

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO  
COMMUNITY COLLEGE**

Basic Financial Statements and Schedules  
For the Fiscal Years Ended June 30, 2012 and 2011  
(With Independent Auditors' Reports Thereon)



**ABEYTA • WEINER • CHERNE P.C.**  
Certified Public Accountants

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

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**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

**Official Roster**

**Governing Board**

<b>Name</b>	<b>Title</b>
Blair L. Kaufman	Chair
Michael DeWitte	Vice Chair
Deborah Moore	Secretary
Penelope S. Holbrook	Member
Robert P. Matteucci	Member
Mark Armijo	Member
Janet W. Sainers	Member

**Administrative Officials**

Kathie Winograd	President
Kathy Ulibarri	Vice President of Finance & Operations
Loretta Montoya	Comptroller

## **FINANCIAL SECTION**



## **Independent Auditors' Report**

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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, 2012 and 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons presented as supplementary information as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the basic financial statements. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*A beyta, Weiner & Cherne, P. C.*

November 1, 2012

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Management's Discussion and Analysis

June 30, 2012 and 2011

**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.

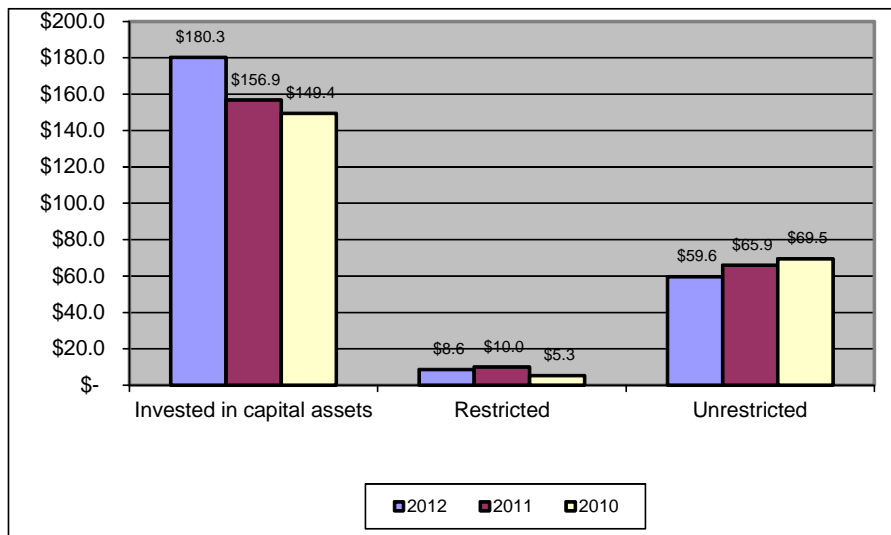
The discussion and analysis of the College's financial statements provides an overview of its financial activities for the years ended June 30, 2012 and 2011. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

**Financial Highlights**

Net assets increased approximately \$15.7 million (6.8%) during 2012. The change resulted primarily from a decrease in unrestricted net assets of \$6.3 million (-9.6%), an increase in invested in capital assets of \$23.5 million (15.0%), and an decrease in restricted net assets \$1.4 million (-14.4%).

Net assets increased approximately \$8.6 million (3.9%) during 2011. The change resulted primarily from a decrease in unrestricted net assets of \$3.5 million (-5.1%), an increase in invested in capital assets of \$7.4 million (5.0%), and an increase in restricted net assets \$4.7 million (88.7%).

The following graph illustrates the comparative change in net assets by category for fiscal years 2012, 2011, and 2010.



**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Management's Discussion and Analysis

June 30, 2012 and 2011

**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 or declining. 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)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Assets:</b>			
Current assets	\$ 108,192	99,181	107,519
Capital assets, net	227,422	190,119	180,537
Other noncurrent assets	3,655	3,676	3,519
Total assets	<u>339,269</u>	<u>292,976</u>	<u>291,575</u>
<b>Liabilities:</b>			
Current liabilities	28,549	26,187	24,881
Noncurrent liabilities	62,212	33,993	42,526
Total liabilities	<u>90,761</u>	<u>60,180</u>	<u>67,407</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debts	180,330	156,860	149,419
Restricted	8,552	9,994	5,281
Unrestricted	59,625	65,942	69,468
Total net assets	<u>\$ 248,507</u>	<u>232,796</u>	<u>224,168</u>

Total assets increased \$47.7 million (16.4%) over a two-year period driven by a \$46.9 million increase in capital assets. This was primarily due to the renovation of the Jeanette Stromberg building and H building, as well as the construction of the Westside III building. Net assets increased \$24.3 million (10.9%) over the same period driven by a \$30.9 million (20.7%) increase in invested in capital assets, net of related debts.

During 2012, total liabilities increased by \$30.6 million due to the increase in bonds payable of \$26.4 million. In 2011, total liabilities decreased by \$7.2 million due to the decrease in bonds payable of \$2.8 million, and accounts payable decreased by \$1.1 million due to a decrease in construction activity.



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Management's Discussion and Analysis

June 30, 2012 and 2011

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)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 32,826	33,653	27,019
Operating expenses	(163,026)	(166,055)	(146,517)
Operating loss	(130,200)	(132,402)	(119,498)
Nonoperating revenues and expenses	135,071	139,737	132,125
Income before other revenues, expenses, gains, or losses	4,871	7,335	12,627
Capital grants and appropriations	10,840	1,293	11,201
Increase in net assets	<u>\$ 15,711</u>	<u>8,628</u>	<u>23,828</u>

**Operating Revenues**

Operating revenues of \$32.8 million decreased by \$0.8 million (-2.5%) when compared to 2011 and were \$5.8 million (21.5%) greater when compared to 2010. The following table summarizes the College's operating revenues for the years ended June 30:

**Operating Revenues (in Thousands)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tuition and fees, net	\$ 14,575	13,875	11,124
Federal grants and contracts	3,639	5,896	3,963
State and local grants and contracts	8,324	7,221	6,570
Sales and services of educational departments	2,904	3,273	2,366
Auxiliary enterprises	3,384	3,388	2,996
Total operating revenues	<u>\$ 32,826</u>	<u>33,653</u>	<u>27,019</u>

Tuition and fees increased \$0.7 million (5.0%) in 2012 due primarily to an increase in tuition rates. From 2010 to 2012, tuition and fees increased \$3.5 million, a (31.0%) increase over two years. State grants increased \$1.8 million from 2010 to 2012, an increase of (26.7%).

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Management's Discussion and Analysis

June 30, 2012 and 2011

**Operating Expenses**

Operating expenses decreased \$3.0 million (-1.8%) in 2012 when compared to the prior year. Instruction expenses decreased \$2.0 million (-3.3%) in 2012. Over a two year period, expenses for student services increased \$3.2 million (22.3%). Student aid increased \$6.5 million (22.5%) in 2011 caused primarily by an increase in Pell grants. Over a two year period student aid increased \$5.8 million (20.1%) due to enrollment and Pell grant growth. From 2010 through 2012, operating expenses increased \$16.5 million, a (11.3%) increase. The following table summarizes the College's operating expenses for the years ended June 30:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Instruction	\$ 57,520	59,497	56,497
Public service	964	1,093	1,359
Academic support	11,194	11,090	9,360
Student services	17,670	16,975	14,453
Institutional support	15,403	16,143	15,919
Operation and maintenance of plant	14,275	14,768	11,797
Depreciation	8,628	8,604	6,078
Student aid	34,882	35,567	29,034
Auxiliary enterprises	2,409	2,200	1,929
Other expenses	81	118	91
Total operating expenses	<u>\$ 163,026</u>	<u>166,055</u>	<u>146,517</u>

**Nonoperating Revenues and Expenses**

Nonoperating revenues and expenses decreased \$4.7 million (-3.3%) in 2012 when compared to the prior year. State appropriations decreased \$4.8 million (-10.0%) in 2012. Over a two-year period, state appropriations have decreased \$4.0 million (-8.5%). Local appropriations for operations increased \$1.1 million (2.4%) over a two-year-period. Over a two year period, Pell grant revenue has increased \$7.0 million, an increase of (22.8%).

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Management's Discussion and Analysis

June 30, 2012 and 2011

Overall, nonoperating revenue and expenses increased \$2.9 million (2.2%) 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)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
State appropriations	\$ 43,086	47,851	47,104
Local appropriations – operating	45,976	45,237	44,921
Local appropriations – debt service	9,104	9,159	9,358
Federal Pell grant	37,494	37,243	30,535
Investment income	203	287	170
Interest on capital asset related debt	(1,657)	(1,386)	(990)
Other	865	1,346	1,027
	<u>          </u>	<u>          </u>	<u>          </u>
Total nonoperating revenues and expenses	\$ <u>135,071</u>	<u>139,737</u>	<u>132,125</u>

**Capital Grants and Appropriations**

Other revenues, expenses, gains, or losses increased \$9.5 million (738%) in 2012 due to construction of the Westside III 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:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Capital appropriations	\$ 10,818	1,293	11,064
Capital grants and gifts	22	—	7
Additions to permanent endowments	—	—	130
	<u>          </u>	<u>          </u>	<u>          </u>
Total other revenues, expenses, gains, or losses	\$ <u>10,840</u>	<u>1,293</u>	<u>11,201</u>

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Management's Discussion and Analysis

June 30, 2012 and 2011

**Capital Asset and Debt Administration**

***Capital Assets***

At June 30, 2012, the College had approximately \$227.4 million invested in capital assets, net of accumulated depreciation of \$79.5 million. Depreciation charges for the current year totaled \$8.6 million compared to \$8.6 million in 2011 and \$6.1 million in 2010. The following table summarizes the College's capital assets, net of accumulated depreciation, as of June 30:

**Capital Assets, Net (in Thousands)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 34,479	34,953	35,035
Buildings	132,582	130,170	81,691
Infrastructure	3,062	2,261	2,166
Furniture, fixtures, and equipment	12,602	9,546	9,488
Library materials	1,521	1,554	1,609
Art	513	513	513
Construction in progress	42,663	11,122	50,035
Capital assets, end of year	<u>\$ 227,422</u>	<u>190,119</u>	<u>180,537</u>

Major capital expenditures during fiscal year 2012 include:

Jeanette Stromberg Remodel	16,157,447	S Building Renovation	1,309,724
Westside Phase III	14,034,327	Tom Wiley Renovation	3,126,761
Student Resource Center	308,749	Enterprise Storage	811,536
Alameda Property Remodel	872,817	H Building Renovation	4,014,703
Main Campus Bookstore	848,887	Security Camera Project	320,935

Major capital expenditures during fiscal year 2011 include:

Jeanette Stromberg Remodel	1,236,757	Westside Data Center Upgrade	1,183,489
Westside Phase III	1,182,398	Tom Wiley Renovation	394,545
Student Resource Center	3,715,975	Trades Mechanical Upgrade	227,227
Alameda Property Remodel	4,847,015	H Building Renovation	1,709,574
Rio Rancho Campus	2,209,289	Security Building Upgrade	266,463

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

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Management's Discussion and Analysis

June 30, 2012 and 2011

***Bonds Payable***

As of June 30, 2012, the College has \$68.9 million in outstanding bonds, an increase of \$26.4 million when compared to 2011 and an increase of \$23.6 million when compared to 2010. The increase in 2012 is due to the sale of 2011 Bond Series totaling \$33.4 and scheduled debt service payments on the outstanding bond issues. The following table summarizes outstanding long-term liabilities by series as of June 30:

**Bonds Payable (in Thousands)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Series 2006	\$ 20,075	21,825	22,825
Series 2009	13,500	20,250	22,000
Series 2011	33,360	—	—
Total bond principal	<u>66,935</u>	<u>42,075</u>	<u>44,825</u>
Bond premium	<u>1,963</u>	<u>419</u>	<u>451</u>
Total debt outstanding	<u>\$ 68,898</u>	<u>42,494</u>	<u>45,276</u>

In September 2011, Standard & Poor's reviewed their rating of Central New Mexico Community College general obligation bonds and affirmed the "AA+" rating. Moody's assigned an Aa1 rating to CNM's 2011 general obligation 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).

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Management's Discussion and Analysis

June 30, 2012 and 2011

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

<b>Budgeted Revenue (in Thousands)</b>				
	<u>Original budget</u>	<u>Final budget</u>	<u>Actuals (budgetary basis)</u>	<u>Variance favorable (unfavorable)</u>
Revenues:				
Tuition	\$ 20,000	20,035	19,242	(793)
Miscellaneous fees	3,947	4,212	3,619	(593)
State government appropriations	43,086	43,086	43,086	—
Local government appropriations	45,577	45,577	46,179	602
Federal government contracts/grants	49,475	49,577	41,327	(8,250)
State government contracts/grants	8,011	7,300	6,803	(497)
Local government contracts/grants	5	—	—	—
Private contracts/grants	3,569	3,425	2,452	(973)
Endowments	43	106	—	(106)
Sales and services	5,218	5,496	4,582	(914)
Other	2,980	2,799	2,229	(570)
Capital outlay	37,350	27,350	33,026	5,676
Building renewal and replacement	2,585	1,935	1,817	(118)
Retirement of indebtedness	9,575	9,575	9,179	(396)
Total revenues	<u>\$ 231,421</u>	<u>220,473</u>	<u>213,541</u>	<u>(6,932)</u>

The final budget decreased revenue versus the original budget by \$10.9 million (-4.97%). The primary decrease of \$10.0 million was in Capital outlay. Building renewal and replacement revenue decreased by \$0.7 million. State government grants and contracts were reduced by \$0.7 million and Tuition and Miscellaneous fees increased by \$0.3 million.

Actual revenues were \$6.9 million (-3.1%) less than the final budget. The largest variance was in federal grants \$8.3 million (-16.6%) caused by the decrease in estimated Pell grant awards. Capital outlay revenue was \$5.7 million (20.8%) more than the final budget. Private contracts/grants revenues were under budget by \$1.0 million (-28.4%).

***Expenditures (Budgetary Basis)***

The final budget decreased expenditures by approximately \$12.8 million (-4.9%). The budget for Capital outlay and Building renewals and replacement decreased by \$8.6 million (-19.0%) and \$6.5 million (-29.6%), respectively, to accommodate budget needs for major multi-year capital projects. The budget for Student services was increased by \$0.7 million due to growth in the CONNECT services model. The schedule below summarizes the Colleges original budget, final budget, actuals, and variance for expenditures:

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Management's Discussion and Analysis

June 30, 2012 and 2011

	<u>Original budget</u>	<u>Final budget</u>	<u>Actuals (budgetary basis)</u>	<u>Variance favorable (unfavorable)</u>
Expenditures:				
Instruction	\$ 62,482	63,108	57,613	5,495
Academic support	13,303	12,655	11,558	1,097
Student services	18,804	19,535	17,602	1,933
Institutional support	17,106	17,462	15,306	2,156
Operation and maintenance of plant	13,738	14,116	13,766	350
Student social and cultural activities	203	203	81	122
Public services	1,572	1,654	982	672
Internal services	262	280	256	24
Student aid grants and stipends	52,107	52,717	44,815	7,902
Auxiliary enterprise	2,048	2,721	2,412	309
Capital outlay	45,300	36,700	34,016	2,684
Building renewal and replacement	22,000	15,500	12,080	3,420
Retirement of indebtedness	11,201	10,652	10,485	167
Total expenditures	<u>\$ 260,126</u>	<u>247,303</u>	<u>220,972</u>	<u>26,331</u>

Actual expenditures were \$26.3 million (-10.7%) less than the final budget. Capital outlay expenditures and Building renewals and replacements were under budget, a combined decrease of \$6.1 million, due to the timing of capital projects. Instruction was \$5.5 million (8.7%) under budget due to faculty retirements and the leveling of student enrollment. Student aid was \$7.9 million (-15.0%) under budget.

***Change in Net Assets (budgetary basis)***

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

**Budgeted Categories (in Thousands)**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actuals (budgetary basis)</u>	<u>Variance favorable (unfavorable)</u>
Beginning balance budgeted	\$ 59,485	72,749	72,749	—
Revenues	231,421	220,473	213,541	(6,932)
Expenditures	260,126	247,303	220,972	26,331
Change in net assets (budgetary basis)	<u>(28,705)</u>	<u>(26,830)</u>	<u>(7,431)</u>	<u>\$ 19,399</u>
Net assets (budgetary basis)	<u>\$ 30,780</u>	<u>45,919</u>	<u>65,318</u>	

The actual change in net assets on a budgetary basis was a \$7.4 million reduction, an increase of \$19.4 as compared to the final budget.

**STATE OF NEW MEXICO**  
**CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Management's Discussion and Analysis

June 30, 2012 and 2011

**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. In FY 2012, state appropriations decreased \$4.8 million, a revenue reduction of (-10.0%). However, state appropriations increased by (10.8%) for FY 2013 when compared to FY 2012. In aggregate, state appropriation revenue has recovered to the FY 2011 level.

Another significant factor in the College's economic position relates to its ability to recruit and retain students. As compared to final student enrollment of 29,246 in Fall 2011, current census date data for Fall 2012 reports 28,360 students in college credit programs. This represents a decrease of 886 students (3.0%), and a decrease of (6.1%) in student credit hour production from 240,795 to 226,105 student credit hours from Fall 2011 to Fall 2012. The College has seen student enrollment climb 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.



**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Statements of Net Assets

June 30, 2012 and 2011

	<b>Primary Institution</b>		<b>Component Unit</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 2,177,365	157,829	18,645	—
Cash and cash equivalents – restricted	—	102,787	543,469	528,345
Investments - unrestricted	65,942,969	75,173,025	—	—
Investments - restricted	32,563,334	16,412,186	—	—
Endowment investments – restricted	65,142	61,433	—	—
Accounts receivable students, net	716,562	528,205	—	—
Grants and contracts receivable	3,029,519	2,970,913	—	—
Mill levy receivable	2,935,505	3,144,658	—	—
Pledges receivable	—	—	79,115	16,384
Other receivable	241,594	—	20,191	132,287
Inventories	72,003	76,553	—	—
Other assets	447,995	553,068	—	—
Total current assets	<u>108,191,988</u>	<u>99,180,657</u>	<u>661,420</u>	<u>677,016</u>
<b>Noncurrent assets:</b>				
Cash and cash equivalents – restricted	—	—	859,658	575,456
Endowment investments – restricted	1,580,000	1,580,000	4,304,928	5,940,438
Mill levy receivable	1,803,184	1,804,101	—	—
Pledges receivable	—	—	74,422	—
Notes receivable	117,054	92,508	—	—
Other assets	154,667	199,688	—	—
Capital assets, net	<u>227,421,678</u>	<u>190,119,021</u>	<u>—</u>	<u>—</u>
Total noncurrent assets	<u>231,076,583</u>	<u>193,795,318</u>	<u>5,239,008</u>	<u>6,515,894</u>
Total assets	<u>339,268,571</u>	<u>292,975,975</u>	<u>5,900,428</u>	<u>7,192,910</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Cash overdraft	—	—	—	80,666
Cash overdraft - restricted	2,589,856	—	—	—
Accounts payable to suppliers	8,186,513	7,402,317	123,581	222,986
Accounts payable - loans	138,870	134,998	—	—
Accrued payroll and payroll taxes	5,350,625	4,611,178	—	—
Accounts payable – other	148,243	152,541	—	—
Accrued interest payable	867,947	577,622	—	—
Deferred revenue	2,876,859	2,971,605	329,808	1,948,669
Accrued compensated absences	1,704,868	1,836,401	—	—
Bonds payable – current portion	<u>6,684,811</u>	<u>8,500,000</u>	<u>—</u>	<u>—</u>
Total current liabilities	<u>28,548,592</u>	<u>26,186,662</u>	<u>453,389</u>	<u>2,252,321</u>
Noncurrent liabilities – bonds payable	<u>62,212,764</u>	<u>33,993,508</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>90,761,356</u>	<u>60,180,170</u>	<u>453,389</u>	<u>2,252,321</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	180,329,544	156,859,923	—	—
<b>Restricted:</b>				
<b>Nonexpendable:</b>				
Scholarships	—	—	3,570,731	2,665,369
Department programs	1,580,000	1,580,000	207,298	139,852
<b>Expendable:</b>				
Scholarships	—	25,199	548,038	1,122,423
Department programs	72,316	182,579	1,103,053	1,079,674
Debt service	6,899,976	8,205,685	—	—
Unrestricted	<u>59,625,379</u>	<u>65,942,419</u>	<u>17,919</u>	<u>(66,729)</u>
Total net assets	<u>\$ 248,507,215</u>	<u>232,795,805</u>	<u>5,447,039</u>	<u>4,940,589</u>

**STATE OF NEW MEXICO**  
**CENTRAL NEW MEXICO COMMUNITY COLLEGE**  
Statements of Revenues, Expenses, and Changes in Net Assets  
Years ended June 30, 2012 and 2011

	<u>Primary Institution</u>		<u>Component Unit</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Operating revenues:				
Tuition and fees (net of scholarship allowances of \$9,933,299 for 2012 and \$8,319,272 for 2011)	\$ 14,574,901	13,875,046	—	—
Federal grants and contracts	3,639,451	5,895,777	—	—
State and local grants and contracts	8,324,322	7,220,630	1,879,736	795,075
Sales and services of educational departments	2,903,497	3,273,360	—	—
Gifts and pledges	—	—	814,896	681,372
Auxiliary enterprises	3,384,292	3,388,168	—	—
Total operating revenues	<u>32,826,463</u>	<u>33,652,981</u>	<u>2,694,632</u>	<u>1,476,447</u>
Operating expenses:				
Instruction and general:				
Instruction	57,520,081	59,497,339	—	—
Public service	963,999	1,092,465	—	—
Academic support	11,194,500	11,089,875	—	—
Student services	17,670,139	16,975,421	—	—
Institutional support	15,402,838	16,143,161	—	—
Operation and maintenance of plant	14,274,733	14,768,372	—	—
Depreciation	8,628,154	8,603,572	—	—
Student aid	34,882,079	35,566,538	—	—
Auxiliary enterprises	2,408,977	2,200,128	—	—
Other expenses	80,906	118,148	2,791,562	1,639,023
Total operating expenses	<u>163,026,406</u>	<u>166,055,019</u>	<u>2,791,562</u>	<u>1,639,023</u>
Operating loss	<u>(130,199,943)</u>	<u>(132,402,038)</u>	<u>(96,930)</u>	<u>(162,576)</u>
Nonoperating revenues (expenses):				
State appropriations	43,086,000	47,851,100	—	—
Local appropriations – operating	45,975,795	45,237,046	—	—
Local appropriations – debt service	9,104,215	9,158,599	—	—
Federal pell grant	37,494,345	37,242,673	—	—
Gifts	653,906	959,361	—	—
Investment income	202,885	287,322	24,917	663,590
Interest on capital asset related debt	(1,656,960)	(1,386,010)	—	—
Gain (loss) on disposition of assets	(69,844)	(29,257)	—	—
Other nonoperating revenues	281,000	416,255	—	—
Net nonoperating revenues (expenses)	<u>135,071,342</u>	<u>139,737,089</u>	<u>24,917</u>	<u>663,590</u>
Income (loss) before capital grants and appropriations	<u>4,871,399</u>	<u>7,335,051</u>	<u>(72,013)</u>	<u>501,014</u>
Capital appropriations	10,818,207	1,292,514	—	—
Capital grants and gifts	21,804	300	—	—
Additions to permanent endowments	—	—	578,463	60,677
Total other changes	<u>10,840,011</u>	<u>1,292,814</u>	<u>578,463</u>	<u>60,677</u>
Increase (decrease) in net assets	<u>15,711,410</u>	<u>8,627,865</u>	<u>506,450</u>	<u>561,691</u>
Net assets, beginning of year	<u>232,795,805</u>	<u>224,167,940</u>	<u>4,940,589</u>	<u>4,378,898</u>
Net assets, end of year	<u>\$ 248,507,215</u>	<u>232,795,805</u>	<u>5,447,039</u>	<u>4,940,589</u>

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Statements of Cash Flows

Years ended June 30, 2012 and 2011

	<b>2012</b>	<b>2011</b>
Cash flows from operating activities:		
Tuition and fees	\$ 14,472,011	14,998,501
Federal grants and contracts	3,062,049	6,159,477
State and local grants and contracts	8,387,236	6,994,379
Payments to suppliers	(23,189,583)	(25,744,303)
Payments for utilities	(4,391,039)	(4,436,683)
Payments to employees	(71,106,413)	(71,772,004)
Payments for benefits	(19,620,731)	(20,374,672)
Payments for scholarships	(34,485,853)	(35,647,788)
Loans issued to students	(40,192)	—
Collection of loans to students	15,646	76,317
Auxiliary enterprise charges	3,383,912	3,362,042
Sales and services of educational activities	2,907,895	3,219,073
Net cash used by operating activities	(120,605,062)	(123,165,661)
Cash flows from noncapital financing activities:		
State appropriations	43,086,000	47,851,100
Local appropriations—operating	46,193,855	45,118,299
Local appropriations—debt service	9,096,226	9,164,176
Federal Pell Grant	36,997,858	37,351,823
Education loan receipts	49,304,688	44,790,327
Education loan disbursements	(49,483,175)	(48,328,859)
Gifts and appropriations received for permanent endowments	653,906	959,361
Student organization agency transactions	(7,747)	3,474
Cash overdraft - due to bank	2,589,856	—
Other receipts	281,000	414,076
Net cash provided by noncapital financing activities	138,712,467	137,323,777
Cash flows from capital financing activities:		
Proceeds from capital debt	35,012,996	—
Capital appropriations	11,528,445	131,081
Proceeds from sale of capital assets	39,477	49,030
Purchases of capital assets	(45,811,220)	(18,652,590)
Principal paid on capital debt and leases	(8,500,000)	(2,750,000)
Interest paid on capital debt and leases	(1,738,437)	(1,582,200)
Net cash used by capital financing activities	(9,468,739)	(22,804,679)
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	135,063,242	119,629,692
Interest on investments	202,885	287,322
Purchase of investments	(141,988,044)	(114,133,945)
Net cash provided (used) by investing activities	(6,721,917)	5,783,069
Net increase (decrease) in cash and cash equivalents	1,916,749	(2,863,494)
Cash and cash equivalents, beginning of year	260,616	3,124,110
Cash and cash equivalents, end of year	\$ 2,177,365	260,616
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	\$ (130,199,943)	(132,402,038)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Depreciation expense	8,628,154	8,603,572
Changes in assets and liabilities:		
Receivables, net	(544,495)	824,752
Inventories	4,550	(19,534)
Prepaid expenses	150,093	97,949
Accounts payable and accrued expenses	1,582,857	(625,243)
Deferred revenue	(94,745)	332,079
Compensated absences	(131,533)	22,802
Net cash used by operating activities:	\$ (120,605,062)	(123,165,661)
Noncash transactions:		
Capital grants and gifts	\$ 21,804	300

**STATE OF NEW MEXICO**  
**CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2012 and 2011

**(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 and April 10, 2012. 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.

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2012 and 2011

**(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, 2012 and 2011; 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.

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**CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2012 and 2011

Cash resources not needed to meet immediate needs are invested with the New Mexico State Treasurer's Office short-term investment pool, LGIP. 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's 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. On July 15, 2010, the Reserve announced that it will begin its seventh distribution to Primary Fund shareholders on or about July 16, 2010. The distribution, in the amount of \$215 million, represents approximately 67% of the Fund's remaining asset value of \$323 million as of the close of business on July 9, 2010. The College received \$92,117 on July 16, 2010. Including this seventh distribution, \$50.7 billion of Fund assets as of the close of business on September 15, 2008, will have been returned to investors. The New Mexico State Treasurer's Office believes that there will not be additional distributions. Effective November 24, 2010, all remaining assets were transferred to a liquidating service agent, Crederian Fund Services LLC. The College recorded an estimated loss of \$380,270 for their portion as of June 30, 2009. On June 28, 2012, the State Treasurer's Office adjusted the college's reserve fund down by \$239,592, leaving a Reserve Primary Fund balance of \$48,211 on June 30, 2012.

The State of New Mexico appropriated funds to the College for the Legislative Nursing Endowment. 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 \$65,142 available for use. The amount is recorded in net assets as restricted-expendable.

The Foundation's investments consist primarily of certificates of deposit, federal agency obligations, corporate obligations, and marketable securities. Marketable securities are carried at fair value based on quoted market prices. Money market funds are carried at amortized cost, which approximates fair value. The change in fair value is reported in investment income in the statements of revenues, expenses, and changes in net assets.

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

**STATE OF NEW MEXICO**  
**CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2012 and 2011

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 2011.

During the year, the College received a special appropriation of \$78,000 for Tax Help NM. Tax Help NM had no remaining balance at the end of 2012.

**STATE OF NEW MEXICO**  
**CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2012 and 2011

**(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, 2009 Bond Series and 2011 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 \$4,738,689 and \$4,948,759 as of June 30, 2012 and 2011, 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 and CNM Foundation recognize 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.



**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2012 and 2011

Deferred revenue at June 30, 2012 and 2011 for CNM consists primarily of deferred summer term tuition in the amounts of \$2,674,874 and \$2,657,180, respectively, and \$201,985 and \$314,425, respectively, from grants and contract sponsors that have not yet been earned.

Deferred revenue at June 30, 2012 and 2011 for the CNM Foundation consists primarily of \$329,808 and \$1,948,669, respectively. The Foundation deferred \$258,496 from the Kellogg Foundation and \$32,662 from United Way as restricted in 2012; these grants were received to support the CNM Connect Center.

**(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, 2012 and 2011, approximately \$21,178,069 and \$6,921,583 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 \$7,174 in assets allocated by the NM Higher Education 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.

**STATE OF NEW MEXICO**  
**CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2012 and 2011

**(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:

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2012 and 2011

**College**

	<b>2012</b>	<b>2011</b>
Cash on hand	\$ 10,975	11,475
Deposits with financial institutions	2,166,390	249,141
Investments with New Mexico State Treasurer	100,151,446	93,226,644
Total cash and investments	\$ 102,328,811	93,487,260

**Foundation**

	<b>2012</b>	<b>2011</b>
Cash, including money market accounts	\$ 1,421,772	1,023,135
Federal agency obligations	983,956	1,707,845
Corporate obligations	719,139	605,082
Certificates of deposit	20,160	1,087,530
Marketable securities	2,581,673	2,539,981
Total cash and investments	\$ 5,726,700	6,963,573

**(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 2011, 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 Foundations' 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 5% of the total portfolio except for U.S. obligations.

The CNM Foundation Investment Policy Statement (IPS) allows for the investment in U.S. Treasuries and U.S. Government backed securities. On June 30, 2012, the portfolio consisted of 12.4% in 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.

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

Asset class	Minimum	Maximum
<b>Equities</b>	20	70
Value stocks	35	65
Growth stocks	35	65
International	5	25
<b>Bonds</b>	20	70
<b>Cash and equivalents</b>	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, 2012:

	Rating	Fair value
<i>NewMexiGROW</i> LGIP	AAAm	\$ 100,151,446
Total rated securities		\$ <u>100,151,446</u>

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The following table provides information on the credit ratings associated with the Foundation's investment in debt securities at June 30, 2012:

	<b>Rating</b>	<b>Fair value</b>
<b>Federal obligations</b>		
US Treasury Notes	AA+	\$ 442,602
US Treasury Bonds	AA+	197,971
Federal Home Loan Mtg Corp	Aaa	208,369
Federal National Mortgage Association	Aaa	135,014
		983,956
<b>Corporate obligations</b>		
Corporate bonds	AA+	125,310
Corporate bonds	AA	58,907
Corporate bonds	A+	58,651
Corporate bonds	A & A-	476,271
		719,139
Total rated securities		\$ <u><u>1,703,095</u></u>

The College has invested \$100,151,446 at June 30, 2012 and \$93,226,644 at June 30, 2011 in the New MexiGROW Local Government Investment Pool (LGIP), which is managed by the State Treasurer. These investments are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer New MexiGROW LGIP 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 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 LGIP 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. Participation in the local government investment pool is voluntary.

**(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.

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<u>Entity</u>	<u>Investment type</u>	<u>Fair value</u>	<u>1 year</u>	<u>1 - 5 years</u>	<u>5 years +</u>
College	<i>New MexiGROW</i> (LGIP)	\$ 100,151,446	100,151,446	—	—
Foundation	Federal agency obligations	983,956	—	600,888	383,068
Foundation	Corporate obligations	719,139	51,157	237,160	430,822

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. At June 30, 2012, the WAM-R was 60 days and WAM-F was 83 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, 2012, the Foundation had 12.4% 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 is not exposed to credit risk and therefore has no policy regarding credit risk.

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At June 30, 2012 and 2011, the College's deposits had a carrying amount of \$2,166,390 and \$249,141, respectively, and a bank balance of \$2,508,571 and \$2,251,089, respectively. Of the bank balance, \$250,000 was covered by federal depository insurance. At June 30, 2012 and 2011, \$2,258,571 and \$2,001,089, 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, 2012 and 2011, \$100,151,446 and \$93,226,644, was covered by collateral held under the Pooling Method, respectively.

Of the investments in federal agency and corporate obligations and marketable securities, the Foundation did not have custodial risk exposure at June 30, 2012 and 2011, 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, 2012, the Foundation's bank balance was \$562,114 which was covered by federal depository (FDIC) insurance.

The balance of the money market mutual funds accounts at June 30, 2012 was \$859,658. Money market mutual funds are short-term investments that are classified as cash equivalents.

The balance of the certificates of deposit at June 30, 2012 was \$20,160. Certificates of deposit are insured by FDIC up to \$250,000 per account, per depository institution. All certificates of deposits at June 30, 2012 were maintained under the FDIC insurance limit per account and per depository institution. Certificates of deposits that mature within 90 days are classified as cash equivalents and certificates of deposit with a maturity of 90 days or more are classified as investments.

At June 30, 2011, the Foundation's bank balance was \$460,113 which was covered by FDIC insurance.

The balance of the money market mutual fund accounts at June 30, 2011 was \$200,640. The balance of the certificates of deposit at June 30, 2011 was \$1,462,346.

**(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, 2012, CNM and the Foundation held no investments denominated in foreign currencies and therefore had no foreign currency risk.

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**(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:

	<b>2012</b>	<b>2011</b>
Current asset:		
Receivables	\$ 11,152,603	10,409,633
Allowance for doubtful accounts	(4,229,423)	(3,765,857)
Net receivables – current	\$ 6,923,180	6,643,776
Noncurrent receivables	\$ 1,920,238	1,896,609

Included in the 2012 amounts above is a \$4,738,689 mill levy receivable due from Bernalillo and Sandoval Counties, \$3,029,519 of contract and grant receivables, \$241,594 in other receivable which is primarily direct loan receivables, and \$716,562 in student receivables. Included in the 2011 amounts above is a \$4,948,759 mill levy receivable due from Bernalillo and Sandoval Counties, \$2,970,913 of contract and grant receivables, and \$528,205 in student receivables.



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**(4) Capital Assets**

Capital assets consist of the following:

	<b>Year ended June 30, 2012</b>			
	<b>Balance, June 30, 2011</b>	<b>Additions and transfers</b>	<b>Dispositions and transfers</b>	<b>Balance, June 30, 2012</b>
Capital assets not being depreciated:				
Land	\$ 27,330,554	—	—	27,330,554
Art	512,746	1,128	563	513,311
Construction in process	11,121,754	39,704,501	8,163,057	42,663,198
Depreciable capital assets:				
Land improvements	11,637,720	110,281	—	11,748,001
Buildings	177,089,684	7,302,733	—	184,392,417
Infrastructure	2,891,017	1,036,505	—	3,927,522
Furniture, fixtures, and equipment	30,405,797	5,798,408	3,061,652	33,142,553
Library materials	3,132,260	268,901	150,585	3,250,576
	<u>264,121,532</u>	<u>54,222,457</u>	<u>11,375,857</u>	<u>306,968,132</u>
Less accumulated depreciation:				
Land improvements	4,014,927	584,157	—	4,599,084
Buildings	46,919,771	4,890,993	—	51,810,764
Infrastructure	630,214	235,111	—	865,325
Furniture, fixtures, and equipment	20,859,660	2,614,894	2,933,627	20,540,927
Library materials	1,577,939	303,000	150,585	1,730,354
	<u>74,002,511</u>	<u>8,628,155</u>	<u>3,084,212</u>	<u>79,546,454</u>
Net carrying amount	<u>\$ 190,119,021</u>	<u>45,594,302</u>	<u>8,291,645</u>	<u>227,421,678</u>

The College capitalizes interest expense incurred during the period an asset is being prepared for its intended use. For the years ended June 30, 2012 and 2011, the College capitalized interest expense of approximately \$262,874 and \$131,973, respectively.

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	<b>Year ended June 30, 2011</b>			
	<b>Balance, June 30, 2010</b>	<b>Additions and transfers</b>	<b>Dispositions and transfers</b>	
Capital assets not being depreciated:				
Land	\$ 27,330,554	—	—	27,330,554
Art	512,876	300	430	512,746
Construction in process	50,034,765	15,099,467	54,012,478	11,121,754
Depreciable capital assets:				
Land improvements	11,137,720	500,000	—	11,637,720
Buildings	123,864,871	53,224,813	—	177,089,684
Infrastructure	2,605,293	285,724	—	2,891,017
Furniture, fixtures, and equipment	30,253,833	2,926,695	2,774,731	30,405,797
Library books	3,040,138	238,865	146,743	3,132,260
	<u>248,780,050</u>	<u>72,275,864</u>	<u>56,934,382</u>	<u>264,121,532</u>
Less accumulated depreciation:				
Land improvements	3,432,608	582,319	—	4,014,927
Buildings	42,174,310	4,745,461	—	46,919,771
Infrastructure	438,798	191,416	—	630,214
Furniture, fixtures, and equipment	20,765,911	2,790,623	2,696,874	20,859,660
Library books	1,430,929	293,753	146,743	1,577,939
	<u>68,242,556</u>	<u>8,603,572</u>	<u>2,843,617</u>	<u>74,002,511</u>
Net carrying amount	<u>\$ 180,537,494</u>	<u>63,672,292</u>	<u>54,090,765</u>	<u>190,119,021</u>

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**(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, 2012.

**(6) Accrued Compensated Absences**

The following is a summary of accrued compensated absences for the College for the years ended June 30, 2012 and 2011:

<b>Year ended June 30, 2012</b>						
	<b>Balance,</b>				<b>Balance,</b>	<b>Current</b>
	<b>June 30, 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2012</b>	<b>portion</b>	
Accrued compensated absences	\$ 1,836,401	1,922,845	2,054,378	1,704,868	1,704,868	

<b>Year ended June 30, 2011</b>						
	<b>Balance,</b>				<b>Balance,</b>	<b>Current</b>
	<b>June 30, 2010</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2011</b>	<b>portion</b>	
Accrued compensated absences	\$ 1,813,600	2,042,300	2,019,499	1,836,401	1,836,401	

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

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**(7) Bonds Payable**

The following is a summary of bonds payable transactions for the College for the years ended June 30, 2012 and 2011:

	Year ended June 30, 2012				
	Balance, June 30, 2011	Additions	Deductions	Balance, June 30, 2012	Current portion
Series 2006	\$ 21,825,000	—	1,750,000	20,075,000	1,750,000
Series 2009	20,250,000	—	6,750,000	13,500,000	1,200,000
Series 2011	—	33,360,000	—	33,360,000	3,600,000
Total bond principal	42,075,000	33,360,000	8,500,000	66,935,000	6,550,000
Bond premium	418,508	1,641,366	97,299	1,962,575	134,811
	\$ 42,493,508	35,001,366	8,597,299	68,897,575	6,684,811

	Year ended June 30, 2011				
	Balance, June 30, 2010	Additions	Deductions	Balance, June 30, 2011	Current portion
Series 2006	\$ 22,825,000	—	1,000,000	21,825,000	1,750,000
Series 2009	22,000,000	—	1,750,000	20,250,000	6,750,000
Total bond principal	44,825,000	—	2,750,000	42,075,000	8,500,000
Bond premium	451,319	—	32,811	418,508	—
	\$ 45,276,319	—	2,782,811	42,493,508	8,500,000

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 were also 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.

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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 were used to fund two major capital outlay projects: to build the Rio Rancho Campus and renovate the Jeanette Stromberg Building. The Bonds were also 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 all of the 2009 Bonds proceeds. The bonds are under the requirements of the federal arbitrage regulations.

On October 24, 2011, the College issued \$33,360,000 of General Obligation (Limited Tax Bonds) – Series 2011 (2011 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 1, 2011. The bond funds are being used to fund three major capital outlay projects: the Jeanette Stromberg Renovation Project, L Building Renovation and the construction of the Westside Phase III instructional facility. The Bonds are also being used to fund various renewal and replacement projects. The 2011 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 1, 2011. The 2011 Bonds mature through August 15, 2024. Bonds maturing on or after August 15, 2021 are subject to redemption prior to their maturity at the option of the College at any time on or after August 15, 2022. At year-end, the College had spent \$13,783,916 of the 2011 Bonds proceeds. The bonds are under the requirements of the federal arbitrage regulations.

Debt service requirements at June 30, 2012 are as follows:

<b>Fiscal year ending June 30</b>	<b>General Obligation Bond Series 2006</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total debt service</b>
2013	\$ 1,750,000	807,950	2,557,950
2014	1,825,000	736,450	2,561,450
2015	1,875,000	653,075	2,528,075
2016-2019	7,650,000	1,803,925	9,453,925
2020-2022	6,975,000	466,475	7,441,475
	<u>\$ 20,075,000</u>	<u>4,467,875</u>	<u>24,542,875</u>

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<b>Fiscal year ending June 30</b>	<b>General Obligation Bond Series 2009</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total debt service</b>
2013	\$ 1,200,000	409,875	1,609,875
2014	1,200,000	379,875	1,579,875
2015	1,100,000	351,125	1,451,125
2016-2019	4,600,000	1,082,125	5,682,125
2020-2025	5,400,000	657,812	6,057,812
	\$ 13,500,000	2,880,812	16,380,812

<b>Fiscal year ending June 30</b>	<b>General Obligation Bond Series 2011</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total debt service</b>
2013	\$ 3,600,000	1,001,700	4,601,700
2014	4,360,000	902,200	5,262,200
2015	1,000,000	835,200	1,835,200
2016	1,000,000	810,200	1,810,200
2017	1,000,000	785,200	1,785,200
2018-2022	7,030,000	3,431,375	10,461,375
2023-2027	15,370,000	1,225,775	16,595,775
	\$ 33,360,000	8,991,650	42,351,650

The maximum debt of the College may not exceed 3% of the assessed valuation of the District or approximately \$494,000,000.

**(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

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may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

***Funding Policy***

Plan members earning \$20,000 or less annually are required by statute to contribute 7.9% of their gross salary. Plan members earning over \$20,000 annually were required to contribute 11.15% of their gross salary in fiscal year 2012 and will be required to contribute 9.40% of their gross salary in fiscal year 2013. The College has been and is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, in fiscal years 2012 and 2013. In fiscal year 2012 the College contributed 9.15% of the gross covered salary of employees earning more than \$20,000 annually. In fiscal year 2013 the College will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the College are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The College's contributions to ERB for the fiscal years ending June 30, 2012, 2011, and 2010, were \$6,313,392, \$6,916,650, and \$7,061,891, 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.

***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 a voluntary retirement savings option for all employees with the exception of work-study student employees. Under the plan in calendar year 2012, employees may voluntarily contribute up to a maximum of \$17,000 if under age 50, and up to a maximum of \$22,500 if the employee is 50 or older. The College does not contribute or match any funds in the 457(b) savings program. The total amount of employee contributions for the fiscal years 2012 and 2011 was approximately \$775,880 and \$1,703,486, respectively.

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

***Plan Description***

The College contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2012 and 2011

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](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013, the contribution rates for employees and employers will rise as follows:

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

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

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.



**STATE OF NEW MEXICO**  
**CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2012 and 2011

The College's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$1,210,856, \$1,076,144, and \$810,749, 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.

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2012 and 2011

At June 30, 2012, the College has \$20,784,141 of outstanding capital commitments to contractors and architects related to the following projects:

A Building Restrooms Renovation	\$ 157,319
Alameda Property Remodel	126,690
Banner Finance	9,330
Building Renewal & Replacement Small Projects	127,931
CNM Security Cameras Project	22,526
Demolition Buena Vista Property	4,073
Enterprise Application Performance Plan	243,473
Enterprise Storage	83,973
Enterprise Technology Upgrades	9,000
Image Software Project	11,072
H Building Renovation	106,083
HED Equipment Renewal	205,509
HVAC SB & Max Salazar	56,610
JS Building Renovation	2,868,217
KC & MS Fire Alarm Upgrade	27,357
LSA 1st Floor Renovation	11,480
LSA Break Area	20,754
Main Bookstore & Student Activities	8,565,546
Media Production Studio	19,191
MS Elevator Replacement	36,592
Network Replacement	15,059
Online Collaboration Tool	4,768
Parking System	16,253
Rio Rancho Instructional Facility	16,115
S Building Renovation	61,854
Southwest Campus Master Plan	121,678
SRC ISP Project	28,802
SSC Building Enhancements	8,005
SSC Food Court Enclosure	16,983
Student Resource Center	675,174
Student Services Center Renovation	856,503
Tom Wiley Building Renovation	458,228
Web Home Page	117,911
WS Data Center Upgrade	2,025
WS Phase III	5,665,219
WS Stone Replacement Project	6,838
	<u>\$ 20,784,141</u>

**STATE OF NEW MEXICO**  
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Notes to Basic Financial Statements

June 30, 2012 and 2011

**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 \$353,420 at June 30, 2012. The term of the original lease was from January 2010 to September 30, 2014. The lease was amended with a term of May 2012 through April 2020. The future minimum receipts, assuming a 2% CPI, are as follows:

2013	\$	669,443
2014		682,832
2015		696,488
2016		710,418
2017		724,626
2018		739,119
2019		753,901
2020		<u>638,688</u>
	\$	<u><u>5,615,515</u></u>

**SUPPLEMENTARY INFORMATION SECTION**

**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, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actuals (budgetary basis)</u>	<u>Variance favorable (unfavorable)</u>
Beginning balance budgeted	\$ 59,485,019	72,749,514	72,749,514	
Revenues:				
Tuition	20,000,158	20,034,900	19,242,028	(792,872)
Miscellaneous fees	3,946,642	4,211,642	3,618,848	(592,794)
State government appropriations	43,086,000	43,086,000	43,086,000	—
Local government appropriations	45,577,425	45,577,425	46,179,113	601,688
Federal government contracts/grants	49,474,776	49,576,530	41,326,467	(8,250,063)
State government contracts/grants	8,011,053	7,299,849	6,802,740	(497,109)
Local government contracts/grants	5,309	90	—	(90)
Private contracts/grants	3,568,399	3,424,826	2,452,217	(972,609)
Endowments	43,481	106,244	—	(106,244)
Sales and services	5,217,932	5,496,047	4,581,719	(914,328)
Other	2,979,879	2,799,600	2,229,453	(570,147)
Capital outlay	37,350,000	27,350,000	33,025,969	5,675,969
Building renewal and replacement	2,584,890	1,934,890	1,817,048	(117,842)
Retirement of indebtedness	9,575,000	9,575,000	9,179,011	(395,989)
Total revenues	<u>231,420,944</u>	<u>220,473,043</u>	<u>213,540,613</u>	<u>(6,932,430)</u>
Expenditures:				
Instruction	62,481,949	63,107,717	57,613,346	5,494,371
Academic support	13,303,530	12,655,142	11,557,499	1,097,643
Student services	18,803,663	19,535,365	17,601,992	1,933,373
Institutional support	17,106,133	17,462,560	15,305,891	2,156,669
Operation and maintenance of plant	13,738,400	14,115,801	13,766,485	349,316
Student social and cultural activities	203,352	203,352	80,906	122,446
Public services	1,571,623	1,653,547	982,208	671,339
Internal services	262,413	279,844	256,028	23,816
Student aid grants and stipends	52,106,761	52,717,165	44,815,377	7,901,788
Auxiliary enterprises	2,047,612	2,720,943	2,411,993	308,950
Capital outlay	45,300,000	36,700,000	34,015,513	2,684,487
Building renewal and replacement	22,000,000	15,500,000	12,080,254	3,419,746
Retirement of indebtedness	11,201,000	10,652,000	10,484,721	167,279
Total expenditures	<u>260,126,436</u>	<u>247,303,436</u>	<u>220,972,213</u>	<u>26,331,223</u>
Transfers to (from):				
Instruction and general	3,801,996	5,224,082	5,224,082	—
Student social and cultural	3,600	3,600	3,600	—
Public service	—	—	—	—
Internal service	—	—	—	—
Student aid and grants	(2,214,907)	(2,696,993)	(2,696,993)	—
Auxiliary enterprises	100,000	2,160,000	2,160,000	—
Capital outlay	(671,101)	(1,671,101)	(1,671,101)	—
Building renewal and replacement	(1,019,588)	(3,019,588)	(3,019,588)	—
Total transfers	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Change in net assets (budgetary basis)	<u>(28,705,492)</u>	<u>(26,830,393)</u>	<u>(7,431,600)</u>	<u>\$ 19,398,793</u>
Net assets (budgetary basis)	<u>\$ 30,779,527</u>	<u>45,919,121</u>	<u>65,317,914</u>	

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

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

Year ended June 30, 2012

Reconciliation of change in net assets (budgetary basis)	
to change in net assets (GAAP basis):	
Change in net assets (budgetary basis)	\$ (7,431,600)
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	3,710
Investment in plant fund	32,097,775
Depreciation expense not included in budgetary basis	(8,628,154)
Increase (decrease) revenue due to conversion to full accrual accounting for GAAP basis:	
Summer school tuition	(17,694)
GASB 33 revenue	(44,162)
Mill levy revenue	(268,465)
Primary institution increase in net assets	\$ 15,711,410

Note A:

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

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

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

**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, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actuals (budgetary basis)</u>	<u>Variance favorable (unfavorable)</u>
Beginning balance budgeted	\$ 46,611,023	48,879,018	48,879,018	
Revenues:				
Tuition	—	—	—	—
Miscellaneous fees	218,152	218,152	144,826	(73,326)
State government appropriations	78,000	78,000	78,000	—
Local government appropriations	—	—	—	—
Federal government contracts/grants	—	—	—	—
State government contracts/grants	65,000	145,484	142,610	(2,874)
Local government contracts/grants	—	—	—	—
Private contracts/grants	—	26,660	23,428	(3,232)
Endowments	—	—	—	—
Sales and services	3,371,855	3,973,000	3,573,765	(399,235)
Other	100,000	100,000	97,872	(2,128)
Capital outlay	37,350,000	27,350,000	33,025,969	5,675,969
Building renewal and replacement	2,584,890	1,934,890	1,817,048	(117,842)
Retirement of indebtedness	9,575,000	9,575,000	9,179,011	(395,989)
Total revenues	<u>53,342,897</u>	<u>43,401,186</u>	<u>48,082,529</u>	<u>4,681,343</u>
Expenditures:				
Instruction	—	—	—	—
Academic support	—	—	—	—
Student services	—	—	—	—
Institutional support	—	—	—	—
Operation and maintenance of plant	—	—	—	—
Student social and cultural activities	203,352	203,352	80,906	122,446
Public services	162,576	201,562	174,637	26,925
Internal services	200,000	200,000	189,473	10,527
Student aid grants and stipends	2,214,907	2,949,287	2,758,928	190,359
Auxiliary enterprises	1,999,888	2,663,827	2,364,088	299,739
Capital outlay	45,300,000	36,700,000	34,015,513	2,684,487
Building renewal and replacement	22,000,000	15,500,000	12,080,254	3,419,746
Retirement of indebtedness	11,201,000	10,652,000	10,484,721	167,279
Total expenditures	<u>83,281,723</u>	<u>69,070,028</u>	<u>62,148,520</u>	<u>6,921,508</u>
Transfers to (from):				
Instruction and general	—	—	—	—
Student social and cultural	3,600	3,600	3,600	—
Public service	—	—	—	—
Internal service	—	—	—	—
Student aid and grants	(2,214,907)	(2,696,993)	(2,696,993)	—
Auxiliary enterprises	100,000	2,160,000	2,160,000	—
Capital outlay	(671,101)	(1,671,101)	(1,671,101)	—
Building renewal and replacement	(1,019,588)	(3,019,588)	(3,019,588)	—
Total transfers	<u>(3,801,996)</u>	<u>(5,224,082)</u>	<u>(5,224,082)</u>	<u>—</u>
Change in net assets (budgetary basis)	(26,136,830)	(20,444,760)	(8,841,909)	\$ <u>11,602,851</u>
Net assets (budgetary basis)	\$ <u>20,474,193</u>	<u>28,434,258</u>	<u>40,037,109</u>	

**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, 2012

	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	45,877,123	46,174,093	38,386,341	(7,787,752)
State government contracts/grants	4,527,912	4,436,345	4,338,316	(98,029)
Local government contracts/grants	5,309	90	—	(90)
Private contracts/grants	407,838	334,190	232,727	(101,463)
Endowments	—	106,244	—	(106,244)
Sales and services	87,977	305,861	13,696	(292,165)
Other	504,879	—	7,400	7,400
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total revenues	<u>51,411,038</u>	<u>51,356,823</u>	<u>42,978,480</u>	<u>(8,378,343)</u>
Expenditures:				
Instruction	—	—	—	—
Academic support	—	—	—	—
Student services	—	—	—	—
Institutional support	—	—	—	—
Operation and maintenance of plant	—	—	—	—
Student social and cultural activities	—	—	—	—
Public services	1,409,047	1,451,985	807,571	644,414
Internal services	62,413	79,844	66,555	13,289
Student aid grants and stipends	49,891,854	49,767,878	42,056,449	7,711,429
Auxiliary enterprises	47,724	57,116	47,905	9,211
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total expenditures	<u>51,411,038</u>	<u>51,356,823</u>	<u>42,978,480</u>	<u>8,378,343</u>
Transfers to (from):				
Instruction and general	—	—	—	—
Student social and cultural	—	—	—	—
Public service	—	—	—	—
Internal service	—	—	—	—
Student aid and grants	—	—	—	—
Auxiliary enterprises	—	—	—	—
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Total transfers	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Change in net assets (budgetary basis)	—	—	—	\$ <u>—</u>
Net assets (budgetary basis)	\$ <u>—</u>	<u>—</u>	<u>—</u>	



**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Pledged Collateral

June 30, 2012

**THE COLLEGE:**

Wells Fargo Bank checking accounts	\$ 2,508,571
FDIC Insurance	<u>(250,000)</u>
Uninsured public funds	<u>\$ 2,258,571</u>
50% collateral requirement (\$63,009)	\$ (31,505)
102% sweep collateral requirement \$2,321.580	<u>2,368,012</u>
Total collateral requirements	<u>\$ 2,336,507</u>

	<b>CUSIP</b>	<b>Rate</b>	<b>Maturity</b>		
Collateral (at fair value):					
FN AH0946	3138A2BQ1	4.00%	12/1/2040	\$	7,323,611
FN AJ0192	3138ARGA6	2.45%	9/1/2041		15,622
FN AD7993	31418V3B6	4.50%	7/1/2040		43,192
GN - II 4369	36202E2A6	5.00%	2/1/2039		<u>2,368,012</u>
Total collateral					<u>9,750,437</u>
Over collateral requirement				\$	<u>7,413,930</u>

Wells Fargo Banks has pledged the above collateral which is being held in safekeeping by The Bank of New York Mellon (BNYM)

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Individual Deposit and Investment Accounts  
June 30, 2012

**The College:**

<u>Name of depository</u>	<u>Account name</u>	<u>Type of account</u>	<u>Bank balance</u>	<u>Book balance</u>
Cash on Hand	Petty cash and change fund	Cash	\$ -	10,975
Wells Fargo Bank	Student federal fund	Checking	59,924	(75,394)
	Operational account	Checking	2,323,329	(78,974)
	Stafford loans	Checking	89,366	(200,896)
	Perkins Loans	Checking	35,774	34,832
	Payroll	Checking	-	(94,206)
	Student refund	Checking	-	(9,006)
Bank of America	Direct Deposit	Checking	178	178
Total cash			<u>2,508,571</u>	<u>(412,491)</u>
Office of the State Treasure	Current fund	Investment	33,929,685	33,929,685
	Renewal and replacement	Investment	17,212,559	17,212,559
	Retirement of indebtedness	Investment	8,003,485	8,003,485
	Plant	Investment	39,360,575	39,360,575
	Endowment	Investment	1,645,142	1,645,142
Total investments			<u>100,151,446</u>	<u>100,151,446</u>
Total cash and investments			<u>\$ 102,660,017</u>	<u>99,738,955</u>

**The Foundation:**

<u>Name of depository</u>	<u>Account name</u>	<u>Type of account</u>	<u>Bank balance</u>	<u>Book balance</u>
Wells Fargo	Operational account	Checking	\$ 312,548	312,548
Wells Fargo	Operational account	Savings	249,566	249,566
Morgan Stanley		Money Market Mutual fund	859,658	859,658
Total cash			<u>1,421,772</u>	<u>1,421,772</u>
Morgan Stanley	Federal Agency Obligations			
	Federal National Mtg Assn	Investment	135,014	135,014
	Federal Home Loan Mtg Corp	Investment	208,369	208,369
	US Treasury Notes	Investment	442,602	442,602
	US Treasury Bonds	Investment	197,971	197,971
			<u>983,956</u>	<u>983,956</u>
	Certificates of Deposit	Investment	20,160	20,160
	Corporate obligations	Investment	719,139	719,139
	Mutual Funds	Investment	274,362	274,362
	Stocks	Investment	2,307,311	2,307,311
Total investments			<u>4,304,928</u>	<u>4,304,928</u>
Total cash and investments			<u>\$ 5,726,700</u>	<u>5,726,700</u>

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Expenditures of Federal Awards

For the Period July 1, 2011 through June 30, 2012

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or pass-through number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Education:</b>			
Student Financial Assistance:			
Federal Supplemental Educational Opportunity Grant 2011-2012	84.007	P007A112635	\$ 534,003
Academic Competitive Grant 2009-2010	84.375	P375A102545	1,991
Federal Work Study	84.033	P033A072635	506,317
Federal Pell Grant 2011-12	84.063	P063P112545	37,022,182
Federal Pell Grant 2010-11	84.063	P063P102545	483,571
Federal Pell Grant 2009-10	84.063	P063P092545	(6,277)
Federal Pell Grant 2008-09	84.063	P063P082545	(1,460)
Federal Pell Grant 2007-08	84.063	P063P072545	(1,796)
Federal Pell Grant 2001-02	84.063	P063P012545	(1,875)
			<u>38,536,656</u>
<b>U.S. Department of Education:</b>			
Trio cluster:			
<b>Pass through from Santa Fe Community College</b>			
TRIO Student Support Services Grant	84.042A	P042A050610	250,176
<b>Pass-through from New Mexico Department of Education:</b>			
Perkins-Vocational Expansion 2011-12	84.048	001.3.2.1.855	1,164,104
Perkins-Vocational Expansion 2010-11	84.048	001.3.2.1.855	30,493
Perkins-Vocational Expansion 2010-11 Redistribution	84.048	001.3.2.1.855	222,987
			<u>1,667,760</u>
Adult Basic Education	84.002	019888	384,700
<b>U.S. Department of Education Pass-through from Office of Special Education and Rehabilitative Services</b>			
Division of Vocational Rehabilitation DELTA	84.126	1888	1,688
<b>U.S. Department of Education Pass-through from The University of New Mexico</b>			
HSI STEM Cooperative: STEM Up	84.031C	P031C110106	46,438
<b>National Science Foundation:</b>			
SCME	47.076	DUE-0902411	30,327
Geographic Information	47.076	DUE-0801893	17,010
			<u>47,337</u>
<b>Small Business Administration Pass-through from New Mexico Small Business Development Center</b>			
Small Business Development Center-SV	59.037	9-7620-0032-11	26,689
Small Business Development Center-Yale	59.037	6-7620-0032-11	21,689
NMSB International Trade	59.037	1-603001-Z-0139	25,000
			<u>73,378</u>
<b>Corporation for National and Community Service</b>			
Civic Engagement	94.005	06LHHNM001	2,004
AmeriCorps	94.013	44-0103-0-1-506	103,302
			<u>105,306</u>
<b>U.S. Department of Health and Human Services</b>			
Cancer Early Detection	93.283	09/BCC/0200/0526	2,865

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Expenditures of Federal Awards

For the Period July 1, 2011 through June 30, 2012

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or pass-through number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Health and Human Services Pass-through from University of New Mexico</b> Academic Science Education & Research Training	93.859	K12GM088021	\$ 11,539
<b>U.S. Department of Agriculture Pass-through from New Mexico State University</b> Fit for Life	10.223	2011-38422-18027	48,194
<b>U.S. Department of Labor Pass Through from New Mexico Department of Workforce Solutions</b> American Recovery & Reinvestment Act (ARRA) Solar Center of Excellence	17.275	GJ-20032-10-60-A-35	150,413
<b>U.S. Department of Labor Pass Through from Santa Fe Community College</b> Trade Adj. Asst. Comm College & Career Training	17.282	TC-22550-11-60-A-35	284
<b>National Institute Standards Board through NM Manufacturing Extension Partnership</b>	11.611	70NANB5BH1194	13,800
<b>National Security Agency</b> STARTALKing in Arabic	12.900	H98230-11-1-0032	43,440
<b>Total federal expenditures</b>			\$ <u><u>41,133,798</u></u>

Note A:

During the year through 6/30/12, various lenders made loans to students under the Guaranteed Student Loan Program (which includes Stafford, Direct and Perkins Loans):

	<u>CFDA Number</u>	<u>Disbursements</u>
Federal Direct Loan Program	84.268	\$ <u>49,164,404</u>
Federal Family Education Loan Program (Stafford)	84.032	\$ <u>(27,830)</u>
Perkins Loan Program	84.038	\$ <u>40,192</u>

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 did not provide any federal award to sub recipients

See accompanying independent auditors' report.

**SINGLE AUDIT AND OTHER INFORMATION**



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

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Governing Board  
Central New Mexico Community College  
Albuquerque, New Mexico

We have audited the financial statements of the business-type activities, the discretely presented component unit and related budgetary comparisons presented as supplemental information of the State of New Mexico Central New Mexico Community College (the College) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that 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 11-4, 12-2, 12-3.

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the College's response 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, Higher Education Department (HED), 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.

*Abeyta, Weiner & Chernie, P. C.*

November 1, 2012



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

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Governing Board  
Central New Mexico Community College  
Albuquerque, New Mexico

### **Compliance**

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

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

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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 12-1.



## Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 12-1. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 management, the audit committee, others within the College, New Mexico State Auditor, HED 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.

A. Beyta, Weiner & Cherno, P. C.

November 1, 2012

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs

**Section A - Summary of Auditor's Results**

***Financial Statements***

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

***Federal Awards***

Internal control over major programs: Material weaknesses reported?	No
Significant deficiencies reported 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:

<u>CFDA Number</u>	<u>Name of Federal</u>
84.007, 84.063, 84.375 & 84.033, 84.268, 84.032, 84.038	Student Financial Assistance - Cluster
84.002	Adult Basic Education
17.275	ARRA - Solar Center of Excellence

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs

**Section II - Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

**Department of Education**

**CFDA #'s: 84.007, 84.032, 84.038, 84.063, 84.268, 84.375**

**Program: Student Financial Assistance Cluster - R2T4**

**FY 2011-2012**

**Pass Through Entity - N/A**

**12-1 (Significant Deficiency) Return of Title IV Funds Finding**

**Condition**

During our review of R2T4 calculations, we noted the following instance of non-compliance:

- Out of 40 R2T4 calculations tested, we found one instance in which the enrollment period used for determining the percentage of Title IV Aid Earned was incorrect. The institutionally scheduled break (spring break) was not excluded from the Return calculation.

**Criteria**

Institutionally scheduled breaks of five or more consecutive days are excluded from the Return calculation as periods of nonattendance and, therefore, do not affect the calculation of the amount of Federal Student Aid earned (34 CFR 668.22(f)(2)(i)).

**Cause**

The Banner screen used to determine the enrollment period (SOATBRK) was not set up correctly at Enrollment Services. This caused the incorrect enrollment period used in the R2T4 calculation.

**Effect**

The College was not in compliance with federal requirements for Return of Title IV Funds. As a result of this non-compliance, the College returned \$34 more than it should have to the Department of Education.

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

**Section III - Federal Award Findings and Questioned Costs (continued)**

**12-1 (Significant Deficiency) Return of Title IV Funds Finding (continued)**

**Effect (continued)**

No extrapolation required. The Financial Aid department ran a report to determine how many R2T4 calculations used the incorrect enrollment period. The College found 17 instances in which 116 days were used instead of the correct amount of 109. Of the 17 instances:

- Five had no Title IV aid or were in a recoup situation.
- Seven were already correct either due to being over the 60% earned amount or because they were correctly entered using R2T4 on the Web through the Central Processing System.
- Five, including the calculation tested above, were calculated incorrectly. These six incorrect calculations resulted in the College returning \$28 more than it should have to the Department of ED.

**Recommendation**

Personnel responsible for oversight should communicate the federal requirements for Return of Title IV Funds and the importance of determining the proper enrollment period. In addition, the CNM Financial Aid Office should consider performing spot checks on data entry done by Enrollment Services on a routine basis.

**Response**

The Financial Aid Office did inform Enrollment Services at the time this issue was identified that Institutionally scheduled breaks of five or more days should be excluded from the teaching calendar for Financial Aid R2T4 calculations. Enrollment Services corrected this error immediately from 116 to 109 days. At that time the Financial Aid Office ran a population selection to identify any R2T4 files and correct them; Unfortunately some were missed based on the timing of when new files were identified and processed. The Financial Aid Office has added a reminder to our share point calendar to check with Enrollment Services and make sure that the calendar days are correct and exclude the spring break before we begin to process R2T4 files. The Financial Aid Office will also run periodic programs though out the term to make sure any of these kinds of issues are caught immediately.

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

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

**11-4 (other) ERB Reporting**

**Condition**

During the course of our audit, we tested compliance with the Educational Retirement Act (Section 22-11-1 to 22-11-53 NMSA 1978). Included in that statute is the requirement to report the date when an employee terminates to the Educational Retirement Board (ERB).

- For two out of ten terminated employees who were qualified to contribute, we were unable to verify that their termination date had been reported to the ERB.

**Criteria**

New Mexico Education Retirement Board requires that the exact date of termination be reported to the Educational Retirement Board in the month where termination occurs and again if paid in the month following termination.

**Cause**

Faculty terminations frequently occur following a period of inactivity; which can be up to three semesters. The current system in place to report to ERB the date on which an employee terminates is included in the payroll function. Employees termination dates are reported to ERB in the period in which they receive their final payroll. If termination occurs in a month for which they do not receive payroll; their termination date is not reported to the ERB in the normal course of business.

In addition, for one of the two exceptions, the employee's final payroll was issued in September 2009, but was not terminated in the system until January of 2012.

**Effect**

The College was not in compliance with Educational Retirement Board's reporting requirements of terminated employees.

If we extrapolate the error rate of our findings to the overall population, it is possible that for 72 ERB eligible terminated employees, their termination date will not be properly reported to the Educational Retirement Board.

**Recommendation**

The College should develop changes to ERB reporting system to track and report terminations. A procedure should be developed to trace and reconcile termination reports to the monthly reports filed with the ERB.

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs

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

**11-4 (other) ERB Reporting (continued)**

**Response**

Payroll is working with ITS to ensure the ERB-Termination report correctly reports all ERB employees that have terminated during the month. The current report seems to only include employees with activity during the year. Additionally, payroll is cross referencing all ERB reported terminations with the PZRTERM report that is used for audit purposes, to ensure that all ERB employees are being reported upon termination to ERB.

**12-2 (other) Human Resources (HR)**

**Condition**

During the course of our audit, we tested 50 employees for compliance with applicable state and federal reporting and verification requirements and compliance with the College's internal control policies over Human Resources (HR).

- For one out of 14 part-time instructors tested, two letter of appointment contracts (LOA) could not be located for the semester tested.
- For three out of ten terminated employees tested, the Information Technology (IT) department did not receive an ITS ticket to terminate employee access to CNM's network applications from HR.
- For one of the three terminated employees that did not receive an ITS ticket as discussed above administrative access was still enabled at time of testing.
- For 28 out of 40 employees tested the HR department was unable to document that the individuals had been timely furnished to the state directory.

**Criteria**

Each semester, departments analyze their need for part-time instructors. HR is responsible for creating and maintaining on file LOA's for each instructor, for each department and class based on the department's request. HR is also responsible for creating, verifying and maintaining proof of email acceptance of the LOA from instructors.

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs

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

**12-2 (other) Human Resources (HR)(continued)**

**Criteria (continued)**

Internal policy states that department supervisors must immediately notify employeeseparation@cnm.edu of terminated employees, the HR department is responsible for emailing a personnel data form (PDF) to ITS through footprints to create an ITS ticket to terminate.

New Mexico State Statues 501-13-3 Section C requires all employers to submit to the state directory of new hires, in a timely manner, a report that contains the name, address and social security number of each newly hired or rehired employee.

**Cause**

No written procedures or review policies exist to ensure LOA documentation is properly received and retained.

Failure to comply with CNM separation policy as detailed in the CNM separation checklist.

No written procedures or review policies exist to ensure newly hired or rehired employees are furnished to the state directory of new hires in a timely manner.

**Effect**

If we extrapolate the error rate of our findings to the overall population, it is possible that 224 employees will not have an ITS ticket to terminate generated for the ITS department at separation date. It is also possible that for 75 terminated employees administrative access will not be disabled.

The College was not in compliance with New Mexico State Statues 50-13-3, Section C to report all new hires to the state directory of new hires.

**Recommendation**

The HR department should implement written policies and review procedures to ensure compliance with applicable state and federal reporting and verification requirements and proper documentation retention.

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

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

**12-2 (other) Human Resources (HR)(continued)**

**Response**

Due to the complexity and manual nature of the LoA (Letter of Appointment) process, the Faculty Contracts office along with Payroll and the Academic Affairs Division are currently initiating the implementation of Banner functionality that will enhance part-time faculty assignments, letter of appointment generation and pay processes. The electronic process will reduce the need for manual processing and record keeping.

Only one college division (Student Services Division) is currently using the electronic separation process as a pilot, and the other 2 divisions are still using a manual employee separation process. Human Resources plans to implement the electronic separation process as a college wide initiative in Spring 2013. As a result of a high level of staff turnover within the HR department, the HR management team has increased HR staff training to ensure that key processes are followed.

The New Hire Report was previously generated once per month and identified all newly hired employees who had been entered into the Banner system at the time of the report submission. A delay existed between the time the employee was entered into Banner and when the report was generated resulting in an underreporting of new hires. The HR department has instituted corrections by submitting the New Hire Report twice per month rather than monthly.

The Human Resources Department is 1) standardizing key processes, 2) refining and developing written procedures, and 3) ensuring timely and relevant staff training.

**12-3 (other) Information Technology Systems (ITS)**

**Condition**

During the course of our audit, we tested compliance with the College's separation process for 10 terminated employees.

- For one of 10 terminated employees tested, the ITS department did not disable system access to a terminated employee after receipt of an ITS termination ticket from Human Resources (HR).



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

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

**12-3 (other) Information Technology Systems (ITS)(continued)**

**Criteria**

HR is responsible for emailing a personnel data form to ITS through footprints to create a ITS ticket to terminate. Once received, ITS is responsible for researching the employee's systems access and disabling all accounts in the system.

**Cause**

Failure to comply with the separation process, leaving CNM vulnerable to unauthorized access of information.

**Effect**

If we extrapolate the error rate of our findings to the overall population, it is possible that for 75 employees terminated who are issued ITS tickets to terminate access to accounts will not be properly disabled.

**Recommendation**

The ITS department should implement supervisory review for all termination tickets to ensure all steps are properly executed.

**Response**

Our investigation of this finding has revealed that the issue was procedural as opposed to an oversight issue. The UNIX team uses a pre-defined script to search our servers for separated individual accounts. The server with the dormant account was inadvertently left out of the defined script.

We are currently reviewing the script to determine if any additional servers, including the server in question, should be added to the script. The review and subsequent corrective action will be fully completed and implemented by January 31, 2013.

## CENTRAL NEW MEXICO COMMUNITY COLLEGE

### Status of Prior Year Audit Findings

<b>Status of Prior Year Audit Findings</b>	<b>Current Status</b>
11-1 Unauthorized Change Orders by Facilities Departments	Resolved
11-2 Student Eligibility	Resolved
11-3 Adult Basic Education	Resolved
11-4 ERB reporting	Repeated

**STATE OF NEW MEXICO  
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Exit Conference

A closing conference was held on November 1, 2012, 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*

Blair Kaufman	Audit Committee Chair
Mark Armijo	Governing Board Member
Janet Saiers	Governing Board Member

*Representing Central New Mexico Community College*

Katherine Ulibarri	Vice President of Finance and Operations
Philip Bustos	Vice President of Student Services
Wencui Yang	Business Office Accounting Director
Allen Leatherwood	Director of Internal Audit
Mark Lovato	Senior Staff Auditor

*Representing Central New Mexico Community College Foundation*

Joseph Varro Jr.	Foundation Board Member
Lisa McCulloch	Executive Director
Wanda Helms	Director of Contracts and Grants

*Representing Abeyta, Weiner & Cherne, P.C.*

Amy C. Cherne	Principal
Sean S. Weiner	Principal