STATE OF NEW MEXICO
CENTRAL NEW MEXICO
COMMUNITY COLLEGE

Basic Financial Statements and Schedules

June 30, 2008 and 2007

(With Independent Auditors' Reports Thereon)

KARDAS · ABEYTA · WEINER P.C.
Certified Public Accountants

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Table of Contents

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Official Roster

Governing Board

Name	Title
Richard Barr	Chair
Blair L. Kaufman	Vice Chair
Carmie Lynn Toulouse	Secretary
Jeff Armijo	Member
Penelope S. Holbrook	Member
Robert P. Matteucci	Member
John Mondragon	Member

Administrative Officials

Kathie Winograd	President
Bob Brown	Vice President of Administration
Martin Serna	Comptroller

FINANCIAL SECTION

KARDAS · ABEYTA · WEINER P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Governing Board
Central New Mexico Community College
Albuquerque, New Mexico

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the State of New Mexico Central New Mexico Community College (the "College") as of and for the years ended June 30, 2008 and 2007, which collectively comprise the College's basic financial statements as listed in the table of contents. We also have audited the budget comparisons presented as supplemental information as of June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the College as of June 30, 2008 and 2007, and their respective changes in financial position and cash flows and the respective budgetary comparisons for the years then ended in conformity with accounting principles generally accepted in the United States of America.

8500 Menaul Blvd., NE Suite B-262 | Albuquerque, NM 87112 | Phone 505.262.2057 | Fax 505.255.7045
Members American Institute of Certified Public Accountants

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2008, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements and budgetary comparisons presented as supplementary information. The accompanying Schedule of Expenditures Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, the schedule of individual deposit and investment accounts and the schedule of pledged collateral, collateral pledged by depository for public funds are presented for purposes of additional analysis, and are not a required part of the College's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Kardas, Abeyta & Weiner, P.C.

November 12, 2008

Overview of the Financial Statements and Financial Analysis

This report consists of Management's Discussion and Analysis (MD&A) (this part), the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These statements provide both long-term and short-term financial information on the Central New Mexico Community College (the College) as a whole and its component unit, the Central New Mexico Community College Foundation (the Foundation). This MD&A focuses on the College and not the Foundation. Separately issued financial statements for the Foundation can be obtained from the College's administrative offices.

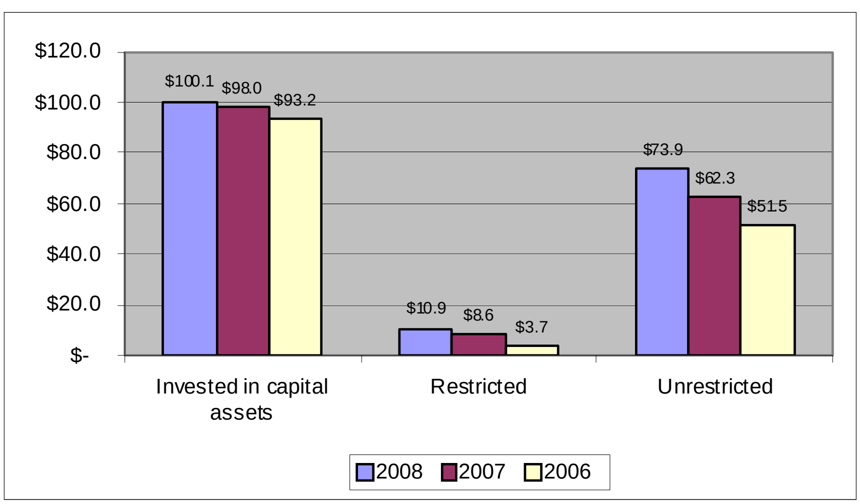
The discussion and analysis of the College's financial statements provides an overview of its financial activities for the years ended June 30, 2008, and 2007. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

Financial Highlights

Net assets increased approximately $16.0 million (9.5%) during 2008. The change resulted primarily from an increase in unrestricted net assets of $11.6 million (18.5%), an increase in invested in capital assets of $2.1 million (2.2%), an increase in net assets reserved for capital projects of $1.1 million, and an increase in net assets reserved for debt service of $1.2 million (19.5%).

Net assets increased approximately $20.4 million (13.8%) during 2007. The change resulted primarily from an increase in unrestricted net assets of $10.8 million (20.9%), an increase in invested in capital assets of $4.8 million (5.1%), an increase in net assets reserved for capital projects of $1.2 million, and an increase in net assets reserved for debt service of $3.7 million (147.4%).

The following graph illustrates the comparative change in net assets by category for fiscal years 2008, 2007, and 2006.



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

The statement of net assets and statement of revenues, expenses, and changes in net assets report the College's net assets and how they have changed. Net assets — the difference between assets and liabilities — is one way to measure the College's financial health, or position. Over time, increases or decreases in the College's net assets are an indicator of whether its financial health is improving. Nonfinancial factors are also important to consider, including student enrollment and the condition of campus buildings.

These statements include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting method used by private-sector institutions. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The following table summarizes the College's assets, liabilities, and net assets as of June 30:

Net Assets, End of Year (in Thousands)

		2008	2007	2006
Assets:				
Current assets	$	116,416	107,527	64,472
Capital assets, net		110,864	109,823	102,822
Other noncurrent assets		3,421	1,580	1,535
Total assets		230,701	218,930	168,829
Liabilities:				
Current liabilities		16,731	15,670	10,621
Noncurrent liabilities		29,101	34,399	9,781
Total liabilities		45,832	50,069	20,402
Net assets:				
Invested in capital assets, net of related debts		100,075	97,959	93,172
Restricted		10,900	8,560	3,689
Unrestricted		73,894	62,342	51,566
Total net assets	$	184,869	168,861	148,427

Total liabilities increased 25.4 million, or 125.0%, over a two-year period. This was due primarily to a $22.6 million increase in bonds payable, a result of issuing the $30 million 2006 bond series and retirement and defeasance of 2001 bonds.

During 2008, total assets increased by $11.8 million due primarily to an $8.8 million increase in cash. Grants and contracts receivable increased by $0.9 million, 27.2%, and net capital assets increased 1.0 million.

(Continued)

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 (in Thousands)

		2008	2007	2006
Operating revenues	$	37,579	34,735	35,815
Operating expenses		(129,007)	(118,733)	(114,068)
Operating loss		(91,428)	(83,998)	(78,253)
Nonoperating revenues and expenses		106,686	97,295	88,249
Income before other revenues, expenses, gains, or losses		15,258	13,297	9,996
Capital grants and appropriations		750	7,137	4,259
Increase in net assets	$	16,008	20,434	14,255

Operating Revenues

Operating revenues of $37.6 million increased $2.8 million (8.2%) when compared to 2007, and were $1.8 million (5.0%) greater when compared to 2006. The following table summarizes the College's operating revenues for the years ended June 30.

Operating Revenues (in Thousands)

		2008	2007	2006
Tuition and fees, net	$	9,642	8,657	9,087
Federal grants and contracts		17,563	15,794	17,503
State and local grants and contracts		6,628	6,257	5,501
Sales and services of educational activities		1,354	1,666	1,527
Auxiliary enterprises		2,392	2,361	2,197
Total operating revenues	$	37,579	34,735	35,815

Federal grants and contracts increased $1.8 million in 2008 due primarily to a $1.5 million increase in Pell Grant disbursements. From 2006 to 2008, state grants and contracts increased $1.1 million, a 20.5% increase in two years. Tuition and fees increased 1.0 million in 2008 an 11.4% increase.

(Continued)

Operating Expenses

Operating expenses increased $10.3 million (8.7%) in 2008 when compared to the prior year. Instructional expenses increased $2.7 million (5.2%). Institutional Support expenses grew $1.9 million (13.2%) due to growth of multiple campus sites. Student aid increased $2.3 million caused primarily by an increase in Pell grants. Over the two-year period from 2006 through 2008, operating expenses increased $14.9 million, a 13.1% increase. The following table summarizes the College's operating expenses for the years ended June 30.

		2008	2007	2006
Instruction	$	54,228	51,555	47,644
Public service		1,683	1,130	1,110
Academic support		10,171	9,486	9,073
Student services		13,160	12,201	11,952
Institutional support		16,758	14,810	13,744
Operation and maintenance of plant		9,825	8,796	9,050
Depreciation		6,004	5,971	6,128
Student aid		15,335	12,988	13,730
Auxiliary enterprises		1,708	1,687	1,492
Other expenses		135	109	145
Total operating expenses	$	129,007	118,733	114,068

Nonoperating Revenues and Expenses

Nonoperating revenues/expenses increased $9.4 million (9.7%) in 2008 when compared to the prior year. State appropriations increased $3.5 million in 2008. Over a two-year period, state appropriations have increased $7.7 million, an increase of 15.7%. Local appropriations for operations increased $4.0 million (12.0%) in 2008 and $7.0 million (22.6%) over a two-year-period.

Investment income decreased by $0.3 million (6.8%) in 2008, due to an average decrease in interest rates of 1.0%. Over a two-year-period investment income increased $2.0 million (97.7%). Overall, nonoperating revenue/expenses increased $18.4 million (20.9%) over two years. The following table summarizes the College's nonoperating revenue and expenses for the years ended June 30.

(Continued)

Nonoperating Revenues and Expenses (in Thousands)

		2008	2007	2006
State appropriations	$	56,829	53,315	49,121
Local appropriation – operating		37,352	33,360	30,456
Local appropriation – debt service		7,980	6,933	6,538
Investment income		4,069	4,364	2,058
Interest on capital asset related debt		(1,337)	(1,248)	(691)
Other		1,793	571	767
Total nonoperating revenues and expenses	$	106,686	97,295	88,249

Capital Grants and Appropriations

Other revenues, expenses, gains, or losses decreased $6.4 million (89.5%) in 2008 when compared to 2007 due to a decrease in use of state allocations restricted for capital projects. There were no other significant or unexpected changes in capital grants and appropriations. The following table summarizes the College's other revenues, expenses, gains, or losses for the years ended June 30.

		2008	2007	2006
Capital appropriations	$	709	7,095	4,239
Capital grants and gifts		41	42	20
Total other revenues, expenses, gains, or losses	$	750	7,137	4,259

(Continued)

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the College had approximately $110.9 million invested in capital assets, net of accumulated depreciation of $60.2 million. Depreciation charges for the current year totaled $6.0 million compared to $6.0 million in 2007 and $6.1 million in 2006. The following table summarizes the College's capital assets, net of accumulated depreciation, as of June 30.

Capital Assets, Net (in Thousands)

		2008	2007	2006
Land and improvements	$	24,312	21,903	21,880
Buildings		73,156	63,248	65,229
Infrastructure		392	503	556
Furniture, fixtures, and equipment		7,714	8,666	10,222
Library materials		1,495	1,408	1,372
Art		416	406	398
Construction in progress		3,379	13,689	3,165
Capital assets, end of year	$	110,864	109,823	102,822

Major capital expenditures during fiscal year 2008 include the Campus wireless deployment ($0.4 million), the University Medium project ($0.43 million), the Main Campus Instructional Facility ($0.9 million), the Westside Phase II ($1.9 million), purchase of the Heights Community Baseball field ($0.81 million), the Trades Mechanical Upgrade ($0.14 million), the Parking lot Phase II ($0.16 million), and the Rio Rancho Facility/land purchase ($0.17 million).

Major capital expenditures during fiscal year 2007 include West Side Phase II ($9.9 million), the JMMC Campus Bookstore ($.24 million), the APS Central Office Demolition ($.7 million), the Early College Academy ($.11 million), the Albuquerque Charter Vocational High School purchase ($.15 million), the Main Campus Building ($.13 million), and various Data Processing projects and equipment ($.66 million).

Additional information about the College's capital assets is presented in note 4 to the basic financial statements.

Bonds Payable

As of June 30, 2008, the College has $34.4 million in outstanding bonds, a decrease of $5.4 million (13.6%) when compared to 2007 and an increase of $22.6 million (291.8%) when compared to 2006. The decrease in 2008 is due to scheduled debt service payment on bonds of $5.4 million. The following table summarizes outstanding long-term liabilities by series as of June 30.

		2008	2007	2006
Bond Series 2001	$	7,700	9,700	11,700
Bond Series 2006		26,600	30,000	—
Total principal		34,300	39,700	11,700
Premium		76	99	81
Total debt outstanding	$	34,376	39,799	11,781

As of August 2, 2006, Standard & Poor's had reviewed the rating on Central New Mexico Community College general obligation bonds and had affirmed the "AA+" rating and a stable outlook. On August 4, 2006 Moody's assigned an Aa2 rating to CNM's upcoming $30 million GOB Series 2006. Additional information related to the College's long-term liabilities is presented in note 7 to the basic financial statements.

The Schedule of Revenues, Expenditures, and Changes in Net Assets – Budget and Actual Unrestricted and Restricted – All Operations

Revenues (Budgetary Basis)

The schedule of revenues, expenditures, and changes in net assets – budget and actual reports the College's actual versus budgeted revenues, expenditures and transfers and their variance. The annual budget of the College is adopted on a basis consistent with the reporting requirements of the New Mexico Higher Education Department, which are based on the fund accounting principals applicable prior to GASB Statements No. 34, 35, 37, and 38 (budgetary basis). By contrast, the College prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP Basis).

(Continued)

The following table summarizes the Colleges original budget, final budget, actual, and variance for revenues:

Budgeted Revenue (in Thousands)

		Original budget	Final budget	Actuals (budgetary basis)	Variance favorable (unfavorable)
Revenues:					
Tuition	$	8,768	8,793	9,028	235
Miscellaneous fees		2,953	3,645	4,119	474
State government appropriations		56,773	56,773	56,829	56
Local government appropriations		32,959	36,170	37,055	885
Federal government contracts/grants		21,429	21,429	17,728	(3,701)
State government contracts/grants		6,584	6,802	6,770	(32)
Local government contracts/grants		13	42	25	(17)
Private contracts/grants		1,452	1,452	690	(762)
Endowments		93	93	41	(52)
Sales and services		4,383	3,767	3,727	(40)
Other		1,754	1,953	1,700	(253)
Capital outlay		6,174	5,883	2,871	(3,012)
Building renewal and replacement		430	450	778	328
Retirement of indebtedness		6,580	7,680	8,046	366
Total revenues	$	150,345	154,932	149,407	(5,525)

The final budget added $4.6 million (3.1%) in revenue versus the original budget. The primary increases were in local government appropriations, $3.2 million additional mill levy for operations; $1.1 million additional mill levy for debt service; and $0.7 million increase for additional student fees. Sales and services were reduced by $0.62 million because of anticipated lower sales.

Actual revenues were $5.5 million (3.6%) below the final budget. The largest variance was a decrease in federal government contracts/grants, $3.7 million, 17.3%, caused primarily by Pell grants being under budget by $2.4 million. Private contracts/grants were under budget by $0.8 million, 52.5%. Local government appropriations were $0.9 million over budget as mill levy collections were strong. Capital outlay revenues were $3.0 million below the final budget due to a decrease in use of capital appropriations for construction.

Expenditures (Budgetary Basis)

The final budget increased expenditures by approximately $7.8 million. The budget for instruction was increased by $4.7 million 8.5% for anticipated additional expense. The budget for academic support was increased by $1.0 million. The capital outlay and building renewal and replacement budgets were decreased a total of $2.2 million due to the timing of construction projects. The schedule below summarizes the Colleges original budget, final budget, actuals, and variance for expenditures:

		Original budget	Final budget	Actuals (budgetary basis)	Variance favorable (unfavorable)
Expenditures:					
Instruction	$	55,960	60,695	54,936	5,759
Academic support		10,746	11,762	10,551	1,211
Student services		14,332	15,062	13,257	1,805
Institutional support		16,520	19,629	16,794	2,835
Operation and maintenance of plant		9,960	10,223	8,962	1,261
Student social and cultural activities		115	150	135	15
Public services		1,896	1,901	1,693	208
Internal services		(356)	(356)	(249)	(107)
Student aid grants and stipends		21,190	21,261	18,527	2,734
Auxiliary enterprise		1,570	1,556	1,706	(150)
Capital outlay		7,668	6,112	677	5,435
Building renewal and replacement		5,017	4,417	1,829	2,588
Retirement of indebtedness		6,959	6,959	6,847	112
Total expenditures	$	151,577	159,371	135,665	23,706

Actual expenditures were $23.7 million (14.9%) less than the final budget. The plant funds were a combined $8.1 million under budget due primarily to the timing of capital projects. Instruction was $5.8 million under budget due to a slight drop in enrollment. Student Aid was $2.7 million (12.9%) under budget caused primarily by less Pell grants being disbursed than anticipated.

Change in Net Assets (budgetary basis)

The following schedule summarizes the change in net assets for the College:

Budgeted Categories (in Thousands)

		Original budget	Final budget	Actuals (budgetary basis)	Variance favorable (unfavorable)
Beginning balance budgeted	$	58,061	54,999	68,955	13,956
Revenues		150,344	154,932	149,407	(5,525)
Expenditures		151,577	159,371	135,665	23,706
Change in Net Assets (budgetary basis)		(1,233)	(4,439)	13,742	18,181
Net Assets (budgetary basis)	$	56,828	50,560	82,697	

The actual change in net assets on a budgetary basis was $13.7 million a very healthy 10.1% of actual expenditures.

Economic Outlook

The College's economic outlook is closely related to its role as the state's largest community college. The College is dependent upon ongoing financial and political support from state government, which is expected to remain stable with little overall growth over the long term. For fiscal year 2009, general fund appropriations for CNM decreased by $1.7 million, a 3.0% decrease.

Another significant factor in the College's economic position relates to its ability to recruit and retain students. As compared to the student enrollment in Fall 2007, census date data for Fall 2008 reports 24,676 students in college credit programs. This represents an increase of 1,917 students, 8.4%, and also an increase of 9.7% in student credit hour production. The College has experienced an increase in enrollment after a period of leveling and at times, even decreasing enrollment over the past few years. Additionally, for the 2008/09 Academic Year, the Governing Board approved a modest tuition rate decrease for both resident and nonresident students.

Component Unit Financial Statements

Central New Mexico Community College Foundation is a component unit of the College. The Foundation separately issues their financials statements under Governmental Accounting Standards Board format. The Foundation's financial statements can be obtained from its administrative office at the College at 525 Buena Vista SE, Albuquerque New Mexico 87106.

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Statements of Net Assets

June 30, 2008 and 2007

	Primary Institution		Component Unit	
	2008	**2007**	**2008**	**2007**
Assets:				
Current assets:				
Cash and cash equivalents	$ 76,386,008	65,301,801	—	—
Cash and cash equivalents – restricted	32,885,462	36,426,867	442,225	77,084
Investments - unrestricted	—	—	—	166,182
Endowment investments – restricted	386,046	376,250	—	82,086
Accounts receivable students, net	238,569	246,356	—	—
Grants and contracts receivable	4,175,665	3,282,286	—	765
Mill levy receivable	2,146,369	1,809,971	—	—
Pledges receivable	—	—	18,958	17,534
Other receivable	—	—	213,507	2,983
Inventories	32,071	41,992	—	—
Other assets	165,417	41,483	—	—
Total current assets	116,415,607	107,527,006	674,690	346,634
Noncurrent assets:				
Cash and cash equivalents – restricted	1,263,650	—	195,692	277,415
Endowment investments – restricted	800,000	800,000	3,984,188	3,911,968
Mill levy receivable	651,710	612,296	—	—
Pledges receivable	—	—	2,430	3,896
Notes receivable	182,245	167,574	—	—
Other assets	523,688	—	—	—
Capital assets, net	110,863,943	109,822,983	—	—
Total noncurrent assets	114,285,236	111,402,853	4,182,310	4,193,279
Total assets	230,700,843	218,929,859	4,857,000	4,539,913
Liabilities:				
Current liabilities:				
Accounts payable to suppliers	4,088,173	3,229,671	14,062	45,694
Accounts payable to CNM	—	—	476,949	—
Accrued compensated absences	1,670,125	1,545,558	—	—
Accrued payroll and payroll taxes	3,358,981	3,306,055	—	—
Accounts payable – other	210,123	202,376	—	—
Accrued interest payable	540,459	624,647	—	—
Deferred revenue	1,588,584	1,361,821	—	9,500
Bonds payable – current portion	5,275,000	5,400,000	—	—
Total current liabilities	16,731,445	15,670,128	491,011	55,194
Noncurrent liabilities – bonds payable	29,100,562	34,398,613		
Total liabilities	45,832,007	50,068,741	491,011	55,194
Net assets:				
Invested in capital assets, net of related debt	100,074,857	97,959,458	—	—
Restricted:				
Nonexpendable:				
Scholarships	—	—	2,222,947	2,240,114
Department programs	800,000	800,000	157,791	121,586
Expendable:				
Scholarships	21,169	16,931	1,085,951	947,712
Department programs	384,938	375,847	692,463	823,218
Capital projects	2,335,142	1,207,549	—	—
Debt service	7,358,262	6,159,230	—	—
Unrestricted	73,894,468	62,342,103	206,837	352,089
Total net assets	$ 184,868,836	168,861,118	4,365,989	4,484,719

See accompanying notes to the basic financial statements

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2008 and 2007

	Primary Institution		Component Unit	
	2008	**2007**	**2008**	**2007**
Operating revenues:				
Tuition and fees (net of scholarship allowances of $3,191,261 for 2008 and $3,598,349 for 2007)	$ 9,641,772	8,656,981	—	—
Federal grants and contracts	17,563,380	15,795,511	—	—
State and local grants and contracts	6,628,007	6,256,526	20,000	16,976
Sales and services of educational departments	1,354,129	1,665,994	—	—
Gifts and pledges	—	—	1,488,895	1,005,776
Auxiliary enterprise	2,391,650	2,360,685	—	—
Total operating revenues	37,578,938	34,735,697	1,508,895	1,022,752
Operating expenses:				
Instruction and general:				
Instruction	54,228,360	51,554,927	—	—
Public service	1,682,694	1,130,361	—	—
Academic support	10,171,089	9,486,204	—	—
Student services	13,159,505	12,200,449	—	—
Institutional support	16,758,530	14,810,100	—	—
Operation and maintenance of plant	9,824,893	8,796,133	—	—
Depreciation	6,004,196	5,971,252	—	—
Student aid	15,335,155	12,988,096	—	—
Auxiliary enterprises	1,708,059	1,686,545	—	—
Other expenses	135,027	109,300	1,488,641	1,087,212
Total operating expenses	129,007,508	118,733,367	1,488,641	1,087,212
Operating loss	(91,428,570)	(83,997,670)	20,254	(64,460)
Nonoperating revenues (expenses):				
State appropriations	56,828,697	53,315,409	—	—
Local appropriations – operating	37,351,923	33,359,703	—	—
Local appropriations – debt service	7,980,414	6,933,674	—	—
Gifts	986,254	559,035	—	—
Investment income (loss)	4,068,930	4,363,618	(167,064)	594,517
Interest on capital asset related debt	(1,337,428)	(1,248,488)	—	—
Gain (Loss) on disposition of assets	528,848	(317,255)	—	—
Other nonoperating revenues	278,381	329,058	—	—
Net nonoperating revenues (expenses)	106,686,019	97,294,754	(167,064)	594,517
Income (loss) before capital grants and appropriations	15,257,449	13,297,084	(146,810)	530,057
Capital appropriations	708,753	7,095,441	—	—
Capital grants and gifts	41,516	41,620	—	—
Additions to permanent endowments	—	—	28,080	4,100
Total other changes	750,269	7,137,061	28,080	4,100
Increase (decrease) in net assets	16,007,718	20,434,145	(118,730)	534,157
Net assets, beginning of year	168,861,118	148,426,973	4,484,719	3,950,562
Net assets, end of year	$ 184,868,836	168,861,118	4,365,989	4,484,719

See accompanying notes to the basic financial statements

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Statements of Cash Flows

Years ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Tuition and fees	$ 9,759,326	8,704,475
Federal grants and contracts	17,145,222	15,790,557
State and local grants and contracts	5,521,137	5,871,488
Payments to suppliers	(20,368,475)	(17,605,392)
Payments for utilities	(3,156,035)	(2,421,236)
Payments to employees	(65,293,043)	(62,161,828)
Payments for benefits	(18,810,351)	(16,793,810)
Payments for scholarships	(15,303,770)	(12,987,657)
Loans issued to students	(24,000)	(36,000)
Collection of loans to students	9,329	20,564
Auxiliary enterprise charges	2,326,880	2,287,498
Sales and services of educational activities	1,754,009	1,251,487
Net cash used by operating activities	(86,439,771)	(78,079,854)
Cash flows from noncapital financing activities:		
State appropriations	56,828,697	53,315,409
District mill levies–operating	36,980,519	33,434,656
District mill levies–debt service	7,976,006	6,968,152
Federal Family Education Loan receipts	24,827,151	21,031,292
Federal Family Education Loan disbursements	(23,349,551)	(21,144,739)
Student organization agency transactions	7,221	(4,024)
Other receipts	1,249,866	902,862
Net cash provided by noncapital financing activities	104,519,909	94,503,608
Cash flows from capital financing activities:		
Proceeds from capital debt	—	30,040,173
Capital appropriations	1,138,917	6,362,871
Proceeds from sale of capital assets	72,951	—
Purchases of capital assets	(7,591,213)	(12,453,339)
Principal paid on capital debt and leases	(5,400,000)	(2,000,000)
Interest paid on capital debt and leases	(1,553,475)	(978,450)
Net cash provided (used) by capital financing activities	(13,332,820)	20,971,255
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	58,789	84,754
Interest on investments	4,068,930	4,363,618
Purchase of investments	(68,585)	(66,930)
Net cash provided by investing activities	4,059,134	4,381,442
Net increase (decrease) in cash and cash equivalents	8,806,452	41,776,451
Cash and cash equivalents, beginning of year	101,728,668	59,952,217
Cash and cash equivalents, end of year	$ 110,535,120	101,728,668
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	$ (91,428,570)	(83,997,670)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Depreciation expense	6,004,196	5,971,252
Changes in assets and liabilities:		
Receivables, net	(1,330,428)	(725,741)
Inventories	9,921	7,742
Other assets	(647,622)	—
Accounts payable and accrued expenses	586,632	751,800
Deferred revenue	241,533	(119,134)
Compensated absences	124,567	31,897
Net cash used by operating activities:	$ (86,439,771)	(78,079,854)
Noncash transactions:		
Capital grants and gifts	$ 41,516	41,620

See accompanying notes to the basic financial statements

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The State of New Mexico Albuquerque Technical Vocational Institute changed its legal name to Central New Mexico Community College on June 2, 2006. The College was created under Sections 21-16-1 through 21-16-24, State of New Mexico Statutes Annotated (NMSA), 1978 Compilation, to provide post-secondary vocational and technical education. The College is governed by an elected seven-member board (Governing Board) and reports to the New Mexico Higher Education Department (NMHED). The mission of the College is to promote and provide higher education, skill development, and workforce training relevant to contemporary needs within the Central New Mexico Community College district and the state of New Mexico. The overall goal of the College is to provide dynamic education for the community.

In evaluating how to define the College for financial reporting purposes, the College's management has considered potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. In accordance with Governmental Accounting Standards Board (GASB) guidance, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government. Generally, GASB requires reporting, as a discretely presented component unit, a legally separate organization that raises and holds significant economic resources for the direct benefit of a governmental unit. Based upon the criteria established by GASB, these financial statements present the College and its component unit, Central New Mexico Community College Foundation (formerly Albuquerque Technical Vocational College Foundation, Inc.). The Foundation was organized in 1986 pursuant to Section 53-8-30, NMSA 1978 Compilation as a nonmember, not-for-profit New Mexico corporation under Section 501(c)(3) of the Internal Revenue Code. The Foundation was incorporated for the purpose of providing support to the College and is authorized through its articles of incorporation to receive and hold any property, real or personal, given, devised, bequeathed, given in trust, or in any other way for the use or benefit of the College, or any student or instructor therein, or for the carrying on at the College of any line of work, teaching or investigation, which the donor, grantor, or testator may designate.

An agreement between the Foundation and the College was entered into on December 2, 1991, and most recently amended March 22, 2007. This agreement formalizes the relationship between the Foundation and the College and establishes the sole purpose for the Foundation as soliciting, managing, and distributing gifts, grants, and donations given for the benefit of the College, or any student or instructor. The Foundation also serves as custodian and manager of any endowments received from private donors. The College provides support services at no cost to the Foundation. The Foundation is discretely presented in a separate column in the financial statements. Complete financial statements of the Foundation can be obtained from its administrative office at the College at 525 Buena Vista SE, Albuquerque, New Mexico 87106.

(b) Financial Statement Presentation

The College and the Foundation follow GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments;* Statement No. 35 *Basic Financial Statements and Management's Discussion and Analysis – for Public Colleges and Universities;* Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by these statements provides a comprehensive, entity-wide perspective of the College's assets, liabilities and net assets, revenues, expenses, changes in net assets, and cash flows.

(c) Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. The College's financial statements, including financial information of the Foundation, 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. All significant intra-agency transactions have been eliminated.

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

(d) Management's Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

(e) Tax Status

As a state post-secondary vocational and technical College, the College's income is exempt from federal and state income taxes under Section 115(1) 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 for the years ended June 30, 2008 and June 30, 2007, therefore, no provision for income taxes is included in the financial statements.

(f) Cash and Cash Equivalents and Investments

For purposes of the statement of cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Immediate cash needs are met with resources deposited at the College's bank. Cash resources not used are swept nightly and invested overnight. Cash resources not needed to meet immediate needs are invested with the New Mexico State Treasurer's Office short-term investment pool. Amounts invested with the State Treasurer are readily available to the College when needed and are recorded at cost, which approximates fair value. The College's participation in the pool is voluntary. At the end of each month, all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Restricted cash and cash equivalents represent amounts that are externally restricted to make debt service payments and bond funds restricted for capital purposes.

The Foundation's investments consist primarily of money market funds and marketable securities. Marketable securities are carried at fair value based on quoted market prices. The Foundation's money market funds are carried at amortized cost, which approximates fair value.

The endowment spending policy is subject to annual review and provides that the annual amount of potential distributions from each endowment fund shall be limited to a maximum of 5% of the asset value of the endowment fund. The asset value is defined as the average of the most recent four quarter-ending asset values for each endowment fund. At the beginning of each fiscal year, the Foundation's board of directors will determine the potential distribution amount for each endowment fund for the ensuing fiscal year. The Uniform Management of Institutional Funds Act, Section 46-9-2, accumulation of annual net income; reserve; appropriation of appreciation, is the New Mexico state law governing the ability to spend net appreciation on investments of donor–restricted endowments.

For the fiscal year ended June 30, 2005, the College implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*. This Statement establishes and modifies disclosure requirements related to investment risks: credit risk, interest rate risk, and foreign currency risk. This statement also establishes and modifies disclosure requirements for deposit risks: custodial credit risk and foreign currency risk.

(g) Receivables

Receivables consist primarily of amounts due from federal and state governmental entities for grants and contracts, local government entities for unremitted district mill levy, and student and third-party payors for student tuition and fees. The allowance for doubtful accounts is maintained at a level, which, in the administration's judgment, is sufficient to provide for possible losses in the collection of these accounts.

(h) Private Gifts, Revenue, and Pledges

The Foundation records pledges receivable as assets and revenue when all applicable eligibility requirements are met. The Foundation considers an executed charitable gift or endowment agreement or a letter thanking the donor for the pledge as evidence of a pledge. Pledges due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the pledges are received to discount the amounts. An allowance for uncollectible pledges is provided based on management's evaluation of potential uncollectible pledges receivable at year-end.

Grants and other contributions of cash and other assets are reported as restricted if they are received with donor stipulations that limit the use of the donated assets. Contributions of donated noncash assets are recorded at their estimated fair values in the period received.

(i) Inventories

Inventories, which consist of supplies and specialty items held primarily for sale to departments, are stated at the lower of cost (first-in, first-out method) or market.

(j) Compensated Absences

Accumulated annual leave is reported as a liability. Annual leave is provided to full and part-time, noninstructional employees. Up to 30 days annual leave may be accumulated and carried over to a subsequent fiscal year.

(k) State Appropriations

For government-mandated and voluntary nonexchange transactions, the College recognizes revenues when all applicable requirements including time requirements are met.

Unexpended state appropriations do not revert to the state of New Mexico at the end of the fiscal year and are available to the College in subsequent years, pursuant to the General Appropriations Act of 2007.

(l) District Mill Levies

District mill levies attach as an unsubordinated enforceable lien on property as of January 1 of the assessment year. Current year taxes are levied on November 1 and are due in equal semiannual installments on November 10 and April 10 of the next year. Taxes become delinquent 30 days after the due dates unless the original levy date has been formally extended. The mill levy is collected by the respective County treasurers and is remitted to the College. Revenue from the operational mill levy is recorded in the period for which the lien is levied. A separate mill levy for the retirement of debt on the General Obligation 2001 Bond Series and 2006 Bond Series (note 7) is collected and remitted to the College. Following the symmetrical recognition concept of GASB Statement 33 and 36, the College recorded an estimated receivable of $2,798,079 and $2,422,267 as of June 30, 2008 and 2007, respectively, based on levied tax information received from the respective county Treasurer’s office. Based on historical collections, no allowance for uncollectible accounts has been recorded.

(m) Noncurrent Cash and Cash Equivalents

Cash and cash equivalents that are externally restricted to make debt service payments and are not needed in the next year and funds to be invested in perpetuity are classified as noncurrent assets in the statement of net assets.

(n) Capital Assets

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

Renovations to buildings, infrastructure, and land improvements costing $100,000 or more and that significantly increase the value or extend the useful life of the structure are capitalized. In compliance with AICPA SOP 98-1, software purchased for internal use with a unit cost of $5,000 or more, is capitalized and depreciated. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the asset, generally 40 years for buildings, 20 years for infrastructure and land improvements, ten years for library books, and four to 12 years for equipment.

(o) Deferred Revenue

For government-mandated and voluntary nonexchange transactions, the College recognizes receivables and revenues when all applicable requirements, including time requirements are met. Resources received before the eligibility requirements are met are reported as deferred revenues. Resources received in advance where all eligibility requirements have been met are recorded as revenues when received.

Deferred revenue at June 30, 2008 and 2007 consists primarily of $1,337,645 and $1,087,999 amounts received from deferred summer term tuition, and $250,940 and $273,822, respectively, from grants and contract sponsors that have not yet been earned.

(p) Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds payable that will not be paid within the next fiscal year.

(q) Classification of 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. At June 30, 2008 and 2007, approximately $25,846,056 and $29,044,000 of bond proceeds remain unexpended, respectively.

Restricted net assets – expendable – Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable – Nonexpendable restricted net assets consist of endowment funds in which the donors 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. The income generated from the principal may be expended or added to principal.

Unrestricted net assets – Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, district mill levies, investment income, 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 toward restricted resources, and then toward unrestricted resources.

(r) Classification of Revenues

The College has classified its revenues as either operating or nonoperating 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 allowances, (2) sales and services of auxiliary enterprises, (3) most federal, state, and local grants and contracts, and (4) sale of educational services.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations, mill levies, and investment income.

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, other student charges and expenses, the College has recorded a scholarship allowance.

(s) Classification of Expenses

Expenses are classified as operating or nonoperating according to the following criteria:

Operating expenses – Operating expenses include activities that have the characteristics of an exchange transaction, such as a) employee salaries, benefits, and related expense; b) scholarships and fellowships, net of scholarship discounts and allowances; c) utilities, supplies, and other services; d) professional fees; and e) depreciation expenses related to the College's capital assets.

Nonoperating expenses – Nonoperating expenses include activities that have the characteristics of nonexchange transactions, such as interest on capital asset-related debt and bond expenses that are defined as nonoperating expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entries That Use Proprietary Fund Accounting*, and GASB Statement No. 34.

(2) Cash and Investments

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

		2008	2007
Cash on hand	$	11,725	11,850
Deposits with NM State Land Office		217,800	—
Deposits with financial institutions		1,334,186	221,835
Deposits with New Mexico State Treasurer		108,971,409	101,494,983
Investments with New Mexico State Treasurer		1,186,046	1,176,250
Total cash and investments	$	111,721,166	102,904,918

Foundation

		2008	2007
Cash, including money market accounts	$	637,917	464,373
Federal agency obligations		768,588	367,671
Corporate obligations		259,134	564,061
International obligations		36,815	—
Marketable securities		2,919,651	3,118,631
Total cash and investments	$	4,622,105	4,514,736

(a) Investment Policy

The College's investment policy is set forth by the Governing Board pursuant to Resolution 1998-51. The policy provides investment standards for long-term, short-term, and other types of investments, and collateral requirements in accordance with 6-10-30 NMSA 1978.

The Foundation's Finance and Investment Committee has established an investment policy to provide for the prudent management of invested funds. The fundamental goal of the policy is to produce the maximum return possible while preserving the Foundation's assets. Qualified investments under the investment policy include investments in equity securities listed on the American Stock Exchange, New York Stock Exchange, or NASDAQ with a Standard Poor's (S & P) rating of B+ or better; corporate bonds with an S & P rating of BBB/Baa or better; U.S. Treasury bills and notes and U.S. agency securities; investment in foreign debt and equity, limited to twenty percent of the total portfolio; and certificates of deposit, provided such amounts are fully insured by the Federal Deposit Insurance Corporation (FDIC). All investments will be diversified to minimize risk. No single issuer of debt or equity is allowed to comprise more than five percent of the total portfolio.

The CNM Foundation Investment Policy Statement (IPS) allows for the investment in U.S. Treasuries and U.S. Government backed securities. On 6/30/2008, the portfolio consisted of 12.36% of U.S. Treasuries. The IPS also provides that no single issuer of debt or equity should comprise more than 5% of the total portfolio. Given the current credit crisis and the state of the markets, money managers have communicated to the Foundation that holding such an amount was deemed prudent at that time. As such, the money managers have been instructed that under section *G. Temporary Infraction Exception* of the IPS, that such allocation should be adjusted when it is determined to be financially prudent upon easing of the credit crisis and stability returning to the capital markets.

The following table sets out the asset allocation guidelines for the Foundation's portfolio:

Asset class	Minimum	Maximum
Equities	20%	70
Value stocks	35	65
Growth stocks	35	65
Bonds	20	70
Cash and equivalents	2	40

(b) 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 following table provides information on Standard & Poor's credit rating associated with the College's investment securities at June 30, 2008.

	Rating	Fair value
NewMexiGROW LGIP	AAAm	$ 1,186,046
NewMexiGROW LGIP	AAAm	108,971,409
Total rated securities		$ 110,157,455

The following table provides information on the credit ratings associated with the Foundation's investment in debt securities at June 30, 2008.

	Rating		Fair value
Federal obligations			
US Treasury Notes	AAA	$	518,964
Federal Home Loan Mtg Corp	AAA		161,975
Federal National Mortgage Association	AAA		87,649
			768,588
Corporate obligations			
Corporate bonds	AAA		37,157
Corporate bonds	AA		36,922
Corporate bonds	A		185,055
			259,134
International obligations			
International obligations	AA		36,815
			36,815
Total rated securities		$	1,064,537

The College has invested $110,157,455 at June 30, 2008 and $102,671,233 at June 30, 2007 in investment pools managed by the State Treasurer. These investments are rated AAAm by Standard & Poor. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. The College has no policy regarding credit risk.

(c) 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.

			Investment maturities		
Entity	**Investment type**	**Fair value**	**Less than 1 year**	**1 - 5 years**	**5 years +**
College	*New MexiGROW* (LGIP)	$ 1,186,046	1,186,046	—	—
College	*New MexiGROW* (LGIP)	108,971,409	108,971,409	—	—
Foundation	Federal agency obligations	768,588	—	578,461	190,127
Foundation	Corporate obligations	259,134	—	112,280	146,854
Foundation	International obligations	36,815	—	36,815	—

The State Treasurer manages its exposure for the *New MexiGROW* Local Government Investment Pool (LGIP) for declines in fair values by limiting the weighted average maturity (WAM) of its investment portfolio to 60 days or less. The WAM for the LGIP at June 30, 2008 was 46 days.

(d) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the College or the Foundation's investment in a single type of security. On June 30, 2008 the Foundation had 12.36% of the portfolio in U.S. Treasuries which exceeds the 5% limitation of the Investment Policy but is allowed under section G. *Temporary Infraction Exception*. The fund managers will have 90 days after notification by the CNM Foundation Finance and Investment Committee to adjust the holdings to meet the 5% limitation.

(e) Custodial Credit Risk

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

All deposits and investments in commercial banks and savings and loan associations are collateralized as required by Section 6–10–16 to Section 6–10–17 NMSA 1978. All deposits of the College are either insured or collateralized by using one of two methods. Under the Dedicated Method, 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. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the College, these deposits are considered to be held by the College in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the College or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the College under the

Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of New Mexico enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The College has no policy regarding custodial credit risk for deposits.

At June 30, 2008 and June 30, 2007 respectively, the College's deposits had a carrying amount of $110,305,595 and $101,716,818 and a bank balance of $111,472,775 and $103,700,393. Of the bank balance, $100,000 was covered by federal depository insurance. At June 30, 2008 and June 30, 2007, $2,401,366 and $2,105,410 was collateralized with securities held by the College's financial institution's trust department in the College's name under the Dedicated Method, and at June 30, 2008 and June 30, 2007, $110,157,455 and $102,671,233 was covered by collateral held under the Pooling Method.

Of the investments in federal agency and corporate obligations and marketable securities, the Foundation had custodial risk exposure at June 30, 2008 and 2007, because the related securities are held by the Foundation's brokerage firm, which is also the counterparty for these securities.

At June 30, 2008, the Foundation's bank balance including money market accounts and certificates of deposit was $648,086. Of this amount, $189,252 was covered by federal depository insurance and $458,834 was exposed to custodial risk as uninsured and uncollateralized.

At June 30, 2007, the Foundation's bank balance including money market accounts was $550,618. Of this amount, $433,364 was covered by federal depository insurance and $117,254 was exposed to custodial credit risk as uninsured and uncollateralized.

(f) Foreign Currency Risk

Foreign currency risk is the potential risk of loss arising from investments denominated in foreign currencies when there are changes in exchange rates. The potential risk of loss arising from changes in exchange rates can be significant. At June 30, 2008, the Foundation held bonds in Astrazeneca Plc Global, a British company. However, these bonds are traded in the United States using US currency; therefore the Foundation does not have foreign currency risk exposure. The portfolio investment in international corporate bonds were rated AA- by Standard and Poor's.

Investments	Currency	Maturity	Fair value
Astrazeneca Plc Global Sr Notes	US dollars	9/15/2012	$36,815

(3) Receivables

Receivables are shown net of allowances for doubtful accounts in the accompanying statement of net assets. At June 30, receivables consisted of the following:

		2008	2007
Current asset:			
Receivables	$	7,397,325	6,022,783
Allowance for doubtful accounts		(836,722)	(684,170)
Net receivables – current	$	6,560,603	5,338,613
Noncurrent receivables	$	833,955	779,870

Included in the 2008 amounts above is a $2,798,079 mill levy receivable due from Bernalillo and Sandoval Counties, $4,175,665 of contract and grant receivables, which includes $476,949 from the Foundation and $238,569 in student receivables. Included in the 2007 amounts above is a $2,422,267 mill levy receivable due from Bernalillo and Sandoval Counties, $3,282,286 of contract and grant receivables, and $246,356 in student receivables.

(4) Capital Assets

Capital assets consist of the following:

	Year ended June 30, 2008			
	Balance, July 1, 2007	Additions and transfers	Dispositions and transfers	Balance, June 30, 2008
Capital assets not being depreciated:				
Land	$ 18,837,388	1,516,134	24,019	20,329,503
Art	406,461	10,815	900	416,376
Construction in process	13,689,481	5,200,435	15,510,455	3,379,461
Depreciable capital assets:				
Land improvements	5,313,856	1,261,475	—	6,575,331
Buildings	96,111,812	12,893,594	—	109,005,406
Infrastructure	669,032	—	76,042	592,990
Furniture, fixtures, and equipment	28,650,609	1,642,496	2,233,958	28,059,147
Library books	2,954,174	332,868	570,749	2,716,293
	166,632,813	22,857,817	18,416,123	171,074,507
Less accumulated depreciation:				
Land improvements	2,248,144	345,211	—	2,593,355
Buildings	32,864,239	2,985,021	—	35,849,260
Infrastructure	166,279	34,590	—	200,869
Furniture, fixtures, and equipment	19,984,665	2,393,594	2,032,712	20,345,547
Library books	1,546,503	245,780	570,750	1,221,533
	56,809,830	6,004,196	2,603,462	60,210,564
Net carrying amount	$ 109,822,983	16,853,621	15,812,661	110,863,943

The College capitalizes interest expense incurred during the period an asset is being prepared for its intended use. For the year ended June 30, 2008 and 2007, the College capitalized interest expense of approximately $108,808 and $151,220, respectively.

	Year ended June 30, 2007			
	Balance, July 1, 2006	Additions and transfers	Dispositions and transfers	Balance, June 30, 2007
Capital assets not being depreciated:				
Land	$ 18,837,388	—	—	18,837,388
Art	397,777	10,434	1,750	406,461
Construction in process	3,164,773	11,514,203	989,495	13,689,481
Depreciable capital assets:				
Land improvements	4,998,675	315,181	—	5,313,856
Buildings	95,373,770	738,042	—	96,111,812
Infrastructure	649,760	19,272	—	669,032
Furniture, fixtures, and equipment	30,716,218	1,393,195	3,458,804	28,650,609
Library books	2,907,946	288,293	242,065	2,954,174
	157,046,307	14,278,620	4,692,114	166,632,813
Less accumulated depreciation:				
Land improvements	1,955,539	292,605	—	2,248,144
Buildings	30,144,439	2,719,800	—	32,864,239
Infrastructure	93,748	72,531	—	166,279
Furniture, fixtures, and equipment	20,494,113	2,633,851	3,143,299	19,984,665
Library books	1,536,103	252,465	242,065	1,546,503
	54,223,942	5,971,252	3,385,364	56,809,830
Net carrying amount	$ 102,822,365	8,307,368	1,306,750	109,822,983

(5) Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMPSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability, and life insurance coverage (benefits coverage), and property, casualty, and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the state of New Mexico. The College is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The College pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self-insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2008.

(6) Accrued Compensated Absences

The following is a summary of accrued compensated absences for the College for the years ended June 30, 2008 and 2007:

	Year ended June 30, 2008				
	Balance, July 1, 2007	Additions	Deductions	Balance, June 30, 2008	Current portion
Accrued compensated absences	$ 1,545,558	1,936,825	1,812,258	1,670,125	1,670,125

	Year ended June 30, 2007				
	Balance, July 1, 2006	Additions	Deductions	Balance, June 30, 2007	Current portion
Accrued compensated absences	$ 1,513,661	1,784,925	1,753,028	1,545,558	1,545,558

The liability for compensated absences is all current as the balance at year end is less than additions for the year.

(7) Bonds Payable

The following is a summary of bonds payable transactions for the College for the years ended June 30, 2008 and 2007:

	Year ended June 30, 2008				
	Balance, July 1, 2007	Additions	Deductions	Balance, June 30, 2008	Current portion
Series 2001	$ 9,700,000	—	2,000,000	7,700,000	2,500,000
Series 2006	30,000,000	—	3,400,000	26,600,000	2,775,000
Total bond principal	39,700,000	—	5,400,000	34,300,000	5,275,000
Bond premium	98,613	—	23,051	75,562	—
	$ 39,798,613	—	5,423,051	34,375,562	5,275,000

	Year ended June 30, 2007				
	Balance, July 1, 2006	**Additions**	**Deductions**	**Balance, June 30, 2007**	**Current portion**
Series 2001	$ 11,700,000	—	2,000,000	9,700,000	2,000,000
Series 2006	—	30,000,000	—	30,000,000	3,400,000
Total bond principal	11,700,000	30,000,000	2,000,000	39,700,000	5,400,000
Bond premium	81,492	40,172	23,051	98,613	—
	$ 11,781,492	30,040,172	2,023,051	39,798,613	5,400,000

On July 17, 2001, the College issued $35,000,000 of General Obligation (Limited Tax Bonds) – Series 2001 (2001 Bonds). The bonds were issued for erecting and furnishing, constructing, purchasing, remodeling, and equipping buildings and utility facilities and making other real property improvements or purchasing grounds. The bond funds are being used to fund four major capital outlay projects: a permanent instructional facility on the northwest side of the district; a fourth-phase of construction at the South Valley Campus; purchase and development of land for use as a Main Campus parking lot; and construction of an instructional facility at the Joseph M. Montoya Campus in the Northeast heights. The 2001 Bonds bear interest at rates ranging from 4.10% to 4.25% and are payable from revenues generated by a separate district mill levy approved by the College's district voters on February 8, 2000. After defeasance, the 2001 Bonds mature through August 15, 2010. The bonds maturing in 2009 and thereafter are subject to redemption prior to maturity. The College defeased $1,100,000 of Bond Series 2001 on November 1, 2004, and another $4,900,000 on June 30, 2006. At year-end, the College had spent all of the 2001 Bonds proceeds.

On September 12, 2006, the College issued $30,000,000 of General Obligation (Limited Tax Bonds) – Series 2006 (2006 Bonds). The bonds were issued for erecting and furnishing, constructing, purchasing, remodeling and equipping buildings and utility facilities and making other real property improvements or purchasing grounds throughout the district. The Bonds were authorized at an election held February 7, 2006. The bond funds are being used to fund four major capital outlay projects: an instructional facility on the northwest side of the district; a Main Campus Classroom and Technology Building; the Montoya Campus Bookstore and drainage improvements; and Southwest Mesa Land acquisition and Infrastructure development. The Bonds will also be used to fund various renewal and replacement projects. The 2006 Bonds bear interest at rates ranging from 4.00% to 5.00% and are payable from revenues generated by a separate district mill levy approved by the College's district voters on February 7, 2006. The 2006 Bonds mature through August 15, 2021. Bonds maturing on or after August 15, 2015 are subject to redemption prior to their maturity at the option of the College after August 15, 2014. At year-end, the College had spent $6,609,278 of the 2006 Bonds proceeds. The bonds are under the requirements of the federal arbitrage regulations.

Debt service requirements at June 30, 2008 are as follows:

		General Obligation Bond Series 2001		
Fiscal year ending June 30		**Principal**	**Interest**	**Total debt service**
2009	$	2,500,000	269,650	2,769,650
2010		2,600,000	164,450	2,764,450
2011		2,600,000	55,250	2,655,250
	$	7,700,000	489,350	8,189,350

		General Obligation Bond Series 2006		
Fiscal year ending June 30		**Principal**	**Interest**	**Total debt service**
2009	$	2,775,000	1,057,888	3,832,888
2010		1,000,000	974,200	1,974,200
2011		1,000,000	932,950	1,932,950
2012		1,750,000	877,950	2,627,950
2013		1,750,000	807,950	2,557,950
2014-2108		9,400,000	2,858,600	12,258,600
2019-2022		8,925,000	800,925	9,725,925
	$	26,600,000	8,310,463	34,910,463

The maximum debt of the College may not exceed 3% of the assessed valuation of the District or approximately $380,398,068.

(8) Retirement Plan

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 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, New Mexico 87502. The report is also available on ERA's website at www.erb.org.

Funding Policy

Plan members are required to contribute 7.825% of their gross salary. The College is required to contribute 10.9% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and the College are established in Chapter 22, Article 11 NMSA 1978. The requirements may amended by acts of the legislature. The College's contribution to ERB for the fiscal years ending June 30, 2008, 2007, and 2006 were $6,632,999, $5,872,012, and $5,377,559, respectively, equal to the amount of the required contributions for each year.

403(b)

In addition to the ERA plan, the College sponsors a 403(b) defined savings contribution plan for its employees. Under the plan employees may voluntarily contribute up to a maximum of $15,500 if under age 50, and up to a maximum of $20,500 if the employee is 50 or older. Employees become eligible to participate on the first day of employment. The College does not contribute or match any funds in the 403(b) savings program. The total amount of employee contributions for the fiscal years 2008 and 2007 was approximately $530,557 and $578,640, respectively.

457(b)

In March 2002, the Central New Mexico Community College Governing Board adopted the state of New Mexico's Deferred Compensation Plan. The 457 Deferred Compensation plan was implemented in Fall 2003 and provides an additional voluntary retirement savings option for all employees with the exception of work-study student employees. Under the plan in calendar year 2008, employees may voluntarily contribute up to a maximum of $15,500 if under age 50, and up to a maximum of $20,500 if the employee is 50 or older. The College does not contribute or match any funds in the 457(b) savings program. The total amount of employee contributions for the fiscal years 2008 and 2007 was approximately $509,680 and $431,870, respectively.

(9) Post Retirement 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 governmental agencies, their spouses, dependents and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (the Act or NMRHCA) (10-7C-1 to 10-7C-16, 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 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. The report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle Blvd NE, Suite 104, Albuquerque, New Mexico 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 to the employer's RHCA effective date or is a former legislator or a former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer makes contributions to the fund of 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary.

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 contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were $790,942 and $751,861 and $742,443 in employer contributions, respectively, and $395,472, $375,930 and $371,222 in employee contributions, respectively, which equal the required contributions for each year.

(10) Commitments and Contingencies

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

The College is party to various legal proceedings in the normal course of business. In management's opinion, after consultation with outside legal counsel, the disposition of these matters will not materially affect the financial position of the College.

Grants, bequests, and endowments require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions, or in the case of endowments, failure to continue to fulfill them, could result in the return of the funds to grantors. Although that is a possibility, management of the College and the Foundation deem the contingency remote, since by accepting the gifts and the terms, it has accommodated the objectives of the organization to the provisions of the gift.

At June 30, 2008, the College has $9,532,929 of outstanding capital commitments to contractors and architects related to the following projects:

Parking East of Isotopes Stadium	$	14,161
JS Fire Alarm Upgrade		24,062
Cable Plant Upgrade		84,587
Westside Phase II		51,459
University Median Phase I		1,077,558
Main Campus Instructional Facility		556,991
Trades Mechanical Upgrade		100,148
Rio Rancho Instructional Facility		1,292,402
Max Salazar 4th Floor Renovation		159,129
Community House		29,903
CNM West Parking Lot Phase II		53,144
Master Schedule Project -CIT		84,536
Campus Wireless Phase II		97,937
JMMC Bookstore		5,894,252
JMMC Building		12,660
	$	9,532,929

(11) Subsequent Event

In August 2008, the College purchased 40 acres for their Rio Rancho campus. Fifteen acres were purchased from the University of New Mexico for $1,310,701 and 25 acres from the State of New Mexico Land Office for $2,187,089.

SUPPLEMENTARY INFORMATION SECTION

Schedule 1

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Schedule of Revenues, Expenditures, and Changes in Net Assets – Budget and Actual
Unrestricted and Restricted – All Operations

Year ended June 30, 2008

	Original budget	Final budget	Actuals (budgetary basis)	Variance favorable (unfavorable)
Beginning balance budgeted	$ 58,060,563	54,999,637	68,955,197	
Revenues:				
Tuition	8,767,727	8,793,217	9,027,504	234,287
Miscellaneous fees	2,953,165	3,645,223	4,119,406	474,183
State government appropriations	56,772,508	56,772,508	56,828,697	56,189
Local government appropriations	32,959,600	36,169,956	37,055,244	885,288
Federal government contracts/grants	21,429,475	21,429,475	17,728,200	(3,701,275)
State government contracts/grants	6,583,554	6,801,554	6,769,778	(31,776)
Local government contracts/grants	12,600	42,326	24,684	(17,642)
Private contracts/grants	1,452,172	1,452,172	689,879	(762,293)
Endowments	93,000	93,000	41,294	(51,706)
Sales and services	4,383,500	3,767,177	3,726,483	(40,694)
Other	1,753,527	1,953,030	1,700,166	(252,864)
Capital outlay	6,173,727	5,882,645	2,870,810	(3,011,835)
Building renewal and replacement	430,000	450,000	778,181	328,181
Retirement of indebtedness	6,580,000	7,680,000	8,046,323	366,323
Total revenues	150,344,555	154,932,283	149,406,649	(5,525,634)
Expenditures:				
Instruction	55,959,893	60,695,493	54,936,416	5,759,077
Academic support	10,746,291	11,762,121	10,550,718	1,211,403
Student services	14,332,363	15,062,147	13,256,529	1,805,618
Institutional support	16,519,969	19,629,250	16,794,483	2,834,767
Operation and maintenance of plant	9,960,273	10,223,482	8,962,010	1,261,472
Student social and cultural activities	115,000	150,000	135,027	14,973
Public services	1,895,994	1,900,790	1,692,954	207,836
Internal services	(355,827)	(355,827)	(249,151)	(106,676)
Student aid grants and stipends	21,189,833	21,260,731	18,526,416	2,734,315
Auxiliary enterprise	1,570,280	1,556,210	1,706,007	(149,797)
Capital outlay	7,667,996	6,112,000	676,982	5,435,018
Building renewal and replacement	5,016,798	4,416,667	1,829,355	2,587,312
Retirement of indebtedness	6,958,475	6,958,475	6,847,292	111,183
Total expenditures	151,577,338	159,371,539	135,665,038	23,706,501
Transfers to (from):				
Instruction and general	(5,049,318)	(4,961,083)	(4,961,083)	—
Student social and cultural	—	(1,500)	(1,500)	—
Public service	342,000	253,765	253,765	—
Internal service	(550,000)	(550,000)	(550,000)	—
Student aid and grants	972,858	1,024,358	1,024,358	—
Auxiliary enterprise	—	(50,000)	(50,000)	—
Capital outlay	1,150,000	1,150,000	1,150,000	—
Building renewal and replacement	3,134,460	3,134,460	3,134,460	—
Total transfers	—	—	—	—
Change in net assets (budgetary basis)	(1,232,783)	(4,439,256)	13,741,611	$ 18,180,867
Net assets (budgetary basis)	$ 56,827,780	50,560,381	82,696,808	

(Continued)

Schedule 1

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual

Year ended June 30, 2008

Reconciliation of change in net assets (budgetary basis)		
to change in net assets (GAAP basis):		
Change in net assets (budgetary basis)	$	13,741,611
Adjustments to reconcile budgetary basis to GAAP basis:		
Net change in funds not included in budgetary basis which are included in GAAP basis:		
Endowment fund		9,091
Investment in plant fund		8,119,595
Depreciation expense not included in budgetary basis		(6,004,196)
Increase (decrease) revenue due to conversion to full accrual accounting for GAAP basis:		
Summer school tuition		(249,646)
GASB 33 revenue		23,698
Mill levy revenue		367,565
Primary institution increase in net assets	$	16,007,718

Note A:

The annual budget for the College is adopted on a basis consistent with the reporting requirements of the New Mexico Higher Education Department (NMHED), which are based on the fund accounting principles which were applicable prior to GASB Statements No. 34, 35, 37, and 38 (Budgetary Basis). By contrast, the College prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP Basis).

Annual budgets are adopted for the current funds, unexpended plant fund, renewals and replacement plant fund, and retirement of indebtedness plant fund. The budget is prepared by management and approved by the Governing Board. The budget is then submitted to and approved by the NMHED and the State Budget Division of the Department of Finance and Administration. All annual appropriations lapse at year-end. Changes from one functional level to another require the approval of the NMHED. Amendments are adopted in a legally prescribed manner.

Budgetary control is exercised over each of the following functions; instruction, academic support, student services, institutional support, operation and maintenance, student social and cultural development, public service, internal service, student aid grants and stipends, auxiliary enterprise, capital outlay, building renewal and replacement, retirement of indebtedness, and each item of transfer between funds and/or functions. Expenses and transfers in each item of budgetary control may not exceed the amount in the final budget.

See accompanying independent auditors' report.

Schedule 2

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Schedule of Revenues, Expenditures, and Changes in Net Assets – Budget and Actual
Unrestricted – Non Instruction & General

Year ended June 30, 2008

	Original budget	Final budget	Actuals (budgetary basis)	Variance favorable (unfavorable)
Beginning balance budgeted	$ 48,060,563	38,993,575	52,949,131	
Revenues:				
Tuition	—	—	—	—
Miscellaneous fees	115,000	115,000	115,741	741
State government appropriations	—	—	—	—
Local government appropriations	—	—	—	—
Federal government contracts/grants	—	—	—	—
State government contracts/grants	—	—	84,000	84,000
Local government contracts/grants	—	9,726	8,300	(1,426)
Private contracts/grants	—	—	—	—
Endowments	—	—	—	—
Sales and services	2,535,000	2,500,677	2,616,925	116,248
Other	400,000	424,000	392,859	(31,141)
Capital outlay	6,173,727	5,882,645	2,870,810	(3,011,835)
Building renewal and replacement	430,000	450,000	778,181	328,181
Retirement of indebtedness	6,580,000	7,680,000	8,046,323	366,323
Total revenues	16,233,727	17,062,048	14,913,139	(2,148,909)
Expenditures:				
Instruction	—	—	—	—
Academic support	—	—	—	—
Student services	—	—	—	—
Institutional support	—	—	—	—
Operation and maintenance of plant	—	—	—	—
Student social and cultural activities	115,000	150,000	135,027	14,973
Public services	692,695	697,491	639,487	58,004
Internal services	(450,000)	(450,000)	(330,461)	(119,539)
Student aid grants and stipends	972,858	1,043,756	1,029,698	14,058
Auxiliary enterprise	1,542,006	1,527,936	1,680,554	(152,618)
Capital outlay	7,667,996	6,112,000	676,982	5,435,018
Building renewal and replacement	5,016,798	4,416,667	1,829,355	2,587,312
Retirement of indebtedness	6,958,475	6,958,475	6,847,292	111,183
Total expenditures	22,515,828	20,456,325	12,507,934	7,948,391
Transfers to (from):				
Instruction and general	—	—	—	—
Student social and cultural	—	1,500	1,500	—
Public service	(342,000)	(253,765)	(253,765)	—
Internal service	550,000	550,000	550,000	—
Student aid and grants	(972,858)	(1,024,358)	(1,024,358)	—
Auxiliary enterprise	—	50,000	50,000	—
Capital outlay	(1,150,000)	(1,150,000)	(1,150,000)	—
Building renewal and replacement	(3,134,460)	(3,134,460)	(3,134,460)	—
Total transfers	(5,049,318)	(4,961,083)	(4,961,083)	—
Change in net assets (budgetary basis)	(1,232,783)	1,566,806	7,366,288	$ 5,799,482
Net assets (budgetary basis)	$ 46,827,780	40,560,381	60,315,419	

See accompanying independent auditors’ report.

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Schedule of Revenues, Expenditures, and Changes in Net Assets – Budget and Actual
Restricted – Non Instruction & General

Year ended June 30, 2008

	Original budget	Final budget	Actuals (budgetary basis)	Variance favorable (unfavorable)
Beginning balance budgeted	$ —	—	—	—
Revenues:				
Tuition	—	—	—	—
Miscellaneous fees	—	—	—	—
State government appropriations	—	—	—	—
Local government appropriations	—	—	—	—
Federal government contracts/grants	16,929,848	16,929,848	14,539,516	(2,390,332)
State government contracts/grants	3,956,187	3,956,187	3,924,000	(32,187)
Local government contracts/grants	12,600	12,600	6,465	(6,135)
Private contracts/grants	317,059	317,059	162,529	(154,530)
Endowments	—	—	—	—
Sales and services	66,500	66,500	24,438	(42,062)
Other	260,527	260,527	—	(260,527)
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total revenues	21,542,721	21,542,721	18,656,948	(2,885,773)
Expenditures:				
Instruction	—	—	—	—
Academic support	—	—	—	—
Student services	—	—	—	—
Institutional support	—	—	—	—
Operation and maintenance of plant	—	—	—	—
Student social and cultural activities	—	—	—	—
Public services	1,203,299	1,203,299	1,053,467	149,832
Internal services	94,173	94,173	81,310	12,863
Student aid grants and stipends	20,216,975	20,216,975	17,496,718	2,720,257
Auxiliary enterprise	28,274	28,274	25,453	2,821
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total expenditures	21,542,721	21,542,721	18,656,948	2,885,773
Transfers to (from):				
Instruction and general	—	—	—	—
Student social and cultural	—	—	—	—
Public service	—	—	—	—
Internal service	—	—	—	—
Student aid and grants	—	—	—	—
Auxiliary enterprise	—	—	—	—
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Total transfers	—	—	—	—
Change in net assets (budgetary basis)	—	—	—	$ —
Net assets (budgetary basis)	$ —	—	—	

See accompanying independent auditors' report.

Schedule 4

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Schedule of Revenues, Expenditures, and Changes in Net Assets – Budget and Actual
Unrestricted Instruction and General

Year ended June 30, 2008

	Original budget	Final budget	Actuals (budgetary basis)	Variance favorable (unfavorable)
Beginning balance budgeted	$ 10,000,000	16,006,062	16,006,066	
Revenues:				
Tuition	8,767,727	8,793,217	9,027,504	234,287
Miscellaneous fees	2,838,165	3,530,223	4,003,665	473,442
State government appropriations	56,772,508	56,772,508	56,828,697	56,189
Local government appropriations	32,959,600	36,169,956	37,055,244	885,288
Federal government contracts/grants	140,000	140,000	164,821	24,821
State government contracts/grants	7,000	225,000	216,868	(8,132)
Local government contracts/grants	—	20,000	9,919	(10,081)
Private contracts/grants	—	—	—	—
Endowments	—	—	—	—
Sales and services	1,782,000	1,200,000	1,085,120	(114,880)
Other	1,093,000	1,268,503	1,292,538	24,035
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total revenues	104,360,000	108,119,407	109,684,376	1,564,969
Expenditures:				
Instruction	50,489,999	55,225,599	51,386,701	3,838,898
Academic support	9,444,694	10,460,524	9,269,212	1,191,312
Student services	13,444,560	14,174,344	12,419,542	1,754,802
Institutional support	16,179,508	19,288,789	16,499,291	2,789,498
Operation and maintenance of plant	9,751,921	10,015,130	8,773,224	1,241,906
Student social and cultural activities	—	—	—	—
Public services	—	—	—	—
Internal services	—	—	—	—
Student aid grants and stipends	—	—	—	—
Auxiliary enterprise	—	—	—	—
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total expenditures	99,310,682	109,164,386	98,347,970	10,816,416
Transfers to (from):				
Instruction and general	—	—	—	—
Student social and cultural	—	—	—	—
Public service	342,000	253,765	253,765	—
Internal service	—	—	—	—
Student aid and grants	972,858	972,858	972,858	—
Auxiliary enterprise	—	—	—	—
Capital outlay	1,150,000	1,150,000	1,150,000	—
Building renewal and replacement	2,584,460	2,584,460	2,584,460	—
Total transfers	5,049,318	4,961,083	4,961,083	—
Change in net assets (budgetary basis)	—	(6,006,062)	6,375,323	$ 12,381,385
Net assets (budgetary basis)	$ 10,000,000	10,000,000	22,381,389	

See accompanying independent auditors' report.

Schedule 5

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Schedule of Revenues, Expenditures, and Changes in Net Assets – Budget and Actual
Restricted Instruction and General

Year ended June 30, 2008

	Original budget	Final budget	Actuals (budgetary basis)	Variance favorable (unfavorable)
Beginning balance budgeted	$ —	—	—	
Revenues:				
Tuition	—	—	—	—
Miscellaneous fees	—	—	—	—
State government appropriations	—	—	—	—
Local government appropriations	—	—	—	—
Federal government contracts/grants	4,359,627	4,359,627	3,023,863	(1,335,764)
State government contracts/grants	2,620,367	2,620,367	2,544,910	(75,457)
Local government contracts/grants	—	—	—	—
Private contracts/grants	1,135,113	1,135,113	527,350	(607,763)
Endowments	93,000	93,000	41,294	(51,706)
Sales and services	—	—	—	—
Other	—	—	14,769	14,769
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total revenues	8,208,107	8,208,107	6,152,186	(2,055,921)
Expenditures:				
Instruction	5,469,894	5,469,894	3,549,715	1,920,179
Academic support	1,301,597	1,301,597	1,281,506	20,091
Student services	887,803	887,803	836,987	50,816
Institutional support	340,461	340,461	295,192	45,269
Operation and maintenance of plant	208,352	208,352	188,786	19,566
Student social and cultural activities	—	—	—	—
Public services	—	—	—	—
Internal services	—	—	—	—
Student aid grants and stipends	—	—	—	—
Auxiliary enterprise	—	—	—	—
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total expenditures	8,208,107	8,208,107	6,152,186	2,055,921
Transfers to (from):				
Instruction and general	—	—	—	—
Student social and cultural	—	—	—	—
Public service	—	—	—	—
Internal service	—	—	—	—
Student aid and grants	—	—	—	—
Auxiliary enterprise	—	—	—	—
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Total transfers	—	—	—	—
Change in net assets (budgetary basis)	—	—	—	$ —
Net assets (budgetary basis)	$ —	—	—	

See accompanying independent auditors’ report.

Schedule 6

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Schedule of Pledged Collateral

June 30, 2008

THE INSTITUTE:

Wells Fargo Bank checking accounts				$ 2,501,366
FDIC Insurance				(100,000)
Uninsured public funds				$ 2,401,366
50% collateral requirement $1,627,131				$ 813,566
102% sweep collateral requirement $774,235				789,720
Total collateral requirements				$ 1,603,286
	CUSIP	**Rate**	**Maturity**	
Collateral (at fair value):				
Wells Fargo municipal bonds	31410SDG9	6.00%	6/1/2036	$ 3,297,911
Total collateral				3,297,911
Over collateral requirement				$ 1,694,625

Wells Fargo Banks has pledged the above collateral which is being held in safekeeping by Wells Fargo Bank California

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Schedule of Individual Deposit and Investment Accounts
June 30, 2008

The College:

Name of depository	Account name	Type of account	Bank balance	Book balance
Cash on Hand	Petty cash and change fund	Cash	$ -	$ 11,725
Wells Fargo Bank	Student federal fund	Checking	135,383	(64,144)
	Operational account	Checking	797,993	(6,559)
	Stafford loans	Checking	1,547,906	1,515,575
	Perkings Loans	Checking	19,774	19,762
	Payroll	Checking	-	(110,501)
	Student refund	Checking	-	(20,257)
Bank of America	Direct Deposit	Checking	310	310
			2,501,366	1,345,911
State Land Office	Escrow - RR land purchase	Escrow	217,800	217,800
Office of the State Treasure	Current fund	Deposit	35,552,582	35,552,582
	Renewal and replacement	Deposit	9,128,167	9,128,167
	Retirement of indebtedness	Deposit	7,866,188	7,866,188
	Plant	Deposit	56,424,472	56,424,472
			108,971,409	108,971,409
Total cash			111,690,575	110,535,120
Office of the State Treasure	Endowment	Investment	1,186,046	1,186,046
Total cash and investments			$ 112,876,621	$ 111,721,166

The Foundation:

Name of depository	Account name	Type of account	Bank balance	Book balance
Bank of the West	Operational account	Money Market	$ 46,049	$ -
Bank of Albuquerque	Operational account	Money Market	321,704	357,584
Smith Barney		Money Market	195,692	195,692
Bank of the West		Certificate of deposit	43,203	43,203
Bank of Albuquerque		Certificate of deposit	41,438	41,438
Total cash			648,086	637,917
Smith Barney				
Federal Agency Obligations				
	Federal National Mtg Assn	Investment	87,649	87,649
	Federal Home Loan Mtg Corp	Investment	161,975	161,975
	US Treasury Notes	Investment	518,964	518,964
			768,588	768,588
Corporate obligations		Investment	259,134	259,134
International obligations		Investment	36,815	36,815
Mutual Funds		Investment	117,913	117,913
Stocks		Investment	2,801,738	2,801,738
Total investments			3,984,188	3,984,188
Total cash and investments			$ 4,632,274	$ 4,622,105

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

For the the Period July 1, 2007 through June 30, 2008

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or pass-through number		Federal Expenditures
U.S. Department of Education:				
Student Financial Assistance:				
Federal Supplemental Educational Opportunity Grant 2007-08	84.007	P007A072635	$	419,174
Federal Supplemental Educational Opportunity Grant 2006-07	84.007	P007A062635		-
Academic Competitive Grant	84.375	P375A072545		47,658
Federal Work Study	84.033	P033A072635		406,635
Federal Pell Grant 2007-08	84.063	P063P072545		13,624,461
Federal Pell Grant 2006-07	84.063	P063P062545		(27,893)
Federal Pell Grant 2005-06	84.063	P063P052545		(222)
Federal Pell Grant 2004-05	84.063	P063P042545		(58)
Federal Pell Grant 2003-04	84.063	P063P032545		-
Federal Pell Grant 2002-03	84.063	P063P022545		-
Federal Pell Grant 2001-02	84.063	P063P012545		(1,682)
Federal Pell Grant 2000-01	84.063	P063P002545		1,100
				14,469,173
Santa Fe Community College Pass-through from U.S. Department of Education:				
El Colegio	84.031S	P031S040038		229,989
TRIO Student Support Services Grant	84.042A	P042A050610		251,986
U.S. Department of Education Pass-through from New Mexico Department of Education:				
Perkins-Vocational Expansion 2007-08	84.048	001.3.2.1.855		1,197,603
Perkins-Vocational Expansion 2006-07	84.048	001.1.1.1.855		83,970
				1,281,573
Adult Basic Education	84.002	019888		306,353
SSIG - Federal Portion	84.069A &B	P069A030033		137,410
Total U.S. Department of Education				16,676,484
National Science Foundation:				
SCME	47.076	DUE-0402651		464,062
				464,062
National Science Foundation Pass-through from New Mexico State University				
RASEM2	47.076	Q00693		43,966
Small Business Administration Pass-through from New Mexico Small Business Development Center				
Network - Small Business Development Center-SV	59.037	9-7620-0032-11		17,729
Network - Small Business Development Center-TVI	59.037	6-7620-0032-11		17,729
				35,458
Corporation for National Service				
Civic Engagement	94.005	06LHHNM001		215,436

(Continued)

CENTRAL NEW MEXICO COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

For the the Period July 1, 2007 through June 30, 2008

	Federal	Agency or	
Department of Health			
Bioterrorism Preparedness	93.003	04/665.4200.00568	13,685
Americorps	94.013	44-0103-0-1-506	55,640
NMSU/USDA Grant	10.223	2006-38422-17071	45,649
National Institute Standards Board through NM Manufacturing Extension Partnership	11.611	70NANB8H0058	13,000
Total federal expenditures			$ 17,563,380

Note A:

During the year through 6/30/08, various lenders made loans to students under the Guaranteed Student Loan Program (which includes Stafford and Plus Loans):

	CFDA Number	Disbursements
Federal Family Education Loan Program	84.032	$ 23,356,405
Perkins Loan Program	84.038	$ 24,000

Note B:

The schedule of Expenditures of Federal Awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*

Note C:

Of the federal expenditures in the Schedule of Expenditures of Federal Awards, the College provided federal awards to subrecipients as follows:

Program Title	Federal CFDA number	Amount provided to subrecipient
University of New Mexico	47.076	$ 46,862
City College of San Franciso	47.076	55,416
Maricopa County Community College District	47.076	37,574
Santa Fe Community College	94.005	29,423
New Mexico State University	94.005	29,802
New Mexico State University-Grants Branch	94.005	26,770
Southwestern Indian Polytechnic Institute	94.005	2,767

SINGLE AUDIT AND OTHER INFORMATION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Governing Board
Central New Mexico Community College
Albuquerque, New Mexico

We have audited the basic financial statements of the business-type activities and discretely presented component unit of the State of New Mexico Central New Mexico Community College (the "College") and the College's budget comparisons as of and for the year ended June 30, 2008, and have issued our report thereon dated November 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 08-1.

8500 Menaul Blvd., NE Suite B-262 | Albuquerque, NM 87112 | Phone 505.262.2057 | Fax 505.255.7045
Members American Institute of Certified Public Accountants

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

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

Compliance and Other Matters

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

We noted certain matters that are required to be reported under *Government Auditing Standard* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as findings 08-2 and 08-3

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

This report is intended solely for the information and use of the audit committee, management, others within the College, New Mexico State Auditor, the New Mexico State Legislature and applicable federal grantors and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kardas, Abeyta & Weiner, P.C.

November 12, 2008

Report on Compliance With Requirements Applicable to Each Major Program And Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Central New Mexico Community College (the "College") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The College's major federal programs are identified in the summary of 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 that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the type of compliance requirements that are applicable to each of its major federal programs for the year ended June 30, 2008.

8500 Menaul Blvd., NE Suite B-262 | Albuquerque, NM 87112 | Phone 505.262.2057 | Fax 505.255.7045
Members American Institute of Certified Public Accountants

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirement 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the College's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might me significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Kardas, Abeyta & Weiner, P.C.

November 12, 2008

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs

Section A - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

CFDA Number	Name of Federal
84.007, 84.063, 84.375 & 84.033	Student Financial Assistance Programs
47.076	SCME, RASEM2 and Op tec

Dollar threshold used to distinguish between type A and type B programs:	$526,901
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

08-1 General IT Controls

Condition

The internal audit department completed a walkthrough of all of the College's campuses computer equipment rooms and noted the following:

Installation of a gas based fire suppression system or appropriate system.
Improvement of circulation between the server room and the telecommunications room.

Eliminating possible water damage from overhead roof drain pipes.
Investigate the effectiveness of data center smoke, fire, water and temperature sensors.

Install some event monitoring system (PDA's, cells) to monitor the sensors.
Establish a list of on call HVAC vendors.

Contract with a roofing contractor for a quarterly evaluation of the condition of the roof.
Investigate other roofing alternatives to protect the equipment.
Install security cameras for 24/7 monitoring.
Replace the portable air conditioners to permanent HVAC Units.
The water sprinkler system should be converted to a pre-action sprinkler system.

In addition, the College's HVAC system was not operating effectively during a day in July 2008 on the main campus computer room. The college's servers overheated, which resulted in many of the computers services (e-mail, internet service, access to server) being shut down for the entire day.

Internal audit also reviewed the IT department for business continuity plan and noted the following:

An IT Business Continuity Plan should be developed for CNM.
All mission critical processes within this college should be determined, and analyzed to determine their risk and probability of disruption.
CNM's network configuration should be designed to allow system redundancy.
Each of CNM's Vice Presidents should ensure that all their mission critical functions are capable of operating with minimally acceptable service without regard to external or internal circumstances
All points of failure should be indentified and if possible redundancies installed to provide fault tolerance.

Section II - Financial Statement Findings

08-1 General IT Controls (continued)

> The Westside campus data center should be upgraded to a "**Warm Site**", "**Hot Site**" facility which provides an environment and infrastructure to enable CNM to reinstate its systems and network before their absence becomes crucial to our mission critical functions.

Criteria

Physical access, security and cooling of the computer room, file/communication servers, off-line data storage, and other sensitive storage equipment are critical requirements to ensure that systems do not experience significant interruptions. A IT Business continuity plan is a proactive process whereby the College ensures the maintenance of critical operations when confronted with an adverse event. The business continuity plan identifies weak links in the flow of information and builds systems and procedures to mitigate downtime. If an interruption were to occur, the College needs to have a business continuity plan.

Cause

The IT department has been planning a new computer area for a few years, but the building has not been built and appears to be at minimum, a year from away from completion. The IT department has not completed a business continuity plan at this time.

Effect

The lack of a effective cooling, access to computer rooms by unauthorized personnel, regular review of roofing and drainage pipes and the IT departments' not developing a business continuity plan can put the College in danger of business interruptions. The business interruptions have occurred twice since June 30, 2008, virtually shutting down the College.

Recommendation

The IT department needs to implement physical security, cooling, maintenance review of building conditions processes to mitigate the risk of business interruptions with the understanding that their facilities will be moved in the future. In conjunction with this, business continuity plan should be developed along with the upgrades and changes in the hardware/server environment.

Section II - Financial Statement Findings

08-1 General IT Controls (continued)

Response

CNM agrees that adequate physical security, cooling, and maintenance review processes designed to mitigate the risk of IT related business interruptions is critical. As has been noted, this is why CNM has placed a priority on data center construction in its facilities master plan. Construction is currently underway to upgrade the Westside data center so that CNM is able to quickly reinstate its systems and network should a failure at the Main campus data center occur. This project is expected to be completed by the Fall 2009 term. Additionally, design of the new Main campus primary data center replacement facility is complete, and CNM anticipates breaking ground on that building in March 2009.

In the mean time, CNM must seek ways to protect our current investment in IT systems and infrastructure while remaining respectful of how we are using tax payer dollars given that new data centers are being constructed. Several cost efficient improvements have already been made to the A Building and E Building data centers. For example, overhead drain pipes have been modified to eliminate the possibility of water damage. CNM has established a contract with an HVAC vendor that can provide on-call services. The roof has been thoroughly tested by an external roofing contractor, and all irregularities have been corrected.

Other temporary improvements designed to better maintain existing data centers pending the completion of the new data centers have also been put into place. For example, rather than investing in an expensive gas fire suppression system in a building that will no longer be used as a data center in the near future, CNM is currently in the process of obtaining quotes for a fire suppression system that will significantly reduce risk while also serving as an appropriate system once that space is re-purposed. Likewise, temporary air conditioning units have been put into place rather than installing HVAC systems that will exceed requirements for the space once IT moves to the new data centers.

CNM also agrees that the development and maintenance of an IT business continuity plan and a disaster recovery plan are important requirements for mitigating risk. CNM has had a disaster recovery plan for some time. Philosophically, CNM believes that many of the preventative concepts of an IT business continuity plan should be included in one plan rather than maintaining a separate disaster recovery plan. Thus, CNM has already worked with various departments to determine mission critical functions, to analyze risk and the probability of disruption, and to determine the minimum acceptable down time by function. CNM is currently in the process of updating its existing IT business continuity/disaster recovery plan.

Section III - Federal Award Findings and Questioned Costs

No such findings identified

Section IV - Other Matters as required by New Mexico State Statute 12-6-5, NMSA 1978

08-2 Payroll File

Condition
During our test work of internal controls over Payroll disbursements, we noted the following instances of exceptions noted in the employee's file:

> An employee had change in benefit withholdings with no change form in the Human Resource file to support the change.

Criteria
The College has established policies and procedures to require that all employee files maintain current information that agrees to their computer software.

Cause
Due to clerical errors, all of the proper forms were not correctly updated and verified into the Banner system.

Effect
The College was not in compliance with their payroll policies and procedures and employees may have not had the correct withholding from their payroll checks.

Recommendation
Personnel responsible for the employee files should review relevant documentation to ensure that all forms are properly completed and keyed into the College's computer system.

Response
Management concurs. The forms in question were from 1993 and 1996. Our current practice is for the Technicians to check each others work to ensure that this type of error does not occur.

Section IV - Other Matters as required by New Mexico State Statute 12-6-5, NMSA 1978

08-3 Budget

Condition
We noted that the College overspent its approved budget in unrestricted current funds in the Auxiliaries by $149,797.

Criteria
Adequate internal controls to prevent budget overspending are required for the College to comply with Budge regulations under 6-3-1 to 6-3-25, NMSA 1978. The controls provide a 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.

Cause
Expenditures were approved for payment when budgeted funds were not available. Budget adjustment requests were not completed to cover the increase in expenditures.

Effect
Overspending of the budget could result in a shortfall of cash funds.

Recommendation
University budget controls and processes should be reviewed to ensure that budgeted amounts are never overspent by any amount and budget adjustment requests are completed.

Response
Management concurs. Careful projections of both expenditures and credits will be made before the auxiliaries budget is finalized. Additionally CNM will explore the implementation of the electronic purchase requisition feature of Banner so that the determinate of budget availability is made automatically prior to contracting for the purchase of goods and services.

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs

Status of Prior Year Audit Findings		Current Status
07-1	Participation agreements	Resolved
07-2	Construction Contract	Resolved
07-3	W-2 Withholdings	Resolved
07-4	Travel Reimbursement	Resolved

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE
Exit Conference

A closing conference was held on November 12, 2008, to discuss the audit report and current and prior year auditor's comments. The parties agreed to the factual accuracy of the comments contained herein. In attendance were the following individuals:

Representing the Governing Board of Central New Mexico Community College

Richard Barr	Governing Board Chair
Penny Holbrook	Audit Committee Chair
John B. Mondragon	Audit Committee - Member

Representing Central New Mexico Community College

Katherine Bercaw	Vice President for Planning and Budget
Robert Brown	Vice President of Administrative Services
Martin Serna	Comptroller
Loretta Montoya	Director of Accounting
Allen Leatherwood	Director of Internal Audit
Mark Lovato	Senior Staff Auditor
Lisa Archuleta	Staff Auditor

Representing Central New Mexico Community College Foundation

Lisa McCulloch	Director of Development

Representing Kardas, Abeyta & Weiner P.C.

Scott Peck	Principal