

**NORTHERN NEW MEXICO COLLEGE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2012**

**NORTHERN NEW MEXICO COLLEGE**  
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**June 30, 2012**

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**NORTHERN NEW MEXICO COLLEGE**  
**Official Roster**  
**June 30, 2012**

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**Ex Officio Members:**

The Honorable Suzanna Martinez  
Hanna Skandera  
Dr. Jose Garcia

Governor of the State of New Mexico  
Cabinet Secretary for Public Education  
Cabinet Secretary, Higher Education Department

**Board of Regents**

**Appointed Members:**

Michael Branch  
Feliberto Martinez  
Cecille Martinez-Wechsler  
Alfred Herrera  
Rosario (Chayo) Garcia

Chair  
Vice Chair  
Secretary  
Treasurer  
Member

**Principal Administrative Officials**

Nancy "Rusty" Barcelo  
Domingo Sanchez III

President  
Vice-President for Finance and Administration

## Report of Independent Auditors

The Board of Regents  
Northern New Mexico College  
and  
Mr. Hector Balderas  
New Mexico State Auditor

We have audited the accompanying basic 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, 2012, as listed in the table of contents. We have also audited the budget comparisons presented as supplemental information for the year ended June 30, 2012, as listed in the accompanying table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 to the financial statements, the financial statements of Northern New Mexico College are intended to present the financial position, and the changes in net assets and cash flows for only that portion of the business-type activities of the State of New Mexico which are attributable to the transactions of Northern New Mexico 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, 2012, or 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.

The Board of Regents  
Northern New Mexico College  
and  
Mr. Hector 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 the discretely presented component unit of the College at June 30, 2012, and the respective changes in financial position and where applicable cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In our opinion, the budget comparison referred to above presents fairly, in all material respects, the budgetary comparisons for the year ended June 30, 2012 in conformity with the budgetary basis of accounting prescribed by the New Mexico Administrative Code, as more fully described in Note 1 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2012 on our consideration of the College's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Board of Regents  
Northern New Mexico College  
and  
Mr. Hector Balderas  
New Mexico State Auditor

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's financial statements and the budgetary comparisons. The accompanying *Schedule of Deposit Accounts*, *Schedule of Pledged Collateral*, and *Schedule of Collaborative Partnerships* as required by the New Mexico State Audit Rule and the *Schedule of Expenditures of Federal Awards* as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying *Schedule of Deposit Accounts*, *Schedule of Pledged Collateral*, *Schedule of Collaborative Partnerships*, and *Schedule of Expenditures of Federal Awards* are fairly stated in all material respects in relation to the financial statements as a whole.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 14, 2012

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**NORTHERN NEW MEXICO COLLEGE**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

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**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 management's discussion and analysis of the College's financial statements provides an overview of its financial activities as of and for the year ended June 30, 2012.

**Financial Highlights**

The College's assets exceeded its liabilities at the close of the June 30, 2012 fiscal year by \$35,823,170 (net assets).

Due to an increase in state and federal funding, the College's Net Assets increased during the year by \$2,439,389 from the previous year.

The Foundation's cash and investments reflect \$3,632,366 at June 30, 2012, some of which are with local banking institutions.

The College's cash and cash equivalents reflect \$2,037,643 at June 30, 2012 all of which are with local banking institutions.



**NORTHERN NEW MEXICO COLLEGE**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

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**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:

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Current assets	\$ 3,950,650	\$ 5,862,301
Capital assets	32,414,902	29,077,065
Other non-current assets	<u>2,329,215</u>	<u>2,375,722</u>
<b>Total Assets</b>	<u>\$ 38,694,767</u>	<u>\$ 37,315,088</u>
<b>Liabilities</b>		
Current liabilities	<u>\$ 2,871,597</u>	<u>\$ 3,931,307</u>
<b>Total Liabilities</b>	<u>2,871,597</u>	<u>3,931,307</u>
<b>Net Assets</b>		
Invested in capital assets	32,414,902	29,077,065
Restricted	3,783,982	3,470,175
Unrestricted (deficit)	<u>(375,714)</u>	<u>836,541</u>
<b>Total Net Assets</b>	<u>35,823,170</u>	<u>33,383,781</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 38,694,767</u>	<u>\$ 37,315,088</u>

**NORTHERN NEW MEXICO COLLEGE**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

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**Analysis 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 \$35,823,170 at the close of the fiscal year. The Net Assets consists of 90% Capital Assets (e.g. land, buildings, and equipment) or \$32,414,902. 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.

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. The following table summarizes the College's revenues, expenses, and changes in net assets for the years ended June 30:

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

	<u>2012</u>	<u>2011</u>
Operating Revenues	\$ 13,769,314	\$ 14,724,201
Operating Expenses	<u>25,652,458</u>	<u>26,315,232</u>
Operating Loss	(11,883,144)	(11,591,031)
Non-Operating Revenues	10,206,364	10,975,586
Other Non-Operating Revenues	<u>4,116,169</u>	<u>4,034,012</u>
Increase in Net Assets	<u>\$ 2,439,389</u>	<u>\$ 3,418,567</u>

**Analysis of Changes in Net Assets**

The College's net assets increased by \$2,439,389 from fiscal year 2011 to fiscal year 2012 due to a general increase in state and federal funding across the industry as a whole.

**NORTHERN NEW MEXICO COLLEGE**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

**Operating Revenues**

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

	<u>2012</u>	<u>2011</u>
Student tuition and fees	\$ 4,057,996	\$ 3,057,418
Tuition and fees discounts & allowance	(3,278,898)	(2,483,785)
Federal grants and contracts	9,920,736	10,486,683
State grants and contracts	932,205	1,593,709
Other grants and contracts	111,857	321,516
Scholarships and scholarship contributions	530,910	36,361
State land and permanent fund income	208,321	161,410
Sales and service of auxiliary enterprises	1,127,696	1,385,343
Other operating revenues	158,491	165,546
<b>Total Operating Revenues</b>	<b>\$ 13,769,314</b>	<b>\$ 14,724,201</b>

**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.

	<u>2012</u>	<u>2011</u>
Instruction	\$ 7,322,310	\$ 8,613,380
Academic support	712,570	578,231
Student services	2,520,831	2,651,238
Institutional support	4,926,941	3,125,461
Scholarships	758,398	621,123
Public service	962,145	1,469,166
Student aid grants and stipends	2,495,841	3,508,139
Plant	225,328	300,904
Operations and maintenance support	1,975,376	1,990,604
Research	99,046	48,381
Internal service	660,278	610,626
Student activities	33,889	53,374
Auxiliary enterprises	1,350,146	1,213,271
Athletics	343,051	340,975
Depreciation	1,266,308	1,190,359
<b>Total Operating Expenses</b>	<b>\$ 25,652,458</b>	<b>\$ 26,315,232</b>

**NORTHERN NEW MEXICO COLLEGE**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

**Non-Operating Revenues and Expenses**

The following table summarizes the College's non-operating revenues and expenses for the fiscal years ended June 30, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
State appropriations	\$ 10,239,240	\$ 10,592,072
Investment income (loss)	(32,876)	383,514
<b>Total Non-Operating Revenues</b>	<b><u>\$ 10,206,364</u></b>	<b><u>\$ 10,975,586</u></b>

**Other Non-Operating Revenues**

The following table summarizes the College's other non-operating revenues for the fiscal years ended June 30, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Capital appropriations	\$ 4,116,169	\$ 4,034,012
<b>Total Other Non-Operating Revenues</b>	<b><u>\$ 4,116,169</u></b>	<b><u>\$ 4,034,012</u></b>

**Capital Assets**

At June 30, 2012 and 2011, the College had the following amounts invested in capital assets net of accumulated depreciation:

	<u>2012</u>	<u>2011</u>
Paintings	\$ 13,500	\$ 13,500
Construction in progress	5,571,193	3,971,246
Land and improvements	6,807,340	6,807,340
Automobiles	97,364	97,364
Buildings	43,015,195	40,324,355
Furniture, fixtures and equipment	7,699,735	7,404,601
Library books	3,076,841	3,058,617
	<u>66,281,168</u>	<u>61,677,023</u>
Less accumulated depreciation	<u>(33,866,266)</u>	<u>(32,599,958)</u>
<b>Total Capital Assets, Net</b>	<b><u>\$ 32,414,902</u></b>	<b><u>\$ 29,077,065</u></b>

Major capital expenditures during the year ended June 30, 2012 include the construction in progress of the Automotive Technology Building.

**NORTHERN NEW MEXICO COLLEGE**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

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**Budgetary Highlights**

There were not significant variances between the original and final budgeted revenues and expenses.

**Economic Outlook**

The College is largely dependent on state appropriations and federal and state grants for its operating funds. The state economic outlook is expected to remain flat with state appropriations seeing little change.

**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:

Domingo Sanchez III  
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**  
**As of June 30, 2012**

	Primary Institution	Component Unit
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,037,643	\$ 1,593,972
Grants and contracts receivable	1,022,421	-
Student accounts receivable, net of allowance for doubtful receivables of \$784,898	108,972	-
Pledges receivable	2,453	12,517
Loan receivables, net of allowance for doubtful receivables of \$82,310	229,669	-
Other receivables	132,711	-
Due from component unit	221,142	-
Inventories	195,639	-
<b>Total Current Assets</b>	<b>3,950,650</b>	<b>1,606,489</b>
<b>Non-Current Assets</b>		
Interest in State Land Grant Permanent Fund	2,329,215	-
Endowment investments	-	2,038,394
Capital assets, net	32,414,902	-
<b>Total Non-Current Assets</b>	<b>34,744,117</b>	<b>2,038,394</b>
<b>Total Assets</b>	<b>\$ 38,694,767</b>	<b>\$ 3,644,883</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,027,777	\$ 1,130
Accrued salaries and other benefits	1,049,844	-
Accrued compensated absences	437,775	-
Due to primary institution	-	221,142
Deferred revenue	350,293	-
Deposits held in trust for others	5,908	-
<b>Total Current Liabilities</b>	<b>2,871,597</b>	<b>222,272</b>
<b>NET ASSETS</b>		
Invested in capital assets	32,414,902	-
Restricted		
Nonexpendable		
Endowments	229,669	2,038,394
Interest in State Land Grant Permanent Fund	2,329,215	-
Expendable		
Scholarships, research, instruction and other	1,225,098	1,384,217
Unrestricted (deficit)	(375,714)	-
<b>Total Net Assets</b>	<b>35,823,170</b>	<b>3,422,611</b>
<b>Total Net Assets and Liabilities</b>	<b>\$ 38,694,767</b>	<b>\$ 3,644,883</b>

See Notes to Financial Statements

**NORTHERN MEW MEXICO COLLEGE**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2012**

	Primary Institution	Component Unit
<b>Operating Revenues</b>		
Tuition and fees, less tuition discounts and allowances of \$3,278,898	\$ 779,098	\$ -
Federal grants and contracts	9,920,736	-
State and local grants and contracts	932,205	-
Other grants and contracts	111,857	4,689
Scholarship and scholarship contributions	530,910	8,527
State land and permanent fund income	208,321	-
Sales and services of auxiliary enterprises	1,127,696	-
Other	158,491	241,381
<b>Total Operating Revenues</b>	<b>13,769,314</b>	<b>254,597</b>
<b>Operating Expenses</b>		
Instruction	7,322,310	-
Academic support	712,570	-
Student services	2,520,831	-
Institutional support	4,926,941	88,210
Scholarships	758,398	59,182
Public service	962,145	-
Student aid grants and stipends	2,495,841	-
Plant	225,328	-
Operations and maintenance support	1,975,376	-
Research	99,046	-
Internal service	660,278	-
Student activities	33,889	-
Auxiliary enterprises	1,350,146	-
Athletics	343,051	-
Depreciation	1,266,308	-
<b>Total Operating Expenses</b>	<b>25,652,458</b>	<b>147,392</b>
<b>Operating (Loss) Income</b>	<b>(11,883,144)</b>	<b>107,205</b>
<b>Non-Operating Revenues (Losses)</b>		
State appropriations	10,239,240	-
Investment income (loss)	(32,876)	(114,960)
<b>Net Non-Operating Revenues (Losses)</b>	<b>10,206,364</b>	<b>(114,960)</b>
<b>Other Non-Operating Revenues</b>		
Capital appropriations	4,116,169	-
<b>Net Other Non-Operating Revenues</b>	<b>4,116,169</b>	<b>-</b>
<b>Increase (Decrease) in Net Assets</b>	<b>2,439,389</b>	<b>(7,755)</b>
<b>Net Assets, Beginning of Year</b>	<b>33,383,781</b>	<b>3,430,366</b>
<b>Net Assets, End of Year</b>	<b>\$ 35,823,170</b>	<b>\$ 3,422,611</b>

See Notes to Financial Statements



**NORTHERN NEW MEXICO COLLEGE**  
**Statement of Cash Flows**  
**Year Ended June 30, 2012**

	Primary Institution
<b>Cash Flows From Operating Activities</b>	
Tuition and fees	\$ 659,389
Grants and contracts	12,742,407
Sales and services of educational activities	1,127,696
Other operating receipts	(66,659)
Payments to employees for salaries and benefits	(10,143,182)
Payments to suppliers	(11,606,814)
Scholarships	(227,488)
Loans and grants issued to students and employees	(2,495,841)
<b>Net Cash Used by Operating Activities</b>	<u>(10,010,492)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>	
State appropriations	14,355,409
Investment income	13,631
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>14,369,040</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Purchases of capital assets	(4,604,145)
<b>Net Cash Used by Capital and Related Financial Activities</b>	<u>(4,604,145)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(245,597)
Cash and Cash Equivalents, Beginning of Year	<u>2,283,240</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,037,643</u>
<b>Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities</b>	
Operating loss	\$ (11,883,144)
Adjustments to reconcile operating (loss) to net cash used by operating activities	
Depreciation	1,266,308
Changes in assets and liabilities	
Grants and contracts receivable	760,068
Student accounts receivable	(85,675)
Pledges receivable	(2,453)
Loan receivables	(31,581)
Other receivables	1,017,541
Due from component unit	(112,193)
Inventories	120,347
Accounts payable	(639,032)
Accrued salaries and other benefits	(155,949)
Accrued compensated absences	56,549
Deferred revenue	(321,278)
<b>Net Cash Used by Operating Activities</b>	<u>\$ (10,010,492)</u>

See Notes to Financial Statements

**NOTES TO FINANCIAL STATEMENTS**

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2012**

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**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, engineering, 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. The Foundation does not issue separate financial statements.

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2012**

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**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, 2012, 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. Additions to capital assets are reported as expenditures on the budget basis, but not on a basis required by generally accepted accounting principles (GAAP). Depreciation expense and scholarship allowance are GAAP requirements not included on the budget basis submitted to HED.

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 1st.
- 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 1st.

In accordance with House Bill 2, in general 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.

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2012**

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

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.

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.

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2012**

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

*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 currently capitalize historical treasures or works of art.

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

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

*Deferred Revenue.* Revenue for each academic session is reported within the fiscal year during which the session is completed. 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.

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2012**

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

*Net Assets.* The College's net assets are classified as follows:

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

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

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2012**

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

*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, 2012; therefore, no provision for income taxes has been included in the financial statements.



**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2012**

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**NOTE 2. CASH AND INVESTMENTS**

A summary of cash and investments as of June 30, 2012 is as follows:

**The College**

**Cash:**

Cash on hand	\$ 4,418
Deposits with financial institutions	2,033,225
	<u>2,037,643</u>

**Investments:**

Interest in Land Grant Permanent Fund	2,329,215
<b>Total Cash and Cash Equivalents and Investments</b>	<u><u>\$ 4,366,858</u></u>

**The Foundation**

**Cash:**

Deposits with financial institutions (includes CDs)	\$ 1,593,972
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**Investments:**

Mutual funds	1,705,093
Real Estate Investment Trust	333,301
	<u>2,038,394</u>
<b>Total Cash and Cash Equivalents and Investments</b>	<u><u>\$ 3,632,366</u></u>

*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 undivided 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, 2012, other than its undivided 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, 2012 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.

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2012**

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

The Foundation's investments were not interest-bearing obligations, so it was not subject to interest rate risk at June 30, 2012.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributable to the magnitude of the College's or the Foundation's investment in a single type of security. The College and the Foundation do not have a formal policy to address concentration of credit risk. The College did not have any investments at June 30, 2012, 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, 2012:

Transamerica Funds, 06500149742	\$ 682,449	33.48%
National Financial, KEM001457	366,298	17.97%
Transamerica Funds, 06500149741	312,245	15.32%
Transamerica Funds, 06500149740	209,059	10.26%
National Financial, KEM002844	188,932	9.27%
Wells REIT 2, 01000970676	74,700	3.66%
National Financial, KE7055441	69,669	3.42%
Wells REIT 2, 01001219079	59,760	2.93%
KBS Real Estate Investment Trust, 00000027412	46,056	2.26%
Sunamerica Asset Mgmt, 00009329277	29,226	1.43%
<b>Total Foundation Investments</b>	<b>\$ 2,038,394</b>	<b>100.00%</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, 2012, the College's deposits had carrying amounts of \$2,033,225 and bank balances of \$2,338,534. Of the bank balances, \$551,375 was covered by federal depository insurance at June 30, 2012, 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, 2012, 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**  
**For The Year Ended June 30, 2012**

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

At June 30, 2012, the Foundation's deposits had carrying amounts of \$1,593,972 and bank balances of \$1,597,298. 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.

**NOTE 3. RECEIVABLES**

**Grants and Contracts Receivable.** Amounts 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 balance at June 30, 2012 is \$1,022,421. It is the opinion of management that no allowance for doubtful accounts was needed at June 30, 2012.

**Student Accounts Receivable.** Amounts due from students are for tuition and fees not covered by financial aid. The total due was \$893,870 and the College has provided an allowance for doubtful receivables of \$784,898, for a net reported balance of \$108,972 at June 30, 2012. It is the opinion of management that this allowance is adequate.

**Pledges Receivable.** Amounts shown as pledges 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 \$12,517 and the College had pledges of \$2,453 as of June 30, 2012. It is the opinion of management that no allowance for doubtful pledges receivable was needed at June 30, 2012.

**Loans Receivable.** Loans receivable consist of \$311,979 in loans and the College has provided an allowance for doubtful receivables of \$82,310, for a net reported balance of \$229,669 at June 30, 2012. It is the opinion of management that this allowance is adequate.

**Other Receivables.** Other receivables consist of \$130,126 in Capital Grants and \$2,585 in miscellaneous receivables.

**NOTE 4. INVENTORIES**

Inventory at June 30, 2012 was as follows:

Bookstore inventory	\$ 183,110
Central supply inventory	8,927
Cafeteria inventory	3,602
	<u>\$ 195,639</u>

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2012**

**NOTE 5. CAPITAL ASSETS**

A summary of changes in the capital assets for the year ended June 30, 2012 follows:

	Balance June 30, 2011	Additions	Deletions	Transfers	Balance June 30, 2012
<b>Capital Assets Not Being Depreciated:</b>					
Paintings	\$ 13,500	\$ -	\$ -	\$ -	\$ 13,500
Construction in progress	3,971,246	4,290,787	-	(2,690,840)	5,571,193
Land and improvements	6,807,340	-	-	-	6,807,340
<b>Total Capital Assets not Being Depreciated</b>	<b>10,792,086</b>	<b>4,290,787</b>	<b>-</b>	<b>(2,690,840)</b>	<b>12,392,033</b>
<b>Capital Assets Being Depreciated:</b>					
Automobiles	97,364	-	-	-	97,364
Building and improvements	40,324,355	-	-	2,690,840	43,015,195
Furniture, fixtures and equipment	7,404,601	295,134	-	-	7,699,735
Library materials	3,058,617	18,224	-	-	3,076,841
<b>Total Capital Assets Being Depreciated</b>	<b>50,884,937</b>	<b>313,358</b>	<b>-</b>	<b>2,690,840</b>	<b>53,889,135</b>
<b>Total Capital Assets</b>	<b>61,677,023</b>	<b>4,604,145</b>	<b>-</b>	<b>-</b>	<b>66,281,168</b>
Less accumulated depreciation for:					
Automobiles	32,458	8,114	-	-	40,572
Building and improvements	24,105,459	808,108	-	-	24,913,567
Furniture, fixtures and equipment	6,498,905	267,938	-	-	6,766,843
Library materials	1,963,136	182,148	-	-	2,145,284
<b>Total Accumulated Depreciated</b>	<b>32,599,958</b>	<b>1,266,308</b>	<b>-</b>	<b>-</b>	<b>33,866,266</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>18,284,979</b>	<b>(952,950)</b>	<b>-</b>	<b>2,690,840</b>	<b>20,022,869</b>
<b>Total Capital Assets, Net</b>	<b>\$ 29,077,065</b>	<b>\$ 3,337,837</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,414,902</b>

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

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2012**

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**NOTE 6. COMPENSATED ABSENCES**

A summary of changes in compensated absences for the year ended June 30, 2012 follows:

	Balance			Balance	Amount Due
	June 30, 2011	Increase	Decrease	June 30, 2012	Within One Year
Compensated absences	\$ 381,226	\$ 671,441	\$ (614,892)	\$ 437,775	\$ 437,775

**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 (Permanent Fund) managed by the State Investment Council. At June 30, 2012, the cost and fair market value of such interest is \$1,653,769 and \$2,329,215, respectively. These investments are not categorized by custodial risk.

The College's undivided interest in the Permanent Fund was .021663% at June 30, 2012. The College's undivided interest in the Permanent Fund decreased by \$46,507.

**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, 2012 were \$148,795. Future minimum lease payments under these operating leases are as follows:

2013	\$ 108,636
2014	105,636
2015	105,636
2016	-
2017	-
	<u>\$ 319,908</u>

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2012**

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

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

*Funding Policy.* Plan members are required to contribute 10.67% (ranges from 3.83% 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 13.34% (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, 2012, 2011 and 2010 were \$3,194, \$6,664 and \$21,244, 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, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

*Funding Policy.* Plan members earning \$20,000 or less annually are required by statute to contribute 7.9% of their gross salary. Plan members earning over \$20,000 annually were required to contribute 11.15% of their gross salary in fiscal year 2012 and will be required to contribute 9.40% of their gross salary in fiscal year 2013. The College has been and is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, in fiscal years 2012 and 2013. In fiscal year 2012 the College contributed 9.15% of the gross covered salary of employees earning more than \$20,000 annually. In fiscal year 2013 the College will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the College are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The College's contributions to ERB for the fiscal years ending June 30, 2012, 2011, and 2010 were \$870,294, \$1,031,827, and \$1,010,440, respectively, which equal the amount of the required contribution for each fiscal year.

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2012**

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**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. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

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

**NORTHERN NEW MEXICO COLLEGE**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2012**

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

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

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

The College's contributions to the RHCA for the years ended June 30, 2012, 2011, and 2010 were \$167,830, \$151,826, and \$117,555, 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, 2011 through June 30, 2012.

**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 \$221,142 at June 30, 2012 for reimbursement of scholarship funds.

**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.



Supplemental Information for the article titled "The Role of the Mammalian Brain in the Control of Human Behavior"

Supplemental Information for the article titled "The Role of the Mammalian Brain in the Control of Human Behavior"

Supplemental Information for the article titled "The Role of the Mammalian Brain in the Control of Human Behavior"

Supplemental Information for the article titled "The Role of the Mammalian Brain in the Control of Human Behavior"

**SUPPLEMENTAL INFORMATION**

Supplemental Information for the article titled "The Role of the Mammalian Brain in the Control of Human Behavior"

Supplemental Information for the article titled "The Role of the Mammalian Brain in the Control of Human Behavior"

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**NORTHERN NEW MEXICO COLLEGE**  
**Budgetary Comparison - Unrestricted and Restricted - All Operations (Non-GAAP Budget Basis)**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Beginning, Fund Balance	\$ 5,651,089	\$ 5,651,089	\$ 5,651,089	\$ -
<b>Revenues</b>				
State government appropriations	10,091,200	10,091,200	14,355,409	4,264,209
Federal government contracts and grants	10,501,938	10,501,938	9,920,736	(581,202)
State government contracts and grants	7,528,259	7,528,259	932,205	(6,596,054)
Local government contracts and grants	121,976	121,976	111,857	(10,119)
Private gifts, grants, and contracts	149,409	149,409	530,910	381,501
Tuition and miscellaneous fees	4,668,208	4,668,208	4,234,565	(433,643)
Land and permanent fund	200,000	200,000	208,321	8,321
Sales and services	871,832	871,832	1,127,696	255,864
Other	277,500	277,500	172,122	(105,378)
<b>Total Revenues</b>	<b>34,410,322</b>	<b>34,410,322</b>	<b>31,593,821</b>	<b>(2,816,501)</b>
<b>Expenditures</b>				
Instruction	9,274,920	9,274,920	7,322,310	(1,952,610)
Student social and cultural activities	68,000	68,000	33,889	(34,111)
Academic support	791,228	791,228	712,570	(78,658)
Student services	2,573,105	2,573,105	2,520,831	(52,274)
Institutional support	4,582,165	4,582,165	4,926,939	344,774
Operation and maintenance of plant	1,974,546	1,974,546	1,975,376	830
Research	275,883	275,883	99,046	(176,837)
Public service	496,858	496,858	962,145	465,287
Internal service	556,381	556,381	660,278	103,897
Auxiliary enterprises	957,341	957,341	1,350,146	392,805
Capital outlay	6,986,862	6,986,862	4,362,281	(2,624,581)
Renewal and replacement	503,236	503,236	467,193	(36,043)
Student aid, grants stipends and independent operations	5,526,992	5,526,992	6,533,137	1,006,145
Intercollegiate athletics	315,790	315,790	343,052	27,262
<b>Total Expenditures</b>	<b>34,883,307</b>	<b>34,883,307</b>	<b>32,269,193</b>	<b>(2,614,114)</b>
Net Transfers	-	-	-	-
<b>Change in Fund Balance</b>	<b>(472,985)</b>	<b>(472,985)</b>	<b>(675,372)</b>	<b>(202,387)</b>
<b>Ending, Fund Balance</b>	<b>\$ 5,178,104</b>	<b>\$ 5,178,104</b>	<b>\$ 4,975,717</b>	<b>\$ (202,387)</b>

See Notes to Financial Statements

**NORTHERN NEW MEXICO COLLEGE**  
**Budgetary Comparison - Restricted - Instruction and General (Non-GAAP Budget Basis)**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Beginning, Fund Balance	\$ -	\$ -	\$ -	\$ -
<b>Revenues</b>				
State government appropriations	-	-	147,950	147,950
Federal government contracts and grants	4,462,809	4,462,809	4,221,880	(240,929)
State government contracts and grants	377,100	377,100	255,242	(121,858)
Local government contracts and grants	-	-	111,207	111,207
Private gifts, grants, and contracts	100,000	100,000	-	(100,000)
Tuition and miscellaneous fees	-	-	-	-
Land and permanent fund	-	-	-	-
Sales and services	-	-	-	-
Other	-	-	4,450	4,450
<b>Total Revenues</b>	<b>4,939,909</b>	<b>4,939,909</b>	<b>4,740,729</b>	<b>(199,180)</b>
<b>Expenditures</b>				
Instruction	3,161,105	3,161,105	2,227,153	(933,952)
Student social and cultural activities	-	-	-	-
Academic support	256,458	256,458	87,650	(168,808)
Student services	1,270,482	1,270,482	1,329,219	58,737
Institutional support	250,464	250,464	508,117	257,653
Operation and maintenance of plant	-	-	-	-
Research	-	-	-	-
Public service	-	-	-	-
Internal service	-	-	-	-
Auxiliary enterprises	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacement	-	-	-	-
Student aid, grants stipends and independent operations	-	-	-	-
Intercollegiate athletics	-	-	-	-
<b>Total Expenditures</b>	<b>4,938,509</b>	<b>4,938,509</b>	<b>4,152,139</b>	<b>(786,370)</b>
Net Transfers	-	-	194,154	(194,154)
<b>Change in Fund Balance</b>	<b>1,400</b>	<b>1,400</b>	<b>782,744</b>	<b>393,036</b>
<b>Ending, Fund Balance</b>	<b>\$ 1,400</b>	<b>\$ 1,400</b>	<b>\$ 782,744</b>	<b>\$ 393,036</b>

See Notes to Financial Statements

**NORTHERN NEW MEXICO COLLEGE**  
**Budgetary Comparison - Unrestricted - Instruction and General (Non-GAAP Budget Basis)**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Beginning, Fund Balance	\$ 860,672	\$ 860,672	\$ 860,672	\$ -
<b>Revenues</b>				
State government appropriations	9,895,100	9,895,100	9,895,096	(4)
Federal government contracts and grants	234,143	234,143	-	(234,143)
State government contracts and grants	21,442	21,442	-	(21,442)
Local government contracts and grants	8,000	8,000	650	(7,350)
Private gifts, grants, and contracts	-	-	-	-
Tuition and miscellaneous fees	4,541,234	4,541,234	4,003,120	(538,114)
Land and permanent fund	200,000	200,000	208,321	8,321
Sales and services	5,000	5,000	-	(5,000)
Other	20,000	20,000	72,183	52,183
<b>Total Revenues</b>	<b>14,924,919</b>	<b>14,924,919</b>	<b>14,179,370</b>	<b>(745,549)</b>
<b>Expenditures</b>				
Instruction	6,113,815	6,113,815	5,095,157	(1,018,658)
Student social and cultural activities	-	-	-	-
Academic support	534,770	534,770	624,920	90,150
Student services	1,302,623	1,302,623	1,191,612	(111,011)
Institutional support	4,331,701	4,331,701	4,418,822	87,121
Operation and maintenance of plant	1,974,546	1,974,546	1,975,376	830
Research	-	-	-	-
Public service	-	-	-	-
Internal service	-	-	-	-
Auxiliary enterprises	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacement	-	-	-	-
Student aid, grants stipends and independent operations	-	-	-	-
Intercollegiate athletics	-	-	-	-
<b>Total Expenditures</b>	<b>14,257,455</b>	<b>14,257,455</b>	<b>13,305,887</b>	<b>(951,568)</b>
Net Transfers	(567,641)	(567,641)	(1,273,400)	705,759
<b>Change in Fund Balance</b>	<b>99,823</b>	<b>99,823</b>	<b>(399,917)</b>	<b>911,778</b>
<b>Ending, Fund Balance</b>	<b>\$ 960,495</b>	<b>\$ 960,495</b>	<b>\$ 460,755</b>	<b>\$ 911,778</b>

See Notes to Financial Statements

**NORTHERN NEW MEXICO COLLEGE**  
**Reconciliation of Budgetary Basis to Financial Statement Basis Unrestricted and Restricted - All**  
**Operations**  
**For the Year Ended June 30, 2012**

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<b>Total Unrestricted and Restricted Revenues:</b>	
<b>Budgetary Basis</b>	<u>\$ 31,593,821</u>
Reconciling Items:	
Scholarship allowance (not in budgetary basis)	(3,278,898)
Other revenue (not in budgetary basis)	<u>(223,076)</u>
Total reconciling items	<u>(3,501,974)</u>
<b>GAAP Basis</b>	<u><u>\$ 28,091,847</u></u>
<b>Basic Financial Statements</b>	
Operating revenues	\$ 13,769,314
Non-operating revenues	<u>14,322,533</u>
<b>Total Unrestricted and Restricted Revenues Per Financial Statements</b>	<u><u>\$ 28,091,847</u></u>
<b>Total Unrestricted and Restricted Expenditures:</b>	
<b>Budgetary Basis</b>	<u>\$ 32,269,193</u>
Reconciling Items:	
Scholarship allowance (not in budgetary basis)	(3,278,898)
Capital outlay/renewal & replacement (not in financial statements)	(4,604,145)
Depreciation expense (not in budgetary basis)	<u>1,266,308</u>
Total reconciling items	<u>(6,616,735)</u>
<b>GAAP Basis</b>	<u><u>\$ 25,652,458</u></u>
<b>Basic Financial Statements</b>	
Operating expenditures	\$ 25,652,458
Non-operating expenditures	<u>-</u>
<b>Total Unrestricted and Restricted Expenditures Per Financial Statements</b>	<u><u>\$ 25,652,458</u></u>

See Notes to Financial Statements

**OTHER SUPPLEMENTARY INFORMATION**

**NORTHERN NEW MEXICO COLLEGE**  
**Schedule of Deposit Accounts**  
**June 30, 2012**

<b>Depository/Account Name</b>	<b>Type of Account</b>	<b>Cash per Bank June 30, 2012</b>	<b>Add Deposits in Transit</b>	<b>Less Outstanding Checks</b>	<b>Other Reconciling Items</b>	<b>Adjusted Cash Balance June 30, 2012</b>
<b>COLLEGE</b>						
<b>Valley National Bank</b>						
General	Checking	\$ 345,361	\$ -	\$ (302,714)	\$ 1,200	\$ 43,847
Payroll	Checking	1,363	-	(4,839)	(1,345)	(4,821)
Student	Checking	341,492	-	-	-	341,492
NRGHNA	Checking	96,474	-	-	-	96,474
Savings	Savings	304,578	-	-	-	304,578
Certificate of Deposit	CD	772,143	-	-	-	772,143
<b>Bank of America</b>						
Payroll	Checking	332,053	-	-	-	332,053
Perkins	Checking	81,136	125	-	(447)	80,814
Luis Bustos	Checking	6,670	-	-	-	6,670
Federal	Checking	5,889	-	-	-	5,889
<b>Community Bank</b>						
General	Checking	51,375	2,711	-	-	54,086
Cash in Bank		2,338,534	2,836	(307,553)	(592)	2,033,225
Petty Cash and Cash Drawers		4,418	-	-	-	4,418
<b>Total College Cash and Cash Equivalents</b>		<b>\$ 2,342,952</b>	<b>\$ 2,836</b>	<b>\$ (307,553)</b>	<b>\$ (592)</b>	<b>\$ 2,037,643</b>
<b>FOUNDATION</b>						
<b>Valley National Bank</b>						
Operating	Checking	\$ 820,246	\$ -	\$ (8,326)	\$ 5,000	\$ 816,920
Marketing	Checking	752,509	-	-	-	752,509
On-line Giving	Checking	24,543	-	-	-	24,543
<b>Total Foundation Cash and Cash Equivalents</b>		<b>\$ 1,597,298</b>	<b>\$ -</b>	<b>\$ (8,326)</b>	<b>\$ 5,000</b>	<b>\$ 1,593,972</b>

**NORTHERN NEW MEXICO COLLEGE**  
**Schedule of Pledged Collateral**  
**June 30, 2012**

**COLLEGE:**

<b>Pledged Collateral</b>					
<b>Safekeeping Location</b>	<b>Type of Security</b>	<b>Valley National Bank</b>	<b>Community Bank</b>	<b>Bank of America</b>	<b>Total</b>
<b>Funds on Deposit</b>					
Demand deposits		\$ 1,089,268	\$ 51,375	\$ 425,748	\$ 1,566,391
Certificate of deposits		772,143	-	-	772,143
<b>FDIC Insurance</b>					
Demand deposits		(250,000)	(51,375)	(250,000)	(551,375)
<b>Total Uninsured Public Funds</b>		<u>\$ 1,611,411</u>	<u>\$ -</u>	<u>\$ 175,748</u>	<u>\$ 1,787,159</u>
<b>Fifty Percent Collateral Requirement Per Section 6-10-17 NMSA</b>					
		<u>\$ 805,706</u>	<u>\$ -</u>	<u>\$ 87,874</u>	<u>\$ 893,580</u>
<b>Pledged Collateral</b>					
<b>Valley National Bank</b>					
	CUSIP # 149321BV2	200,716	-	-	200,716
	CUSIP # 802169BJ0	227,996	-	-	227,996
	CUSIP # 264430FX2	550,996	-	-	550,996
	CUSIP # 581615DR9	713,612	-	-	713,612
	CUSIP # 388240CD3	186,289	-	-	186,289
<b>Bank of America</b>					
	CUSIP #31419AQ83	-	-	359,007	359,007
		<u>1,879,609</u>	<u>-</u>	<u>359,007</u>	<u>2,238,616</u>
<b>Deficiency / (Excess) of Pledged Collateral</b>		<u>\$ (1,073,903)</u>	<u>\$ -</u>	<u>\$ (271,133)</u>	<u>\$ (1,345,036)</u>

**FOUNDATION:**

The Foundation is not required to have pledged collateral on excess cash balances.



**NORTHERN NEW MEXICO COLLEGE**  
**Schedule of Collaborative Partnerships**  
**June 30, 2012**

Collaborative Partnerships	Signed/Entered	Contact	Note
<b>Memorandum of Understanding</b>			
MOU between NNMC and ENMU	June, 2010	Presidents	Enable the institutions to more fully take advantage of their organizational structures in providing educational services to students.
MOU between NNMC and NMJC	December, 2009	Presidents of both institutions	Jointly employ a Data Base Administrator to support each institutions administrative software system (Banner).
MOU between NNMC and the El Rito Regional Water and Waste Water Association	January, 2010	Juan Garcia, ERRWWA President	Meet a need for a safe and reliable domestic water supply by joining the ERRWWA.
MOU between NNMC and MARTECH International, Inc.	February, 2009	Dr. Camilla Bustamante	Establish a Strategic Alliance for NNMC's Environmental Science and Hazmat Science Applications.
MOU between NNMC and NNMC Foundation	October 16, 2008 Succeeds Sept 11, 2008 MOA	N/A	Sets up financial and strategic arrangement between entities.
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 ENIPC, Inc.	August, 2006	N/A	Formalize the relationship between NNMC and Eight Northern Indian Pueblos.
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 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 Onate, Espanola, NM; 747-6100	Allows for mutual use of athletic facilities between the College and the city of Espanola.
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	N/A

**NORTHERN NEW MEXICO COLLEGE**  
**Schedule of Collaborative Partnerships**  
**June 30, 2012**

Collaborative Partnerships	Signed/Entered	Contact	Note
<b>Memorandum of Agreement</b>			
MOA between NNMC and North Central NM Economic Development District (NCNMED)	October, 2011	Tim Arner, Executive Director	Execute a partnership, participate in the consortium & assist NCNMED w/ geo-coding the small water systems & with creating the leadership institute
MOA between NNMC's Sostenga Center and Native Earth Bio-Culture Council	September, 2010	N/A	5 <sup>th</sup> Annual Traditional Agriculture & Sustainable Living Conference.
MOA between NNMC and NMSU	June, 2010	Dr. Steve Guldan, Alcalde Sustainable Agriculture Science Center	Provide NMSU scientist Dr. Shengui Yao laboratory space.
MOA between NNMC and NM Community Foundation	May, 2010	N/A	RACER Project.
MOA between NNMC and the El Rito Regional Water and Wastewater Association	July 15, 2010	N/A	Use of existing space at the El Rito Campus for the ERRW&WA.
MOA between NNMC and Las Cumbres Community Service	May 20, 2010	Exe. Director, Las Cumbres	Use of existing space at Northern for the Family Infant Toddler Program.
MOA between NNMC and State of NM Dept. of Veterans' Services	March, 2010	N/A	Develop a Veterans' Green Jobs Academy.
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.
MOA between NNMC and Northern Rio Grande Heritage Area	January, 2010	Dr. Camilla Bustamante	Support a tradition of sustainability as well as assuring Heritage preservation & education.
MOA between Espanola Public School Dist. and NNMC College of Education	2008-09	Dr. Cathy Berryhill	Establish the Professional Development Academy to ensure the highest quality teacher preparation & development program.
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 SECC 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 Espanola Farmers Market	May, 2007	Term of MOU (20 years)	N/A
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	N/A

**NORTHERN NEW MEXICO COLLEGE**  
**Schedule of Collaborative Partnerships**  
**June 30, 2012**

Collaborative Partnerships	Signed/Entered	Contact	Note
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**Other Agreements:**

Cooperative Agreement between SFCC acting as the Lead Center of the New Mexico Small Business Development Center and NNMC	June 4, 2012	(Julianna Barbee) 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	N/A	(Cecilia Romero) James Moses, President and CEO, 11 Avenue de Lafayette, Boston, MA 02111	College program for senior citizens.
Contractual Agreements with Hospitals, Clinical Sites, etc., for the Nursing and Radiology programs	N/A	Ellen Trabka, Mike Frain	N/A
Cooperative Agreement with NMSU on the New Mexico Alliance for Minority Participation (AMP) program	09/1/11 through 08/21/12	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.
Institutional Agreement IA-0094 for Education Community Commitments between Los Alamos National Security	July 15, 2011 thru 12/31/2012	Kurt A. Steinhaus, Community Programs Office Director.	Ensure that the LANS investment of \$100,000 is expended per the agreement.

**Joint Powers Agreement:**

JPA for the Continuing Operation of the NMESC (Supersedes JPA dated 7/1/08; March 6, 2006)	January, 2009	N/A	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 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**  
**June 30, 2012**

Collaborative Partnerships	Signed/Entered	Contact	Note
<b>Dual Credit Agreements:</b>			
Chama Valley Independent Schools	October 11, 2011	Anthony Casados, Supt. 575-588-7285	Dual Credit Agreements stipulate conditions under which pre-College students earn College credits under a released condition from their high schools.
Cuba Independent Schools	October 11, 2011	Jackie Dyer, Supt. 575-289-3211	
Dulce Independent Schools	October 11, 2011	James Leshner, Supt. 575-759-3353	
Espanola Public Schools	October 11, 2011	Evelyn Maruska, Supt. 505-753-2254	
Jemez Mountain Public Schools	October 11, 2011	Manuel Medrano, Supt. 575-638-5419	
Mesa Vista Consolidated Schools	October 11, 2011	Randall Earwood, Supt. 575-581-4504	
Penasco Independent Schools	October 11, 2011	Janelle Livingston, Supt. 575-587-2230	
Pojoaque Valley Public Schools	October 11, 2011	Adan Delgado, Supt. 505-455-2282	
Santa Fe Public Schools	October 11, 2011	Bobbie Gutierrez, Supt. 505-467-2003	
Santa Fe Indian School	October 11, 2011	Pancho Guardiola, Supt. 505-982-8885	

**Grant Sub-awards/MOUS**

MOU identifying UNM-Taos as a sub-awardee for the Title V Cooperative Grant	September 2011	Ricky Serna, 505-747-2116	Final year - No Cost Extension
MOU identifying NMHU as a sub-awardee for the Title V Cooperative Grant	September 2011	Ricky Serna, 505-747-2116	Final year - No Cost Extension
MOU identifying SFCC as a sub-awardee for the Title III Northern Rio Grande STEM Collaborative	November 2011	Ricky Serna, 505-747-2116	Year one of a 5-year grant
MOU identifying UNM-Taos as a sub-awardee for the Title III Northern Rio Grande STEM Collaborative	November 2011	Ricky Serna, 505-747-2116	Year one of a 5-year grant
MOU identifying UNM-LA as a sub-awardee for the Title III Northern Rio Grande STEM Collaborative	November 2011	Ricky Serna, 505-747-2116	Year one of a 5-year grant
MOU with NMHU identifying NNMC as a sub-awardee for the ENLACE grant	February 2012	Ricky Serna, 505-747-2116	Annual agreement, renewed at the start of each FY
MOU with NMHED that awards NNMC state Nursing Enhancement Funding	July 2011	Ricky Serna, 505-747-2116	Annual agreement, renewed at the start of each FY
MOU with NMPED that awards NNMC state Perkins Funding	July 2011	Ricky Serna, 505-747-2116	Annual agreement, renewed at the start of each FY

1. The auditor should obtain an understanding of the entity and its environment, including its internal control, to assess the risks of material misstatement and to design the audit procedures.

2. The auditor should identify and assess the risks of material misstatement, including the risk of fraud, and design the audit procedures to address those risks.

3. The auditor should obtain sufficient appropriate audit evidence to reduce the audit risk to an acceptably low level.

4. The auditor should evaluate the results of the audit procedures and determine whether the financial statements are free from material misstatement.

5. The auditor should communicate the results of the audit to the appropriate parties, including the audit committee and the board of directors.

### SINGLE AUDIT

6. The auditor should obtain an understanding of the entity and its environment, including its internal control, to assess the risks of material misstatement and to design the audit procedures.

7. The auditor should identify and assess the risks of material misstatement, including the risk of fraud, and design the audit procedures to address those risks.

8. The auditor should obtain sufficient appropriate audit evidence to reduce the audit risk to an acceptably low level.

9. The auditor should evaluate the results of the audit procedures and determine whether the financial statements are free from material misstatement.

10. The auditor should communicate the results of the audit to the appropriate parties, including the audit committee and the board of directors.

11. The auditor should obtain an understanding of the entity and its environment, including its internal control, to assess the risks of material misstatement and to design the audit procedures.

12. The auditor should identify and assess the risks of material misstatement, including the risk of fraud, and design the audit procedures to address those risks.

**NORTHERN NEW MEXICO COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

Federal Agency/ Pass-Through Agency	Pass- Through Number	Federal CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>U.S. Department of Education Programs</i>			
Direct Student Financial Assistance Cluster			
Supplemental Education Opportunity Grant (SEOG)		84.007	\$ 90,179
Federal Work Study		84.033	111,515
Federal Pell Grant		84.063	3,982,337
Federal Direct Loans Subsidized		84.268	658,099
Federal Direct Loans Unsubsidized		84.268	312,784
Federal Perkins Loans		84.038	44,000
Teach		84.379	4,000
Subtotal Direct Student Financial Assistance Cluster			<u>5,202,914</u>
Pass-through State of New Mexico University			
Perkins - Vocational Services	V046A1100031	84.038	83,040
Subtotal Pass-Through Student Financial Assistance Cluster			<u>83,040</u>
Total Student Financial Assistance Cluster			<u>5,285,954</u>
Direct TRIO			
Educational Opportunity Center		84.066	<u>461,481</u>
Direct Higher Education Institutional Aid			
Title III			
CCRAA - HSI Project		84.031C	184,559
Northern Rio Grande STEM Collaborative		84.031C	250,886
Title V			
Title V - Coop		84.031	522,268
Title V - Exito		84.031S	552,287
Title V - Avance		84.031M	637,964
Subtotal Higher Education Institutional Aid			<u>2,147,964</u>
Direct Migrant Education			
High School Equivalent Program		84.141	<u>395,291</u>
Direct College Assistance			
College Assistance Migrant Program		84.149A	<u>292,937</u>
Direct Bilingual Education			
The Esperanza Project		84.195N	<u>197,542</u>
<i>U.S. Department of Education Pass-through Programs</i>			
Pass-through New Mexico State University			
Adult Basic Education	V002A110032	84.048	81,356
Subtotal Pass-through New Mexico State University (non-ARRA)			<u>81,356</u>
State Fiscal Stabilization Fund - Education - ARRA - Solar Panels	21-R1DOE00001-	84.394A	235,829
State Fiscal Stabilization Fund - Education - ARRA - Heating El Rito	21-R1DOE00001-	84.394A	28,535
Subtotal Pass-through State of NM (ARRA)			<u>264,364</u>
Subtotal Pass-through State of NM (all)			<u>\$ 345,720</u>

**NORTHERN NEW MEXICO COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

Federal Agency/ Pass-Through Agency	Pass- Through Number	Federal CFDA Number	Federal Expenditures
<b>United States Department of Education Pass-through - continued</b>			
Pass-through New Mexico Highlands University			
Gear Up	P334A050210	84.334	\$ 15,707
<b>TOTAL U.S. DEPARTMENT OF EDUCATION PROGRAMS</b>			<b>9,142,596</b>
<b>DEPARTMENT OF COMMERCE</b>			
EDA-University Center	08-66-04631.01	11.306	90,421
<b>TOTAL DEPARTMENT OF COMMERCE</b>			<b>90,421</b>
<b>NATIONAL SCIENCE FOUNDATION</b>			
<i>Research and Development</i>			
<i>Direct Program</i>			
Education and Human Resources-CRI		47.076	21,603
Total Direct Research and Development			21,603
<i>Non-Research and Development</i>			
<i>Direct Programs</i>			
Education and Human Resources-NOYCE		47.076	78,040
Education and Human Resources-ASPIRE		47.076	70,583
Education and Human Resources-STEM		47.076	147,602
Subtotal Direct - Non-Research and Development			296,225
<i>Pass-through Programs</i>			
Pass-through New Mexico State University			
Education and Human Resources-NM Alliance for Minority Participation	HRD-0803171	47.076	17,650
Pass-through Arizona State University:			
Education and Human Resources-WAESO	MS0019-12-16/SL	47.076	799
Subtotal Pass-through - Non-Research and Development			18,449
Subtotal Education and Human Resources			336,277
Pass-through University of New Mexico			
ARRA - C2 Epsor	63019	47.082	177,833
Subtotal Trans-NSF Recovery Act			177,833
<b>TOTAL NSF PROGRAMS</b>			<b>514,110</b>
<b>UNITED STATES DEPARTMENT OF DEFENSE PROGRAM</b>			
<i>Pass-Through High Performance Technologies, Inc.:</i>			
Army High Performance Computing	12.22.2010	12.UNKNOWN	32,410
<b>TOTAL DEPARTMENT OF DEFENSE PROGRAM</b>			<b>32,410</b>
<b>DEPARTMENT OF INTERIOR</b>			
Northern Rio Grande Heritage Area		15.939	141,199
<b>TOTAL DEPARTMENT OF INTERIOR</b>			<b>141,199</b>
<b>TOTAL FEDERAL PROGRAMS</b>			<b>\$ 9,920,736</b>

**NORTHERN NEW MEXICO COLLEGE**  
**Notes To Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

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

The federal financial assistance of the College 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 2012 or accrued revenue at June 30, 2012. 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. The Schedule of Expenditures of Federal Awards includes an amount, which represents administrative costs and new loans processed during the fiscal year ended June 30, 2012. Perkins Loans awarded for the year ended June 30, 2012 totaled \$44,000. As of June 30, 2012, the outstanding student loan balance under the federal Perkins Loan Program was \$311,979.

**NOTE 5. SUBRECIPIENTS**

The following presents the funds passed to sub-recipients during the year ended June 30, 2012:

<u>Subrecipients</u>	<u>FY 12 Expenses</u>
Title V - Coop:	
University of New Mexico - Taos	\$ 204,016
New Mexico Highlands University	90,561
	<u>294,577</u>
Title III - Northern Rio Grande STEM Collaborative:	
Santa Fe Community College	26,481
University of New Mexico - Taos	54,595
University of New Mexico - Los Alamos	114,813
	<u>195,889</u>
Total	<u>\$ 490,466</u>



**Report of Independent Auditors 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  
and  
Hector H. Balderas  
New Mexico State Auditor

We have audited the basic 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, 2012, as listed in the table of contents. We have also audited the budgetary comparisons presented as supplemental information and have issued our report thereon dated November 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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 College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as items 05-01, 10-01, 10-08 and 10-09.

*A significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as items 09-01, 09-02, 09-03, 09-06, and 10-02.

### **Compliance and Other Matters**

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

We also noted a certain other matter that is required to be reported pursuant to Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as item 09-22.

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

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

This report is intended solely for the information and use of management, Board of Regents, others within the entity, New Mexico Higher Education Department, the State Auditor, the Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 14, 2012

**Report of Independent Auditors on Compliance with Requirements  
that Could Have a Direct and Material Affect on Each  
Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133**

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

**Compliance**

We have audited Northern New Mexico College's (College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2012. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

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

As described in item 11-03 in the accompanying schedule of findings and questioned costs, the College did not comply with requirements regarding procurement, suspension, and debarment that are applicable to its Higher Education Institutional Aid. Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed other instances of noncompliance 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 09-14, 10-11, 10-17, 11-01, and 12-01.

#### **Internal Control over Compliance**

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be *material weaknesses* and other deficiencies that we consider significant deficiencies.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in accompanying schedule of findings and questioned costs as item 11-03 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in accompanying schedule of findings and questioned costs as items 09-14, 10-11, 10-17, 11-01, and 12-01 to be significant deficiencies.

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

*Mess Adams LLP*

Albuquerque, New Mexico  
November 14, 2012

**NORTHERN NEW MEXICO COLLEGE**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**Year Ended June 30, 2012**

05-01	Timely Reconciliations of Subsidiary Ledgers	Repeat & Modify
09-01	Segregation of Duties - Payroll	Repeat & Modify
09-02	Improper Internal Controls Over Journal Entries	Repeat & Modify
09-03	Review of Bank Reconciliations	Repeat & Modify
09-04	Timely Reconciliations of Bank Reconciliations	Resolved
09-05	Perkins Loan Receivable	Modify, included in 05-01
09-06	Capital Assets – Lack of Adequate Policies	Repeat & Modify
09-07	Recording Prior Period Audit Adjustments	Resolved
09-18	Improper Controls Over Cash Receipts	Resolved
10-01	Financial Close and Reporting	Repeat & Modify
10-02	Improper Accounting for Capital Assets	Repeat & Modify
10-05	Timely Reconciliations of Bank Reconciliations and Certificates of Deposit – Foundation	Resolved
10-06	Lack of Board Minute Retention – Foundation	Resolved
10-07	Improper Internal Controls over Journal Entries – Foundation	Resolved
10-08	Timely Reconciliations of Subsidiary Ledgers – Foundation	Repeat & Modify
10-09	Financial Close and Reporting – Foundation	Repeat & Modify
09-14	Allowability – Time and Effort Reports	Repeat & Modify
09-15	Level of Effort	Resolved
09-17	Cash Management	Resolved
10-11	Davis-Bacon Act	Repeat & Modify
10-12	TRIO - Eligibility – Student Support Services Program	Resolved

**NORTHERN NEW MEXICO COLLEGE**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**Year Ended June 30, 2012**

10-13	Level of Effort – Maintenance of Effort	Resolved
10-17	Equipment – Lack of Adequate Policies	Repeat & Modify
10-18	Late Submission of Data Collection Form	Resolved
10-19	Eligibility – Educational Opportunities Centers Program	Resolved
11-01	Student Financial Aid Programs – NSLDS Reporting	Repeat & Modify
11-02	Student Financial Aid Programs – Borrower Data Transmission and Reconciliation	Resolved
11-03	Procurement – Suspension and Debarment	Repeat & Modify
09-22	Budgetary Comparisons	Repeat & Modify
09-23	Late Financial Audit Report	Resolved



**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**A. SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(s) identified?  Yes  None reported

Non-compliance material to financial statements noted?  Yes  No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(s) identified?  Yes  None reported

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

Qualified – Higher Education  
Intitutional Aid

Unqualified – All other Major  
Programs

Any audit findings disclosed that are required  
to be reported in accordance with section 510(a)  
of Circular A-133?

Yes  No

**Identification of Major Program**

CFDA Number	Name of Federal Program or Cluster
84.141	Migrant Education
84.031	Higher Education Institutional Aid
Various	Student Financial Assistance Cluster
84.066	TRIO
47.076	Education and Human Resources

Dollar threshold used to distinguish between type A  
and type B programs

\$ 300,000

Auditee qualified as low-risk auditee?

Yes  No

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**B. FINANCIAL STATEMENT FINDINGS**

**05-01 Timely Reconciliations of Subsidiary Ledgers (Material Weakness)**

**CONDITION**

During the year ended June 30, 2012, we noted the subsidiary ledger for Tuition Accounts Receivable, Perkins Loan Receivable, Accrued expenses, and Grant Deferred Revenue were not reconciled with the general ledger on a monthly basis. 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 reconciliations ensure 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.

**CAUSE**

Turnover in the accounting staff and the lack of formalized, written procedures resulted in the lack of timely reconciliation of the accounts.

**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. In addition, the College should ensure that formal job descriptions include responsibility for performing reconciliation procedures on a regular basis and all reconciliations should be subject to appropriate and timely management review.

**MANAGEMENT RESPONSE**

The Business Office staff has made significant progress in correcting in the area of Grants Receivables as well as reconciling a majority of funds affected by deferred revenue. In FY13, we will continue to improve the process of reconciling all balance sheet accounts to include Perkins Loans Receivable and working with the Perkins third party provider to complete this task. Discussions with management will be held to determine a course of action for reducing student receivables.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**09-01 Segregation of Duties - Payroll (Significant Deficiency)**

**CONDITION**

During our documentation and testing of internal controls, we noted that certain individuals have access to change pay rates and create new employees within Banner. This includes the Business Office Director who has the ability to initiate bank transfers.

**CRITERIA**

Proper internal control structure requires an appropriate segregation of duties so as to provide reasonable assurance with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

**EFFECT**

The ability of one individual to both create new employees and change pay rates results in the potential for the creation of fictitious employees, the creation of erroneous or fictitious disbursements, or both.

**CAUSE**

Management has not fully corrected the issue noted in prior years.

**RECOMMENDATION**

Banner provides the ability to restrict user access to various functions. We suggest that management conduct a review of individuals with access to Banner screens that allow entry of employees and changes in pay rates, and update these permissions so that no individual has access to both functions.

**MANAGEMENT RESPONSE**

As noted in the FY10 response, duties have been properly segregated so that the Payroll Manager is not able to create new employees and also make pay rate changes and process payroll. Duties have been assigned accordingly within the HR department to ensure segregation of duties. The College is also in the process of developing a review process of all pay rates changes to eliminate the risk of pay rates being changed inappropriately. This will be fully implemented in FY13.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**09-02 Improper Internal Controls Over Journal Entries (Significant Deficiency)**

**CONDITION**

We noted that an improper segregation of duties exists over preparation and review of journal entries resulting from improperly designed controls. One employee has the ability to initiate and approve journal entries.

**CRITERIA**

The internal control structure should be designed and implemented so as to provide reasonable assurance with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

**EFFECT**

The lack of segregation of duties increases the risk of error or fraud which could result in misappropriation of assets.

**CAUSE**

Internal controls have not been designed and implemented appropriately.

**RECOMMENDATION**

We recommend that the College revise their journal entry controls in Banner to ensure proper segregation of duties over the journal entry process.

**MANAGEMENT RESPONSE**

In FY10, the College implemented a change in the Banner System to prevent any journal entries entered by an approver to be automatically approved. A second approver was required to review and approve journal entries. The second level of review ensured that the person creating the journal entry was also not the approver. The College has also fully implemented clear certification and identification of the preparer and the approver. In FY13 an additional control has been implemented so that approvers have only "query access" to all journal entry screens.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**09-03 Review of Bank Reconciliations (Significant Deficiency)**

**CONDITION**

Bank reconciliations were not being properly reviewed and approved by management during the first part of the year ended June 30, 2012.

**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.

**CAUSE**

This was a control issue noted in the prior year that was corrected during FY 2012.

**EFFECT**

Errors or irregularities can occur and go undetected during the reconciliation process because there was no independent review of bank reconciliations.

**RECOMMENDATION**

We recommend that the College continue having the Director of the Business Office review the reconciliations and retain the documentation to evidence the review.

**MANAGEMENT RESPONSE**

Written internal procedure, to include management review, will be completed in FY13. All bank reconciliations will be reviewed and approved by management.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**09-06 Capital Assets - Lack of Adequate Policies (Significant Deficiency)**

**CONDITION**

The College has not conducted a complete physical inventory of capital assets.

**CRITERIA**

Section 12-6-10 NMSA 1978, 2.20.1.8 NMAC states, agencies should implement systematic and well-documented methods for accounting for their capital assets and to conduct a physical inventory of \$5,000 or more for items under their control.

Section 13-6-1 (B) NMSA 1978, states "The governing authority shall, as a prerequisite to the disposition of any items of tangible personal property: (1) designate a committee of at least three officials of the governing authority to approve and oversee the disposition; and (2) give notification at least thirty days prior to its action making the deletion by sending a copy of its official finding and the proposed disposition of the property to the state auditor... duly sworn and subscribed under oath by each member of the authority approving the action."

**EFFECT**

The College is not in compliance with Sections 12-6-10, 13-6-1(B) NMSA 1978, and 2.20.1.8 NMAC. Thus, there is an increased risk that the loss or theft of capital assets would be undetected. There is also a risk that capital assets and expenditures could be materially misstated on the financial statements.

**CAUSE**

The College did not have sufficient formalized policies and procedures in place to ensure that once the physical inventory was performed it was reconciled to the capital asset subledger.

**RECOMMENDATION**

We recommend that the College develop policies and procedures to ensure tracking and managing of capital assets. Expenditures for capital assets should be tracked and reviewed on a monthly basis for all transactions including acquisitions, depreciation, and disposition, and for items that need to be capitalized. An annual physical inventory should be reconciled to the capital assets module.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**09-06 Capital Assets - Lack of Adequate Policies (Significant Deficiency and Non-Compliance) (Continued)**

**MANAGEMENT RESPONSE**

The College performed a physical inventory of all FY12 additions to Capital Assets. The College has noted this finding and has assigned additional resources to ensure that all physical inventories are performed timely and that inventory is being reconciled to the capital asset sub ledger.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**10-01 Financial Close and Reporting (Material Weakness)**

**CONDITION**

The financial closing and reporting process is not well established and documented, including the identification and updating of internal and external financial reporting requirements and deadlines; the methodology, format, and frequency of required analyses; roles and responsibilities; changes and analyses of financial information and requirements. This includes a process to periodically reconcile balance sheet accounts to the supporting detail. Capital assets, Perkins loan receivables, and accrued expenses were still being reconciled at the time of the audit. After the auditors received the original trial balance, ten adjusting journal entries were posted to Banner to properly close the fiscal year out.

**CRITERIA**

Sound internal controls include procedures to ensure financial closing and reporting process are complete and lead to accurate and timely financial reporting.

**EFFECT**

There is an increased risk of error or fraud in the financial records.

**CAUSE**

The College does not have sufficient formal policies and procedures in place over the financial close and reporting due to a high level of turnover in the Business and Administration offices in prior years.

**RECOMMENDATION**

We recommend that the College develop policies and procedures to outline the requirements, timelines and responsibilities over the financial control and reporting process and obtain the necessary staffing to carry this out.



**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**10-01 Financial Close and Reporting (Material Weakness) (Continued)**

**MANAGEMENT RESPONSE**

The College is in the process of developing written procedures for the year-end financial closing and reporting processes. The Business Office will work with IT personnel to ensure all year-end jobs are run on Banner and are clearly documented.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**10-02 Improper Accounting for Capital Assets (Significant Deficiency)**

**CONDITION**

During our testing of the repairs and maintenance accounts, we noted \$95,151 of capital assets that was not included in the capital assets detail listing or capitalized during the year. Additionally, the College did not perform a thorough review of the repairs and maintenance accounts to ensure that only items to be expensed are included in repairs and maintenance.

**CRITERIA**

Section 12-6-10 NMSA 1978 requires a capitalization threshold of \$5,000 for fixed assets, which includes infrastructure and improvements to land and buildings.

**EFFECT**

The capital assets for the College are understated.

**CAUSE**

The College did not have proper procedures in place to ensure completeness of capital asset additions.

**RECOMMENDATION**

We recommend that the College review its repairs and maintenance accounts for items over the capitalization threshold to ensure that capital assets are reported properly.

**MANAGEMENT RESPONSE**

The College performed a thorough review of the repair and maintenance accounts to ensure that only items to be expensed were included. The process was manual and time intensive. Because the process was manual, some items were missed that should have been capitalized. The College is working with a Banner consultant to automate and utilize Banner to complete these processes more efficiently. The College has also assigned resources to this function to ensure that all equipment reviews are complete and accurate.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**10-08 Timely Reconciliations of Subsidiary Ledgers – Foundation (Material Weakness)**

**CONDITION**

We noted that, during the year, the subsidiary ledger for Pledge Receivable, Investments and In-Kind contributions 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 and management may not be receiving accurate financial information on a monthly basis.

**CAUSE**

Turnover in the 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 Foundation 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 Foundation 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.

**MANAGEMENT RESPONSE**

The College has hired a Senior Financial Analyst whose responsibilities includes all financial reporting and account reconciliations for the Foundation. In addition, on behalf of the Foundation, the College will develop written procedures for the reconciliation of balance sheet accounts to subsidiary ledgers to ensure accuracy of the monthly financial statements.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**10-09 Financial Close and Reporting - Foundation (Material Weakness)**

**CONDITION**

The financial closing and reporting process is not well established and documented, including the identification and updating of internal and external financial reporting requirements and deadlines; the methodology, format, and frequency of required analyses; roles and responsibilities; changes and analyses of financial information and requirements. This includes a process to periodically reconcile balance sheet accounts to the supporting detail.

**CRITERIA**

Sound internal controls include procedures to ensure financial closing and reporting process are complete and lead to accurate and timely financial reporting.

**EFFECT**

There is an increased risk of error or fraud in the financial records.

**CAUSE**

The Foundation does not have sufficient formal policies and procedures in place over financial close and reporting due to a high level of turnover in the Business and Administration offices in prior years.

**RECOMMENDATION**

We recommend that the Foundation develop policies and procedures to outline the requirements, timelines and responsibilities over the financial control and reporting process and obtain the necessary staffing to carry this out.

**MANAGEMENT RESPONSE**

The College has hired a Senior Financial Analyst whose responsibilities include all financial reporting and account reconciliations for the Foundation. In addition, on behalf of the Foundation, the College will develop written procedures for year-end financial closing and the reporting process.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**C. MAJOR FEDERAL AWARD PROGRAM**

**09-14 Allowability and Level of Effort - Time and Effort Reports (Significant Deficiency and Non-Compliance)**

**Funding Agency: U.S. Department of Education, National Science Foundation**

**Title: Higher Education Institutional Aid, Migrant Education, TRIO, Education and Human Resources**

**CFDA Number: 84.031, 84.141, 84.066, and 47.076**

**CONDITION**

The College updated the internal controls over tracking the level of effort provided to various grant programs to include electronic tracking of employee time during the year ended June 30, 2012. However, there is no documentation of a supervisor's review and approval over the records. In addition, this was not fully implemented for 2012 as we noted the following missing level of effort documents:

- For the Title V grant, 9 out of 25 employees tested did not have level effort documentation.
- For the Education and Human Resources grants, 4 out of 25 employees tested did not have level of effort documentation.

**CRITERIA**

OMB Circular A-21, *Cost Principles for Educational Institutions*, requires that the apportionment of employees' salaries and wages which are chargeable to more than one sponsored agreement or other cost objective must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached.

**EFFECT**

The apportionment of the wages of salaried employees is uncertain. This results in the wages of all employees working on multiple cost objectives to be questioned costs.

**QUESTIONED COSTS**

Unknown

**CAUSE**

The College implemented a new system for tracking of level of effort and it was a work in process throughout the year.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**09-14 Allowability and Level of Effort - Time and Effort Reports (Significant Deficiency and Non-Compliance) (Continued)**

**RECOMMENDATION**

We recommend that the College continue the improvement to the processes and controls related to tracking the level of effort of employees.

**MANAGEMENT RESPONSE**

In January 2012, the College hired a Grants Manager who has been responsible for the proper completion of Time and Effort reports, campus-wide. To date, faculty and staff have been properly trained to submit timely reports as prescribed by the Grants Office. The Grants Manager will continue the implementation of the process which includes report validation by supervisors and maintaining hard copy records of all reports.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**10-11 Davis-Bacon Act (Significant Deficiency and Non-Compliance)**

**Funding Agency: All funding agencies  
Title: All federal awards  
CFDA Number: All CFDA numbers**

**CONDITION**

The College is not including required wording in construction contracts to document the applicability of the Davis-Bacon Act and the necessity to pay prevailing wage rates, nor is it retaining the documentation of certified payrolls from contractors.

**CRITERIA**

Title 29 of the Codified Federal Register, Section 5, requires that contracts for construction involving Federal funds in excess of \$2,000 must include specific clauses regarding the requirement of the contractor to pay prevailing wages and to provide copies of certified payrolls, including a Statement of Compliance, to the grantee.

**EFFECT**

The omission of appropriate wording in contracts covered under the Davis-Bacon Act and the failure to obtain and review weekly certified payrolls results in noncompliance with 29 CFR 5 and therefore causes all expenditures under this act to be considered questioned costs.

**QUESTIONED COSTS**

None noted

**CAUSE**

The College's unfamiliarity with the provisions of Davis-Bacon and lack of formal policies and procedures for complying with the Act resulted in the noncompliance.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**10-11 Davis-Bacon Act (Significant Deficiency and Non-Compliance) (Continued)**

**RECOMMENDATION**

We recommend that the College design and implement policies and procedures to ensure that any construction contract over \$2,000 is evaluated to determine if the provisions of the Davis-Bacon Act apply, and this determination should be properly documented and certified. If an affirmative determination is derived, the policy should dictate that required wording be included in the contract and processes should be enacted to ensure certified payrolls are obtained from the contractor, including the Statement of Compliance, and that these are reviewed and filed for the minimum three years required under the Act.

**MANAGEMENT RESPONSE**

The College is revising its service contracts to include required wording in construction contracts to document the applicability of the Davis-Bacon Act. The College believes that documentation of certified payrolls from contractors was being collected by the Capital Projects Director during FY12 but due to staffing changes, the files could not be located.



**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**10-17 Equipment Management (Significant Deficiency and Non-Compliance)**

**Funding Agency: U.S. Department of Education, National Science Foundation**

**Title: Migrant Education, Higher Education Institutional Aid, TRIO, SFA Cluster, and Education and Human Resources**

**CFDA Number: 84.031, 84.141, 84.066, 84.007, 84.033, 84.063, 84.268, 84.379, 84.038, and 47.076**

**CONDITION**

During internal control documentation, it was noted that the completeness of the capital assets purchased with federal funds could not be determined and the College has not performed a physical inventory of the Capital Assets. As a result, the College is not aware of, and therefore not notifying, awarding agencies of any dispositions.

**CRITERIA**

According to 2 CFR section 215.34, equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

**QUESTIONED COSTS**

Unknown

**EFFECT**

The College is not in compliance with federal requirements.

**CAUSE**

The College has high turnover in the accounting department in prior years and has had devoted sufficient resources to ensure adequate tracking of capital assets.

**RECOMMENDATION**

We recommend the College institute internal controls to ensure inventory is tracked by funding source and completed on a bi-annual basis. Additionally, internal controls should be designed to ensure the inventory is reconciled to the general ledger.

**MANAGEMENT RESPONSE**

The College has noted this finding and has assigned additional resources to this function to ensure that all physical inventories are performed timely and that the inventory is being reconciled to the Capital Assets sub ledger.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**11-01 Student Financial Aid Programs – NSLDS Reporting (Significant Deficiency and Non-Compliance)**

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

**Title: Student Financial Assistance Cluster**

**CFDA Number: 84.007, 84.033, 84.063, 84.268, 84.038, and 84.379**

**CONDITION**

During testing, it was noted that the required status change reports were not filed for 2 of 7 students selected for testing.

**CRITERIA**

According to 34 CFR 682.610(c)(1) and (2), the College should be submitting the status information within 30 days after the 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**

Untimely reporting can potentially affect the College's awards under this program.

**QUESTIONED COSTS**

None

**CAUSE**

The College does not have proper internal control procedures in place to ensure timely filing of status change reports.

**RECOMMENDATION**

We recommend the College update its internal control structure to ensure timely filing of status change reports.

**MANAGEMENT RESPONSE**

Northern began utilizing the National Student Clearinghouse midway through the 2011-12 award year. We experienced a few issues with the first submittals that affected the timely reporting of student status changes. With the successful transition to Clearinghouse, the Financial Aid Office works closely with the Registrar's Office to ensure timely status change reporting.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**11-03 Suspension and Debarment (Material Weakness and Non-Compliance)**

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

**Title: Higher Education Institutional Aid**

**CFDA Number: 84.031**

**CONDITION**

During compliance testwork, 3 out of 3 vendors tested in Higher Education Institutional Aid program were not checked for suspension and debarment. In addition, the College does not have a process to track the requirements to ensure all purchases with federal funds over \$25,000 have been verified to the Excluded Parties List System (EPLS).

**CRITERIA**

Per Cost Circular A-102, recipients shall establish procedures to provide for effective use and/or dissemination of the list to assure that they do not make awards in violation of the nonprocurement debarment and suspension common rule.

**QUESTIONED COSTS**

None

**EFFECT**

The program is not in compliance with grant requirements and could award contracts to suspended or debarred vendors, which could result in a loss of federal funding.

**CAUSE**

The College was unaware of federal requirements.

**RECOMMENDATION**

We recommend the College develop and implement policies and procedures to ensure that funding is not awarded to suspended or debarred vendors.

**MANAGEMENT RESPONSE**

The College is developing procedures to ensure that purchases awarded to vendors using federal funds over \$25,000 have been verified to the Excluded Parties List System (EPLS). This will ensure that funding is not being awarded to suspended or debarred vendors. This will be fully implemented in FY13.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**12-01 Eligibility (Significant Deficiency and Non-Compliance)**

**Funding Agency: National Science Foundation  
Title: Education and Human Resources  
CFDA Number: 47.076**

**CONDITION**

We tested 7 participants for eligibility and the College was not able to provide support for 1 participant in our sample.

**CRITERIA**

In accordance with NSF 07-524, NSF Scholarships in Science, Technology, Engineering, and Mathematics (S-STEM) must be citizens of the United States, Nationals of the United States, aliens admitted as refugees, or aliens lawfully admitted to the United States for permanent residence, be enrolled full time in one of the degree programs specified in NSF 07-524, demonstrate academic potential or ability, and demonstrate financial need in accordance with specified criteria.

**EFFECT**

The College is not in compliance with the requirements of the grant and the student could be determined to be ineligible to receive grant funds by the grantor.

**QUESTIONED COSTS**

To be determined by the grantor.

**CAUSE**

The College had turnover in management of the program and the new director was not able to locate the participant's file.

**RECOMMENDATION**

We recommend the College review all participants of this program and ensure the documentation exists to determine proper eligibility.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**12-01 Eligibility (Significant Deficiency and Non-Compliance) (Continued)**

**MANAGEMENT RESPONSE**

In January 2012, the College hired a Grants Manager who is responsible for developing and maintaining a records repository for all active and inactive sponsored programs at the College. Records are updated on an ongoing basis to include approved project revisions; budget approvals and adjustments; and interim and annual reports. For this NSF grant specifically, the Grants Office now maintains records of the scholarship eligibility guidelines, scholarship applications, and documentation on how each applicant meets eligibility criteria. The repository may be referenced in the event that sponsored programs undergo transition in the future.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**D. OTHER MATTERS**

**09-22 Budgetary Comparisons**

**CONDITION**

During the year ended June 30, 2012, we noted that the College overspent its approved budget in combined revenues and expenditures budget in the following categories:

Institutional Support	\$ 344,774
Operation and maintenance of plant	\$ 830
Public Service	\$ 465,287
Internal Service	\$ 103,897
Auxiliary Services	\$ 392,805
Student Aid, grant stipends and Independent Operations	\$ 1,006,145
Intercollegiate Athletics	\$ 27,262

**CRITERIA**

Per statute 5.3.4.10 NMAC, total expenditures may not exceed amounts shown in the approved budgets. Adequate internal controls to minimize budget overspending should ensure that budgets are not exceeded by any amount. The point in the disbursement cycle in which the transaction should be cancelled if budget is not available is at the beginning with the purchase request.

**EFFECT**

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 does not have a process in place to monitor budgets to ensure spending is in accordance with the budget approved by the Board.

**RECOMMENDATION**

We recommend that College budget controls and processes be strengthened to ensure that budgeted amounts are not overspent and budget adjustment requests are completed on a timely basis.

**NORTHERN NEW MEXICO COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

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

**MANAGEMENT RESPONSE**

The College has begun to develop budget controls and processes to ensure authorized budgeted amounts are not exceeded and will continue to submit budget adjustment requests for restricted and unrestricted funds as prescribed by the financial deadlines of the Department of Higher Education (HED). In prior years as well as in FY12, budget adjustment requests were submitted as required. Due to the ongoing efforts of verifying fund balances, HED did not approve. The College will continue its efforts to correct this finding.

**NORTHERN NEW MEXICO COLLEGE  
EXIT CONFERENCE  
Year Ended June 30, 2012**

The contents of this report were discussed in a closed meeting exit conference held on November 14, 2012 at Northern New Mexico College, with the following in attendance:

**Representing Northern New Mexico College:**

Dr. Nancy Barcelo - President  
Domingo Sanchez III - Vice President for Finance and Administration  
Ricky Serna - Vice President for Advancement  
Henrietta Trujillo - Director of Business Operations  
Jacob Pacheco - Director of Financial Aid  
Connie Manzanares - Financial Aid Assistant Director  
Bernie Padilla - Director of Human Resources/Budget  
Alex Williams - Sr. Financial Analysis  
Frank Orona - Dean of Students

Alfred Herrera - Board of Regents of College  
Michael Branch - Board of Regents of College

Sean Weiner - Abeyta, Weiner & Cherne, P.C. (contractor preparing financial statements)

**Representing Northern New Mexico College Foundation:**

Dr. Nancy Barcelo - President (College) and Board Member of Foundation  
Domingo Sanchez III - Vice President for Finance and Administration (College)  
Ricky Serna - Vice President for Advancement (College)

**Representing Moss Adams LLP:**

Scott Eliason - Partner