STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Basic Financial Statements and Schedules

June 30, 2010 and 2009

(With Independent Auditors' Reports Thereon)

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
Robert P. Matteucci	Chair
Penelope S. Holbrook	Vice Chair
John Mondragon	Secretary
Deborah Moore	Member
Blair L. Kaufman	Member
Carmie Lynn Toulouse	Member
Michael DeWitte	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, 2010 and 2009, 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 and for the year ended June 30, 2009, 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, 2010 and 2009, 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 Standard* , we have also issued our report dated November 3, 2010 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the College's basic financial statements and budgetary comparisons presented as supplementary information. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* , and is not a required part of the financial statements. The additional schedules listed as "Supplementary Information Section" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kardas, Abeyta & Weiner, P.C.

November 3, 2010

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.

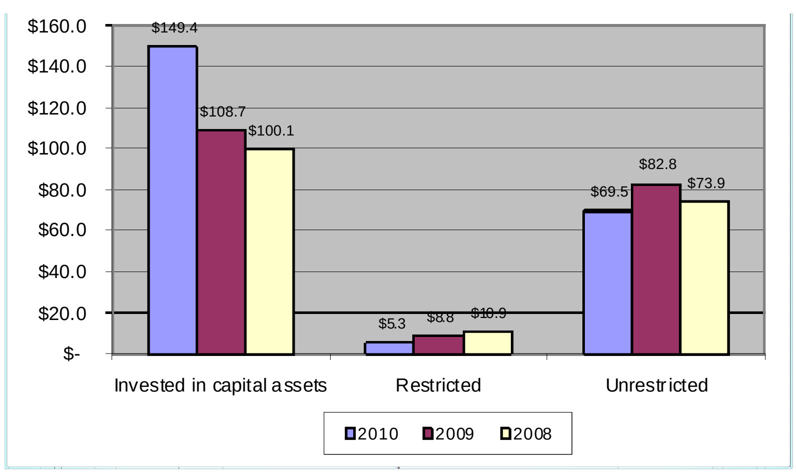
The discussion and analysis of the College's financial statements provides an overview of its financial activities for the years ended June 30, 2010 and 2009. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

Financial Highlights

Net assets increased approximately $23.8 million (11.9%) during 2010. The change resulted primarily from a decrease in unrestricted net assets of $13.4 million (-16.1%), an increase in invested in capital assets of $40.7 million (37.4%), and a decrease in net assets reserved for capital projects of $2.5 million (-100.0%).

Net assets increased approximately $15.5 million (8.4%) during 2009. The change resulted primarily from an increase in unrestricted net assets of $8.9 million (12.1%), an increase in invested in capital assets of $8.7 million (8.7%), and a decrease in net assets reserved for debt service of $2.7 million (36.8%).

The following graph illustrates the comparative change in net assets by category for fiscal years 2010, 2009, and 2008.



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)

	2010	2009	2008
Assets:			
Current assets	$ 107,519	104,414	116,416
Capital assets, net	180,537	129,124	110,864
Other noncurrent assets	3,519	2,995	3,421
Total assets	291,575	236,533	230,701
Liabilities:			
Current liabilities	24,881	13,336	16,731
Noncurrent liabilities	42,526	22,857	29,101
Total liabilities	67,407	36,193	45,832
Net assets:			
Invested in capital assets, net of related debts	149,419	108,747	100,075
Restricted	5,281	8,774	10,900
Unrestricted	69,468	82,819	73,894
Total net assets	$ 224,168	200,340	184,869

Total assets increased $60.9 million (26.4%) over a two-year period driven by a $69.7 million increase in capital assets. This was due to the addition of the Rio Rancho campus, the Student Resource Center, and the purchase of the Alameda property.

During 2010, total liabilities increased by $31.2 million due primarily to the issuance of the $30.0 million 2009 bond issue. Accounts payable increased by $5.0 million due to an increase in construction activity. In 2009, liabilities decreased by $9.6 million as the College paid off the 2001 Series bond issue early totaling $7.7 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)

		2010	2009	2008
Operating revenues	$	27,019	25,232	23,983
Operating expenses		(146,517)	(135,770)	(129,007)
Operating loss		(119,498)	(110,538)	(105,024)
Nonoperating revenues and expenses		132,125	124,954	120,282
Income before other revenues, expenses, gains, or losses		12,627	14,416	15,258
Capital grants and appropriations		11,201	1,055	750
Increase in net assets	$	23,828	15,471	16,008

Operating Revenues

Operating revenues of $27.0 million increased $1.8 million (7.0%) when compared to 2009, and were $3.0 million (12.7%) greater when compared to 2008. The following table summarizes the College's operating revenues for the years ended June 30:

Operating Revenues (in Thousands)

		2010	2009	2008
Tuition and fees, net	$	11,124	10,339	9,642
Federal grants and contracts		3,963	3,839	3,967
State and local grants and contracts		6,570	6,556	6,628
Sales and services of educational activities		2,366	1,703	1,354
Auxiliary enterprises		2,996	2,795	2,392
Total operating revenues	$	27,019	25,232	23,983

Tuition and fees increased $0.8 million in 2010 due primarily to an increase in enrollment. From 2008 to 2010, tuition and fees increased $1.5 million, a 15.4% increase in two years. Sales and services of educational activities increased $1.0 million from 2008 to 2010, an increase of 74.7%.

Operating Expenses

Operating expenses increased $10.7 million (7.9%) in 2010 when compared to the prior year. Student service expenses increased $0.6 million (4.4%) in 2010. Over a two year period, expenses for operation and maintenance of plant increased $2.0 million (20.1%). Student aid increased $9.3 million (47.4%) in 2010 caused primarily by an increase in Pell grants. Over the two-year period from 2008 through 2010, operating expenses increased $17.5 million, a 13.6% increase. The following table summarizes the College's operating expenses for the years ended June 30:

		2010	2009	2008
Instruction	$	56,497	55,365	54,228
Public service		1,359	1,959	1,683
Academic support		9,360	10,001	10,171
Student services		14,453	13,844	13,160
Institutional support		15,919	16,118	16,758
Operation and maintenance of plant		11,797	10,875	9,825
Depreciation		6,078	6,048	6,004
Student aid		29,034	19,692	15,335
Auxiliary enterprises		1,929	1,787	1,708
Other expenses		91	81	135
Total operating expenses	$	146,517	135,770	129,007

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses increased $7.2 million (5.7%) in 2010 when compared to the prior year. State appropriations decreased $6.7 million (-12.4%) in 2010. Over a two-year period, state appropriations have decreased $9.7 million (17.1%). Local appropriations for operations increased $2.4 million (5.7%) in 2010 and $7.6 million (20.3%) over a two-year-period. Federal Pell grants revenue increased $12.2 million in 2010 a 66.3% increase.

Investment income decreased by $.67 million (-79.6%) in 2010 due to a collapse in financial markets. Overall, nonoperating revenue and expenses increased $11.8 million (9.9%) over a two year period. The following table summarizes the College's nonoperating revenue and expenses for the years ended June 30:

Nonoperating Revenues and Expenses (in Thousands)

		2010	2009	2008
State appropriations	$	47,104	53,768	56,829
Local appropriation – operating		44,921	42,514	37,352
Local appropriation – debt service		9,358	9,105	7,980
Federal pell grant		30,535	18,363	13,596
Investment income		170	834	4,069
Interest on capital asset related debt		(990)	(994)	(1,337)
Other		1,027	1,364	1,793
Total nonoperating revenues and expenses	$	132,125	124,954	120,282

Capital Grants and Appropriations

Other revenues, expenses, gains, or losses increased $10.1 million (962%) in 2010 due to receipt of $10.8 million in 2007 State GOB bonds for the SRC building. 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:

		2010	2009	2008
Capital appropriations	$	11,064	346	709
Capital grants and gifts		7	209	41
Additions to permenant endowments		130	500	—
Total other revenues, expenses, gains, or losses	$	11,201	1,055	750

(Continued)

Capital Asset and Debt Administration

Capital Assets

At June 30, 2010, the College had approximately $180.5 million invested in capital assets, net of accumulated depreciation of $68.2 million. Depreciation charges for the current year totaled $6.1 million compared to $6.0 million in 2009 and $6.0 million in 2008. The following table summarizes the College's capital assets, net of accumulated depreciation, as of June 30:

Capital Assets, Net (in Thousands)

		2010	2009	2008
Land and improvements	$	35,035	31,734	24,312
Buildings		81,691	70,618	73,156
Infrastructure		2,166	1,990	392
Furniture, fixtures, and equipment		9,488	7,099	7,714
Library materials		1,609	1,655	1,495
Art		513	420	416
Construction in progress		50,035	15,608	3,379
Capital assets, end of year	$	180,537	129,124	110,864

Major capital expenditures during fiscal year 2010 include:

West Side Data Center	1,025,942	Cable plant upgrade	863,920
JMMC Bookstore	765,275	WTC .88 acre purchase	622,112
Student Resource Center	20,205,019	Trades Mechanical upgrade	2,989,256
Alameda property purchase	10,175,087	BRR small projects	1,722,679
Rio Rancho Campus	15,401,178	Data processing projects	2,226,653

Major capital expenditures during fiscal year 2009 include:

University median phase I	1,049,033	West side 20 acre land purchase	1,266,607
JMMC Bookstore	5,466,530	MS 4th floor renovation	177,612
Student Services Center	5,471,943	Trades Mechanical upgrade	1,360,311
CNM West parking lot phase II	1,930,689	BRR small projects	2,038,725
Rio Rancho instructional facility	4,511,557	Data processing projects	1,349,115

Additional information about the College's capital assets and construction commitments are presented in note 4 and 10 to the basic financial statements.

Bonds Payable

As of June 30, 2010, the College has $44.8 million in outstanding bonds, an increase of $21.0 million when compared to 2009 and an increase of $10.5 million when compared to 2008. The increase in 2010 is due to the issuance of the $30.0 million CNM GOB 2009 Bond Series. The following table summarizes outstanding long-term liabilities by series as of June 30:

		2010	2009	2008
Bond Series 2001	$	—	—	7,700
Bond Series 2006		22,825	23,825	26,600
Bond Series 2009		22,000	—	—
Total principal		44,825	23,825	34,300
Premium		451	32	76
Total debt outstanding	$	45,276	23,857	34,376

In July 2009, Standard & Poor's reviewed their rating of Central New Mexico Community College general obligation bonds and affirmed the "AA+" rating. In a recent recalibration of ratings Moody's assigned an Aa1 rating to CNM's outstanding bond series. 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).

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	$	10,250	12,878	13,170	292
Miscellaneous fees		4,484	5,246	5,572	326
State government appropriations		49,069	47,104	47,104	—
Local government appropriations		39,930	44,177	44,355	178
Federal government contracts/grants		21,962	41,987	34,675	(7,312)
State government contracts/grants		6,922	7,350	6,537	(813)
Local government contracts/grants		30	16	—	(16)
Private contracts/grants		2,014	2,180	899	(1,281)
Endowments		73	79	78	(1)
Sales and services		2,491	4,891	4,501	(390)
Other		792	1,857	1,377	(480)
Capital outlay		11,300	28,800	30,774	1,974
Building renewal and replacement		225	143	93	(50)
Retirement of indebtedness		9,075	9,275	9,276	1
Total revenues	$	158,617	205,983	198,411	(7,572)

The final budget added $47.4 million (29.9%) in revenue versus the original budget. The primary increases were in Federal grants, $20.0 million additional for financial aid; a $17.5 million increase in capital outlay for construction projects; and a $4.2 million increase local government appropriations. State appropriations were reduced by $2.0 million.

Actual revenues were $7.6 million (-3.7%) less than the final budget. The largest variance was in federal grants $7.3 million caused by overestimating Pell grants and only one month of ARRA expenditures. Capital outlay revenue exceeded budget by $2.0 million (6.9%). Private contracts/grants revenues were under budget by $1.3 million (58.8%).

(Continued)

Expenditures (Budgetary Basis)

The final budget increased expenditures by approximately $64.1 million. The budget for capital outlay was increased by $26.5 million (79.1%) for anticipated capital projects. The budget for instruction was increased by $7.7 million anticipating growing enrollments. The student aid grants and stipends budget was increased a total of $18.3 million due to growth in the award of Pell grants. The schedule below summarizes the Colleges original budget, final budget, actuals, and variance for expenditures:

Budgeted Expenditures (in Thousands)

	Original budget	Final budget	Actuals (budgetary basis)	Variance favorable (unfavorable)
Expenditures:				
Instruction	$ 56,636	64,371	57,396	6,975
Academic support	10,732	11,618	9,603	2,015
Student services	14,729	16,371	14,451	1,920
Institutional support	16,263	18,240	15,963	2,277
Operation and maintenance of plant	9,570	10,183	9,484	699
Student social and cultural activities	115	203	91	112
Public services	2,358	2,186	1,372	814
Internal services	(333)	(317)	(309)	(8)
Student aid grants and stipends	23,567	41,884	35,829	6,055
Auxiliary enterprise	1,523	2,241	1,928	313
Capital outlay	33,501	60,000	50,847	9,153
Building renewal and replacement	11,850	13,411	7,950	5,461
Retirement of indebtedness	6,607	10,855	10,605	250
Total expenditures	$ 187,118	251,246	215,210	36,036

Actual expenditures were $36.0 million (14.3%) less than the final budget. Capital outlay expenditures were $9.2 million under budget due primarily to the timing of capital projects. Instruction was $7.0 million (10.8%) under budget due to anticipated enrollment not occurring. Student aid was $6.1 million under budget.

(Continued)

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	$ 59,949	88,095	88,095	—
Revenues	158,617	205,983	198,411	(7,572)
Expenditures	187,118	251,246	215,210	36,036
Change in Net Assets (budgetary basis)	(28,501)	(45,263)	(16,799)	$ 28,464
Net Assets (budgetary basis)	$ 31,448	42,832	71,296	

The actual change in net assets on a budgetary basis was -$16.8 million, $28.5 million better than budgeted.

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. The state appropriation was cut 3.2 percent in fall 2010 with further cuts expected for FY 2011. Additional cuts are expected in fiscal year 2012. In fiscal year 2010, general fund appropriations for CNM decreased by $6.66 million (12.4%).

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 2009, census date data for Fall 2010 reports 29,781 students in college credit programs. This represents an increase of 1,865 students (6.6%), and an increase of (7.5%) in student credit hour production. The College has experienced increasing enrollments since the decline of the economy.

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.

(Continued)

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Statements of Net Assets

June 30, 2010 and 2009

	Primary Institution		Component Unit	
	2010	**2009**	**2010**	**2009**
Assets:				
Current assets:				
Cash and cash equivalents	$ —	522,307	44,143	—
Cash and cash equivalents - restricted	3,612,029	433,842	208,791	95,384
Investments - unrestricted	76,689,880	85,791,314	—	—
Investments - restricted	20,355,217	12,033,655	—	—
Endowment investments - restricted	97,294	175,153	—	—
Accounts receivable students, net	1,008,740	453,527	—	—
Grants and contracts receivable	2,168,809	1,629,593	13,779	10,237
Mill levy receivable	3,373,304	3,191,818	—	—
Pledges receivable	—	—	26,770	287,096
Other receivable	—	—	16,867	18,298
Inventories	57,020	22,279	—	—
Other assets	156,580	160,245	—	—
Total current assets	107,518,873	104,413,733	310,350	411,015
Noncurrent assets:				
Cash and cash equivalents - restricted	—	—	664,803	287,841
Investments - restricted	—	—	—	—
Endowment investments - restricted	1,580,000	1,450,000	3,544,679	3,221,665
Mill levy receivable	1,462,285	961,724	—	—
Pledges receivable	—	—	6,830	2,430
Notes receivable	168,825	167,253	—	—
Other assets	307,687	415,688	—	—
Capital assets, net	180,537,494	129,124,113	—	—
Total noncurrent assets	184,056,291	132,118,778	4,216,312	3,511,936
Total assets	$ 291,575,164	236,532,511	4,526,662	3,922,951
Liabilities:				
Current liabilities:				
Cash overdraft	$ 487,919	—	—	—
Accounts payable to suppliers	8,484,630	3,475,739	54,249	87,415
Accounts payable - loans	3,655,810	862,214		
Accrued compensated absences	1,813,600	1,829,103	—	—
Accrued payroll and payroll taxes	4,225,314	3,832,185	—	—
Accounts payable - other	212,899	214,968	—	—
Accrued interest payable	609,028	373,294	—	—
Deferred revenue	2,641,705	1,748,366	93,515	—
Bonds payable - current portion	2,750,000	1,000,000	—	—
Total current liabilities	24,880,905	13,335,869	147,764	87,415
Noncurrent liabilities - bonds payable	42,526,319	22,857,138	—	—
Total liabilities	67,407,224	36,193,007	147,764	87,415
Net assets:				
Invested in capital assets, net of related debt	149,419,309	108,747,075	—	—
Restricted:				
Nonexpendable:				
Scholarships	—	—	2,352,599	2,185,400
Department programs	1,580,000	1,450,000	138,887	157,421
Expendable:				
Scholarships	41,339	44,401	995,416	1,083,027
Department programs	335,403	175,153	1,152,214	948,986
Capital projects	—	2,451,511	—	—
Debt service	3,324,028	4,652,737	—	—
Unrestricted	69,467,861	82,818,627	(260,218)	(539,298)
Total net assets	224,167,940	200,339,504	4,378,898	3,835,536
Total liabilities and net assets	$ 291,575,164	236,532,511	4,526,662	3,922,951

See accompanying notes to 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, 2010 and 2009

	Primary Institution		Component Unit	
	2010	**2009**	**2010**	**2009**
Operating revenues:				
Tuition and fees (net of scholarship allowances of $6,794,981 for 2010 and $3,822,102 for 2009)	$ 11,123,921	10,338,749	—	—
Federal grants and contracts	3,962,686	3,838,931	—	—
State and local grants and contracts	6,569,803	6,556,344	631,203	18,222
Sales and services of educational departments	2,366,239	1,703,144	—	—
Gifts and pledges	—	—	454,578	1,890,087
Auxiliary enterprise	2,996,312	2,794,867	—	—
Total operating revenues	27,018,961	25,232,035	1,085,781	1,908,309
Operating expenses:				
Instruction and general:				
Instruction	56,497,189	55,364,829	—	—
Public service	1,358,888	1,958,892	—	—
Academic support	9,360,054	10,000,755	—	—
Student services	14,452,942	13,844,284	—	—
Institutional support	15,918,892	16,117,717	—	—
Operation and maintenance of plant	11,796,794	10,875,360	—	—
Depreciation	6,077,873	6,048,205	—	—
Student aid	29,034,279	19,692,116	—	—
Auxiliary enterprises	1,929,160	1,787,459	—	—
Other expenses	91,143	80,654	1,048,828	1,679,038
Total operating expenses	146,517,214	135,770,271	1,048,828	1,679,038
Operating income (loss)	(119,498,253)	(110,538,236)	36,953	229,271
Nonoperating revenues (expenses):				
State appropriations	47,104,100	53,768,514	—	—
Local appropriations – operating	44,920,738	42,514,401	—	—
Local appropriations – debt service	9,357,954	9,104,618	—	—
Federal pell grant	30,535,236	18,362,799	—	—
Gifts	758,714	1,141,052	—	—
Investment income (loss)	170,566	834,125	378,345	(775,497)
Interest on capital asset related debt	(990,047)	(993,928)	—	—
Gain (loss) on disposition of assets	18,416	(64,975)	—	—
Other nonoperating revenues	249,667	287,526	—	—
Net nonoperating revenues (expenses)	132,125,344	124,954,132	378,345	(775,497)
Income (loss) before capital grants and appropriations	12,627,091	14,415,896	415,298	(546,226)
Capital appropriations	11,064,084	346,362	—	—
Capital grants and gifts	7,261	208,410	—	—
Additions to permanent endowments	130,000	500,000	128,064	15,773
Total other changes	11,201,345	1,054,772	128,064	15,773
Increase (decrease) in net assets	23,828,436	15,470,668	543,362	(530,453)
Net assets, beginning of year	200,339,504	184,868,836	3,835,536	4,365,989
Net assets, end of year	$ 224,167,940	200,339,504	4,378,898	3,835,536

See accompanying notes to basic financial statements.

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE
Statements of Cash Flows
Years ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Tuition and fees	$ 11,341,058	10,256,238
Federal grants and contracts	3,673,311	4,134,919
State and local grants and contracts	6,565,067	8,512,239
Payments to suppliers	(19,169,966)	(20,251,627)
Payments for utilities	(3,356,195)	(2,948,810)
Payments to employees	(67,546,734)	(67,105,910)
Payments for benefits	(19,278,504)	(19,764,297)
Payments for scholarships	(28,985,639)	(19,710,410)
Loans issued to students	(10,000)	—
Collection of loans to students	8,427	14,993
Auxiliary enterprise charges	2,957,142	2,790,050
Sales and services of educational activities	2,359,210	1,686,247
Net cash used by operating activities	(111,442,823)	(102,386,368)
Cash flows from noncapital financing activities:		
State appropriations	47,104,100	53,768,514
District mill levies–operating	44,239,423	41,197,832
District mill levies–debt service	9,357,222	9,065,722
Federal pell grant	30,481,214	18,343,834
Education loan receipts	45,174,702	31,941,969
Education loan disbursements	(42,433,518)	(32,607,879)
Gifts and appropriations received for permanent endowments	888,713	1,641,052
Student organization agency transactions	17,284	(3,847)
Other receipts	251,846	287,526
Net cash provided by noncapital financing activities	135,080,986	123,634,723
Cash flows from capital and related financing activities:		
Proceeds from capital debt	30,451,991	—
Capital appropriations	11,086,193	707,153
Proceeds from sale of capital assets	42,740	48,175
Purchases of capital assets	(53,549,340)	(22,277,366)
Principal paid on capital debt and leases	(9,000,000)	(10,475,000)
Interest paid on capital debt and leases	(1,400,083)	(1,400,337)
Net cash used by capital and related financing activities	(22,368,499)	(33,397,375)
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	146,484,382	126,137,549
Interest on investments	170,566	834,126
Purchase of investments	(145,756,651)	(115,430,217)
Net cash provided by investing activities	898,297	11,541,458
Net increase (decrease) in cash and cash equivalents	2,167,961	(607,562)
Cash and cash equivalents, beginning of year	956,149	1,563,711
Cash and cash equivalents, end of year	$ 3,124,110	956,149
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	$ (119,498,253)	(110,538,236)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	6,077,873	6,048,205
Changes in assets and liabilities		
Receivables, net	(1,014,754)	2,004,281
Inventories	(34,741)	9,792
Other assets	111,667	113,173
Accounts payable and accrued expenses	2,039,729	(342,344)
Accrued Compensated absences	(15,504)	158,978
Deferred revenue	891,160	159,783
Net cash used by operating activities	$ (111,442,823)	(102,386,368)
Noncash transactions:		
Capital grants and gifts	$ 7,261	208,410

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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 State of New Mexico Albuquerque Technical Vocational Institute changed its legal name to Central New Mexico Community College on June 2, 2006. 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 in 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, 2010 and 2009; 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 such as the overnight sweep account 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. Restricted cash, cash equivalents and restricted investments represent amounts that are externally restricted to make debt service payments, bond funds restricted for capital purposes, and cash for loans.

The State Treasurer Office invested a portion of the LGIP in the The Reserve Primary Fund ("the Fund"), a money market fund, in fiscal years 2006, 2007, 2008 and 2009. On September 15, 2008, the balance of the LGIP's investment in the Fund was $381.7 million. On September 16, 2008, The Reserve Primary Fund's net asset value fell below $1.00 and holdings in the Fund were frozen. Since September 2008, The Reserve Primary Fund has returned approximately $0.92 per share to shareholders. On February 26, 2009, The Reserve Primary Fund announced that it was withholding $3.5 billion of the Fund's assets for anticipated and pending litigation against it, which the amount could increase or decrease as the Fund evaluates information related to such litigation. As a result, the State Treasurer's Office cannot anticipate what the actual loss to the LGIP from The Reserve Primary Fund may be or when the actual loss may be realized. No actual loss has been realized to date. The total remaining Reserve Primary Fund position as of June 30, 2009, is $39.5 million. The LGIP's remaining position in The Reserve Primary Fund is a non-performing asset. The College believes that a loss has occurred. The College recorded an estimated loss of $380,270 for their portion as of June 30, 2009.

The State of New Mexico donated to the College for the Legislative Nursing Endowment this past year. The College's 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 an amount determined prudent of the asset value of the endowment fund. The asset value is defined as the average of the most recent twelve quarter-ending asset values for the endowment fund. At the beginning of each fiscal year, the College's management determines the potential distribution amount for the endowment fund for the ensuing fiscal year. The College has approximately $97,000 available for use. The amount is recorded in net assets as restricted-expendable.

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 Foundation's 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 asset values for each endowment fund for the last three years. 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. On July 1, 2009 the uniform Prudent Management of Institutional Funds Act, introduced as HB 454 became effective. This act redefines the Foundations ability to spend net appreciation on investments of donor-restricted endowments.

(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 2009.

During the year, the College received various special appropriations for compensation, school transportation, Tax Help and the Nursing program. The College spent all the funds with the exception of the Nursing Program, which had a balance of $238,109 remaining and is recorded in restricted net assets – expendable.

(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 2006 Bond Series and 2009 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 $4,835,589 and $4,153,542 as of June 30, 2010 and 2009, 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, 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 per Section 12-6-10 NMSA 1978 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. 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, 10 years for library books, and 4 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, 2010 and 2009 consists primarily of $2,302,043 and $1,567,831, respectively, amounts received from deferred summer term tuition, and $339,662 and $180,535, 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, 2010 and 2009, approximately $13,357,691 and $5,899,473 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. At year end the College had $238,109 in assets allocated by the NM Higher Ed Department restricted to use for the Nursing program.

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 Pell Grant.

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 (1) employee salaries, benefits, and related expense; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, supplies, and other services; (4) professional fees; and (5) depreciation expenses related to the College's capital assets.

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:

College

		2010	2009
Cash on hand	$	11,275	11,375
Deposits with financial institutions		3,112,835	944,774
Investments with New Mexico State Treasurer		98,722,391	99,450,122
Total cash and investments	$	101,846,501	100,406,271

Foundation

		2010	2009
Cash, including money market accounts	$	917,737	383,225
Federal agency obligations		836,155	771,784
Corporate obligations		317,974	297,782
International obligations		—	40,138
Marketable securities		2,390,550	2,111,961
Total cash and investments	$	4,462,416	3,604,890

(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 a new investment policy, approved in October 2009, to provide for the prudent management of invested funds with a reasonable phase in period. 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 June 30, 2010, the portfolio consisted of 13.21% of U.S. Treasuries. The IPS provides that no single issuer of debt or equity should comprise more than 5% of the total portfolio except for U.S. obligations. 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 this time.

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
International	5	25
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, 2010:

	Rating		Fair value
NewMexiGROW LGIP	AAAm	$	98,722,391
Total rated securities		$	98,722,391

The following table provides information on the credit ratings associated with the Foundation's investment in debt securities at June 30, 2010:

	Rating		Fair value
Federal obligations			
US Treasury Notes	AAA	$	556,035
Federal Home Loan Mtg Corp	AAA		182,082
Federal National Mortgage Association	AAA		98,038
			836,155
Corporate obligations			
Corporate bonds	AA+		45,108
Corporate bonds	AA		45,159
Corporate bonds	A+		43,983
Corporate bonds	A		183,724
			317,974
Total rated securities		$	1,154,129

The College has invested $98,722,391 at June 30, 2010 and $99,450,122 at June 30, 2009 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)	$ 98,722,391	98,722,391	—	—
Foundation	Federal agency obligations	836,155	43,727	569,304	223,124
Foundation	Corporate obligations	317,974	—	88,431	229,543

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, 2010 was 50 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, 2010 the Foundation had 13.21% of the portfolio in U.S. Treasuries which is allowed by the updated Investment Policy.

(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, 2010 and 2009, the College's deposits had a carrying amount of $3,112,835 and $944,744, respectively, and a bank balance of $4,508,308 and $3,020,910, respectively. Of the bank balance, $250,000 was covered by federal depository insurance. At June 30, 2010 and 2009, $4,258,308 and $2,770,910, respectively, 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, 2010 and 2009, $98,722,391 and $99,450,122 was covered by collateral held under the Pooling Method, respectively.

Of the investments in federal agency and corporate obligations and marketable securities, the Foundation had custodial risk exposure at June 30, 2010 and 2009, because the related securities are held by the Foundation's brokerage firm, which is also the counterparty for these securities.

The Foundation's investment portfolio is covered by the Securities Investor Protection Corporation (SIPC), up to $500,000 of protection, of which $100,000 may be cash for each protected account. Additionally, the brokerage firm provides supplemental protection on eligible assets over $500,000 through underwriters, subject to aggregate loss limit of $600 million. A per client limit for cash is $1,900,000. Note that SIPC does not protect against losses in the portfolio value due to market fluctuations.

At June 30, 2010, the Foundation's bank balance including money market accounts and certificates of deposit was $917,737. Of this amount, $250,000 was covered by federal depository insurance and $667,737 was exposed to custodial risk as uninsured and uncollateralized. The brokerage firm money market account balance at June 30, 2010 was $664,803, which is higher than normal because the brokerage firm was in the process of reorganizing the portfolio.

At June 30, 2009, the Foundation's bank balance including money market accounts and certificates of deposit was $528,123. Of this amount, $465,185 was covered by federal depository insurance and $62,938 was exposed to custodial 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, 2010, CNM and the Foundation held no investments denominated in foreign currencies and therefore had no Foreign Currency Risk.

(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:

		2010	**2009**
Current asset:			
Receivables	$	8,163,533	6,429,079
Allowance for doubtful accounts		(1,612,680)	(1,154,141)
Net receivables – current	$	6,550,853	5,274,938
Noncurrent receivables	$	1,631,110	1,128,977

Included in the 2010 amounts above is a $4,835,589 mill levy receivable due from Bernalillo and Sandoval Counties, $2,168,809 of contract and grant receivables, and $1,008,740 in student receivables. Included in the 2009 amounts above is a $4,153,542 mill levy receivable due from Bernalillo and Sandoval Counties, $1,629,593 of contract and grant receivables, and $453,527 in student receivables.

(4) Capital Assets

Capital assets consist of the following:

	Year ended June 30, 2010			
	Balance, June 30, 2009	Additions and transfers	Dispositions and transfers	Balance, June 30, 2010
Capital assets not being depreciated:				
Land	$ 25,207,276	2,123,278	—	27,330,554
Art	420,576	102,800	10,500	512,876
Construction in process	15,608,240	52,873,513	18,446,988	50,034,765
Depreciable capital assets:				
Land improvements	9,450,945	1,686,775	—	11,137,720
Buildings	109,510,270	14,354,601	—	123,864,871
Infrastructure	2,281,619	323,674	—	2,605,293
Furniture, fixtures, and equipment	26,761,434	4,274,218	781,819	30,253,833
Library books	2,958,852	239,150	157,864	3,040,138
	192,199,212	75,978,009	19,397,171	248,780,050
Less accumulated depreciation:				
Land improvements	2,924,022	508,586	—	3,432,608
Buildings	38,892,568	3,281,742	—	42,174,310
Infrastructure	291,871	146,927	—	438,798
Furniture, fixtures, and equipment	19,662,564	1,855,899	752,552	20,765,911
Library books	1,304,074	284,719	157,864	1,430,929
	63,075,099	6,077,873	910,416	68,242,556
Net carrying amount	$ 129,124,113	69,900,136	18,486,755	180,537,494

The College capitalizes interest expense incurred during the period an asset is being prepared for its intended use. For the year ended June 30, 2010 and 2009, the College capitalized interest expense of approximately $612,960 and $195,819, respectively.

	Year ended June 30, 2009			
	Balance, June 30, 2008	**Additions and transfers**	**Dispositions and transfers**	**Balance, June 30, 2009**
Capital assets not being depreciated:				
Land	$ 20,329,503	4,877,773	—	25,207,276
Art	416,376	4,200	—	420,576
Construction in process	3,379,461	21,943,684	9,714,905	15,608,240
Depreciable capital assets:				
Land improvements	6,575,331	2,875,614	—	9,450,945
Buildings	109,005,406	504,864	—	109,510,270
Infrastructure	592,990	1,688,629	—	2,281,619
Furniture, fixtures, and equipment	28,059,147	1,814,990	3,112,703	26,761,434
Library books	2,716,293	426,676	184,117	2,958,852
	171,074,507	34,136,430	13,011,725	192,199,212
Less accumulated depreciation:				
Land improvements	2,593,355	330,667	—	2,924,022
Buildings	35,849,260	3,043,308	—	38,892,568
Infrastructure	200,869	91,002	—	291,871
Furniture, fixtures, and equipment	20,345,547	2,316,570	2,999,553	19,662,564
Library books	1,221,533	266,658	184,117	1,304,074
	60,210,564	6,048,205	3,183,670	63,075,099
Net carrying amount	$ 110,863,943	28,088,225	9,828,055	129,124,113

(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, 2010.

(6) Accrued Compensated Absences

The following is a summary of accrued compensated absences for the College for the years ended June 30, 2010 and 2009:

	Year ended June 30, 2010				
	Balance, June 30, 2009	Additions	Deductions	Balance, June 30, 2010	Current portion
Accrued compensated absences	$ 1,829,103	2,010,704	2,026,207	1,813,600	1,813,600

	Year ended June 30, 2009				
	Balance, June 30, 2008	Additions	Deductions	Balance, June 30, 2009	Current portion
Accrued compensated absences	$ 1,670,125	2,087,874	1,928,896	1,829,103	1,829,103

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, 2010 and 2009:

	Year ended June 30, 2010				
	Balance, June 30, 2009	Additions	Deductions	Balance, June 30, 2010	Current portion
Series 2006	$ 23,825,000	—	1,000,000	22,825,000	1,000,000
Series 2009	—	30,000,000	8,000,000	22,000,000	1,750,000
Total bond principal	23,825,000	30,000,000	9,000,000	44,825,000	2,750,000
Bond premium	32,138	451,992	32,811	451,319	—
	$ 23,857,138	30,451,992	9,032,811	45,276,319	2,750,000

	Year ended June 30, 2009				
	Balance, June 30, 2008	Additions	Deductions	Balance, June 30, 2009	Current portion
Series 2001	$ 7,700,000	—	7,700,000	—	—
Series 2006	26,600,000	—	2,775,000	23,825,000	1,000,000
Total bond principal	34,300,000	—	10,475,000	23,825,000	1,000,000
Bond premium	75,562	—	43,424	32,138	—
	$ 34,375,562	—	10,518,424	23,857,138	1,000,000

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 all of the 2006 Bonds proceeds. The bonds are under the requirements of the federal arbitrage regulations.

On August 19, 2009, the College issued $30,000,000 of General Obligation (Limited Tax Bonds) – Series 2009 (2009 Bonds). The bonds were issued for erecting, 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 three major capital outlay projects: purchase and renovation of the Alameda Business Property; the Jeanette Stromberg Renovation Project; and the Westside Phase III instructional facility. The Bonds will also be used to fund various renewal and replacement projects. The 2009 Bonds bear interest at rates ranging from 2.50% to 4.00% and are payable from revenues generated by a separate district mill levy approved by the College's district voters on February 7, 2006. The 2009 Bonds mature through August 15, 2024. Bonds maturing on or after August 15, 2020 are subject to redemption prior to their maturity at the option of the College at any time on or after August 15, 2019. At year-end, the College had spent $16,686,560 of the 2009 Bonds proceeds. The bonds are under the requirements of the federal arbitrage regulations.

Debt service requirements at June 30, 2010 are as follows:

		General Obligation Bond Series 2006		
Fiscal year ending June 30		**Principal**	**Interest**	**Total debt service**
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		1,825,000	772,950	2,597,950
2015-2019		9,525,000	2,272,775	11,797,775
2020-2025		6,975,000	614,200	7,589,200
	$	22,825,000	6,278,775	29,103,775

		General Obligation Bond Series 2009		
Fiscal year ending June 30		**Principal**	**Interest**	**Total debt service**
2011	$	1,750,000	649,250	2,399,250
2012		6,750,000	526,125	7,276,125
2013		1,200,000	409,875	1,609,875
2014		1,200,000	379,875	1,579,875
2015-2019		5,700,000	1,433,250	7,133,250
2020-2025		5,400,000	657,812	6,057,812
	$	22,000,000	4,056,187	26,056,187

The maximum debt of the College may not exceed 3% of the assessed valuation of the District or approximately $495,000,000.

(8) Pension Plan – Educational Retirement Board

Plan Description

Substantially all of the College's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy

Effective July 1, 2009, plan members were required by statute to contribute 7.9% of their gross salary if they earned $20,000 or less annually, and plan members earning more than $20,000 annually were required to contribute 9.4% of their gross salary. The College was required to contribute 12.4% of the gross covered salary for employees earning $20,000 or less, and 10.9% of the gross covered salary of employees earning more than $20,000 annually. The employer contribution is increasing by .75% each year until effective July 1, 2011; the employer contribution will be 13.9% of the gross covered salary. The contribution requirements of plan members and the College are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The College's contributions to ERB for the fiscal years ending June 30, 2010, 2009, and 2008, were $7,061,891, $7,286,727, and $6,632,999, respectively, which equal the amount of the required contributions for each fiscal year.

403(b)

In addition to the ERA plan, the College sponsored a 403(b) defined savings contribution plan for its employees. The College froze the plan on December 31, 2008. The College did not contribute or match any funds in the 403(b) savings program. The total amount of employee contributions for the fiscal year 2009 was approximately $241,532.

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 2010, employees may voluntarily contribute up to a maximum of $16,500 if under age 50, and up to a maximum of $22,000 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 2010 and 2009 was approximately $650,485 and $616,574, respectively.

(9) Post-Employment Benefits – State Retiree Health Care Plan

Plan Description

Central New Mexico Community College contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.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. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

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

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

The College's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were $810,749, $812,939, and $790,942, 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, 2010, the College has $15,794,999 of outstanding capital commitments to contractors and architects related to the following projects:

Building Renewal & Replacement Small Projects	$	496,558
Main Campus Technology Loop		23,063
Cable Plant Upgrade		181,103
Alameda Property Remodel		463,499
University Median Phase I		47,272
Student Resource Center		4,011,511
Trades Mechanical Upgrade		188,975
Rio Rancho Instructional Facility		4,819,069
Main CCTV System		23,868
eXtender /Image Software Project		66,530
Voice System		60,904
Main Bookstore & Student Activities		791,424
H & TW Building Renovation		16,180
M Building Cooling Tower		2,933
HED Equipment Renewal		176,449
Network Infrastructure Upgrade		36,228
Data Processing Equipment		79,801
Enterprise Technology Upgrades		19,590
HVAC SB & Max Salazar		5,394
Motor Pool		59,306
MS Elevator Replacement		23,116
Campus Coutertop Replacement		40,034
S-Buiding Renovation		6,250
JS-Building Renovation		1,240,349
APS Security Bldg Renovation		206,094
WS Data Center Upgrade		1,304,872
WS Phase III		1,340,664
JMMC Bookstore		51,303
JMMC Building		12,660
	$	15,794,999

(11) Leases

In fiscal year 2010, the College purchased land and buildings; a private company leases a majority of one building, which is recorded at $5.6 million with accumulated depreciation of approximately $71,000. The term of the lease is from January 2010 to September 30, 2014. The future minimum receipts are as follows:

2011	$	705,007
2012		712,057
2013		719,178
2014		726,369
2015		182,043
	$	3,044,654

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, 2010

	Original budget	Final budget	Actuals (budgetary basis)	Variance favorable (unfavorable)
Beginning balance budgeted	$ 59,949,294	88,095,533	88,095,533	
Revenues:				
Tuition	10,250,000	12,877,500	13,169,383	291,883
Miscellaneous fees	4,484,000	5,246,152	5,572,304	326,152
State government appropriations	49,069,100	47,104,100	47,104,100	—
Local government appropriations	39,929,525	44,177,425	44,355,292	177,867
Federal government contracts/grants	21,962,074	41,987,172	34,674,441	(7,312,731)
State government contracts/grants	6,922,425	7,349,880	6,537,338	(812,542)
Local government contracts/grants	30,000	15,766	—	(15,766)
Private contracts/grants	2,013,843	2,180,055	899,327	(1,280,728)
Endowments	73,445	79,124	78,373	(751)
Sales and services	2,491,033	4,890,880	4,500,689	(390,191)
Other	791,931	1,856,936	1,376,575	(480,361)
Capital outlay	11,300,000	28,800,000	30,773,977	1,973,977
Building renewal and replacement	225,000	142,751	93,278	(49,473)
Retirement of indebtedness	9,075,000	9,275,000	9,276,025	1,025
Total revenues	158,617,376	205,982,741	198,411,102	(7,571,639)
Expenditures:				
Instruction	56,635,681	64,370,381	57,396,027	6,974,354
Academic support	10,731,784	11,617,968	9,603,369	2,014,599
Student services	14,728,807	16,370,447	14,450,689	1,919,758
Institutional support	16,262,923	18,240,314	15,963,410	2,276,904
Operation and maintenance of plant	9,569,884	10,183,097	9,484,430	698,667
Student social and cultural activities	115,000	203,352	91,143	112,209
Public services	2,358,385	2,185,984	1,371,678	814,306
Internal services	(333,303)	(316,582)	(308,666)	(7,916)
Student aid grants and stipends	23,567,421	41,883,949	35,829,260	6,054,689
Auxiliary enterprise	1,522,924	2,241,166	1,927,554	313,612
Capital outlay	33,500,900	60,000,000	50,847,006	9,152,994
Building renewal and replacement	11,850,000	13,411,143	7,949,745	5,461,398
Retirement of indebtedness	6,607,538	10,855,000	10,604,735	250,265
Total expenditures	187,117,944	251,246,219	215,210,380	36,035,839
Transfers to (from):				
Instruction and general	(2,508,610)	(8,619,610)	(8,619,610)	—
Student social and cultural	(3,600)	(3,600)	(3,600)	—
Public service	(88,930)	(98,930)	(98,930)	—
Internal service	(550,000)	(550,000)	(550,000)	—
Student aid and grants	1,042,695	1,163,695	1,163,695	—
Auxiliary enterprise	(100,000)	(2,100,000)	(2,100,000)	—
Capital outlay	—	—	—	—
Building renewal and replacement	2,208,445	10,208,445	10,208,445	—
Total transfers	—	—	—	—
Change in net assets (budgetary basis)	(28,500,568)	(45,263,478)	(16,799,278)	$ 28,464,200
Net assets (budgetary basis)	$ 31,448,726	42,832,055	71,296,255	

(Continued)

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, 2010

Reconciliation of change in net assets (budgetary basis)	
to change in net assets (GAAP basis):	
Change in net assets (budgetary basis)	$ (16,799,278)
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	52,141
Investment in plant fund	46,750,107
Depreciation expense not included in budgetary basis	(6,077,873)
Increase (decrease) revenue due to conversion to full accrual	
accounting for GAAP basis:	
Summer school tuition	(734,211)
GASB 33 revenue	(17,732)
Mill levy revenue	655,282
Primary institution increase in net assets	$ 23,828,436

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.

Total expenditures or transfers in each of these items of budgetary control may not exceed the amount shown in the approved budget - A. Unrestricted expenditures and restricted expenditures; B. Instruction and General; C. Each budget function in current funds other than instruction and general; D. within the plant funds budget: major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service; and E. Each individual item of transfer between funds and/or functions.

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, 2010

	Original budget	Final budget	Actuals (budgetary basis)	Variance favorable (unfavorable)
Beginning balance budgeted	$ 49,949,294	67,957,312	68,010,513	
Revenues:				
Tuition	—	—	—	—
Miscellaneous fees	115,000	205,152	167,891	(37,261)
State government appropriations	324,100	303,100	303,100	—
Local government appropriations	—	—	—	—
Federal government contracts/grants	—	—	—	—
State government contracts/grants	—	102,667	34,052	(68,615)
Local government contracts/grants	—	—	—	—
Private contracts/grants	—	—	500	500
Endowments	—	—	—	—
Sales and services	2,421,333	3,225,603	3,158,615	(66,988)
Other	400,000	350,000	371,409	21,409
Capital outlay	11,300,000	28,800,000	30,773,977	1,973,977
Building renewal and replacement	225,000	142,751	93,278	(49,473)
Retirement of indebtedness	9,075,000	9,275,000	9,276,025	1,025
Total revenues	23,860,433	42,404,273	44,178,847	1,774,574
Expenditures:				
Instruction	—	—	—	—
Academic support	—	—	—	—
Student services	—	—	—	—
Institutional support	—	—	—	—
Operation and maintenance of plant	—	—	—	—
Student social and cultural activities	115,000	203,352	91,143	112,209
Public services	630,832	609,832	356,594	253,238
Internal services	(450,000)	(450,000)	(387,663)	(62,337)
Student aid grants and stipends	1,005,095	1,269,562	1,118,418	151,144
Auxiliary enterprise	1,497,796	2,192,370	1,901,699	290,671
Capital outlay	33,500,900	60,000,000	50,847,006	9,152,994
Building renewal and replacement	11,850,000	13,411,143	7,949,745	5,461,398
Retirement of indebtedness	6,607,538	10,855,000	10,604,735	250,265
Total expenditures	54,757,161	88,091,259	72,481,677	15,609,582
Transfers to (from):				
Instruction and general	—	—	—	—
Student social and cultural	3,600	3,600	3,600	—
Public service	88,930	98,930	98,930	—
Internal service	550,000	550,000	550,000	—
Student aid and grants	(1,042,695)	(1,163,695)	(1,163,695)	—
Auxiliary enterprise	100,000	2,100,000	2,100,000	—
Capital outlay	—	—	—	—
Building renewal and replacement	(2,208,445)	(10,208,445)	(10,208,445)	—
Total transfers	(2,508,610)	(8,619,610)	(8,619,610)	—
Change in net assets (budgetary basis)	(28,388,118)	(37,067,376)	(19,683,220)	$ 17,384,156
Net assets (budgetary basis)	$ 21,561,176	30,889,936	48,327,293	

See accompanying independent auditors' report.

Schedule 3

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, 2010

	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	19,235,497	37,086,051	31,545,897	(5,540,154)
State government contracts/grants	4,284,576	4,185,430	4,056,227	(129,203)
Local government contracts/grants	30,000	15,766	—	(15,766)
Private contracts/grants	420,000	491,981	213,441	(278,540)
Endowments	—	—	—	—
Sales and services	69,700	69,177	15,213	(53,964)
Other	391,931	524,348	—	(524,348)
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total revenues	24,431,704	42,372,753	35,830,778	(6,541,975)
Expenditures:				
Instruction	—	—	—	—
Academic support	—	—	—	—
Student services	—	—	—	—
Institutional support	—	—	—	—
Operation and maintenance of plant	—	—	—	—
Student social and cultural activities	—	—	—	—
Public services	1,727,553	1,576,152	1,015,084	561,068
Internal services	116,697	133,418	78,997	54,421
Student aid grants and stipends	22,562,326	40,614,387	34,710,842	5,903,545
Auxiliary enterprise	25,128	48,796	25,855	22,941
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total expenditures	24,431,704	42,372,753	35,830,778	6,541,975
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, 2010

	Original budget	Final budget	Actuals (budgetary basis)	Variance favorable (unfavorable)
Beginning balance budgeted	$ 10,000,000	20,138,221	20,085,020	
Revenues:				
Tuition	10,250,000	12,877,500	13,169,383	291,883
Miscellaneous fees	4,369,000	5,041,000	5,404,413	363,413
State government appropriations	48,745,000	46,801,000	46,801,000	—
Local government appropriations	39,929,525	44,177,425	44,355,292	177,867
Federal government contracts/grants	94,308	140,000	176,519	36,519
State government contracts/grants	225,000	404,042	346,272	(57,770)
Local government contracts/grants	—	—	—	—
Private contracts/grants	10,000	10,000	10,403	403
Endowments	—	—	—	—
Sales and services	—	1,596,100	1,321,176	(274,924)
Other	—	982,588	1,005,166	22,578
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total revenues	103,622,833	112,029,655	112,589,624	559,969
Expenditures:				
Instruction	53,045,620	59,259,093	54,131,154	5,127,939
Academic support	9,402,964	9,871,669	8,630,967	1,240,702
Student services	13,383,257	14,862,180	13,357,575	1,504,605
Institutional support	15,824,948	17,440,108	15,491,946	1,948,162
Operation and maintenance of plant	9,569,884	10,173,097	9,474,430	698,667
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	101,226,673	111,606,147	101,086,072	10,520,075
Transfers to (from):				
Instruction and general	—	—	—	—
Student social and cultural	—	—	—	—
Public service	(88,930)	(88,930)	(88,930)	—
Internal service	—	—	—	—
Student aid and grants	939,095	1,050,095	1,050,095	—
Auxiliary enterprise	—	—	—	—
Capital outlay	—	—	—	—
Building renewal and replacement	1,658,445	7,658,445	7,658,445	—
Total transfers	2,508,610	8,619,610	8,619,610	—
Change in net assets (budgetary basis)	(112,450)	(8,196,102)	2,883,942	$ 11,080,044
Net assets (budgetary basis)	$ 9,887,550	11,942,119	22,968,962	

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, 2010

	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	2,632,269	4,761,121	2,952,025	(1,809,096)
State government contracts/grants	2,412,849	2,657,741	2,100,787	(556,954)
Local government contracts/grants	—	—	—	—
Private contracts/grants	1,583,843	1,678,074	674,983	(1,003,091)
Endowments	73,445	79,124	78,373	(751)
Sales and services	—	—	5,685	5,685
Other	—	—	—	—
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total revenues	6,702,406	9,176,060	5,811,853	(3,364,207)
Expenditures:				
Instruction	3,590,061	5,111,288	3,264,873	1,846,415
Academic support	1,328,820	1,746,299	972,402	773,897
Student services	1,345,550	1,508,267	1,093,114	415,153
Institutional support	437,975	800,206	471,464	328,742
Operation and maintenance of plant	—	10,000	10,000	—
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	6,702,406	9,176,060	5,811,853	3,364,207
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, 2010

THE INSTITUTE:

Wells Fargo Bank checking accounts				$	4,508,308
FDIC Insurance					(250,000)
Uninsured public funds				$	4,258,308
50% collateral requirement $3,826,074				$	1,913,037
102% sweep collateral requirement $432,235					440,880
Total collateral requirements				$	2,353,917
	CUSIP	**Rate**	**Maturity**		
Collateral (at fair value):					
Fed Natl Mtg Assn Pool #745577	31403DJW0	6.00%	6/1/2036	$	394,653
Fed Natl Mtg Assn Pool #974712	31414SKZ5	5.50%	4/1/2038		8,503,962
Fed Natl Mtg Assn Pool #988028	31415SSR4	5.50%	8/1/2038		8,975,875
G2SF	36202E6E4	5.00%	6/20/2039		440,880
Total collateral					18,315,370
Over collateral requirement				$	15,961,453

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

Schedule 7

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Schedule of Individual Deposit and Investment Accounts

June 30, 2010

The College:

Name of depository	Account name	Type of account		Bank balance	Book balance
Cash on Hand	Petty cash and change fund	Cash	$	—	11,275
Wells Fargo Bank	Student federal fund	Checking		824,918	(80,870)
	Operational account	Checking		441,586	(269,433)
	Stafford loans	Checking		3,198,989	3,568,430
	Perkins loans	Checking		42,815	42,812
	Payroll	Checking		—	(110,003)
	Student refund	Checking		—	(38,101)
Bank of America	Direct deposit	Checking		—	—
Total cash				4,508,308	3,124,110
Office of the State Treasure	Current fund	Investment		38,593,336	38,593,336
	Renewal and replacement	Investment		16,283,463	16,283,463
	Retirement of indebtedness	Investment		4,236,651	4,236,651
	Plant	Investment		37,931,647	37,931,647
	Endowment	Investment		1,677,294	1,677,294
Total investments				98,722,391	98,722,391
Total cash and investments			$	103,230,699	101,846,501

The Foundation:

Name of depository	Account name	Type of account		Bank balance	Book balance
Wells Fargo	Operational account	Money Market	$	322,938	222,894
Wells Fargo	Saving	Money Market		30,040	30,040
Smith Barney		Money Market		664,803	664,803
Total cash				1,017,781	917,737
Smith Barney					
Federal Agency Obligations					
	Federal National Mtg Assn	Investment		98,038	98,038
	Federal Home Loan Mtg Corp	Investment		182,082	182,082
	US Treasury Notes	Investment		556,035	556,035
				836,155	836,155
Corporate obligations		Investment		317,974	317,974
Mutual Funds		Investment		354,977	354,977
Stocks		Investment		2,035,573	2,035,573
Total investments				3,544,679	3,544,679
Total cash and investments			$	4,562,460	4,462,416

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards

For the Period July 1, 2009 through June 30, 2010

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 - Cluster:				
Federal Supplemental Educational Opportunity Grant 2009-10	84.007	P007A092635	$	395,310
Academic Competitive Grant	84.375	P375A092545		114,839
Federal Work Study	84.033	P033A092635		463,634
Federal Work Study - American Recovery & Reinvestment Act	84.033	P033A092635		98,103
Federal Pell Grant 2009-10	84.063	P063P092545		30,551,893
Federal Pell Grant 2008-09	84.063	P063P082545		(16,657)
				31,607,122
U.S. Department of Education Pass-through from Santa Fe Community College:				
El Colegio	84.031S	P031S040038		28,242
Student Support Services Grant - TRIO Cluster	84.042A	P042A050610		261,683
				289,925
U.S. Department of Education Pass-through from New Mexico Department of Education:				
Perkins-Vocational Expansion 2009-10	84.048	001.3.2.1.855		1,106,218
Perkins-Vocational Expansion 2008-09	84.048	001.3.2.1.855		138,360
				1,244,578
American Recovery & Reinvestment Act Education Stabilization Fund	84.394A	S394A090032 A		171,360
Adult Basic Education	84.002	019888		361,363
SSIG - Federal Portion	84.069A &B	P069A030033		62,116
U.S. Department of Education Pass-through from Office of Special Education and Rehabilitative Services:				
Vocational Rehabilitation DELTA- Vocational Rehabilitation Cluster	84.126	01888		1,474
Total U.S. Department of Education				33,737,938
National Science Foundation:				
SCME	47.076	DUE-0902411		16,698
Geographic Information	47.076	DUE-0801893		7,268
				23,966
National Science Foundation Pass-through from Center for Occupational Research & Development:				
OP-TEC - R & D Cluster	47.076	DUE-0603275		2,531
Small Business Administration Pass-through from New Mexico Small Business Development Center:				
Small Business Development Center-SV	59.037	9-7620-0032-11		21,689
Small Business Development Center-Yale	59.037	6-7620-0032-11		21,689
				43,378
Corporation for National Service:				
Civic Engagement	94.005	06LHHNM001		144,309
AmeriCorps - Volunteers in Service to America	94.013	44-0103-0-1-506		59,398
				203,707
U.S. Department of Health and Human Services:				
Cancer Early Detection	93.283	09/BCC/0200/0526		1,414

(Continued)

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards

For the Period July 1, 2009 through June 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or pass-through number		Federal Expenditures
U.S. Department of Health and Human Services Pass-through from New Mexico Children Youth and Family Department:				
Family, Infant, Toddler Study - American Recovery & Reinvestment Act	93.713	0901NMCCD7		195,533
Total U.S. Department of Health and Human Services				196,947
U.S. Department of Agriculture Pass-through from New Mexico State University:				
Chef Scientist	10.223	2009-38422-19871		6,115
Fit for Life	10.223	2007-38422-18027		11,891
				18,006
U.S. Department of Labor:				
NM Wired	17.268	WR-16-380-07-60-A-35		199,688
U.S. Internal Revenue Service:				
Volunteer Income Tax Assistance (VITA)	21.003	V10066		57,961
National Institute Standards Board Pass-through from NM Manufacturing Extension Partnership	11.611	70NANB5BH1194		13,800
Total Federal Expenditures			$	34,497,922

Note A:

During the year through June 30, 2010, various lenders made loans to students under the Guaranteed Student Loan Program (which includes Stafford, Direct and Plus Loans):

	CFDA Number		Disbursements
Federal Direct Loan Program	84.268	$	4,525,138
Federal Family Education Loan Program	84.032	$	38,616,487
Perkins Loan Program	84.038	$	10,000

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 sub recipients as follows:

Program Title	Federal CFDA number		Amount provided to sub recipient
University of New Mexico	93.713	$	89,476
Santa Fe Community College	94.005		25,782
New Mexico State University	94.005		12,164
New Mexico State University-Grants Branch	94.005		26,870

SINGLE AUDIT AND OTHER INFORMATION

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

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

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 budgetary comparisons as of and for the year ended June 30, 2010, and have issued our report thereon dated November 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* , issued by the comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting as listed as 08-1, 10-1 through 10-4. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 10-5 and 10-6.

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 management, the audit committee, others within the College, the NM State Auditor, the New Mexico Legislature, 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 3, 2010

Report on Compliance With Requirements Applicable to Each Major Program And On 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, 2010. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 09-4.

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 requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

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 the responses.

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 3, 2010

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?	Yes
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

CFDA Number	Name of Federal
84.007, 84.063, 84.375 & 84.033, 84.268, 84.032, 84.038	Student Financial Assistance - Cluster
84.002	Adult Basic Education
84.048	Perkins Vocational
84.394A	Education Stabilization
93.713	Children Care and Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:	$1,724,896
Auditee qualified as low-risk auditee?	No

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:

- Improvement of circulation between the server room and the telecommunications room.
- Install security cameras for 24/7 monitoring.

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

- All mission critical processes within this college should be determined, and analyzed to determine their risk and probability of disruption.
- The College's network configuration should be designed to allow system redundancy.
- Each of the College'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 identified and if possible redundancies installed to provide fault tolerance.

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. An 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 been built in fiscal year 2011. The IT department has not completed a business continuity plan at this time.

Effect
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.

Section II - Financial Statement Findings (continued)

08-1 General IT Controls (continued)

Recommendation

The IT department needs to develop and implement cooling of the server room and telecommunications conditions to mitigate the risk of business interruptions with the understanding that their facilities will be moved in the future.

Response

Circulation: Two additional cooling units were added to the Building A Data Center to address the immediate need to address the cooling issues. In addition, In October of 2010 a new data center (Main Data Center) located in the new Student Resource Center was completed. Migration of computers from the A Data Center to the Main Data Center is in progress and scheduled to be completed in December of 2010.

Business Continuity: CNM has multiple points of redundancy built into each of its mission critical technology systems. In addition, CNM is in the process of building a disaster recovery data center, scheduled to be completed in December of 2010, and will serve as a foundation for a business continuity plan.

Section II - Financial Statement Findings (continued)

10-1 Payroll Controls

Condition

During the year, the College went to an electronic form of exception reporting of time by part-time and full-time faculty and professionals. The College developed a process by which an employee only reports the leaves of absence taken from July 18, 2009. Additionally, the College established a policy that each department head or supervisors must review payroll distribution reports for each pay period to verify the payroll information was correct. In our testing of the payroll distribution report, we noted the following:

- Three out of nine departments visited did not have any signatures on the reports to show that anybody reviewed them. One of the departments did review their distribution reports after our visit.
- One out of the nine departments visited did not have any payroll distribution reports until January 2010.
- One out of the nine departments visited was missing signatures on the two payroll distribution reports for the periods tested.
- Three out of the nine departments visited was missing a signature on one payroll distribution report for the period tested.

Criteria

The College spends approximately 75% on payroll related expenditures and the review of the biweekly payrolls by a supervisor is a key control in exception reporting. Strong policies and procedures for monitoring of payroll costs and leave taken are necessary for the College to determine errors or irregularities are not occurring.

Cause

Due to clerical errors, misunderstandings, not all the departments reviewed the payrolls for errors or irregularities. A department did review the payroll distribution report after our review.

Effect

The College is not in compliance with their internal policies and procedures regarding the review of payroll distribution reports and could lead to irregularities and errors with the College's budgets and financial statements.

Recommendation

The College has changed the process of timesheets and leave requests for the individuals to complete and an appropriate supervisor to authorize.

Section II - Financial Statement Findings (continued)

10-1 Payroll Controls (continued)

Response

The College has improved the process by requiring the Instructional Departments to submit rosters for all faculty exceptions. These rosters are signed by the Supervisors in the Departments. Full-time professional staff are switching to Web leave reporting with approval. Supervisors will verify and approve leave reports electronically prior to payroll receiving the data. Supervisors will still receive payroll distribution reports for their employees but will not be required to sign.

Section II - Financial Statement Findings (continued)

10-2 Deferred Revenue - Foundation

Condition
During our test work of internal controls over revenue recognition, we noted the following instance of non-compliance for 1 out of 6 grants tested.

> Review of the grant contract specified time and purpose restrictions. In connection with this grant, the sponsor forwarded funds in the amount of $150,000 which was recognized by the Foundation as revenue when received. During the same period the revenue was recognized, corresponding expenditures were $56,484. Therefore the amount of unexpended funds, $93,516, represents deferred revenue at June 30, 2010.

Criteria
Established policies and procedures for tracking and documenting grants with time and purpose restrictions is critical to ensure proper revenue recognition.

Cause
The Foundation does not have established policies and procedures for documenting those grants with time and purpose restrictions as it relates to the evaluation of deferred revenue. The Foundation maintains grant budget information, but this information needs to be reviewed at year end to ensure proper classification between revenue and deferred revenue.

Effect
The current year revenue was overstated until the error was discovered.

Recommendation
The Foundation should develop a procedure to review grant revenue and expenditures to ensure proper revenue recognition of grant funds received.

Response
Management will establish procedures to review grant revenue and respective grant periods. The Foundation staff will work closely with accounting staff to ensure that revenue is properly recognized.

Section II - Financial Statement Findings (continued)

10-3 Contributions - Foundation

Condition
During our test work of internal controls over contributions, we noted the following instances of non-compliance from our sample of 38 receipts.

> There were two instances where donor contribution letters indicated a specified purpose for gifts. The original deposit and posting of these contributions, in the amount of $5,000 each, were made according to donor instructions. Subsequently, the Foundation received authorization to change the original purpose allocation of these gifts. The allocation changes were recorded in the donor software in the Foundation office, but were not communicated to the accounting department and changes were not made in the general ledger.

Criteria
Established policies and procedures for documenting the intent of the original deposit and any subsequent changes to donor intent is a critical function of any not-for-profit entity.

Cause
The Foundation has established policies and procedures for documenting the intent of the original deposit and providing the information to the accounting department, but does not have a procedure if the donors intent has changed during the year.

Effect
The Foundations fund balances were incorrectly stated until the error was discovered.

Recommendation
The Foundation should develop a policy and procedure for notifying the accounting department of changes in the donor's intent during the year.

Response
Management will ensure implementation of adequate processes to communicate donor intent changes to accounting staff. Procedures to reconcile revenue between Raiser's Edge and Banner systems will be enhanced.

Section III - Federal Award Findings and Questioned Costs

Department of Education
CFDA #: 84.002
FY 2009-2010
Pass Through Entity - New Mexico Public Education Department

09-4 Adult Basic Education

Condition
During our compliance test work of the Adult Basic Education program, we noted the following instances of non-compliance in our test of sixty-five students:

- Four student intake forms could not be located
- Eighteen students did not have a test within the file to verify against LACES database

Criteria
Under grant agreement "Agreement for the Operation of an approved Adult Basic Education program", the College has established criteria for administering the ABE program.

Cause
Due to volume, numerous sites handling paperwork, and clerical errors, all of the proper forms were not properly filed, completed, and authorizations were not affixed.

Effect
The College was not in compliance with the ABE procedures and regulations set by the College and the U.S. Department of Education.

The instances in which student intake forms were not complete or missing could lead to a potential situation of fictitious students being reported for the program and incorrect reporting to the Department of Education. If we extrapolate the finding, we could have 400 student files with no intake forms.

If we extrapolate our findings to the faculty population applicable for the ABE Federal program, it is possible that 1800 student files would not have tests within their file to validate the classes taken.

Section III - Federal Award Findings and Questioned Costs - continued

Department of Education
CFDA #: 84.002
FY 2009-2010
Pass Through Entity - New Mexico Department of Education
Program: Adult Basic Education

09-4 Adult Basic Education (continued)

Recommendation
Personnel responsible for the Adult Basic Education program should evaluate the current policies and procedures and determine if they are adequate to ensure compliance with the criteria set by the College and the U.S. Department of Education.

Response
Although the audit revealed some clerical shortcomings in the ABE program, positive strides have been made in other areas. Processes for tracking attendance, for example, were identified as a major concern during last year's audit, and improvement has been fostered in this area by implementing measures to ensure instructors turn in signed attendance reports.

Two problems, listed above, were identified during the fiscal year 2009-2010 audit. Since these are both problems related to the management of files, the following strategies are being implemented to correct this situation. First, CNM recently hired an ABE Program Director who will closely oversee staff in the area whose jobs it will be to manage the ABE database and maintain organized student files. The Testing Coordinator's job duties will include the management of all data within the database. The ABE Administrative Coordinator's job duties will include responsibility for organizing all student files. With these two new oversights in place, the accuracy of student files, and their corresponding entries in the database will be corrected.

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

10-4 Grant Reporting - Foundation

Condition
During our test work of internal controls over grant and contract compliance, we noted the following instance of non-compliance for 1 out of 6 grants tested.

> Review of the grant contract specified that the Foundation was to prepare and submit a final grant report by January 31, 2010. This report had not been prepared as of October 15, 2010.

Criteria
Established policies and procedures for tracking and documenting grant reporting is critical to ensure compliance with contracts.

Cause
The Foundation does have established policies and procedures for the preparation and submission of grant reports. For this particular grant, the timing of the grant reporting was unusual in that the grant was awarded on September 4, 2009, the grant period was January 1, 2009 to December 31, 2009 and the final report due date was January 31, 2010. There was no indication that an extension for filing this report was requested.

Effect
The final report for this grant was not timely filed.

Recommendation
The Foundation should develop a procedure to ensure that grant reporting requirements are timely filed.

Response
Management has contacted the grantor of these funds and there are no negative repercussions from the late filing of this report. In addition, management is currently preparing this report.

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

Department of Education
CFDA: 84.033
Program: Federal Work Study
FY 2009-2010
Pass Through Entity - N/A

10-5 Pay Rates

Condition
During our test work of internal controls over Federal work-study compliance, we noted the following instances of non-compliance from our sample of forty:

- One instance of the student's contract did not agree to what was paid to the student resulting in the student being paid less than the contract by $83.13. If we were to test the population of students working under the Federal Work-study Program, we may have a total 19 students that were not getting paid according to their contract.

Criteria
Accounting controls require the College have established policies and procedures for determining employees are paid the rate agreed by the contract.

Cause
Due to clerical error, the contract was verified to the pay rate.

Effect
The College is not in compliance with their internal policies and procedures regarding the number of hours that a student can work and verifying pay rates to the students contract.

Recommendation
The payroll department needs to ensure that employees are entered into the system, the rate posted correctly to the system.

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

Department of Education
CFDA: 84.033
Program: Federal Work Study
FY 2009-2010
Pass Through Entity - N/A

10-5 Pay Rates (continued)

Response
The payroll department will double check entry of new employees for accuracy.

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

10-6 I-9's

Condition
During our test work of internal controls over payroll disbursements, we noted the following instances of non-compliance from our sample of sixty five:

- Two employees did not have an I-9 complete due to lack of birthdates.

Criteria
The College must follow established policies and procedures within the College and by the United States Department of Immigration, Immigration Reform and Control Act of 1986, Pub. L. 99-603 regarding payroll regulations.

Cause
Due to clerical errors, all of the proper forms were not properly filed, completed, and authorizations were not included in the file.

Effect
The College was not in compliance with their payroll policies and procedures and the government could assess penalties for errors or incomplete information.

If we extrapolate the error rate of our findings to the overall population, it is possible that 76 employees will have an incomplete I-9 on file.

Recommendation
Personnel responsible for the employee files should review relevant documentation to ensure that all forms are properly completed and filed.

Response
HR has done a 100% audit of all active employee personnel records for the purpose of checking I-9s. Some of the deficiencies that were discovered as a result of Human Resource's (HR) internal audit require the employee to come in and sign, initial, or otherwise correct the record. HR is in the midst of completing that process because not all employees with I-9 deficiencies have responded to the request to come to HR and update their I-9. HR will continue to follow up to ensure known deficiencies are corrected. In addition, since hiring is an ongoing initiative, HR will conduct periodic quality control checks of employee personnel records to ensure compliance with I-9 procedures. The two records lacking birthdates on the I-9s have been corrected.

CENTRAL NEW MEXICO COMMUNITY COLLEGE

Status of Prior Year Audit Findings

Status of Prior Year Audit Findings		Current Status
08-1	General IT Controls	Repeated & Modified
09-1	Cash Disbursements - Foundation	Resolved
09-2	Finance and Investment Committee Minutes - Foundation	Resolved
09-3	Pledge Receivables - Foundation	Resolved
09-4	Adult Basic Education	Repeated & Modified
09-5	Human Resource/Payroll Files	Resolved
09-6	Payroll Human Resources	Modified as 10-6
09-7	Budget	Resolved

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Exit Conference

A closing conference was held on October 28, 2010, 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

Penny Holbrook	Audit Committee Chair
John B. Mondragon	Governing Board Secretary
Deborah Moore	Audit Committee Member

Representing Central New Mexico Community College

Katharine Winograd	President
Katherine Ulibarri	Vice President for Planning and Budget
Robert Brown	Vice President of Administrative Services
Philip Bustos	Vice President of Student Services `
Xeturah Woodley	Associate Vice President of Academic Affairs
Pam Etre Perez	Dean of School of Adult and General Education
Charlotte Gensler	Purchasing Director
Martin Serna	Comptroller
Allen Leatherwood	Director of Internal Audit
Loretta Montoya	Executive Director for Planning, Budget and Institutional Research
Mark Lovato	Senior Staff Auditor
Lisa Archuleta	Staff Auditor

The Central New Mexico Community College Foundation had an exit conference on October 21, 2010.

Representing Kardas, Abeyta & Weiner P.C.

Scott Peck	Principal
Gerald T. Kardas	Principal