant deficiencies are described in the accompanying schedule of findings and questioned costs as items 2005-01, 2006-04, 2007-01, 2007-04, 2008-01 and 2008-02.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2006-04 and 2008-02.

We noted no matters that are required to be reported under *Government Auditing Standards*, paragraphs 5.14 and 5.16, and Section 12-6-5 NMSA 1978.

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

Board of Regents  
Northern New Mexico College  
Española, New Mexico and  
Mr. Hector H. Balderas  
New Mexico State Auditor

This report is intended solely for the information and use of the Board of Regents, management of the College, the New Mexico State Legislature, the New Mexico State Auditor, the New Mexico Higher Education Department, the federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Meyners + Company, LLC*

November 17, 2008



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

Board of Regents  
Northern New Mexico College  
Española, New Mexico and  
Mr. Hector H. Balderas  
New Mexico State Auditor

**Compliance**

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

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal awards for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-02.



Board of Regents  
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Española, New Mexico and  
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New Mexico State Auditor

### **Internal Control Over Compliance**

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

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

A **control deficiency** in the College's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A **significant deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the College's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-02 to be a significant deficiency.

A **material weakness** is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the College's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Board of Regents  
Northern New Mexico College  
Española, New Mexico and  
Mr. Hector H. Balderas  
New Mexico State Auditor

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

This report is intended solely for the information and use of the Board of Regents, management of the College, the New Mexico State Legislature, the New Mexico State Auditor, the New Mexico Higher Education Department, the federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Meyners + Company, LLC*

November 17, 2008

NORTHERN NEW MEXICO COLLEGE

Schedule of Findings and Questioned Costs

YEAR ENDED JUNE 30, 2008

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unqualified Opinion

Internal control over financial reporting:

- Material weakness(es) identified? Yes    X    No
  
- Significant deficiencies identified that are not considered to be material weaknesses? X    Yes            No

Noncompliance material to financial statements noted? Yes    X    No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? Yes    X    No
  
- Significant deficiencies identified that are not considered to be material weaknesses? X    Yes            No

Type of auditors' report issued on compliance for major programs: Unqualified

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

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2007

A. SUMMARY OF AUDITORS' RESULTS - continued

**Identification of Major Programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>Student Financial Aid Assistance Cluster:</u>	
84.007	U.S. Dept. of Education – Supplemental Education Opportunity
84.032	U.S. Dept. of Education – Federal Family Education Loan Program
84.033	U.S. Dept. of Education – College Work Study
84.038	U.S. Dept. of Education – Federal Perkins Loans
84.047A	U.S. Dept. of Education – Upward Bound Program
84.063	U.S. Dept. of Education – Pell Grants
84.375	U.S. Dept. of Education – ACG Grant
<u>TRIO Program:</u>	
84.066	U.S. Dept. of Education – Educational Opportunity Center
84.042	U.S. Dept. of Education – Student Support Services
<u>Migrant Education Program:</u>	
84.141	High School Equivalent Program
84.031	Title V Program

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

Auditee qualified as low-risk auditee?    Yes                  X                  No

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**Schedule of Findings and Questioned Costs - continued**

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**B. FINDINGS - FINANCIAL STATEMENT AUDIT****Finding No. 2005-01 ACCOUNTS RECEIVABLE NOT RECONCILED TIMELY**

**Condition:** Accounts receivable balances are not reconciled in a timely manner. Also, accrual entries are not posted timely to the general ledger or payments were not always posted when received. Certain accounts receivable were originally posted as expenses to the general ledger instead of to accounts receivable. Grants and contract receivables were not properly accrued at year-end. Monies received in the current year that were related to prior year receivables were originally recorded as revenue instead of reducing the receivable balance. This resulted in a restatement of net assets for a payment received in fiscal year ended June 30, 2007 that was not recorded until fiscal year ended June 30, 2008.

**Criteria:** Generally accepted accounting principles require reconciliation of accounts receivable on a monthly basis. Grant and contract receivables should be accrued at year end.

**Cause:** The College experienced significant turnover in personnel in the Finance Department resulting in accounts receivable balances not being reconciled monthly.

**Effect:** Accounts receivable not being reconciled affect collection efforts by the College. Also, the financial statements could be misstated if revenues are not properly recognized.

**Recommendation:** We recommend the College perform monthly reconciliations of its accounts receivable to ensure that revenue is properly recognized in the correct reporting period.

**College's Response:** The Business Office appears to be stabilized and accounts receivable is being reconciled on a monthly basis. This has been corrected and do not anticipate problems for future audits.

**Finding No. 2006-04 MISSING I-9 DOCUMENTS**

**Condition:** Of 40 payroll and personnel transactions tested, we noted that one employee file did not contain I-9 documentation.

**Criteria:** The College did not maintain adequate personnel records despite efforts of the College to audit every file for compliance with U.S. Immigration and Naturalization Service requirements.

**Cause:** The College did not maintain adequate personnel records.

**Effect:** Failure to comply with federal employment requirements may result in the College being assessed penalties or fines.

Schedule of Findings and Questioned Costs - continued

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**B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued**

**Finding No. 2006-04 MISSING I-9 DOCUMENTS - continued**

**Recommendation:** We recommend that someone independent of the College's Human Resources Department review personnel files for compliance with I-9 reporting requirements and that the College complete I-9 forms for those employees who do not have the documentation on file.

**College's Response:** An audit of personnel files will be conducted by the VP for Finance to insure all documentation required are part of personnel files.

**Finding No. 2007-01 EXPENSES NOT PROPERLY RECORDED**

**Condition:** During our test of internal controls of travel expenses, we noted 8 out of 40 transactions tested were not recorded to the correct expense account. Travel expenses were charged to supplies expenses.

**Criteria:** The College's purchasing policy requires the Business Office to review each purchase requisition for budget sufficiency and ensure that the correct account is charged prior to approving a purchase requisition.

**Cause:** The Business Office did not verify that the expense account recorded on the purchase requisition (that was prepared by the requestor) was correct.

**Effect:** Expenses not properly recorded could lead to budget overages.

**Recommendation:** We recommend the Business Office verify each expense account identified on the purchase requisition prior to approval and entry into the Banner accounting system and follow the purchasing policies prescribed by the College.

**College's Response:** The Business Office has distributed the workload to the accountants which will help to insure that all requisitions are checked.

**Finding No. 2007-04 PURCHASES DID NOT FOLLOW PROCUREMENT POLICIES**

**Condition:** During our test of internal controls over cash disbursements we noted that 2 out of 40 transactions did not follow the purchasing polices established by the College. In both cases, orders were placed prior to obtaining a purchase order.

**Criteria:** The College's procurement policies require that a purchase order be approved and obtained prior to the ordering and receiving goods and/or services.

Schedule of Findings and Questioned Costs - continued

**B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued**

**Finding No. 2007-04 PURCHASES DID NOT FOLLOW PROCUREMENT POLICIES - continued**

**Cause:** The College has allowed purchases to be made that do not follow procurement policies.

**Effect:** College funds may be spent on unauthorized goods or services and risk misappropriation when the required approvals are not obtained prior to purchase.

**Recommendation:** We recommend the College follow the policies and procedures prescribed.

**College's Response:** The Business Office has provided purchasing policy and procedures booklets to all new hires to acquaint them with the requirements when purchasing. The Business Office staff will be more aggressive in adhering to the policies.

**Finding No. 2008-01 ERRORS IN INVENTORY COUNT AT EL RITO CAMPUS BOOKSTORE**

**Condition:** During inventory observation at the El Rito Campus Bookstore, it was noted that inventory count procedures were not adequate (errors in inventory counts) and resulted in the bookstore inventory to be recounted.

**Criteria:** The College conducts annual physical inventories of its bookstores at year end and adjusts its accounting records to reflect actual inventory on hand at year end.

**Cause:** The El Rito Campus Bookstore was not closed for business and there was not independent verification of the physical inventory counts made by a part employee. Also, physical inventory instructions were given over the telephone to the student who conducted the physical inventory.

**Effect:** Errors in physical inventory counts result in inventory records not being accurate and may result in misstatement of inventory valuation at fiscal year end.

**Recommendation:** We recommend the College apply consistent inventory count procedures at the El Rito Campus Bookstore as performed by the main campus (Española) bookstore. We also recommend the bookstore be closed for business during the year-end physical inventory process and inventory counts be verified by College personnel who are independent of the inventory count process.

**College's Response:** We will work with the new Bookstore Manager to insure that the year end inventory procedures are the same for both campuses.



**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM FINDINGS**

**Finding No. 2008-02 Federal PELL Grant Payment Data Not Reported Timely**

**CFDA Numbers Impacted:** 84.063

**Condition:** The Student Financial Aid Office did not submit student Pell grant payment data to the U.S. Department of Education through the Common Origination and Disbursement (COD) System within 30 calendar days after the College made payments to students. The PELL payment data was due October 10, 2007 and was not submitted to the U.S. Department of Education until October 15, 2007.

**Criteria:** Part 5, Section 5-3-17 of OMB A-133 Compliance Supplement requires higher education institutions to report student payment data within 30 calendar days after the school makes a payment.

**Cause:** The Banner accounting system was down and delayed the Student Financial Aid Office from submitting the PELL payment data to the U.S. Department of Education..

**Effect:** The College is not in compliance with PELL grant reporting requirements and may be subject to federal review or audit.

**Questioned Costs:** None

**Recommendation:** We recommend that the College file the PELL grant payment data in accordance with U.S. Department of Education reporting requirements.

**College's Response:** As a result of the computer system (BANNER) crashing, we were unable to extract the data to be submitted to the Department of Education within the 30 day timeframe. Data was submitted as soon as the system was operational.

NORTHERN NEW MEXICO COLLEGE

Summary Schedule of Prior Year Audit Findings

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<b>Finding Number</b>	<b>Title</b>	<b>Status</b>
<b>FINANCIAL STATEMENT AUDIT:</b>		
2005-01	Accounts Receivable Not Reconciled Timely	Repeated and Modified
2005-04	Late Audit Report	Resolved
2006-01	Student Accounts Receivable Subsidiary Ledger Not Available	Resolved
2006-03	Library Materials Not Recorded at Cost	Resolved
2006-04	Missing I-9 Documents	Repeated and Modified
2007-01	Expenses Not Properly Recorded	Repeated and Modified
2007-02	Unable to Observe Capital Asset Purchase	Resolved
2007-03	Related Party Transactions Not Disclosed	Resolved
2007-04	Purchases Did Not Follow Procurement Policies	Repeated and Modified
<b>MAJOR FEDERAL AWARDS PROGRAMS:</b>		
2005-18	Data Collection Form/Reporting Package Not Filed Timely	Resolved

An exit conference was held with the College on November 13, 2008. In attendance were:

**NORTHERN NEW MEXICO COLLEGE**

Michael Branch, Chairman, Board of Regents  
Theresa Martinez, Secretary/Treasurer, Board of Regents  
Jose Griego, President  
Loretto Garcia, Vice President of Finance  
Joyce Sandoval, CPA, Comptroller  
Kristin Alvarez, Accountant

**NORTHERN NEW MEXICO COLLEGE FOUNDATION**

Loretto Garcia, Treasurer  
Jose Griego, Member

**MEYNNERS + COMPANY, LLC**

Jo Ann Chavez, CPA, Assurance Manager  
Taryn Hazelton, Assurance Staff

**PREPARATION OF FINANCIAL STATEMENTS**

The financial statements presented in this report have been prepared by the independent auditor and were reviewed and approved by the College. However, they are the responsibility of management, as addressed in the Independent Auditors' Report.