



**NORTHERN  
NEW MEXICO  
COLLEGE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2009**

Moss Adams LLP  
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## NORTHERN NEW MEXICO COLLEGE

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# NORTHERN NEW MEXICO COLLEGE

## Official Roster

June 30, 2009

### Ex Officio Members:

The Honorable Bill Richardson	Governor of the State of New Mexico
Dr. Veronica Garcia	Cabinet Secretary for Public Education
Dr. Viola Florez	Cabinet Secretary, Higher Education Department

### Board of Regents

#### Appointed Members:

Michael Branch	Chair
Theresa Martinez	Vice Chair
Cecille Martinez-Wechsler	Secretary/Treasurer
Feliberto Martinez	Member
Alfred Herrera	Member

### Principal Administrative Officials

David Trujillo	Interim President
Loretto Garcia	Executive VP for Finance and Administration



## Independent Auditors' Report

T 505-878-7200  
F 505-878-7282

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 (College) as of and for the year ended June 30, 2009, which collectively comprise the College's basic financial statements as listed in the accompanying table of contents. We were engaged to audit the budgetary comparisons presented as supplemental information for the year ended June 30, 2009 as listed in the accompanying table of contents. These financial statements and budget comparisons are the responsibility of the College's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

As discussed in Note 1, the basic financial statements of the College and its discretely presented component unit are intended to present the financial position and changes in financial position and cash flows of only that portion of the business-type activities 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, 2009, the changes in its financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and its discretely presented component unit as of June 30, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The College was unable to provide evidence supporting the amounts and presentation of a material amount of budgetary information presented in the budgetary comparisons. As the information was not available, we were not able to satisfy ourselves as to the completeness, accuracy or presentation of the budgetary information on the budgetary basis of accounting prescribed by the New Mexico Administrative Code, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Also, we were not able to determine the budgetary information was properly reconciled to the information in the financial statements. As a result, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the budgetary comparisons.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2010 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5-10 is not a part of the basic financial statements but is supplementary information required by the 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.



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

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The Schedule of Deposit Accounts and the Schedule of Collaborative Partnerships are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Also, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Deposit Accounts and Schedule of Expenditures of Federal Awards have 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. The Schedule of Collaborative Partnerships has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

*Moss Adams LLP*

Albuquerque, New Mexico  
April 9, 2010

**NORTHERN NEW MEXICO COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009**

**Overview of the Financial Statements**

For financial reporting purposes, Northern New Mexico College (College) is considered a special-purpose, government 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, 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. This Management's Discussion Analysis (MD&A) 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 supplementary funds for 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, 2009.

**Financial Highlights**

- The College's assets exceeded its liabilities at the close of the June 30, 2009 fiscal year by \$25.5 million (net assets). Of this amount, (\$7,678) is unrestricted and may be used for the College's ongoing operations.
- Due to a decline in state and federal funding throughout the industry, the College's Net Assets decreased during the year by \$2.6 million from the previous year.
- The Foundation's cash and investments reflect \$3.1 million at June 30, 2009, some of which are with local banking institutions.
- The College's cash and cash equivalents reflect \$2.2M at June 30, 2009, all of which are with local banking institutions.

**NORTHERN NEW MEXICO COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

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

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

The following table summarizes the College's assets, liabilities, and net assets as of June 30:

Net Assets, as of June 30,	2009	2008
<b>Assets</b>		
Current assets	\$ 3,340,099	7,795,126
Capital assets	23,044,692	20,229,538
Other non-current assets	<u>1,829,389</u>	<u>2,283,839</u>
Total assets	<u>\$28,214,180</u>	<u>30,308,503</u>
<b>Liabilities</b>		
Current liabilities	<u>\$ 2,723,270</u>	2,171,567
Total liabilities	<u>2,723,270</u>	2,171,567
<b>Net Assets</b>		
Invested in capital assets	23,044,692	20,229,538
Restricted	2,453,896	6,745,787
Unrestricted	<u>(7,678)</u>	<u>1,161,611</u>
Total net assets	<u>25,490,910</u>	28,136,936
Total liabilities and net assets	<u>\$28,214,180</u>	<u>30,308,503</u>

**NORTHERN NEW MEXICO COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

**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 \$25.5 million at the close of the fiscal year. The Net Assets consists of 90% Capital Assets (e.g. land, buildings, and equipment) or \$23.0 million. The College uses these capital assets in its mission to provide postsecondary educational services to the College's service area; consequently, these assets are not available for future spending. Net Assets also consist of unrestricted Net Assets of (\$7,678) which is available to be used for the College's ongoing operation.

The following table summarizes the College's revenues, expenses, and changes in net assets for the year ended June 30:

Revenues, Expenses and Changes in Net Assets	2009	2008
Operating revenues	\$ 11,685,897	11,165,482
Operating expenses	<u>27,410,130</u>	<u>25,779,963</u>
Operating loss	(15,724,233)	(14,614,481)
Non-operating revenues	<u>13,078,207</u>	<u>18,134,397</u>
(Decrease) increase in net assets	<u>\$ (2,646,026)</u>	<u>3,519,916</u>

**Analysis of Changes in Net Assets**

The College's net assets decreased by \$2.6 million from fiscal year 2008 to fiscal year 2009 due to a general decline in state and federal funding across the industry as a whole.

**NORTHERN NEW MEXICO COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**June 30, 2009**

**Operating Revenues**

The following table summarizes the College's operating revenues of \$11.7 million for the fiscal years ended June 30. There was an increase in enrollment; therefore revenue associated with that has increased in the fiscal year.

Operating Revenues	2009	2008
Student tuition and fees	\$ 2,415,272	1,824,023
Tuition and fees discounts & allowance	(1,070,251)	-
Federal grants and contracts	7,210,123	4,772,373
State grants and contracts	1,341,021	1,184,043
Other grants and contracts	219,672	1,049,960
Scholarships	-	181,066
State land and permanent fund income	202,878	131,858
Sales and service of auxiliary enterprises	1,367,182	790,983
Other operating revenues	-	1,231,176
	<u>\$ 11,685,897</u>	<u>11,165,482</u>
Total operating revenues		

**Operating Expenses**

The following table summarizes the College's operating expenses for the fiscal years ended June 30. There were no unexpected changes in operating expenses. As noted earlier, enrollment increased therefore expenses related to enrollment also have increased.

Operating Expenses	2009	2008
Instruction	\$ 9,938,431	7,984,715
Academic support	1,015,627	3,291,274
Student services	2,616,494	2,166,888
Institutional support	2,360,091	2,833,390
Scholarships	267,631	199,313
Operations and maintenance	2,148,690	-
Public service	784,920	462,273
Student aid	2,526,452	3,190,909
Auxiliary enterprises	1,266,400	1,207,721
Plant	1,330,406	2,355,222
Internal service	692,774	746,973
Student activities	48,500	71,424
Athletics	299,995	-
Other	851,293	-
Depreciation	1,262,426	1,269,861
	<u>\$ 27,410,130</u>	<u>25,779,963</u>
Total operating expenses		

**NORTHERN NEW MEXICO COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

**Non-operating Revenues and Expenses**

The following table summarizes the College's non-operating revenues and expenses for the fiscal years ended June 30, 2009 and 2008.

Non-operating Revenues and Expenses	2009	2008
State appropriations	\$ 12,960,954	18,030,803
Investment income	<u>117,253</u>	<u>103,594</u>
Total non-operating revenues	<u>\$ 13,078,207</u>	<u>18,134,397</u>

**Capital Assets**

At June 30, 2009 and 2008, the College had the following amounts invested in capital assets net of accumulated depreciation:

Capital Assets, Net, as of June 30,	2009	2008
Land improvements	\$ 6,324,982	4,558,806
Paintings	13,500	13,500
Construction in progress	1,867,553	570,822
Automobiles	97,364	97,364
Buildings	35,052,679	35,052,679
Library books	2,964,762	2,027,160
Furniture, fixtures and equipment	<u>6,950,698</u>	<u>6,965,129</u>
	53,271,542	49,285,460
Less accumulated depreciation	<u>(30,226,846)</u>	<u>(29,055,922)</u>
Total capital assets, net	<u>\$ 23,044,692</u>	<u>20,229,538</u>

Major capital expenditures during the year ended June 30, 2009 include the purchase of land and the construction in progress of the Automotive Technology Building.

**Budgetary Highlights**

Differences between the original revenue budget and the final revenue budget decreased due to the impact of the State of New Mexico's overall revenue shortfall. There were not significant variances between the original expense budget and final expense budget.

Variation between the final expense budget and actual expenses was due to failure to submit a final Budget Adjustment Request, due to an oversight.



**NORTHERN NEW MEXICO COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

**Economic Outlook**

The College is largely dependent on state appropriations and federal and state grants for its operating funds. The state economic outlook is at a no growth level and the ongoing state appropriations support is anticipated to have further reductions in fiscal year 2010.

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 offer graduate programs. The College added four new Baccalaureate programs to the College during the 2008-2009 fiscal year.

**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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Dr. Andres Salazar  
Interim Executive Vice-President for Finance and Administration  
Northern New Mexico College  
921 Paseo De Oate  
Española, NM 87532

## **BASIC FINANCIAL STATEMENTS**

**NORTHERN NEW MEXICO COLLEGE**  
**STATEMENT OF NET ASSETS**  
**June 30, 2009**

	Primary Institution	Component Unit
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,150,353	1,393,024
Grants and contracts receivable, net of allowance for doubtful receivables of \$1,071,196	428,456	-
Student accounts receivable, net of allowance for doubtful receivables of \$411,909	87,014	-
Pledges receivable	-	5,922
Loan receivables, net of allowance for doubtful receivables of \$115,733	50,477	-
Other receivables	188	-
Due from Foundation	302,425	-
Inventories	321,186	-
<b>Total current assets</b>	<u>3,340,099</u>	<u>1,398,946</u>
Non-current Assets		
Interest in State Permanent Land Grant Fund	1,829,389	-
Endowment investments	-	1,691,999
Capital assets, net	23,044,692	-
<b>Total noncurrent assets</b>	<u>24,874,081</u>	<u>1,691,999</u>
<b>Total assets</b>	<u>\$ 28,214,180</u>	<u>3,090,945</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 780,839	33
Accrued salaries and other benefits	768,734	-
Accrued compensated absences	632,747	-
Due to College	-	302,425
Deferred revenue	535,481	-
Deposits held in trust for others	5,469	-
<b>Total current liabilities</b>	<u>2,723,270</u>	<u>302,458</u>
<b>NET ASSETS</b>		
Invested in capital assets	23,044,692	-
Restricted		
Nonexpendable		
Restricted	50,477	1,691,999
Interest in State Permanent Land Grant Fund	1,829,389	-
Expendable		
Scholarships, research, instruction and other	269,030	1,096,488
Capital projects	305,000	-
Unrestricted	(7,678)	-
<b>Total net assets</b>	<u>25,490,910</u>	<u>2,788,487</u>
<b>Total net assets and liabilities</b>	<u>\$ 28,214,180</u>	<u>3,090,945</u>

*See Notes to Financial Statements.*

**NORTHERN NEW MEXICO COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**Year Ended June 30, 2009**

	Primary Institution	Component Unit
<b>Operating Revenues</b>		
Tuition and fees, less tuition discounts and allowances of \$1,070,251	\$ 1,345,021	-
Federal grants and contracts	7,210,123	-
State and local grants and contracts	1,341,021	-
Other grants and contracts	219,672	207,928
Scholarship	-	52,071
State land and permanent fund income	202,878	-
Sales and services of auxiliary enterprises	1,367,182	-
Other	-	27,660
<b>Total operating revenues</b>	<u>11,685,897</u>	<u>287,659</u>
<b>Operating Expenses</b>		
Instruction	9,938,431	-
Academic support	1,015,627	-
Student services	2,616,494	-
Institutional support	2,360,091	192,759
Scholarships	267,631	128,224
Public service	784,920	-
Student aid grants and stipends	2,526,452	-
Plant	1,330,406	-
Operations and maintenance support	2,148,690	-
Internal service	692,774	-
Student activities	48,500	-
Auxiliary enterprises	1,266,400	-
Athletics	299,995	-
Depreciation	1,262,426	-
Other	851,293	-
<b>Total operating expenses</b>	<u>27,410,130</u>	<u>320,983</u>
<b>Operating loss</b>	<u>(15,724,233)</u>	<u>(33,324)</u>
<b>Nonoperating revenues (expenses)</b>		
State appropriations	12,960,954	-
Investment income	117,253	15,243
<b>Net nonoperating revenues</b>	<u>13,078,207</u>	<u>15,243</u>
Decrease in net assets	(2,646,026)	(18,081)
Net assets, beginning of year	<u>28,136,936</u>	<u>2,806,568</u>
<b>Net assets, end of year</b>	<u>\$ 25,490,910</u>	<u>2,788,487</u>

*See Notes to Financial Statements.*

**NORTHERN NEW MEXICO COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2009**

	Primary Institution
Cash Flows From Operating Activities	
Tuition and fees	\$ 1,330,338
Grants and contracts	13,139,442
Sales and services of educational activities	1,595,110
Other operating receipts	661,605
Payments to employees for salaries and benefits	(14,061,830)
Payments to suppliers	(10,462,564)
Scholarships	(403,267)
Loans and grants issued to students and employees	(403,406)
Collections of loans	16,959
Other payments	(402,408)
<b>Net cash used by operating activities</b>	<u>(8,990,021)</u>
Cash Flows From Non-Capital Financing Activities	
State appropriations	12,960,954
Investment income	117,253
<b>Net cash provided by noncapital financing activities</b>	<u>13,078,207</u>
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	(4,077,580)
<b>Net cash used by capital and related financial activities</b>	<u>(4,077,580)</u>
<b>Net increase in cash and cash equivalents</b>	10,606
Cash equivalents, beginning of year	<u>2,139,747</u>
<b>Cash equivalents, end of year</b>	<u>\$ 2,150,353</u>
 <b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (15,724,233)
Adjustments to reconcile operating (loss) to net cash used by operating activities	
Depreciation	1,262,426
Bad debt expense	4,217
Changes in assets and liabilities	
Restricted cash	3,374,829
Accounts receivable	214,196
Grants, contracts and receivables	1,088,416
Student accounts receivable	(18,900)
Loans receivable	65,256
Other receivables	13,732
Inventories	(110,016)
Interest in State Permanent Land Grant Fund	454,450
Due from Foundation	(166,097)
Accounts payable	614,365
Accrued salaries and other payroll liabilities	(166,015)
Accrued compensated absences	193,695
Deposits held in trust for others	4,277
Deferred revenue	(94,619)
<b>Net cash used by operating activities</b>	<u>\$ (8,990,021)</u>

*See Notes to Financial Statements.*

**NORTHERN NEW MEXICO COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES**

Northern New Mexico College (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 it began offering 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 Española, New Mexico, and its branch campus is located in El Rito, New Mexico.

*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 Government 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 discretely presented component unit, the Northern New Mexico College Foundation (Foundation), an entity for which the College is considered to be financially accountable. The Foundation was selected for inclusion based on the criteria as set forth in GASBs 14 and 39. 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.

**NORTHERN NEW MEXICO COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES (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, 2009, 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.

*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.

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>.

**NORTHERN NEW MEXICO COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES (CONTINUED)**

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 assumption 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.

*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 either the State of New Mexico's Investment Council, the State Treasurer's Local Government Investment Pool, or 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.



**NORTHERN NEW MEXICO COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

*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. Pursuant to the College's capitalization policy, capital assets with a unit cost of \$5,000 or greater are capitalized. 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.

**NORTHERN NEW MEXICO COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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. Receipts 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.

*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. The College does not have any related debt associated with its investment in capital assets.

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.

**NORTHERN NEW MEXICO COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Classification of Revenues.* The College has classified its revenues as either operation 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.

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 Fund 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.

*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, 2009; therefore, no provision for income taxes has been included in the financial statements.

**NORTHERN NEW MEXICO COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009**

**NOTE 2. CASH AND INVESTMENTS**

A summary of cash and investments as of June 30, 2009 is as follows:

The College

Cash on hand	\$ 4,422
Deposits with financial institutions	<u>2,145,931</u>
<b>Total cash and cash equivalents (includes CDs)</b>	<b><u>\$ 2,150,353</u></b>

The Foundation

Deposits with financial institutions (includes CDs)	<u>\$ 1,393,024</u>
Mutual funds	1,511,999
Real Estate Investment Trust	<u>180,000</u>
<b>Total investments</b>	<b><u>1,691,999</u></b>
<b>Total cash and cash equivalents and investments</b>	<b><u>\$ 3,085,023</u></b>

*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 7). 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, 2009, 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 from 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, 2009 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, 2009.

**NORTHERN NEW MEXICO COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE 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, 2009, 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, 2009:

AIG Sun America 9329277	\$ 14,820	1%
BTS Asset Management 294453	852,833	50%
BTS Asset Management 294450	253,502	15%
National Financial	317,355	19%
KBS Real Estate	73,489	4%
Wells REIT 521000970676	100,000	6%
Wells REIT 521001219079	80,000	5%
	\$ 1,691,999	100%
<b>Total Foundation investments</b>	<b>\$ 1,691,999</b>	<b>100%</b>

*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 of collateral securities that are in the possession of another party.

All deposits and investments and investments in commercial banks and savings and loan associations are collateralized as 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.

At June 30, 2009, the College's deposits had carrying amounts of \$2,145,931 and bank balances of \$2,299,055. Of the bank balances, \$706,246 was covered by federal depository insurance at June 30, 2009, 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 credit risk exposure at June 30, 2009, because the related securities are held by the Foundation's brokerage firm, which is also the counterparty for these securities.

**NORTHERN NEW MEXICO COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

At June 30, 2009, the Foundation's deposits had carrying amounts of \$1,393,024 and bank balances of \$1,349,136. 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.

The following is a description of cash on deposit by financial institution and the related pledged collateral:

Depository	Account Name	Type of Account	Bank Balance
<b>VALLEY NATIONAL BANK:</b>	General Account	Checking	\$ 773,571
	Student Account *	Checking	1,654
	Payroll Account *	Checking	11,924
	Endowment (Foundation) Account*	Checking	662,765
	Endowment (Foundation) Account*	Checking	14,635
	NRGHA *	Checking	158,766
	Investment (General)	CD	1,069,238
	Investment (Foundation)	CD	<u>671,736</u>
	<b>Total Valley National Bank</b>		3,364,289
	* The Transaction Account Guarantee Program provides for a temporary full guarantee by the FDIC for funds held at participating FDIC-insured depository institutions in noninterest-bearing transaction accounts above the existing deposit insurance limit. This coverage became effective on October 14, 2008, and continues through June 30, 2010.		(849,744)
	Less FDIC Coverage		<u>(250,000)</u>
	<b>Total not Federally Insured</b>		<u>\$ 2,264,545</u>
	Depository collateral required, New Mexico Statutes (Section 6-10-17) – 50%		<u>\$ 1,132,273</u>
	Depository collateral, at par and market values, held For the College by Wells Fargo Bank, Dallas, TX:		
	Torrance Etc. Cntys NM Mun, January 1, 2011 (pledged) (CUSIP # 891400JN4)		\$ 279,258
	Los Lunas SCH, July 15, 2011 (pledged) (CUSIP # 545562JH4)		100,165
	Catron & Cibola Cntys NM July 15, 2019 (pledged), (CUSIP # 149321BV2)		202,346
	FNR 2003-81 LD, September 25, 2018 (pledged), (CUSIP # 31393THP4)		<u>634,927</u>
	<b>Total</b>		<u>1,216,696</u>
	<b>Excess collateral</b>		<u>\$ 84,423</u>

**NORTHERN NEW MEXICO COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009**

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

Depository	Account Name	Type of Account	Bank Balance
<b>COMMUNITY BANK:</b>	General Account	Checking	\$ <u>76,951</u>
<b>Total Community Bank</b>			76,951
Less FDIC Coverage			<u>(76,951)</u>
<b>Total not Federally Insured</b>			<u>\$ -</u>
Depository collateral required, New Mexico Statutes (Section 6-10-17) – 50%			\$ -
Depository collateral, at market values, held for the College By Community Bank, Espanola, New Mexico:			
	FNMA, November 9, 2009, (pledged), (CUSIP # 3136F6LL1)		\$ 202,730
	FNMA AS042535, November 1, 2016, (pledged), (CUSIP # 31361VHL6)		13,505
	GNMA, January 20, 2022 (pledged), (CUSIP # 36202K3H6)		<u>15,168</u>
<b>Total</b>			<u>231,403</u>
<b>Excess collateral</b>			<u>\$ 231,403</u>
<b>BANK OF AMERICA:</b>	Direct Deposit Payroll	Checking	\$ 115,633
	Federal Account	Checking	5,006
	Perkins Loan Account	Checking	79,660
	Luis Bustos Account	Checking	<u>6,652</u>
<b>Total Bank of America</b>			206,951
Less FDIC Coverage			<u>(206,951)</u>
<b>Total not Federally Insured</b>			<u>\$ -</u>
Depository collateral required, New Mexico Statutes (Section 6-10-17) – 50%			\$ -
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>859,879</u>
<b>Total</b>			<u>859,879</u>
<b>Excess collateral</b>			<u>\$ 859,879</u>

**NORTHERN NEW MEXICO COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE 3. RECEIVABLES**

Grants and contracts receivable at June 30, 2009 were as follows:

Due from grantors, net of uncollectible	<u>\$ 428,456</u>
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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 are net of an allowance for doubtful receivables of \$1,071,196. It is the opinion of management that this allowance is adequate.

*Student Accounts Receivable.* Amounts due from students are for tuition and fees not covered by financial aid. The total due was \$498,923 and the College has provided an allowance for doubtful receivables of \$411,909, for a net reported balance of \$87,014 at June 30, 2009. 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. The Foundation had pledges of \$5,922 as of June 30, 2009. It is the opinion of management that no allowance for doubtful pledges receivable was needed at June 30, 2009.

*Loans Receivable.* Loans receivable consist of \$166,210 in loans and the College has provided an allowance for doubtful receivables of \$115,733, for a net reported balance of \$50,477 at June 30, 2009. It is the opinion of management that this allowance is adequate.

**NOTE 4. INVENTORIES**

Inventory at June 30, 2009 was as follows:

Bookstore inventory	\$ 305,595
Central supply inventory	14,120
Cafeteria inventory	<u>1,471</u>
	<u>\$ 321,186</u>



**NORTHERN NEW MEXICO COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE 5. CAPITAL ASSETS**

A summary of changes in the capital assets for the year ended June 30, 2009 follows:

	Balance July 1, 2008	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2009
<b>Capital Assets Not Being Depreciated</b>					
Paintings	\$ 13,500	-	-	-	13,500
Construction in Progress	570,822	1,296,731	-	-	1,867,553
Land and improvements	4,558,806	1,766,176	-	-	6,324,982
<b>Total capital assets not being depreciated</b>	<b>5,143,128</b>	<b>3,062,907</b>	<b>-</b>	<b>-</b>	<b>8,206,035</b>
<b>Capital Assets Being Depreciated</b>					
Automobiles	97,364	-	-	-	97,364
Building and improvements	35,052,679	-	-	-	35,052,679
Furniture, fixtures and equipment	6,965,129	67,508	(81,939)	-	6,950,698
Library materials	2,027,160	937,602	-	-	2,964,762
<b>Total capital assets being depreciated</b>	<b>44,142,332</b>	<b>1,005,110</b>	<b>(81,939)</b>	<b>-</b>	<b>45,065,503</b>
<b>Total capital assets</b>	<b>49,285,460</b>	<b>4,068,017</b>	<b>(81,939)</b>	<b>-</b>	<b>53,271,538</b>
<b>Less accumulated depreciation for</b>					
Automobiles	8,114	8,114	-	-	16,228
Buildings and improvements	21,884,887	714,360	-	-	22,599,247
Furniture, fixtures and equipment	5,728,869	330,607	(81,939)	-	5,977,537
Library materials	1,434,052	199,782	-	-	1,633,834
<b>Total accumulated depreciation</b>	<b>29,055,922</b>	<b>1,262,426</b>	<b>(91,502)</b>	<b>-</b>	<b>30,226,846</b>
<b>Total capital assets being being depreciated, net</b>	<b>15,086,410</b>	<b>(257,316)</b>	<b>9,563</b>	<b>-</b>	<b>14,838,657</b>
<b>Total capital assets, net</b>	<b>\$ 20,229,538</b>	<b>2,805,591</b>	<b>9,563</b>	<b>-</b>	<b>23,044,692</b>

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

**NOTE 6. COMPENSATED ABSENCES**

A summary of changes in compensated absences for the year ended June 30, 2009 follows:

	Balance June 30, 2008	Increase	Decrease	Balance June 30, 2009	Amount Due Within One Year
Compensated absences	\$ 439,052	573,146	(379,451)	632,747	632,747

**NORTHERN NEW MEXICO COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE 7. INTEREST IN STATE LAND GRANT PERMANENT FUND**

State Investment Council. The College has an undivided interest in assets of the State of New Mexico Land Grant Permanent Fund managed by the State Investment Council. At June 30, 2009, the cost and fair market value of such interest is \$1,653,769 and \$1,829,389, respectively. These investments are not categorized by custodial risk.

The College's interest in Permanent Fund was 0.023069% at June 30, 2009. The College's interest in the State of New Mexico Land Grant Permanent Fund decreased by \$454,449.

**NOTE 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, 2009 were \$124,488. Future minimum lease payments under these operating leases are as follows:

2010	\$ 142,683
2011	69,632
2012	68,982
2013	68,982
2014	<u>2,530</u>
<b>Total</b>	<b><u>\$ 352,809</u></b>

**NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

*Plan Description.* Certain 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 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, PO Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

**NORTHERN NEW MEXICO COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009**

**NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION (CONTINUED)**

*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 ended June 30, 2009, 2008 and 2007 were \$46,214, \$46,659 and \$43,480, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 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, PO Box 26129, Santa Fe, New Mexico 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 7.9% of their gross salary. The College is required to contribute 11.65% of the gross covered salary. Effective July 1, 2009, plan members are required to contribute 9.4% of their gross salary and the College is required to contribute 10.9% of the gross covered salary. 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, 2009, 2008 and 2007 were \$1,070,790, \$930,752 and \$766,386, respectively, which equal the amount of the required contribution for each fiscal year.

**NORTHERN NEW MEXICO COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE 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 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.nmrha.state.nm.us](http://www.nmrha.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

**NORTHERN NEW MEXICO COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009**

**NOTE 11. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)**

salary. Employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The College's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$120,676, \$111,669 and \$98,000, respectively, which equal the required contributions for each year.

**NOTE 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, 2008 through June 30, 2009.

**NOTE 13. DISCRETELY PRESENTED COMPONENT UNIT**

The Northern New Mexico College Foundation (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. The Foundation owed the College \$302,425 at June 30, 2009 for reimbursement of scholarship funds.

**NORTHERN NEW MEXICO COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE 14. 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.

**SUPPLEMENTARY INFORMATION**

**NORTHERN NEW MEXICO COLLEGE**  
**BUDGETARY COMPARISON - UNRESTRICTED AND RESTRICTED -**  
**ALL OPERATIONS (NON-GAAP BUDGETARY BASIS)**  
**(UNAUDITED - SEE INDEPENDENT AUDITORS' REPORT)**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
State government appropriations	\$ 16,032,729	15,304,296	15,195,291	(109,005)
Federal government contracts and grants	6,564,731	8,316,803	7,210,123	(1,106,680)
State government contracts and grants	10,333,811	1,559,849	1,261,781	(298,068)
Local government contracts and grants	284,980	1,230,544	31,200	(1,199,344)
Private gifts, grants, and contracts	-	-	48,000	48,000
Tuition and miscellaneous fees	1,926,223	2,193,942	2,415,272	221,330
Land and permanent fund	377,172	230,506	202,878	(27,628)
Sales and services	1,821,447	1,427,572	1,367,182	(60,390)
Other	471,801	444,875	253,349	(191,526)
<b>Total revenues</b>	<b>37,812,894</b>	<b>30,708,387</b>	<b>27,985,076</b>	<b>(2,723,311)</b>
<b>Expenditures</b>				
Instruction	9,292,676	10,704,261	9,938,431	765,830
Academic support	1,093,328	1,028,460	1,015,627	12,833
Student services	2,545,939	2,493,916	2,664,994	(171,078)
Institutional support	2,935,379	2,375,243	2,360,091	15,152
Operation and maintenance of plant	2,159,692	2,222,864	2,148,690	74,174
Public service	683,377	508,346	784,920	(276,574)
Internal service	560,573	643,619	692,774	(49,155)
Auxiliary enterprises	917,627	1,274,037	1,266,400	7,637
Capital outlay	16,611,835	4,836,369	2,320,122	2,516,247
Renewal and replacement	748,332	1,299,332	1,244,621	54,711
Other (student aid, grants stipends and independent operations)	3,067,191	3,067,191	3,864,334	(797,143)
Intercollegiate athletics	240,000	349,922	299,995	49,927
<b>Total expenditures</b>	<b>40,855,949</b>	<b>30,803,560</b>	<b>28,600,999</b>	<b>2,202,561</b>
<b>Change in fund balance</b>			<b>(615,923)</b>	
Beginning fund balance			<u>6,468,963</u>	
<b>Ending fund balance</b>			<u><u>\$ 5,853,040</u></u>	

See Notes to Financial Statements.



**NORTHERN NEW MEXICO COLLEGE**  
**BUDGETARY COMPARISON - RESTRICTED -**  
**NON-INSTRUCTION AND GENERAL (NON-GAAP BUDGETARY BASIS)**  
**(UNAUDITED - SEE INDEPENDENT AUDITORS' REPORT)**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
State government appropriations	-	-	727,100	727,100
Federal government contracts and grants	\$ 2,482,503	3,047,817	3,996,993	949,176
State government contracts and grants	441,340	484,969	623,891	138,922
Local government contracts and grants	60,675	55,932	25,000	(30,932)
Private gifts, grants, and contracts	-	-	48,000	48,000
Tuition and fees	-	-	106,496	106,496
Other	-	69,948	156,456	86,508
<b>Total revenues</b>	<b>2,984,518</b>	<b>3,658,666</b>	<b>5,683,936</b>	<b>1,298,170</b>
<b>Expenditures</b>				
Student services	-	-	48,535	(48,535)
Public service	25,205	-	321,090	(321,090)
Auxiliary enterprises	-	8,835	-	8,835
Other (student aid, grants stipends and independent operations)	2,959,313	2,959,313	3,754,201	(794,888)
<b>Total expenditures</b>	<b>2,984,518</b>	<b>2,968,148</b>	<b>4,123,826</b>	<b>(1,107,143)</b>
Net Transfers in (out)	-	25,000	-	(25,000)
<b>Change in fund balance</b>			<b>1,560,110</b>	
Beginning fund balance			<u>229,818</u>	
<b>Ending fund balance</b>			<u><b>\$ 1,789,928</b></u>	

*See Notes to Financial Statements.*

**NORTHERN NEW MEXICO COLLEGE**  
**BUDGETARY COMPARISON - UNRESTRICTED -**  
**NON-INSTRUCTION AND GENERAL (NON-GAAP BUDGETARY BASIS)**  
**(UNAUDITED - SEE INDEPENDENT AUDITORS' REPORT)**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Federal contracts and grants	\$ 1,200,000	1,200,000	138,104	(1,061,896)
State government appropriations	3,620,729	3,697,596	2,301,844	(1,395,752)
State contracts and grants	9,311,251	903,962	31,803	(872,159)
Local contracts and grants	23,810	25,000	-	(25,000)
Tuition and miscellaneous fees	47,559	99,485	-	(99,485)
Sales and services	1,811,447	1,415,710	1,356,814	(58,896)
Other	187,962	140,609	477,977	337,368
<b>Total revenues</b>	<b>16,202,758</b>	<b>7,482,362</b>	<b>4,306,542</b>	<b>(3,175,820)</b>
<b>Expenditures</b>				
Student services	60,000	22,667	(35)	22,702
Public service	658,172	508,346	463,830	44,516
Internal service	560,573	643,619	692,774	(49,155)
Auxiliary enterprises	917,627	1,265,202	1,266,400	(1,198)
Capital outlay	16,611,835	4,836,369	2,320,122	2,516,247
Renewal and replacement	748,332	1,299,332	1,244,621	54,711
Other (student aid, grants stipends and independent operations)	107,878	107,878	110,133	(2,255)
Intercollegiate athletics	240,000	349,922	299,995	49,927
<b>Total expenditures</b>	<b>19,904,417</b>	<b>9,033,335</b>	<b>6,397,840</b>	<b>2,635,495</b>
Net transfers in (out)	1,114,829	1,742,966	1,767,966	25,000
<b>Change in fund balance</b>			<b>(323,332)</b>	
Beginning fund balance			<u>4,293,734</u>	
<b>Ending fund balance</b>			<u><u>\$ 3,970,402</u></u>	

See Notes to Financial Statements.

**NORTHERN NEW MEXICO COLLEGE  
 BUDGETARY COMPARISON - RESTRICTED -  
 INSTRUCTION AND GENERAL (NON-GAAP BUDGETARY BASIS)  
 (UNAUDITED - SEE INDEPENDENT AUDITORS' REPORT)  
 Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
State government appropriations	-	-	866,823	866,823
Federal government contracts and grants	\$ 2,747,228	4,058,986	3,075,026	(983,960)
State government contracts and grants	536,220	170,918	606,087	435,169
Local government contracts and grants	165,495	1,049,612	6,200	(1,043,412)
Other	-	-	(391,101)	(391,101)
<b>Total revenues</b>	<b>3,448,943</b>	<b>5,279,516</b>	<b>4,163,035</b>	<b>(1,116,481)</b>
<b>Expenditures</b>				
Instruction	2,508,084	4,058,986	3,730,613	328,373
Academic support	80,749	170,918	106,718	64,200
Student services	860,110	1,049,612	1,174,479	(124,867)
<b>Total expenditures</b>	<b>3,448,943</b>	<b>5,279,516</b>	<b>5,011,810</b>	<b>267,706</b>
<b>Change in fund balance</b>			<b>(848,775)</b>	
Beginning fund balance			<u>347,679</u>	
<b>Ending fund balance</b>			<u><b>\$ (501,096)</b></u>	

*See Notes to Financial Statements.*

**NORTHERN NEW MEXICO COLLEGE**  
**BUDGETARY COMPARISON - UNRESTRICTED -**  
**INSTRUCTION AND GENERAL (NON-GAAP BUDGETARY BASIS)**  
**(UNAUDITED - SEE INDEPENDENT AUDITORS' REPORT)**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
State government appropriations	\$ 12,412,000	11,606,700	11,299,524	(307,176)
Federal contracts and grants	135,000	10,000	-	(10,000)
State contracts and grants	45,000	-	-	-
Local contracts and grants	35,000	100,000	-	(100,000)
Tuition and fees	1,878,664	2,094,457	2,308,776	214,319
Land and permanent fund	377,172	230,506	202,878	(27,628)
Sales and services	10,000	11,862	10,368	(1,494)
Other	283,839	234,318	10,017	(224,301)
<b>Total revenues</b>	<b>15,176,675</b>	<b>14,287,843</b>	<b>13,831,563</b>	<b>(456,280)</b>
<b>Expenditures</b>				
Instruction	6,784,592	6,645,275	6,207,818	437,457
Academic support	1,012,579	857,542	908,909	(51,367)
Student services	1,625,829	1,421,637	1,442,015	(20,378)
Institutional support	2,935,379	2,375,243	2,360,091	15,152
Operation and maintenance of plant	2,159,692	2,222,864	2,148,690	74,174
<b>Total expenditures</b>	<b>14,518,071</b>	<b>13,522,561</b>	<b>13,067,523</b>	<b>455,038</b>
Net transfers in (out)	(1,114,829)	(1,767,966)	(1,767,966)	-
<b>Change in fund balance</b>			(1,003,926)	
Beginning fund balance			1,597,732	
<b>Ending fund balance</b>			<u>\$ 593,806</u>	

*See Notes to Financial Statements.*

**NORTHERN NEW MEXICO COLLEGE**  
**SCHEDULE OF DEPOSIT ACCOUNTS**  
Year Ended June 30, 2009

Depository/Account Name	Type of Account	Cash per Bank June 30, 2009	Add Deposits in Transit	Less Outstanding Checks	Other Reconciling Items	Adjusted Cash Balance June 30, 2009
<b>COLLEGE</b>						
<b>Valley National Bank</b>						
General	Checking	\$ 773,571	81,530	194,081	6,895	667,915
Payroll	Checking	11,924	277	24,392	(4,210)	(16,401)
Student	Checking	1,654	-	-	-	1,654
NRGHNA	Checking	158,766	-	-	-	158,766
Certificate of Deposit	CD	1,069,238	-	-	-	1,069,238
<b>Bank of America</b>						
Payroll	Checking	115,633	-	21,073	-	94,560
Perkins	Checking	79,660	767	-	-	80,427
Luis Bustos	Checking	6,652	-	-	-	6,652
Federal	Checking	5,006	-	-	-	5,006
<b>Community Bank</b>						
General	Checking	76,951	1,287	-	(124)	78,114
Cash in bank		2,299,055	83,861	239,546	2,561	2,145,931
Petty cash and cash drawers		4,422	-	-	-	4,422
<b>Total College cash and cash equivalents</b>		<b>\$ 2,303,477</b>	<b>83,861</b>	<b>239,546</b>	<b>2,561</b>	<b>2,150,353</b>
<b>FOUNDATION</b>						
<b>Valley National Bank</b>						
Operating	Checking	\$ 662,765	-	1,313	13,554	675,006
Savings	Checking	14,635	-	-	-	14,635
Certificate of Deposit	Certificate of Deposit	671,736	27,813	-	3,834	703,383
<b>Total Foundation cash and cash equivalents</b>		<b>\$ 1,349,136</b>	<b>27,813</b>	<b>1,313</b>	<b>17,388</b>	<b>1,393,024</b>

**NORTHERN NEW MEXICO COLLEGE**  
**SCHEDULE OF COLLABORATIVE PARTNERSHIPS**  
**June 30, 2009**

<u>Memorandum of Understanding</u>	<u>Signed/Entered</u>	<u>Contact</u>	<u>Note</u>
MOU between NNMC and NNMC Foundation	October 16, 2008 Succeeds Sept 11, 2008 MOA		Sets up financial and strategic arrangement between entities.
MOU between Los Alamos National Security, LLC, and NNMC; Subject: Machinist Apprentice Program. (Updated due to name changes.)	January 22, 2008	667-0360, LANL Machinist Apprentice Prog. PO Box 1663, MS/D471, Los Alamos, NM 87545	Machinist training program held on campus leased space with equipment owned by LANL.
MOU between NNMC and Espanola Community Market: Sostenga La Vida.	November, 2007	Dr. Camilla Bustamante, 747-5454	Allows for collaboration between the college and the EC natural food market.
MOU between the State of NM HED and NNMC concerning grant to administer the film and media grant (\$20 thousand).	February 7, 2007	David Trujillo, Dean of Grants Dev., NNMC	Allows the film training program to occur on campus with financing from HED.
MOU between NNMC and Los Alamos Cooperative Market.	July, 2007	Dr. Camilla Bustamante; 747-5454	Allows for collaboration between the college and the LAC market.
MOU between NNMC and the Espanola Farmers Market Board.	May 14, 2007	Gene Lopez, President	Allows for collaboration between the college and the EF market.
MOU between NNMC and The Forest Guild.	April 12, 2006	Henry Carey, Exe. Dir., 983-8992; info@forestguild.org	Forest worker safety certification class held on NNMC campus
MOU between NNMC and Northwest Regional Education Center #2 and NM Education Technology Consortia.(NMETC)	March, 2006	Dr. Kris Baca, Exe. Dir., 638-5491 ext. 126; NMREC, Dist. 2, PO Box 230, Gallina, NM 87017	College of Education provides professional development programs.
MOU between NNMC and The Cumbres & Toltec Scenic Railroad Commission.	April 29, 2005	Steve Malnar, Commissioner, 719-376-5488, 5250 State Hwy 285, PO Box 561, Antonito, CO 81120	
MOU between the City of Espanola and NNMC for the exchange and utilization of one another's recreational and athletic facilities.	Sept. 15, 2004	City of Espanola, 405 N. Paseo de Oate, Espanola, NM; 747-6100	Allows for mutual use of athletic facilities between the College and the City of Espanola.
MOU between the El Rito Domestic Consumers Water Association, the Placitas Mutual Domestic Water Consumers Association, El Rito Canyon Mutual Domestic Water Consumers Association, and NNMC.	May 5, 2003	Juan Garcia, PO Box 26, El Rito NM 87530; 581-4488	

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF COLLABORATIVE PARTNERSHIPS (CONTINUED)  
June 30, 2009**

<b>Memorandum of Understanding</b>	<b>Signed/Entered</b>	<b>Contact</b>	<b>Note</b>
MOU between LANL and NNMCC for the conduct of a Machinist Apprenticeship Program. (Lease Agreement at NNMC for the purposes of the MAP signed Sept. 1, 1999.)	August 31, 1999	667-0360, LANL Machinist Apprentice Prog. PO Box 1663, MS/D471, Los Alamos, NM 87545	See previous agreement.
MOU between NNMCC and Johnson Controls Business Development, Ltd. (Amendment to MOU signed February, 2003 allows the College to assume more of the responsibility of ownership and operation of the Business Park.)	Sept./Oct., 1998	Mark Filteau, Johnson Controls Business Dev., Ltd., President, 7315 N. Atlantic Ave., Cape Canaveral, FL 32902- 3792; (407) 784-7189	
MOU for Construction, Operation, Maintenance, and Management Services between NNMC and Rio Arriba County, New Mexico.	20-yr. agreement, 2/1/98 to 2018	County Manager, 753- 2992, 1122 Industrial Park Rd., Espanola, NM	
MOA between NNMC and Las Cumbres Community Services.	December 3, 2007	Dr. Azul La Luz, Exe. Dir., 753-4123 azul.laluz@lascumbres- nm.org	Joint effort to purchase land and allow facility construction.
MOA between NNMC and Espanola Fiber Arts Center	April 2, 2008	Diane Bowman, Exec. Dir.,	Allows NNMC to offer classes at Fiber Arts Center
MOA between ENLACE (Engaging Latino Communities for Education) and SFCC and NNMC.	August 15, 2007	Dr. Meredith Machen, ENLACE Northeastern NM Dir.,	Allows ENLACE space and services at NNMC with no overhead charges.
MOA between NNMC and Northern New Mexico Network for Rural Education (Proposed Baccalaureate Teacher Preparation Program).	Nov. 20, 2003	Carlos Atencio, Exe. Dir., 925-8675 catencio@unm.edu	
MOA among NM Community Colleges High Technology Manufacturing Programs. (Intel Corp. facilitated the first meetings of the NMCHTMP in May 1996 to discuss the components of a partnership with colleges offering semiconductor workforce education).	August, 1996		
MOA between NM Community Foundation and NNMC Environmental Science Program	March 5, 2009	Michael Chamberlain, CEO, NM Comm. Foundation	Establishes basis for RACER courses in ES program

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF COLLABORATIVE PARTNERSHIPS (CONTINUED)  
June 30, 2009**

<b>Other Agreements</b>	<b>Signed/Entered</b>	<b>Contact</b>	
Cooperative Agreement between SFCC acting as the Lead Center of the New Mexico Small Business Development Center and NNMC.	March 11, 1993	J. Roy Miller, State Director, NMSBDC, 6401 Richards Ave., SF, NM 87508; 428-1362	Allows SBDC Center to occupy space at NNMC and offer small business services.
Operating Agreement with the Elder Hostel program at the El Rito Campus.	July 17, 2003	James Moses, President and CEO, 11 Avenue de Lafayette, Boston, MA 02111	College program for senior citizens.
Affiliation Agreement between the UNM's Health Sciences Center School of Medicine, College of Pharmacy, the Office of Cultural and Ethnic Programs and NNMC.	February 9, 1996		
Contractual Agreements with Hospitals, Clinical Sites, etc., for the Nursing and Radiology programs.		Ellen Trabka, Mike Frain	
Cooperative Agreement with NMSU on the New Mexico Alliance for Minority Participation (AMP) program.		Richardo Jacquez, NMAMP Dir., NMSU, NM Alliance for Minority Participation, PO Box 3001, Las Cruces, NM 88003-8001 (Ajit Hira at NNMC)	AMP program recruits NNMC sophomores to matriculate at NMSU baccalaureate programs.
JPA for the Continuing Operation of the NMESC (Supersedes JPA dated March 6, 2006)	7/1/08		Joint effort to pay for support of Banner data base archiving and software assistance.
Joint Powers Agreement by the Regents of NNMC, Rio Arriba County, and the El Rito Acequia Association for establishing an El Rito Community Center.	September, 2004	County Manager and County Commissioners, 1122 Industrial Park Rd., Espanola, NM 87532; 753-2992	Build, operate a community center for NNMC and regional residents.
Joint Powers Agreement between NNMC, SFCC, and NMJC and the New Mexico Education Services Center (NMESC means the site and equipment where the administrative software is operated, updated, secured and housed, which site may be moved from time-to-time at the election of the NMESC membership.	December 15, 2005	Loretto Garcia, VP for Finance, for President of NNMC.	See above agreement.
Joint Powers Agreement to Establish an Educational Cooperative – operating as Cooperative Educational Services. (Members are public educational institutions and schools within the State of New Mexico, desirous of pooling their efforts and resources in order to bring additional, necessary educational services to their respective institutions at an affordable cost).	Sept. 16, 1999	Max Luft, Exe. Dir., CES, 4216 Balloon Park Rd., NE, Albuquerque, NM 87109-5801; 344-5470; www.nmedu.org.	Pool efforts and resources for cost savings.



**NORTHERN NEW MEXICO COLLEGE**  
**SCHEDULE OF COLLABORATIVE PARTNERSHIPS (CONTINUED)**  
**June 30, 2009**

<p><b><u>Collaborations with LANL</u></b>          Developed the following technician training programs at LANL's request and with LANL staff collaboration: Machinist Apprenticeship, Electronics Packaging Design Technology, Radiation Control Technician, Materials Science Technician, Environmental Restoration Technician, Electronics Technician, Chemical Technician.</p>			<p>Training program agreements</p>
<p>Developed the following partnerships with LANL:          TriArea Higher Education Association (THEA)          Regional Educational Technology Assistance (RETA) Program          Student Internships for computer majors          Northern New Mexico Council for Excellence in Education (NMMCEE)          NNM Industry Liaison Group Building Trades Career Fair</p>			<p>Training programs</p>
<p><b><u>Concurrent Agreements</u></b></p>			
<ul style="list-style-type: none"> <li>• Chama Valley Independent Schools</li> <li>• Cimarron Municipal Schools</li> <li>• Cuba Independent Schools</li> <li>• Espanola Public Schools</li> <li>• Jemez Mountain Public Schools</li> <li>• Jemez Valley Public Schools</li> <li>• Los Alamos Public Schools</li> <li>• McCurdy School</li> <li>• Mesa Vista Consolidated Schools</li> <li>• Mora Independent Schools</li> <li>• Penasco Independent Schools</li> <li>• Pojoaque Valley Public Schools</li> <li>• Questa Independent Schools</li> <li>• Rock Christian Academy</li> <li>• Santa Fe Indian Schools</li> <li>• Victory Faith Christian Academy</li> <li>• Home Schools</li> </ul>			<p>Concurrent enrollment agreements stipulate conditions under which pre-college students earn college credits under a released condition from their high schools.</p>

**NORTHERN NEW MEXICO COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2009**

Federal Grantor/Pass-through Grantor/Program Title	Pass- Through Number	Federal CFDA Number	Federal Expenditures
<b>United States Department of Education</b>			
<i>Direct Programs</i>			
Student Financial Aid Cluster			
Supplemental Education Opportunity (SEOG)		84.007	\$ 90,179
Federal Work Study		84.033	92,948
Federal Pell Grant		84.063	2,428,551
ACG Grant		84.375	12,925
SMART Grant		84.376	12,428
Federal Stafford Loan		84.032	362,024
Federal Un-Sub Stafford Loan		84.032	75,392
Federal Perkins Loans		84.038	24,582
<b>Total Student Financial Aid Cluster</b>			3,099,029
Trio Cluster			
Student Support Services		84.042	268,222
Student Support Services - Indirect Cost		84.042	23,672
Educational Opportunity Center		84.066/84.042	456,712
Educational Opportunity Center - Indirect Cost		84.066/84.042	29,823
Upward Bound Program		84.047	281,211
Upward Bound Program - Indirect Cost		84.047	26,650
<b>Total Trio Cluster</b>			1,086,290
Migrant Education Cluster			
High School Equivalent Program		84.141	334,207
High School Equivalent Program - Indirect Cost		84.141	23,196
Subtotal			357,403
CCRAA - HSI Project		84.031C	648,234
Title V		84.031	795,134
Minority Science and Engineering Improvement		84.120A	304,124
Minority Science and Engineering Improvement - Indirect Cost		84.120A	24,800
Subtotal			328,924
The Esperanza Project		84.195N	135,271
The Esperanza Project - Indirect Cost		84.195N	10,021
Subtotal			145,292
<b>Subtotal Direct Programs</b>			6,460,306
<b>Pass-through the State of New Mexico</b>			
Department of Education			
Adult Basic Education		84.048	89,985
Adult Basic Education - Indirect Cost		84.048	3,937
EDA-University Center	08-66-04208.02	84.306	106,717
Federal Perkins Loan	V048A080031	84.038	128,314
Federal Perkins Redistribution	V048A080031	84.038	13,619
Subtotal			342,572
<b>Pass-through New Mexico Highlands University</b>			
Department of Education			
Gear Up	P334A050210	84.334	59,040
<b>Subtotal Pass-Through Programs</b>			401,612
<b>Total U.S. Department of Education</b>			6,861,918

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - (CONTINUED)  
Year Ended June 30, 2009**

Federal Grantor/Pass-through Grantor/Program Title	Pass- Through Number	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
HSIAC		14.514	\$ 190,532
HSIAC - Indirect Cost		14.514	8,641
			<u>199,173</u>
<b>National Science Foundation</b>			
Pass-through NM State University			
PUSH Project	DBI-0353642	47.076	18,315
PUSH Project - Indirect Cost	DBI-0353642	47.076	1,465
STEM - Biological Science	806469	47.076	73,031
ASPIRe	757088	47.076	35,127
Alliance for Minority Participation	HRD-0331446	47.076	10,234
			<u>138,172</u>
<b>Total National Science Foundation</b>			<u>138,172</u>
<b>Total Federal Programs</b>			<u>\$ 7,199,263</u>

**NORTHERN NEW MEXICO COLLEGE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 1. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133**

The federal financial assistance of the University is included in the scope of the Single Audit, which was performed in accordance with the provisions of the Office of Management and Budget's Circular A-133, *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* (Compliance Supplement).

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation.* The accompanying Schedule of Expenditures of Federal Awards includes all federal assistance to the College that had activity during 2009 or accrued revenue at June 30, 2009. The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

**NOTE 3. CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

**NOTE 4. STUDENT FINANCIAL ASSISTANCE**

The College administers the Perkins Loan Program. Total outstanding loans under this U.S. Department of Education program at June 30, 2009, were \$166,210. The Schedule of Expenditures of Federal Awards only includes an amount, which represents administrative costs and additional advances for the year ended June 30, 2009. During the fiscal year ended June 30, 2009, the College processed \$437,416 of new loans under the Stafford Loan Program.

**GOVERNMENTAL AUDITING STANDARDS REPORTS**

**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 basic financial statements of the business-type activities for Northern New Mexico College (College) and its discretely presented component unit as of and for the year ended June 30, 2009, and have issued our report thereon dated April 9, 2010. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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 accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control. We consider the deficiencies as described in the accompanying schedule of findings and questioned costs as items 05-01, 07-01, 07-04, 09-01, 09-02, 09-03, 09-04, 09-05, 09-06, 09-07, to be significant deficiencies.

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

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 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 internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. Of the significant deficiencies listed above, we consider the following to be material weaknesses: 05-01, 07-01, 09-02, 09-03, 09-04, 09-05, 09-06, 09-07.

#### Compliance and Other Matters

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

We noted certain matters that are required to be reported under Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 09-18, 09-19, 09-20, 09-21, 09-22, and 09-23.

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.



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 Directors, management, the College, the New Mexico Higher Education Department, the New Mexico State Auditor, and 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.

*Moss Adams LLP*

Albuquerque, New Mexico  
April 9, 2010



**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

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, 2009. 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 programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of non-compliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-08, 09-09, 09-11, 09-13, 09-14, 09-15, and 09-16.

Board of Regents  
Northern New Mexico College  
Española, New Mexico  
and  
Mr. Hector H. Balderas  
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 the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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 entity'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 and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-08, 09-09, 09-10, 09-11, 09-12, 09-13, 09-14, 09-15, 09-16, and 09-17 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies,



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

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. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 09-14 and 09-15 to be material weaknesses.

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 Directors, management, the College, the New Mexico Higher Education Department, the New Mexico State Auditor, the cognizant audit agency and other federal audit agencies and is not intended to be, and should not be used by anyone other than these specified parties.

*Moss Adams LLP*

Albuquerque, New Mexico  
April 9, 2010

## **SINGLE AUDIT FINDINGS**

**NORTHERN NEW MEXICO COLLEGE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2009**

**Finding 2005-01. Accounts Receivable Not Reconciled Timely**

Current Status: Repeated and Revised

**Finding 2006-04. Missing I-9 Documents**

Current Status: Cleared

**Finding 2007-01. Expenses Not Properly Recorded**

Current Status: Repeated and Revised

**Finding 2007-04. Purchases Did Not Follow Procurement Policies**

Current Status: Repeated and Revised

**Finding 2008-01. Errors In Inventory Count At El Rito Campus Bookstore**

Current Status: Cleared

**Finding 2008-02. Federal PELL Grant Payment Data Not Reported Timely**

Current Status: Cleared

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?   X   Yes        No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?   X   Yes        None Reported

Non-compliance material to financial statements noted?        Yes   X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?   X   Yes        No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)   X   Yes        None reported

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

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

Identification of Major Program

CFDA Number	Name of Federal Program or Cluster
84.007	Student Financial Aid Cluster
84.033	Student Financial Aid Cluster
84.063	Student Financial Aid Cluster
84.375	Student Financial Aid Cluster
84.376	Student Financial Aid Cluster
84.032	Student Financial Aid Cluster
84.038	Student Financial Aid Cluster
84.120	Minority Science and Engineering Improvement
84.031C	CCRAA – HSI Project

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

Auditee qualified as low-risk auditee?        Yes   X   No

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT FINDINGS**

**05-01 Timely Reconciliations of Subsidiary Ledgers**

**CONDITION**

We noted that, during the year, the subsidiary ledger for Accounts Receivable and Grant Deferred Revenue were not reconciled with the general ledger. Based on our inquiry and review of schedules and documents, it does not appear that an appropriate and comprehensive reconciliation process has been in place for several years.

**CRITERIA**

Formal reconciliations help ensure that errors and fraud are detected and corrected timely. Formal written procedures help ensure that internal control activities are communicated to employees so that internal controls are performing as intended. Additionally, regular reconciliation ensures accuracy in financial reporting.

**EFFECT**

There is an increased risk that errors or fraud may not be detected timely. Management may not be receiving accurate financial information. The completion of the audit was delayed while the reconciliations were performed and audit procedures resulted in at least one material audit adjustment. Supporting schedules are stale-dated and inaccurate. It also appears the College may not be collecting all amounts due under the various contract and grants.

**CAUSE**

It was apparent that the recent vacancy of accounting staff and the lack of a formalized, written procedures resulted in the lack of timely reconciliation of the accounts. There are no formal job descriptions or procedures to ensure reconciliations are performed timely and accurately, and subject to appropriate review.

**RECOMMENDATION**

The College should develop written procedures for the reconciliation of all balance sheet accounts to their subsidiary ledgers to ensure accuracy of the monthly financial statements and underlying subsidiary ledgers. Further, the College should ensure that formal job descriptions include responsibility for performing reconciliation procedures on a regular basis. Also, all reconciliations should be subject to appropriate and timely management review.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**05-01 Timely Reconciliations of Subsidiary Ledgers (Continued)**

**MANAGEMENT RESPONSE**

Corrective measures are in place. In addition, the College is now currently fully staffed for this function which will likely remedy this deficiency.



**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**07-01 Improper Account Coding**

**CONDITION**

Expenditures are not consistently coded to the correct expense account and fund classification.

**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.

**EFFECT**

Budget to actual reports for the year can and have been affected by postings to wrong accounts. Financial statements can be misstated if wrong postings occur frequently or if large amounts are posted incorrectly. The College's budget to actual reports that were submitted to the New Mexico Higher Education Department contained numerous material classification errors. Also, fund classifications and balances within Banner do no support accurate budget to actual expenditure reporting.

**CAUSE**

There is no review of coding performed to ensure that disbursements are recorded to the correct account.

**RECOMMENDATION**

We recommend that the College implement a procedure requiring a review of invoice coding prior to payment, as well as procedures to ensure fund level accounting within Banner is appropriately reconciled.

**MANAGEMENT RESPONSE**

Noted. Management will investigate alternatives to prevent improper coding.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**07-04 Procurement Procedures**

**CONDITION**

In some cases, checks and invoices have been printed and/or received before the Purchase Requisition or Purchase Order was received, approved, and processed. The following was noted during our testing of a sample of 18 invoices that totaled \$8,216:

- There was 1 invoice for \$225.29 wherein the order was placed prior to the creation of a Purchase Requisition.
- There was 1 invoice for \$134.68 wherein the check was created prior to the creation and approval of a Purchase Requisition.
- There was one invoice for \$232.76 for which the College could not locate the PO or receiving documentation.
- There were 3 invoices totaling \$1,401.59 wherein the general ledger accounts did not match what the check was made out for.

**CRITERIA**

The College's policies and procedures state:

1. Purchase Orders must be created before purchases are made.
2. Proper supporting documentation must be present with backup documentation.
3. Expenses should be posted to the appropriate account.

Also, an appropriately designed system of internal controls requires segregation of duties where practical.

**EFFECT**

Errors or the possibility of fraud can occur during the purchasing and the procurement process.

**CAUSE**

The College's internal control policies are not being followed in regard to purchases.

**RECOMMENDATION**

We recommend that the College follow its own policies and procedures and ensure proper review of disbursements.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**07-04 Procurement Procedures (Continued)**

MANAGEMENT RESPONSE

Noted. Management will investigate instances of improper procedure being followed.

**09-01 Segregation of Duties - Payroll**

CONDITION

During our documentation and testing of internal controls, we noted that the payroll accountant has edit access to change pay rates and create new employees.

CRITERIA

An appropriately designed system of internal controls requires segregation of duties where practical.

EFFECT

The practice of one employee entering vendor information and processing payroll poses the risk of errors or irregularities in payroll processing.

CAUSE

Management has not had the time and/or resources to appropriately segregate these duties.

RECOMMENDATION

We recommend the entry and editing of employee information and pay rates is segregated from individuals who process payroll. We also recommend that a review of the payroll exception report be conducted prior to the checks being mailed.

MANAGEMENT RESPONSE

Noted. Management will address the issue to ensure that the payroll accountant cannot change pay rates or create new employees.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**09-02 Segregation of Duties - Journal Entries**

**CONDITION**

There is a lack of segregation of duties or mitigating controls over journal entries, as all journal entries are not properly approved.

**CRITERIA**

An appropriately designed system of internal controls requires segregation of duties where practical.

**EFFECT**

Errors can be made while processing/creating journal entries and may go undetected due to lack of review. This can result in over/understatement of various accounts. We noted many journal entries that were not subject to appropriate independent review and/or for which adequate supporting documentation was not maintained.

**CAUSE**

Management has not had the time and/or resources to appropriately segregate these duties.

**RECOMMENDATION**

We recommend that the College implement a formal policy that prevents individuals from creating and approving their own entries, and that appropriate support for all journal entries is maintained to evidence the propriety of all entries.

**MANAGEMENT RESPONSE**

Noted. Management will implement control and approval processes over journal entries.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**09-03 Bank Reconciliations**

CONDITION

Bank reconciliations are not being properly reviewed and approved by management.

CRITERIA

The College's policies and procedures state that the bank reconciliations must be signed off by the Director of the Business Office. Also, an appropriately designed system of internal controls requires segregation of duties where practical.

EFFECT

Errors or irregularities can occur and go undetected during the reconciliation process because no one is reviewing the reconciliation.

CAUSE

No one within the business and accounting office has knowledge of this policy.

RECOMMENDATION

We recommend that the Director of the Business Office review the reconciliations and sign off on them verifying proper review.

MANAGEMENT RESPONSE

Noted. The Director of the Business Office will review and approve bank reconciliations.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**09-04 Timely Reconciliation of Bank Reconciliations and Stale Dated Checks**

**CONDITION**

During fiscal year 2009, the College did not perform timely bank reconciliations throughout the year or at year-end and did not perform a timely review of stale-dated checks.

**CRITERIA**

Timely and accurate financial reporting reconciliation controls are an integral component of an effective financial management system.

**EFFECT**

The lack of proper and timely reconciliations resulted in several audit adjustments being recorded.

**CAUSE**

Sufficient resources or attention was not devoted to these responsibilities during the year.

**RECOMMENDATION**

We recommend the College perform and review all bank reconciliations in a timely manner (i.e. monthly) in order to ensure the accuracy of interim as well as year-end financial information. Also, management should require a timely review of stale-dated checks.

**MANAGEMENT RESPONSE**

The College now has a staff member dedicated to cash management including bank reconciliations to be done on a timely basis.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**09-05 Perkins Loan Receivable**

**CONDITION**

The College is not tracking the Perkins Receivable. They are dependent upon a third party service provider to monitor the receivable balance.

**CRITERIA**

It is the responsibility of the College to ensure that receivable balances are traceable to third party evidence.

**EFFECT**

There is an increase for the likelihood that errors in financial reporting could arise due to the loan receivable for Perkins not being tracked. Based on our testing there is an unreconciled balance between the College and the third-party service provider.

**CAUSE**

The Perkins loans receivable balance may be under/over stated.

**RECOMMENDATION**

We recommend the College implement effective reconciliation controls between the College's records and those of any third-party service providers involved in administration of loan balances.

**MANAGEMENT RESPONSE**

Noted. Management will investigate alternatives for tracking Perkins Loan Receivables on a regular basis.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**09-06 Fixed Assets – Disposals and Physical Inventories of Equipment**

**CONDITION**

The College had no documentation to support that physical inventories of equipment had been performed for all departments or that equipment listings were complete and accurate. Also, timely reconciliations to the general ledger are not performed. In addition, we were not able to obtain adequate documentation for two of four equipment disposals tested to ensure compliance with State Audit Rule requirements.

**CRITERIA**

12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each physical year. The agency shall certify the correctness of the inventory after the physical inventory.

2.2.2.10 NMAC requires that at least 30 days prior to disposal of any property, written notice must be sent to the State Auditor.

**EFFECT**

The College does not have evidence of compliance with 12-6-10(A) NMSA 1978 and 2.2.2.10 NMAC. The lack of proper physical inventory and reconciliation procedures poses the risk of misstatement and misappropriation of assets.

**CAUSE**

Property management personnel did not document procedures ensuring that the College's annual physical equipment observation was performed properly. Physical inventories were not reconciled to the general ledger upon completion of the physical inventory observation. In addition, serial numbers were not included for all the assets on the letter sent to the State Auditor so we could not agree two items to the listing.

**RECOMMENDATION**

We recommend that the College implement or revise procedures to ensure documentation and performance of physical inventories and reconciliation with the general ledger. Also, disposals should be reported in accordance with State Auditor regulations.



**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**09-06 Fixed Assets – Disposals and Physical Inventories of Equipment (Continued)**

**MANAGEMENT RESPONSE**

The Purchasing Department is charged with the responsibility of physical inventory labeling, tracking and database updates. A physical inventory is performed on an annual basis by identifying the location and inspection of every inventory item. Worksheets are kept of work performed. The Accounting Department relies on the accuracy of the physical inventory database maintained by the Purchasing Department in reporting capital asset levels.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**09-07 Recording Prior Period Audit Adjustments**

**CONDITION**

We noted that the College had not recorded prior year's audit adjustments. Based on our inquiry and review of schedules and documents, it appeared a number of adjustments in other preceding years also had not been recorded

**CRITERIA**

The College's internal financial balances should agree to audited balances.

**EFFECT**

Failure to post adjustments from prior years results in inaccurate financial reporting as long as those adjustments are not posted. Thus, management and other users of the financial statements and related reporting were not receiving accurate financial information during the current fiscal year. The completion of the audit was delayed while research was performed on variances and discrepancies within the financial reporting system.

**CAUSE**

It was apparent that the recent vacancy of accounting staff and the lack of a formalized, written procedures resulted in the failure to record audit adjustments.

**RECOMMENDATION**

The College should implement procedures to ensure balances are reconciled to prior audited balances and that necessary adjustments to bring Banner into agreement with audited balances are completed on a timely basis.

**MANAGEMENT RESPONSE**

The College is currently implementing procedures to insure that all audit entries, as well as journal entries, are recorded in a timely and accurate manner.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM**

**09-08 Student Financial Aid Programs - Preferred Lender List**

**Funding Agency: U.S. Department of Education  
Title: Student Financial Aid Cluster  
CFDA Number: 84.032, 84.038  
Award Number: Various**

**CONDITION**

During our testing we noted that the College gives students a list of preferred lenders on their loan data form, but could not provide any evidence that the students were informed that they are not required to use these lenders. Additionally, there is no date on the data form to indicate that it has been updated annually.

**CRITERIA**

According to 34 CFR 682.212 (h)(2)(iii) and (vi) the College is required to "include a prominent statement in any information related to its list of lenders, advising prospective borrowers that they are not required to use one of the school's recommended or suggested lenders," and that the College must "update any list of recommended or suggested lenders and any information accompanying such a list no less often than annually."

**EFFECT**

The College is out of compliance with the preferred lender requirements of the SFA program.

**CAUSE**

The College's forms do not notify students they are not required to use one of the school's recommended lenders.

**QUESTIONED COSTS**

None

**RECOMMENDATION**

We recommend that the College implement policies to ensure students are informed they are not required to use one of the school's recommended lenders.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-08 Student Financial Aid Programs - Preferred Lender List (Continued)**

**MANAGEMENT RESPONSE**

The standard practice of the Student Loan Advisor is to inform the student while they are completing the Student Loan Data form, that they have the choice of lender even though it may not be listed on the Loan Data form. We have modified the Loan Data form to include an 'Other' category which allows the student to write in the lender of their choosing.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-09 Student Financial Aid Programs - NSLDS Reporting**

**Funding Agency: U.S. Department of Education**

**Title: Student Financial Aid Cluster**

**CFDA Number: 84.007, 84.033, 84.063, 84.375, 84.376, 84.032, 84.038**

**Award Number: Various**

**CONDITION**

During testing we noted that three of the 16 students tested had incorrect information submitted to the National Student Loan Data System (NSLDS) and one of the 16 students was properly submitted, but then left out of the report from NSLDS. Additionally, we noted that these status change reports are being filed every 6 months when best practice is every 60 days.

**CRITERIA**

According to 34 CFR 682.610(c)(1) and (2) the College should be submitting the status information within 30 days after receipt of the report from the Secretary *or* every 60 days with notification to the guaranty agency. Further, there should be appropriate management review controls in place to timely detect and correct errors in reporting.

**EFFECT**

Incorrect and/or untimely reporting can potentially affect the College's awards under this program.

**CAUSE**

The College was improperly and/or untimely reporting the student status changes.

**QUESTIONED COSTS**

None

**RECOMMENDATION**

We recommend that the College develop policies to ensure the student status information is reported to the proper agency in a timely manner. In addition, we recommend procedures and controls be put in place to ensure that the information submitted and reported by NSLDS agrees to the records of the College.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-09 Student Financial Aid Programs - NSLDS Reporting (Continued)**

**MANAGEMENT RESPONSE**

Although schools have the option to report to NSLDS twice a year, (GEN-96-17), it is apparent that reporting every 60 days will ensure no delays in reporting, as well as allow us the opportunity to identify any other inaccuracies that may need addressing. We have set up our SSCR reporting schedule for every other month.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-10 Cost of Attendance Calculations**

**Funding agency: U.S. Department of Education  
Title: Pell Grant, ACG, National SMART Grant, FSEOG,  
Perkins Loan, Direct Loan, FFEL  
CFDA Numbers: 84.063, 84.376, 84.007, 84.038, 84.268, 84.032**

**CONDITION**

During our testing we identified three instances out of 25 in the Student Financial Aid Program (SFA) eligibility sample where the cost of attendance calculation was manually overridden within Banner and the overrides resulted in under-awarding of student financial aid.

**CRITERIA**

The College's Student Financial Aid Office, in accordance with the Higher Education Act, Section 472 [20 USC 1087II], has the responsibility to establish budgeted costs of attendance (COA) for each branch which covers educational expenses as well as the costs of a modest but adequate standard of living. Costs are campus-based and are used to determine financial aid eligibility and include tuition, fees, books and supplies, room and board, and miscellaneous expenses. The College has chosen to use standardized costs of attendance for students and costs of attendance vary depending on the student's residency, enrollment status, living situation enrollment level, either upper or lower division. The budgeted cost of attendance is determined based upon these demographic factors and allocated accordingly.

**EFFECT**

Certain student COA budgets for fiscal year 2009 were incorrect resulting in under statement of the budgeted COA which resulted in these students being under-awarded.

**CAUSE**

SFA directors are allowed discretion over certain costs within a student's COA, therefore they are given the authority within Banner to manually override the standard/budgeted calculation and either decrease or increase certain expenses accordingly. During the 2008/2009 academic year the Student Financial Aid Office at the College had to train two new employees, and supervision and review of these new employees may not have been adequate.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-10 Cost of Attendance Calculations (Continued)**

**QUESTIONED COSTS**

None

**RECOMMENDATION**

We recommend that management implement a secondary review process for all manual calculations to mitigate the risk of errors in the amount of student financial aid awards.

**MANAGEMENT RESPONSE**

Any/all manual COA adjustments will go through the Assistant Director for a secondary review to avoid any potential under/over awards.



**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-11 Disbursing Federal Student Aid Funds**

**Funding agency: U.S. Department of Education  
Title: Pell Grant, ACG, National SMART Grant, FSEOG,  
Perkins Loan, Direct Loan, FFEL  
CFDA Numbers: 84.063, 84.376, 84.007, 84.038, 84.268, 84.032**

**CONDITION**

The College's practice is to not mail student financial aid checks to students, rather they notify students that a check is available. In some instances checks were held in excess of the 21 days, which is longer than the regulation allows. During eligibility testwork, we examined copies of all checks that had been disbursed to students with credit balances. Per College policy, students are to sign and date for checks before the cashier's office can release the check. We identified 2 instances out of 25 tested in which the check had been held for longer than 21 days and 7 instances of the 25 tested in which the student had not dated for the check upon receipt, thereby making it impossible to determine when the amount was disbursed.

**CRITERIA**

Federal Student Aid disbursements to student accounts that result in credit balances are required by §34 CFR 668.164(c)(1)(ii) to be disbursed to the student 14 days after the date the credit balance occurred. Additionally, at institutions where students are refunded via check the school is considered to have issued the check when the student is notified that the check is available for immediate pick up. The school may hold the check for up to 21 days after the date of notification. If the student does not claim the check within this time period the institution must immediately return the funds to the appropriate program.

**EFFECT**

The College is not in compliance with federal regulation.

**CAUSE**

The Cashier's office does not have policies or procedures in place to ensure that students are paid their credit balances within the specified time frame.

**QUESTIONED COSTS**

None

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-11 Disbursing Federal Student Aid Funds (Continued)**

**RECOMMENDATION**

The College should ensure its policy meets federal regulation and that checks are timely processed.

**MANAGEMENT RESPONSE**

Our Business Office has developed a policy that is in compliance with federal regulations. The policy states that a refund check is held for one week from the date it is cut, to allow the student the opportunity to personally pick it up. If the student does not pick up the refund check within a week, the check is immediately mailed. If the check is returned, the Business Office voids the check and then notifies the FAO and the necessary adjustments are then made to the appropriate programs.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-12 Perkins Loan Receivables**

**Funding agency: U.S. Department of Education  
Title: Perkins Loan  
CFDA Numbers: 84.038**

**CONDITION**

The College is not properly tracking total Perkins loan receivables.

**CRITERIA**

Perkins activity must be reported as a note to the Schedule of Expenditures of Federal Awards.

**EFFECT**

The College is at risk of reporting incorrect amounts on the note to the Schedule of Expenditures of Federal Awards.

**CAUSE**

The College relies on a third party servicer to maintain information pertaining to the Perkins receivables, and the third-party service provider records have not been appropriately and timely reconciled to the records of the College.

**QUESTIONED COSTS**

None

**RECOMMENDATION**

NNMC should implement procedures ensuring adequate tracking of Perkins loans receivable.

**MANAGEMENT RESPONSE**

Noted. Management will investigate alternatives for tracking Perkins loan receivables on a regular basis.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-13 Gift Certificates**

**Funding Agency: U.S. Department of Education  
Title: CCRAA & MSEIP  
CFDA Number: 94.031C & 84.120A**

**CONDITION**

A gift certificate was purchased with grant funds; however, the client did not maintain adequate records to substantiate that the expenditures made with the gift card were allowable.

**CRITERIA**

OMB Circular A-133, Section 300(b) states that the auditee must "Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

**EFFECT**

The expenditures paid for with the gift card may not be allowable. This violates the statute provided by OMB A-133, section 300(b), and circumvents the controls put in place by the College's purchasing policy.

**CAUSE**

The client is allowing the purchase of gift cards, which makes it difficult to ensure expenditures are allowable.

**QUESTIONED COSTS**

\$294

**RECOMMENDATION**

We recommend the College suspend the practice of purchasing gift cards.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-13 Gift Certificates (Continued)**

**MANAGEMENT RESPONSE**

The College no longer allows the practice of purchasing gift cards. All purchases must be processed via the purchase requisition process.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-14 Allowability (Time and Effort Reports)**

**Funding Agency: U.S. Department of Education  
Title: CCRAA & MSEIP  
CFDA Number: 94.031C & 84.120A**

**CONDITION**

The College does not maintain personnel Activity Reports to verify time and effort charged to the MSEIP and CCRAA grants.

**CRITERIA**

The following is an excerpt from the OMB Circular A-87:

- (1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- (2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection
- (5) Unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
  - (a) More than one Federal award,
  - (b) A Federal award and a non-Federal award,
  - (c) An indirect cost activity and a direct cost activity,
  - (d) Two or more indirect activities which are allocated using different allocation bases, or
  - (e) An unallowable activity and a direct or indirect cost activity.

**EFFECT**

The client may not be in compliance with the time and effort required of the individuals per the grant agreements.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-14 Allowability (Time and Effort Reports) (Continued)**

**CAUSE**

Time and effort reports are not being maintained by the College.

**QUESTIONED COSTS**

None

**RECOMMENDATION**

We recommend the College maintains appropriate documentation to support the College's compliance with time and effort requirements of grant agreements.

**MANAGEMENT RESPONSE**

Noted. The College will establish an activity reporting procedure to meet the time and effort reporting requirements of the grant agreements.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-15 Level of Effort**

**Funding Agency: U.S. Department of Education  
Title: CCRAA & MSEIP  
CFDA Number: 94.031C & 84.120A**

**CONDITION**

The Grant Agreements for both College Cost Reduction and Access Act (CCRAA) Hispanic-Serving Institutions (HSI) and Minority Science and Engineering Improvement Program (MSEIP) state the required percentage for level of effort of key personnel that is required to be met. The required level of effort for each grant could not be re-calculated due to the fact that it is not being tracked by the College.

**CRITERIA**

The following is an excerpt from the OMB Circular A-87:

- (1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- (2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection
- (5) Unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
  - (a) More than one Federal award,
  - (b) A Federal award and a non-Federal award,
  - (c) An indirect cost activity and a direct cost activity,
  - (d) Two or more indirect activities which are allocated using different allocation bases, or
  - (e) An unallowable activity and a direct or indirect cost activity.



**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-15 Level of Effort (Continued)**

**EFFECT**

Since level of effort is not being tracked, the College cannot ensure that the required percentage of level of effort is being met as required by the grant.

**CAUSE**

The client may not be in compliance with the required Level of Effort as set forth for the two individuals per the grant agreements.

**QUESTIONED COSTS**

None

**RECOMMENDATION**

We recommend the College develop and implement a policy that requires Level of Effort to be tracked on a regular basis.

**MANAGEMENT RESPONSE**

Noted. The College will develop and implement a policy on tracking Level of Effort on a regular basis.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-16 Physical Inventory of Equipment**

**Funding Agency: U.S. Department of Education  
Title: MSEIP  
CFDA Number: 84.120A**

**CONDITION**

The College had no documentation to support that physical inventories of equipment had been performed for all departments or that equipment listings were complete and accurate.

**CRITERIA**

Accurate records are required to be maintained on all acquisitions and dispositions of property acquired with Federal awards. This includes:

- A physical inventory of equipment is periodically taken and compared to property records.
- Property records contain description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and disposition data.
- Property tags are placed on equipment.

**EFFECT**

The College's physical inventory of fixed assets may not be accurate and/or complete.

**CAUSE**

Property management personnel did not retain documentation ensuring that the College's annual physical equipment observation was performed properly.

**QUESTIONED COSTS**

None

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-16 Physical Inventory of Equipment (Continued)**

**RECOMMENDATION**

We recommend that the College implement or revise procedures to ensure documentation of the proper performance of physical inventory over equipment.

**MANAGEMENT RESPONSE**

Management will revise procedures to make sure proper performance of physical inventory is documented.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)**

**09-17 Cash Management**

**Funding Agency: U.S. Department of Education  
Title: CCRAA & MSEIP  
CFDA Number: 94.031C & 84.120A**

**CONDITION**

During our testwork we noted that there is no official review and approval process for cash draw-down amounts reported to the Federal Government.

**CRITERIA**

OMB *Circular A-102*, Section 2b and c, require grant recipients to have an adequate financial management system and to accurately report draw-down requests.

**EFFECT**

The College may not file accurate draw-down requests and could be out of compliance with the provisions of Federal grant agreements.

**CAUSE**

The College has not implemented policies and procedures for documenting approval for cash draw-downs.

**QUESTIONED COSTS**

None

**RECOMMENDATION**

We recommend the College develop a monitoring system to ensure compliance with Federal requirements.

**MANAGEMENT RESPONSE**

Noted. The College will develop a monitoring system to ensure compliance with Federal requirements.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**D. OTHER MATTERS**

**09-18 Cashiering Controls**

**CONDITION**

Cash drawers are not closed out and/or balanced with each shift change for cashiers.

**CRITERIA**

The College's policies and procedures state that the cash drawers must be changed out when a new cashier takes over. Also, the close-out and balancing of cash drawers upon change in cashiers is a prudent business practice and control.

**EFFECT**

Errors can be made while receipting money and the College has no ability to track a drawer to a particular employee.

**CAUSE**

Cashiers are either unaware of the requirements or the requirements were not enforced by the College.

**RECOMMENDATION**

We recommend that the cashiers follow their own policies and procedures by closing and balancing drawers when a new cashier takes over.

**MANAGEMENT RESPONSE**

Although two cash drawers are readily available for alternating cashiers during a single shift, normally only one drawer is used. Another arrangement will be investigated for separating responsibilities.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**D. OTHER MATTERS (CONTINUED)**

**09-19 Missing Payroll Documentation**

**CONDITION**

We noted one instance wherein an employee's paycheck lacked the proper supporting documentation (timesheet) for the amount that he or she was paid. The employee was an hourly employee for the task he was performing for which a timesheet is required.

**CRITERIA**

The College has a policy that all hourly employees must submit a time sheet with proper authorization. Also, an effectively designed system of internal controls requires that support be maintained to validate the appropriateness of transactions.

**EFFECT**

By not requiring proper documentation, there is a risk that amounts paid are inappropriate.

**CAUSE**

The College's policy is not consistently being followed.

**RECOMMENDATION**

We recommend having someone in the payroll department consistently check and ensure proper documentation is received from hourly employees before disbursing payroll checks.

**MANAGEMENT RESPONSE**

Noted. Management will investigate alternatives to doubly validate timesheet registration.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**D. OTHER MATTERS (CONTINUED)**

**09-20 Reimbursement of Meal Expenses**

**CONDITION**

An employee was reimbursed for a portion of their travel expenses based on a hand written note stating that the original receipt for \$48.86 had been lost with an indication of the amount of the lost receipt. The reimbursement voucher lacked proper approval and authorization.

**CRITERIA**

Per the New Mexico Department of Finance and Administration (DFA) rule 2.42.2.9(3) actual reimbursements for meal expenses incurred during out of state travel must be supported with a receipt. In circumstances where the loss of receipts would create a hardship, an affidavit from the officer or employee attesting the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board.

**EFFECT**

Disbursements made without supporting documentation could result in fraud or misappropriation of assets.

**CAUSE**

The employee and/or supervisor were unaware of the requirements or did not enforce them.

**RECOMMENDATION**

We recommend employees responsible for processing travel expense reimbursements are trained to follow DFA requirements.

**MANAGEMENT RESPONSE**

Noted. Management will see that employees and supervisors are aware of the receipt requirements for meal expense reimbursements.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**D. OTHER MATTERS (CONTINUED)**

**09-21 Information Technology Matters**

**CONDITION**

- There are no written policies and procedures for the organization's technology systems.
- The College has not implemented procedures for monitoring technology functions performed by outside vendors.
- It appears that there are no formal criteria in place to ensure that prospective technology employees are appropriately screened to be suitably responsible for technology reliability and data integrity.
- Northern New Mexico College is lacking a formal, written disaster plan.
- Users are not provided with security awareness training to help secure the College's systems and data.

**CRITERIA**

- Policies and procedures are important because they communicate expectations about how systems are intended to be used, and provide guidance for technical staff regarding system priorities and fall-back plans in case of problems. In addition, policies and procedures can serve as an insurance policy for the College should any of its employees leave unexpectedly, and smooth the transition to new staff.
- While there may be efficiencies gained in using outside resources for technology functions, it is important that the College understands it is ultimately responsible for its technology operations.
- Technology individuals are entrusted with access to sensitive data and integrity is a highly valued asset in the information environment.
- A formal, written disaster plan is necessary to assist the College with recovery of information systems and continuation of operations following a disaster.
- It would be to the organization's benefit to involve all users in helping to secure the network.

**EFFECT**

- Lack of written policies and procedures could result in inconsistencies and lack of availability of information necessary for users.
- Lack of monitoring outside vendor activities could result in the College not identifying inadequate controls or procedures.
- Failure to screen employees could result in risk to sensitive data.



**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**D. OTHER MATTERS (CONTINUED)**

**09-21 Information Technology Matters (Continued)**

**EFFECT (CONTINUED)**

- While the organization may be able to restore data from backup tapes, it is unclear how effectively it would be able to manage through the recovery effort while addressing the need for continuing critical operating functions.
- Lack of security awareness could adversely affect the overall security of the network.

**CAUSE**

- The College has not identified the need for written policies and procedures pertaining to IT systems.
- The College has not identified the need for monitoring of outside vendor activities.
- The College has not identified the need for screening prospective technology employees.
- Although the College has a plan in place, it has not had the resources for testing or officially documenting the plan.
- The College has not identified the need for security awareness training.

**RECOMMENDATION**

- We recommend the College implement formal policies and procedures which include software usage, screen shots, network schematics, technology inventories, technical standards, and hardware support and maintenance plans.
- Work performed by the outside vendor should be overseen by the College's staff and the organization should retain documentation for all tasks conducted.
- It is recommended the College include credit and criminal background checks in its screening for prospective technology employees.
- A disaster recovery/continuity plan can be as simple as an outline or flowchart. In developing a disaster plan, the College should involve all critical stakeholders to conduct an organizational impact analysis to identify critical technology functions and help determine what operating functions can tolerate an extended service outage. Consideration should be given to recovery of critical operating systems, and reestablishing connectivity to the Internet, telecommunications systems, and e-mail. Once developed, the plan should be tested annually using a structured walkthrough to ensure its viability.
- Simple steps such as turning systems off at night and utilizing password-protected screensavers can contribute to the overall security of the network. Technology staff should work with users to identify the security controls in place and their associated benefits.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**D. OTHER MATTERS (CONTINUED)**

**09-21 Information Technology Matters (Continued)**

**MANAGEMENT RESPONSE**

- NNMC will start working on these policies and procedures. We will incorporate as much information as possible including Network Schematics, screenshots of the different applications used within the college as well as detailed documentation of different software applications being utilized by the institution and their correct usage. Hardware support and maintenance plans are already being drafted given the information available.
- NNMC will create a central repository/shared folder location for SIG reports/NMESC documents, etc. that MIS staff will be able to access. If there are some unexpected events, sometimes we would need to refer to these resources to see what changes may have been made to certain databases, servers, etc., which could assist in troubleshooting. NNMC has separate directories and code documentation for external interfaces in place. Additionally, as part of the Banner 8 conversion and migration procedure, a separate directory will be created to house any modified baseline code.
- NNMC will evaluate, develop, and implement appropriate screening procedures in the hiring of prospective technology employees in conjunction with its normal hiring practices.
- NNMC will fully test its disaster recovery plan and document once the new network environment is fully configured and in productions. Additionally, NNMC has recently added to its network environment a local production backup server has upgraded the remote production backup server that is synchronized with the main production server. A virtual environment server has also been added to the college's network.
- Password enabled screen savers will be deployed and all users will be informed about our actions and the reason for our actions. All users are encouraged to protect their username with a password for their individual workstation.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**D. OTHER MATTERS (CONTINUED)**

**09-22 Budgetary Comparisons**

**CONDITION**

We were unable to obtain sufficient and appropriate audit evidence supporting the amounts reported in the budgetary comparison schedules, including a reconciliation of budgetary amounts to amounts reported in the basic financial statements.

Also, although we were not able to audit the budgetary comparisons, and therefore expressed no opinion on the amounts reported in those budgetary comparisons, based on information prepared by management, the College exceeded its approved budget for Restricted – Internal Service Departments, Restricted – Auxiliary Enterprises, and Unrestricted – Student Social and Cultural, Unrestricted – Public Service, and Unrestricted – Student Aid, Grants, and Stipends.

**CRITERIA**

Per Title 5 of the New Mexico Administrative Code, Chapter 3, part 4, paragraph 10, total expenditures of certain budgetary totals may not exceed the amount in the approved budget.

**EFFECT**

We issued a disclaimer of opinion on the budgetary comparison schedules.

Also, the College has not complied with budgetary compliance requirements as set out in the New Mexico Administrative Code. This may impact future funding.

**CAUSE**

The College maintains their budgetary schedules in excel spreadsheets and has not historically tracked budgetary basis expenditures in the Banner system. Given the College did not track expenditures by the appropriate budgetary classification within Banner, the College was unable to provide us sufficient and appropriate evidence to support the amounts in the budgetary comparisons.

Also, the College did not submit budget adjustment requests to the Higher Education Department and therefore did not receive proper approvals sufficient to cover expenditures.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**D. OTHER MATTERS (CONTINUED)**

**09-22 Budgetary Comparisons (Continued)**

RECOMMENDATION

We recommend the College begin tracking budgetary basis expenditures within the Banner system. We also recommend the College reconcile their fiscal year 2009 budgetary comparisons, including all beginning and ending fund balances within the budgetary schedules (e.g. fund balance of the "Restricted – Instruction and General"), and make necessary corrective reporting to the New Mexico Higher Education Department. We also recommend that the College work more closely with the Higher Education Department to obtain approval for budget adjustment requests.

MANAGEMENT RESPONSE

Noted. Management will investigate procedures for anticipating budget overages so that BARs can be submitted on a timely basis to HED for approval.

Although Banner has not been used directly to track budgetary basis expenditures, budget reports of actual expenditures compared to budgeted amounts have been made available to college departmental managers, supervisors, PI's and project managers on "as requested basis" normally or on either a monthly or quarterly basis. Banner data was extracted and formatted into an excel spread sheet so as to put it into an easily understandable basis for budget review.

The college has been on a "fiscal watch" with Higher Education Department for over two years while the college switched over many of its financial and scholastic data systems to Banner. Some important Banner features such as the budget module or its "self service" module which enables casual users to extract budgetary information had not been put on line as of June 2009. However, the college has recently installed and tested these modules and plans to use them for Fiscal 2011 beginning July 1, 2010.

Due to its fiscal watch status, the college does indeed submit budgetary information to the Higher Education Department on a monthly basis and has not exceeded approved expenditure levels. BAR's will be submitted for the current year on May 3, 2010.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**D. OTHER MATTERS (CONTINUED)**

**09-23 Late Financial Audit Report**

**CONDITION**

The College issued the audit report subsequent to the November 15, 2009 deadline required by the State Auditor.

**CRITERIA**

State Audit Rule 2.2.2.9. (A), NMAC state that public schools are required to submit the audit report for the year ended June 30, 2009 on or before November 15, 2009.

**EFFECT**

The College is not in compliance with State of New Mexico requirements.

**CAUSE**

The College was unable to submit the June 30, 2009 audit report on a timely basis.

**RECOMMENDATION**

The College must ensure that all future audit reports are filed in a timely manner. The College should ensure this process is timely in the future through communication with the new state auditor.

**MANAGEMENT RESPONSE**

Management believes the FY09 Audit process got a late start and inadequate time was allocated for a new Auditor and the college to become acquainted with the requirements for conducting the audit process. Also, three weeks of idle time was recorded due to scheduling conflicts between client and Auditor.

**MOSS ADAMS RESPONSE**

Sufficient time to complete the audit was scheduled. Moss Adams had to leave the field twice since requested items were not provided timely by the College. On both occasions, had we received requested information, the audit could have been completed by the November 15<sup>th</sup> due date.

**NORTHERN NEW MEXICO COLLEGE  
EXIT CONFERENCES  
Year Ended June 30, 2009**

The contents of this report were discussed in a closed meeting exit conference held on December 17, 2009 at Northern New Mexico College, with the following in attendance:

**Representing Northern New Mexico College and Northern New Mexico College Foundation:**

David Trujillo, Interim President  
Dr. Andres Salazar, Executive Vice President for Finance and Administration  
Michael Branch, Board of Regents  
Cecille Martinez-Wechsler, Board of Regents  
Theresa Martinez – Board of Regents  
Feliberto Martinez – Board of Regents  
Alfred Herrera – Board of Regents

**Representing New Mexico Higher Education Department:**

Deborah DeMella – Institutional Auditor

**Representing Moss Adams LLP:**

Brandon Fryar – Partner  
Marlena Parker – Manager

Subsequent to the December 17, 2009 meeting, an additional closed meeting exit conference was held on March 24, 2010 at the offices of Branch Realty in Santa Fe to discuss the contents of this report. The following were in attendance:

**Representing Northern New Mexico College and Northern New Mexico College Foundation:**

Dr. Andres Salazar, Executive Vice President for Finance and Administration  
Michael Branch – Board of Regents  
Alfred Herrera – Board of Regents  
Susan Pacheco – Director of Finance  
Henrietta M. Trujillo – Director of Accounting

**Representing New Mexico Higher Education Department:**

Deborah DeMella – Institutional Auditor  
M. Tino Pestalozzi – Deputy Cabinet Secretary

**Representing Moss Adams LLP:**

Wayne Brown – Office Managing Partner  
Brandon Fryar – Partner