STATE OF NEW MEXICO
CENTRAL NEW MEXICO
COMMUNITY COLLEGE

Basic Financial Statements and Schedules

For the Fiscal Years Ended June 30, 2013 and 2012

(With Independent Auditors' Reports Thereon)

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

Name	**Title**
Michael DeWitte	Chair
Mark Armijo	Vice Chair
Deborah Moore	Secretary
Pauline J. Garcia	Member
Penelope S. Holbrook	Member
Blair L. Kaufman	Member
Robert P. Matteucci, Jr.	Member

Administrative Officials

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

FINANCIAL SECTION

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

Independent Auditors' Report

The Governing Board
Central New Mexico Community College
and
Mr. Hector H. Balderas, New Mexico State Auditor

Report on Financial Statements

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, 2013 and 2012, and the related notes to the financial statements 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 defined by the Government Accounting Standards Board, in the accompanying financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2013 and 2012, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the College's financial statements and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations,* and the other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of federal awards and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of federal awards and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated November 5, 2013 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* in considering the College's internal control over financial reporting and compliance.

Abeyta, Weiner & Cherne, P.C.

Albuquerque, New Mexico
November 5, 2013

Overview of the Financial Statements and Financial Analysis

This report consists of Management's Discussion and Analysis (MD&A), the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, 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 may be obtained from the Foundation's administrative offices.

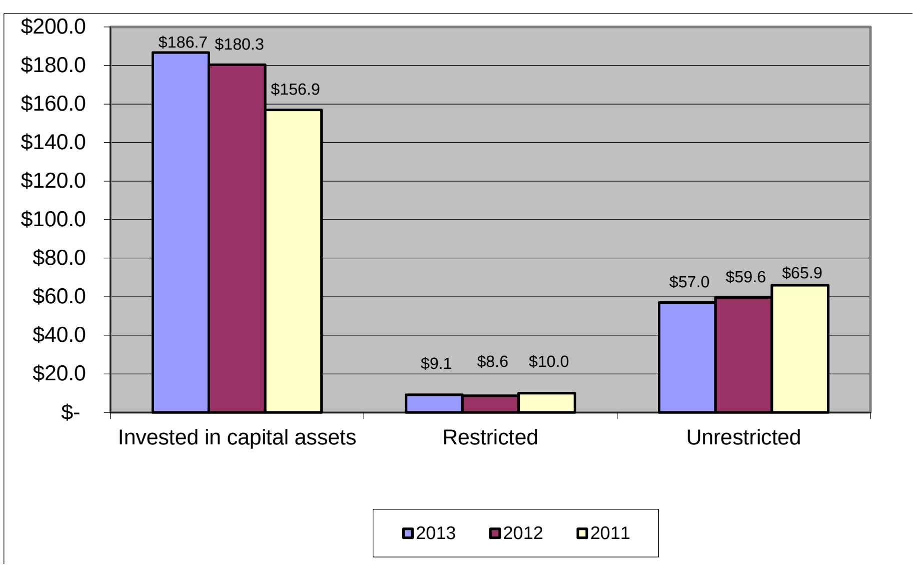
The discussion and analysis of the College's financial statements provides an overview of its financial activities for the years ended June 30, 2013 and 2012. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

Financial Highlights

Net position increased nearly $4.3 million (1.7%) during 2013. The change resulted from the combination of a decrease in unrestricted net position of approximately $2.6 million (-4.3%), an increase in invested in capital assets of $6.3 million (3.5%), and an increase in restricted net position of over $.5 million (6.7%).

Net position increased approximately $15.7 million (6.8%) during 2012. The change resulted primarily from a decrease in unrestricted net position 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 position $1.4 million (-14.4%).

The following graph illustrates the comparative change in net position by category for fiscal years 2013, 2012, and 2011.



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

The statement of net position and statement of revenues, expenses, and changes in net position reports the College's net position and how it has changed. Net position - the difference between assets and liabilities - is one way to measure the College's financial health. Over time, increases or decreases in the College's net position is 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 position as of June 30:

Net Position, End of Year (in Thousands)

		2013	2012	2011
Assets:				
Current assets	$	87,525	108,192	99,181
Capital assets, net		238,926	227,422	190,119
Other noncurrent assets		4,330	3,655	3,676
Total assets		330,781	339,269	292,976
Liabilities:				
Current liabilities		23,300	28,549	26,187
Noncurrent liabilities		54,681	62,212	33,993
Total liabilities		77,981	90,761	60,180
Net position:				
Net investment in capital assets		186,638	180,330	156,860
Restricted		9,121	8,552	9,994
Unrestricted		57,041	59,625	65,942
Total net position	$	252,800	248,507	232,796

Total assets increased $37.8 million (12.9%) over a two-year period driven by a $48.8 million increase in capital assets. This was primarily due to the renovation of the Jeanette Stromberg building, H building, and the Main Campus Bookstore-Culinary Arts Building, as well as the construction of the Westside III building. Net position increased $20.0 million (8.6%) over the same period, driven by a near $29.8 million (19.0%) increase in invested in capital assets, net of related debt.

During 2013, total liabilities decreased by $12.8 million, primarily due to the reduction in bonds payable of $6.7 million and accounts payable of $4.5 million. During 2012, total liabilities increased by $30.6 million due to the increase in bonds payable of $26.4 million.

(Continued)

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

Revenues, Expenses, and Changes in Net Position (in Thousands)

		2013	2012	2011
Operating revenues	$	32,235	32,826	33,653
Operating expenses		(167,712)	(163,026)	(166,055)
Operating loss		(135,477)	(130,200)	(132,402)
Nonoperating revenues and expenses, net		139,640	135,071	139,737
Income before other revenues, expenses, gains, or losses		4,163	4,871	7,335
Capital grants and appropriations		130	10,840	1,293
Increase in net position	$	4,293	15,711	8,628

Operating Revenues

In 2013, operating revenues of $32.2 million decreased by $0.6 million (-1.8%) when compared to 2012 and were $1.4 million (-4.2%) less when compared to 2011. The following table summarizes the College's operating revenues for the years ended June 30:

Operating Revenues (in Thousands)

		2013	2012	2011
Tuition and fees, net	$	14,330	14,575	13,875
Federal grants and contracts		4,399	3,639	5,896
State and local grants and contracts		7,142	8,324	7,221
Sales and services of educational departments		3,058	2,904	3,273
Auxiliary enterprises		3,306	3,384	3,388
Total operating revenues	$	32,235	32,826	33,653

Over the two-year period, tuition and fees increased $0.5 million (3.3%) primarily due to an increase in tuition rates. Federal grant revenue increased $0.8 million (20.9%) from 2012 to 2013. During this same period, state and local grants decreased $1.2 million (-14.2%).

Operating Expenses

Operating expenses increased $4.7 million (2.9%) in 2013 when compared to the prior year. In 2013, instructional expenses increased $2.2 million (3.9%), institutional support expenses increased $1.9 million (12.5%), depreciation increased $2.0 million (23.2%), and student aid decreased $2.2 million (-6.2%). Over a two-year period, expenses for student services increased $1.0 million (5.7%), institutional support expenses increased $1.2 million (7.3%) and operations and maintenance of plant expenses decreased $1.1 million (-$7.6). Additionally, within the two-year period, student aid decreased $2.9 million (-8.0%). The following table summarizes the College's operating expenses for the years ended June 30:

		2013	2012	2011
Instruction	$	59,736	57,520	59,497
Public service		1,299	964	1,093
Academic support		11,832	11,194	11,090
Student services		17,942	17,670	16,975
Institutional support		17,327	15,403	16,143
Operation and maintenance of plant		13,650	14,275	14,768
Depreciation		10,633	8,628	8,604
Student aid		32,711	34,882	35,567
Auxiliary enterprises		2,484	2,409	2,200
Other expenses		98	81	118
Total operating expenses	$	167,712	163,026	166,055

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses increased $4.6 million (3.4%) in 2013 when compared to the prior year. Primarily, this increase is attributed to State appropriations increasing $4.7 million (10.8%) in 2013. Over a two-year period, state appropriations have slightly declined, by $0.1 million (-0.2%). Local appropriations for operations increased $3.0 million (6.7%) over a two-year period. Over a two-year period, Pell grant revenue has decreased $2.2 million or (-5.9%), due to leveling of student enrollment and a Pell program eligibility cap affected in 2013.

(Continued)

Overall, nonoperating revenue and expenses decreased $0.1 million (-.07%) 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)

		2013	2012	2011
State appropriations	$	47,750	43,086	47,851
Local appropriations – operating		48,252	45,976	45,237
Local appropriations – debt service		9,320	9,104	9,159
Federal Pell grant		35,037	37,494	37,243
Investment income		114	203	287
Interest on capital asset related debt		(1,723)	(1,657)	(1,386)
Other		890	865	1,346
Total nonoperating revenues and expenses, net	$	139,640	135,071	139,737

Capital Grants and Appropriations

Other revenues, expenses, gains, or losses decreased $10.7 million (-98.8%) in 2013 due to completion of the Westside III building in 2012, a major construction project. 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:

		2013	2012	2011
Capital appropriations	$	130	10,818	1,293
Capital grants and gifts		—	22	—
Additions to permenant endowments		—	—	—
Total other revenues, expenses, gains, or losses	$	130	10,840	1,293

(Continued)

Capital Asset and Debt Administration

Capital Assets

At June 30, 2013, the College had approximately $238.9 million invested in capital assets, net of accumulated depreciation of $87.5 million. Depreciation charges for the current year totaled $10.6 million compared to $8.6 million in 2012 and $8.6 million in 2011. The following table summarizes the College's capital assets, net of accumulated depreciation, as of June 30:

Capital Assets, Net (in Thousands)

	2013	2012	2011
Land and land improvements	$ 34,064	34,479	34,953
Buildings	187,010	132,582	130,170
Infrastructure	2,767	3,062	2,261
Furniture, fixtures, and equipment	12,002	12,602	9,546
Library materials	1,408	1,521	1,554
Art	517	513	513
Construction in progress	1,158	42,663	11,122
Capital assets, end of year	$ 238,926	227,422	190,119

Major capital expenditures during fiscal year 2013 include:

Jeanette Stromberg Remodel	2,891,488	LSA 1st Floor Renovation	255,779
Westside Phase III	7,508,975	Tom Wiley Renovation	533,756
Main Bookstore-Culinary Bldg.	8,712,380	Enterprise Application Performance	230,808
WS Stone Replacement Project	356,343	A Building Restrooms	178,258
Network Replacement	287,880	2101 Oxford Property	163,101

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 Bookstore-Culinary Bldg.	848,887	Security Camera Project	320,935

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

Bonds Payable

As of June 30, 2013, the College has $62.2 million in outstanding bonds, a decrease of $6.7 million when compared to 2012 and an increase of $19.7 million when compared to 2011. The decrease in 2013 is due to scheduled debt service payments on the outstanding bond issues. 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)

		2013	2012	2011
Series 2006	$	18,325	20,075	21,825
Series 2009		12,300	13,500	20,250
Series 2011		29,760	33,360	—
Total bond principal		60,385	66,935	42,075
Bond premium		1,828	1,963	419
Total debt outstanding	$	62,213	68,898	42,494

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 Position – Budget and Actual Unrestricted and Restricted – All Operations

Revenues (Budgetary Basis)

The schedule of revenues, expenditures, and changes in net position – 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 principles applicable prior to GASB Statements No. 34, 35, 37, and 38 (budgetary basis). By contrast, the College prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP Basis).

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

Budgeted Revenue (in Thousands)

		Original budget	Final budget	Actuals (budgetary basis)	Variance favorable (unfavorable)
Revenues:					
Tuition	$	20,401	19,350	18,581	(769)
Miscellaneous fees		4,212	3,642	3,658	16
State government appropriations		47,750	47,750	47,750	—
Local government appropriations		46,033	47,016	47,703	687
Federal government contracts/grants		49,883	50,588	39,688	(10,900)
State government contracts/grants		7,210	7,461	6,785	(676)
Local government contracts/grants		—	—	—	—
Private contracts/grants		3,425	2,221	1,037	(1,184)
Endowments		50	—	—	—
Sales and services		5,776	5,165	4,581	(584)
Other		3,105	2,872	2,469	(403)
Capital outlay		36,400	27,150	11,804	(15,346)
Building renewal and replacement		1,935	1,820	1,725	(95)
Retirement of indebtedness		9,575	9,550	9,226	(324)
Total revenues	$	235,755	224,585	195,007	(29,578)

The final budget decreased revenue versus the original budget by $11.2 million (-4.74%). The most significant decrease of $9.3 million (-25.4%) was in Capital outlay. The Tuition revenue budget decreased by $1.1 million (-5.2%). Private contracts and grants budget decreased by $1.2 million (-35.2%).

Actual revenues were $29.6 million (-13.2%) less than the final budget. The largest variance was in Capital outlay revenue, a decrease of $15.3 million (-56.5%), reflective of timing of capital project construction. Federal government grants and contracts revenue was $10.9 million (-21.6%) less than budget due to decreased Pell grant awards. Actual Private contracts/grants revenues were $1.2 million (-53.3%) less than the final budget.

Expenditures (Budgetary Basis)

The final budget decreased expenditures by approximately $7.4 million (-2.9%). The budget for Capital outlay and Building renewals and replacement decreased by $3.0 million (-7.6%) and $1.7 million (-10.5%), respectively, to accommodate for major multi-year capital projects budget needs. The budget for Instruction decreased by $4.7 million (-7.1%), and the Institutional support budget increased by $1.3 million (6.9%). The schedule below summarizes the Colleges original budget, final budget, actuals, and variance for expenditures:

		Original budget	Final budget	Actuals (budgetary basis)	Variance favorable (unfavorable)
Expenditures:					
Instruction	$	66,336	61,628	58,240	3,388
Academic support		13,658	13,527	12,009	1,518
Student services		19,541	19,344	17,919	1,425
Institutional support		18,992	20,298	17,309	2,989
Operation and maintenance of plant		14,525	15,352	14,105	1,247
Student social and cultural activities		203	203	98	105
Public services		1,615	1,867	1,396	471
Internal services		280	318	253	65
Student aid grants and stipends		52,668	52,804	42,288	10,516
Auxiliary enterprise		2,487	3,458	2,482	976
Capital outlay		39,700	36,700	14,529	22,171
Building renewal and replacement		16,000	14,316	8,483	5,833
Retirement of indebtedness		11,502	10,302	8,667	1,635
Total expenditures	$	257,507	250,117	197,778	52,339

Actual expenditures were $52.3 million (-20.9%) less than the final budget. Capital outlay and Building renewals and replacement budgets were under budget, a combined decrease of $28.0 million, due to the timing of capital projects. Instruction was $3.4 million (-5.5%) under budget due to position vacancies and the leveling of student enrollment. Institutional support expenses were $3.0 million (-14.7%) less than the final budget, and Student aid was $10.5 million (-19.9%) under budget.

Change in Net Position (budgetary basis)

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

Budgeted Categories (in Thousands)

		Original budget	Final budget	Actuals (budgetary basis)		Variance favorable (unfavorable)
Beginning balance budgeted	$	45,919	65,318	65,318		—
Revenues		235,755	224,585	195,007		(29,578)
Expenditures		257,507	250,117	197,778		52,339
Change in net position (budgetary basis)		(21,752)	(25,532)	(2,771)	$	22,761
Net position (budgetary basis)	$	24,167	39,786	62,547		

The actual change in net position on a budgetary basis was a $2.8 million reduction, an increase of $22.8 million as compared to the final budget.

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 2013, state appropriations increased $4.7 million or 10.8%. However, state appropriations increased by $4.2 million (8.8%) for FY 2014 as compared to FY 2013. Under a performance based funding formula since FY12, the College has generated state appropriation revenue, in addition to base funding, for student completion outcomes. 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 28,263 in Fall 2012, current census date data for Fall 2013 reports 28,809 students in college credit programs. This represents an increase of 546 students (1.9%), and an increase of 2.3% in student credit hour production from 232,467 in Fall 2012 to 237,911 in Fall 2013. The College has seen student enrollment climb since the decline of the economy.

Component Unit Financial Statements

Central New Mexico Community College Foundation, Inc. is a component unit of the College. The Foundation separately issues their financial 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 Position

June 30, 2013 and 2012

	Primary Institution		Component Unit	
	2013	2012	2013	2012
Assets:				
Current assets:				
Cash and cash equivalents	$ 105,293	2,177,365	11,158	18,645
Cash and cash equivalents – restricted	73,886	—	506,234	543,469
Investments - unrestricted	64,936,506	65,942,969	—	—
Investments - restricted	15,954,440	32,563,334	—	—
Endowment investments – restricted	67,608	65,142	—	—
Accounts receivable students, net	906,964	716,562	—	—
Grants and contracts receivable	2,001,811	3,029,519	—	—
Mill levy receivable	2,924,876	2,935,505	—	—
Pledges receivable	—	—	264,575	79,115
Other receivable	7,683	241,594	5,995	20,191
Inventories	64,502	72,003	—	—
Other assets	480,951	447,995	—	—
Total current assets	87,524,520	108,191,988	787,962	661,420
Noncurrent assets:				
Cash and cash equivalents – restricted	—	—	457,478	859,658
Endowment investments – restricted	1,580,000	1,580,000	4,758,353	4,304,928
Mill levy receivable	2,471,203	1,803,184	—	—
Pledges receivable	—	—	509,382	74,422
Notes receivable	132,229	117,054	—	—
Other assets	146,667	154,667	—	—
Capital assets, net	238,926,314	227,421,678	—	—
Total noncurrent assets	243,256,413	231,076,583	5,725,213	5,239,008
Total assets	330,780,933	339,268,571	6,513,175	5,900,428
Liabilities:				
Current liabilities:				
Cash overdraft - restricted	—	2,589,856	—	—
Accounts payable to suppliers	3,684,369	8,186,513	83,024	123,581
Accounts payable - loans	105,722	138,870	—	—
Accrued compensated absences	2,036,350	1,704,868	—	—
Accrued payroll and payroll taxes	6,286,948	5,350,625	—	—
Accounts payable – other	149,753	148,243	—	—
Accrued interest payable	796,697	867,947	—	—
Deferred revenue	2,708,242	2,876,859	71,400	329,808
Bonds payable – current portion	7,532,331	6,684,811	—	—
Total current liabilities	23,300,412	28,548,592	154,424	453,389
Noncurrent liabilities – bonds payable	54,680,434	62,212,764	—	—
Total liabilities	77,980,846	90,761,356	154,424	453,389
Net position:				
Net investment in capital assets	186,637,647	180,329,544	—	—
Restricted:				
Nonexpendable:				
Scholarships	—	—	3,703,803	3,569,576
Department programs	1,580,000	1,580,000	209,013	208,453
Expendable:				
Scholarships	—	—	1,382,935	572,063
Department programs	83,578	72,316	1,053,414	1,079,028
Debt service	7,458,108	6,899,976	—	—
Unrestricted	57,040,754	59,625,379	9,586	17,919
Total net position	$ 252,800,087	248,507,215	6,358,751	5,447,039

See accompanying notes to basic financial statements.

Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2013 and 2012

	Primary Institution		Component Unit	
	2013	2012	2013	2012
Operating revenues:				
Tuition and fees (net of scholarship allowances of $9,576,936 for 2013 and $9,933,299 for 2012)	$ 14,329,475	14,574,901	—	—
Federal grants and contracts	4,399,395	3,639,451	—	—
State and local grants and contracts	7,142,462	8,324,322	476,316	1,879,736
Sales and services of educational departments	3,058,006	2,903,497	—	—
Gifts and pledges	—	—	1,320,452	814,896
Auxiliary enterprise	3,305,919	3,384,292	—	—
Total operating revenues	32,235,257	32,826,463	1,796,768	2,694,632
Operating expenses:				
Instruction and general:				
Instruction	59,736,448	57,520,081	—	—
Public service	1,299,375	963,999	—	—
Academic support	11,831,538	11,194,500	—	—
Student services	17,942,000	17,670,139	—	—
Institutional support	17,326,495	15,402,838	—	—
Operation and maintenance of plant	13,649,793	14,274,733	—	—
Depreciation	10,633,124	8,628,154	—	—
Student aid	32,711,027	34,882,079	—	—
Auxiliary enterprises	2,484,246	2,408,977	—	—
Other expenses	97,998	80,906	1,414,155	2,791,562
Total operating expenses	167,712,044	163,026,406	1,414,155	2,791,562
Operating income (loss)	(135,476,787)	(130,199,943)	382,613	(96,930)
Nonoperating revenues (expenses):				
State appropriations	47,750,400	43,086,000	—	—
Local appropriations – operating	48,251,535	45,975,795	—	—
Local appropriations – debt service	9,320,368	9,104,215	—	—
Federal pell grant	35,037,002	37,494,345	—	—
Gifts	702,661	653,906	—	—
Investment income (loss)	113,576	202,885	390,757	24,917
Interest on capital asset related debt	(1,723,048)	(1,656,960)	—	—
Gain (loss) on disposition of assets	(118,573)	(69,844)	—	—
Other nonoperating revenues	306,023	281,000	—	—
Net nonoperating revenues (expenses), net	139,639,944	135,071,342	390,757	24,917
Income (loss) before capital grants and appropriations	4,163,157	4,871,399	773,370	(72,013)
Capital appropriations	129,715	10,818,207	—	—
Capital grants and gifts	—	21,804	—	—
Additions to permanent endowments	—	—	138,342	578,463
Total other changes	129,715	10,840,011	138,342	578,463
Increase in net position	4,292,872	15,711,410	911,712	506,450
Net position, beginning of year	248,507,215	232,795,805	5,447,039	4,940,589
Net position, end of year	$ 252,800,087	248,507,215	6,358,751	5,447,039

See accompanying notes to basic financial statements.

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Statements of Cash Flows

Years ended June 30, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Tuition and fees	$	14,017,465	14,472,011
Federal grants and contracts		4,351,510	3,062,049
State and local grants and contracts		7,109,597	8,387,236
Payments to suppliers		(24,585,650)	(23,189,583)
Payments for utilities		(5,025,959)	(4,391,039)
Payments to employees		(72,260,779)	(71,106,413)
Payments for benefits		(21,198,469)	(19,620,731)
Payments for scholarships		(33,077,440)	(34,485,853)
Loans issued to students		(27,472)	(40,192)
Collection of loans to students		12,297	15,646
Auxiliary enterprise charges		3,303,485	3,383,912
Sales and services of educational activities		3,017,535	2,907,895
Net cash used by operating activities		(124,363,880)	(120,605,062)
Cash flows from noncapital financing activities:			
State appropriations		47,750,400	43,086,000
District mill levies–operating		47,592,214	46,193,855
District mill levies–debt service		9,322,298	9,096,226
Federal Pell Grant		35,519,571	36,997,858
Education Loan receipts		42,776,669	49,304,688
Education Loan disbursements		(42,583,686)	(49,483,175)
Gifts and Appropriations received for permanent endowments		702,661	653,906
Cash overdraft due to bank		(2,589,856)	2,589,856
Student organization agency transactions		(17,448)	(7,747)
Other receipts		306,023	281,000
Net cash provided by noncapital financing activities		138,778,846	138,712,467
Cash flows from capital financing activities:			
Proceeds from capital debt		—	35,012,996
Capital appropriations		751,500	11,528,445
Proceeds from sale of capital assets		75,393	39,477
Purchases of capital assets		(26,196,989)	(45,811,220)
Principal paid on capital debt and leases		(6,550,000)	(8,500,000)
Interest paid on capital debt and leases		(2,219,525)	(1,738,437)
Net cash provided (used) by capital financing activities		(34,139,621)	(9,468,739)
Cash flows from investing activities:			
Proceeds from sale and maturity of investments		117,925,273	135,063,242
Interest on investments		113,576	202,885
Purchase of investments		(100,312,380)	(141,988,044)
Net cash provided by investing activities		17,726,469	(6,721,917)
Net increase (decrease) in cash and cash equivalents		(1,998,186)	1,916,749
Cash and cash equivalents, beginning of year		2,177,365	260,616
Cash and cash equivalents, end of year	$	179,179	2,177,365
Reconciliation of net operating loss to net cash used by operating activities:			
Operating loss	$	(135,476,787)	(130,199,943)
Adjustments to reconcile net operating loss to net cash used by operating activities			
Depreciation expense		10,633,124	8,628,154
Changes in assets and liabilities:			
Receivables, net		(274,442)	(544,495)
Inventories		7,501	4,550
Prepaid expenses		(24,957)	150,093
Accounts payable and accrued expenses		608,816	1,582,857
Deferred revenue		(168,617)	(94,745)
Compensated absences		331,482	(131,533)
Net cash used by operating activities	$	(124,363,880)	(120,605,062)
Noncash transactions:			
Capital grants and gifts	$	—	21,804

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The College was created under Sections 21-16-1 through 21-16-24, State of New Mexico Statutes Annotated (NMSA), 1978 Compilation, to provide post-secondary vocational and technical education. The State of New Mexico Albuquerque Technical Vocational Institute changed its legal name to Central New Mexico Community College (the 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 has a financial benefit or burden relationship with the primary government. Based upon the criteria established by GASB, these financial statements present the College and its component unit, Central New Mexico Community College Foundation, Inc. (the 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.

(b) Financial Statement Presentation

The College and the Foundation present their financial statements in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). The statement presentation required by GASB Statement 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34*, provides a comprehensive entity-wide perspective of the College's assets, liabilities, and net position; revenues, expenses and changes in net position; 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.

(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, 2013 and 2012; therefore, no provision for income taxes is included in the financial statements.

(f) Cash and Cash Equivalents and Investments

For purposes of the statement of cash flows, the College considers all highly liquid investments such as the overnight sweep account to be cash equivalents. Immediate cash needs are met with resources deposited at the College's bank. Cash resources not used are swept nightly and invested overnight. Cash resources not needed to meet immediate needs are invested with the New Mexico State Treasurer's Office short-term investment pool, 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 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, 2013.

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 $67,608 available for use. The amount is recorded in the statement of net position 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 position.

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 average of the last three fiscal years' 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.

(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 payers for student tuition and fees. The allowance for doubtful accounts is maintained at a level, which, in management'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 if the pledges are evidenced by unconditional promises to give those items in the future and 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 as an unconditional promise. Unconditional promises to give 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 promises are received to discount the amounts. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end.

Annual contributions are generally available for unrestricted use in the year donated unless specifically restricted by the donor. 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 Appropriation Act of 2012.

(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 $5,396,079 and $4,738,689 as of June 30, 2013 and 2012, 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 position.

(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 the 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.

Deferred revenue at June 30, 2013 and 2012 for the College consists primarily of deferred summer term tuition in the amounts of $2,577,673 and $2,674,874, respectively, and $130,569 and $201,985, respectively, from grants and contract sponsors that have not yet been earned.

(Continued)

Deferred revenue at June 30, 2013 and 2012 for the Foundation are $71,400 and $329,808, respectively.

(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 Position

The College's net position is classified as follows:

Net investment in capital assets – 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, 2013 and 2012, approximately $7,432,040 and $21,178,069 of bond proceeds remain unexpended, respectively.

Restricted net position – expendable – Restricted expendable net position includes 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 $15,970 in assets allocated by the NM Higher Education Department restricted to use for the Nursing program.

Restricted net position – nonexpendable – Nonexpendable restricted net position consists 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 position – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, district mill levies, investment income, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the Governing Board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

(r) Classification of Revenues

The College has classified its revenues as either operating or nonoperating according to the following criteria:

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances; (2) sales and services of auxiliary enterprises; (3) most federal, state, and local grants and contracts; and (4) sale of educational services.

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

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 position. 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.

(t) Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. The adoption of GASB 61 does not have any impact on the College's current financial statements.

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 does not have any impact of the College's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

Recently Issued and Accounting Pronouncements

In November 2010, the GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This statement is effective for periods beginning after December 15, 2011. The College does not have any SCAs and therefore the adoption of GASB 60 does not have any impact on the College's financial statements.

(u) Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

(Continued)

(2) Cash and Investments

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

College

		2013	2012
Cash on hand	$	11,275	10,975
Deposits with financial institutions		167,904	2,166,390
Investments with New Mexico State Treasurer		82,538,554	100,151,445
Total cash and investments	$	82,717,733	102,328,810

Foundation

		2013	2012
Cash, including money market accounts	$	974,870	1,421,772
Federal agency obligations		796,174	983,956
Corporate obligations		41,174	719,139
Certificates of deposit		448,414	20,160
Marketable securities		3,472,591	2,581,673
Total cash and investments	$	5,733,223	5,726,700

(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 revised the investment policy in March 2013. The fundamental goal of the policy is to produce the maximum return possible while preserving the Foundation's assets. Investments are divided into three main portfolios or pools: (1) Temporary Restricted, (2) Endowments (Restricted), and (3) Eloy Reyes Title V Memorial Endowment for La Communidad.

Temporary Restricted Portfolio investments will consist of money market or other conservative investments with an average maturity of less than three years meeting the following criteria: (1) Certificates of deposit are authorized to the extent of FDIC insurance coverage; (2) portfolio can contain U.S. Treasury bills and notes and U.S. agency securities; (3) the average credit quality of the fixed income portfolio shall be AA or higher as defined by Moody's with an effective maturity of less than 3 years; and (4) no single issuer of debt or equity should make up more than 5% of the Portfolio except for U.S. government obligations.

Endowment Portfolio investments consist of equity securities, Certificates of deposit (to the extent of FDIC insurance coverage), U.S. Treasury bills and notes and U.S. agency securities. Investment

(Continued)

managers may purchase fixed income securities issued by U.S. corporations that carry a credit rating characterized as below investment grade Moody's (lower than Baa3) at the time of purchase. The fixed income portion of the portfolio is limited to a 15% allocation to high yield bonds. Investment managers may also purchase fixed income securities issued by issued by non-U.S. sovereign governments or corporations. The fixed income portion of the Portfolio is limited to a 10% allocation to non-U.S. bonds. Up to twenty-five percent of the Portfolio can be invested in foreign issues of debt or equity. No single issuer of debt or equity should make up more than 5% of the Portfolio except for U.S. government obligations. On June 30, 2013, the Portfolio consisted of 15.3% of U.S. government obligations. Any temporary cash held within the Portfolio under an equities or bond asset class will be considered as part of that asset class and not part of the cash position.

(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, 2013:

	Rating		Fair value
New Mexico LGIP	AAAm	$	82,538,554
Total rated securities		$	82,538,554

The following table provides information on the credit ratings associated with the Foundation's investment in debt securities at June 30, 2013:

	Rating		Fair value
Federal obligations			
US Treasury Notes	AAA	$	389,351
US Treasury Bonds	AAA		75,824
Federal Home Loan Mtg Corp	AAA		51,695
Federal National Mortgage Association	AAA		279,304
			796,174
Corporate obligations			
Corporate bonds	AA+		2,202
Corporate bonds	AA		4,353
Corporate bonds	A+		4,328
Corporate bonds	A & A-		21,431
Corporate bonds	BBB+		4,265
Corporate bonds	BBB		4,595
			41,174
Total rated securities		$	837,348

The College has invested $82,538,554 at June 30, 2013 and $100,151,445 at June 30, 2012 in the New Mexico 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 Mexico 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.

Entity	Investment type	Fair value	1 year	1 - 5 years	5 years +
College	*New Mexico* (LGIP)	$ 82,538,554	82,538,554	—	—
Foundation	Federal agency obligations	796,174	—	106,018	690,156
Foundation	Corporate obligations	41,174	—	17,126	24,048

The State Treasurer manages its exposure for the *New Mexico* 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, 2013, the WAM-R was 59 days and WAM-F was 90 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, 2013, the Foundation had 15.3% of the portfolio in U.S. Government Obligations. This does exceed the Foundation's Investment Policy limit but is allowed by policy as a temporary infraction exception.

(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.

At June 30, 2013 and 2012, the College's deposits had a carrying amount of $167,904 and $2,166,390, respectively, and a bank balance of $2,337,839 and $2,508,571, respectively. Of the bank balance, $250,000 was covered by federal depository insurance. At June 30, 2013 and 2012, $2,087,839 and $2,258,571, 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, 2013 and 2012, $82,538,554 and $100,151,446, 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, 2013 and 2012, 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, 2013, the Foundation's bank balance was $526,183 in checking and savings accounts. Amounts above $265,000 in the checking account are invested in overnight sweep accounts which are collateralized at the invested balance. The checking and savings accounts are covered by federal depository (FDIC) insurance up to $250,000 per account, per depository institution. Therefore, $15,000 of the checking account balance was uninsured and uncollateralized at June 30, 2013.

The balance of the money market mutual funds accounts at June 30, 2013 was $286,170. Money market mutual funds are short-term investments that are classified as cash equivalents.

The balance of the certificates of deposit at June 30, 2013 was $448,414. Certificates of deposit are insured by the federal depository (FDIC) insurance up to $250,000 per account, per depository institution.

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 fund accounts at June 30, 2012 was $859,658. The balance of the certificates of deposit at June 30, 2012 was $20,160.

(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, 2013, the College and the Foundation held no investments denominated in foreign currencies and therefore had no foreign currency risk.

(3) Receivables

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

		2013	2012
Current asset:			
Receivables	$	11,000,842	11,152,603
Allowance for doubtful accounts		(5,159,508)	(4,229,423)
Net receivables – current	$	5,841,334	6,923,180
Noncurrent receivables	$	2,603,432	1,920,238

Included in the 2013 amounts above is a $5,396,079 mill levy receivable due from Bernalillo and Sandoval Counties, $2,001,811 of contract and grant receivables, $7,683 in other receivable which is primarily direct loan receivables, $906,964 in student receivables and $132,229 in notes receivable. 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, $716,562 in student receivables, and $117,054 in notes receivable.

(4) Capital Assets

Capital assets consist of the following:

	Year ended June 30, 2013			
	Balance, June 30, 2012	Additions and transfers	Dispositions and transfers	Balance, June 30, 2013
Capital assets not being depreciated:				
Land	$ 27,330,554	188,940	—	27,519,494
Art	513,311	3,715	—	517,026
Construction in process	42,663,198	19,158,966	60,663,748	1,158,416
Depreciable capital assets:				
Land improvements	11,748,001	—	—	11,748,001
Buildings	184,392,417	61,006,124	188,940	245,209,601
Infrastructure	3,927,522	—	—	3,927,522
Furniture, fixtures, and equipment	33,142,553	2,637,010	2,703,934	33,075,629
Library materials	3,250,576	193,159	172,254	3,271,481
	306,968,132	83,187,914	63,728,876	326,427,170
Less accumulated depreciation:				
Land improvements	4,599,084	604,375	—	5,203,459
Buildings	51,810,764	6,388,459	—	58,199,223
Infrastructure	865,325	295,574	—	1,160,899
Furniture, fixtures, and equipment	20,540,926	3,039,105	2,506,468	21,073,563
Library materials	1,730,354	305,611	172,253	1,863,712
	79,546,453	10,633,124	2,678,721	87,500,856
Net carrying amount	$ 227,421,679	72,554,790	61,050,155	238,926,314

The College capitalizes interest expense incurred during the period an asset is being prepared for its intended use. For the years ended June 30, 2013 and 2012, the College capitalized interest expense of approximately $290,417 and $262,874, respectively.

	Year ended June 30, 2012			
	Balance, June 30, 2011	**Additions and transfers**	**Dispositions and transfers**	**Balance, June 30, 2012**
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
	264,121,532	54,222,457	11,375,857	306,968,132
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	2,614,893	2,933,627	20,540,926
Library materials	1,577,939	303,000	150,585	1,730,354
	74,002,511	8,628,154	3,084,212	79,546,453
Net carrying amount	$ 190,119,021	45,594,303	8,291,645	227,421,679

(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, 2013.

(6) Accrued Compensated Absences

The following is a summary of accrued compensated absences for the College for the years ended June 30, 2013 and 2012:

	Year ended June 30, 2013				
	Balance, June 30, 2012	Additions	Deductions	Balance, June 30, 2013	Current portion
Accrued compensated absences	$ 1,704,868	2,341,284	2,009,802	2,036,350	2,036,350

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

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

(7) Bonds Payable

The following is a summary of bonds payable transactions for the College for the years ended June 30, 2013 and 2012:

	Year ended June 30, 2013				
	Balance, June 30, 2012	Additions	Deductions	Balance, June 30, 2013	Current portion
Series 2006	$ 20,075,000	—	1,750,000	18,325,000	1,825,000
Series 2009	13,500,000	—	1,200,000	12,300,000	1,200,000
Series 2011	33,360,000	—	3,600,000	29,760,000	4,360,000
Total bond principal	66,935,000	—	6,550,000	60,385,000	7,385,000
Bond premium	1,962,575	—	134,810	1,827,765	147,331
	$ 68,897,575	—	6,684,810	62,212,765	7,532,331

	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

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.

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.

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. As of June 30, 2013, the College had spent $27,567,960 of the 2011 Bond proceeds. The bonds are under the requirements of the federal arbitrage regulations.

Debt service requirements at June 30, 2013 are as follows:

	General Obligation Bond Series 2006		
Fiscal year ending June 30	**Principal**	**Interest**	**Total debt service**
2014	$ 1,825,000	736,450	2,561,450
2015	1,875,000	653,075	2,528,075
2016	1,900,000	568,200	2,468,200
2017	1,900,000	489,825	2,389,825
2018	1,900,000	411,450	2,311,450
2019-2023	8,925,000	800,925	9,725,925
	$ 18,325,000	3,659,925	21,984,925

Fiscal year ending June 30		General Obligation Bond Series 2009 Principal	Interest	Total debt service
2014	$	1,200,000	379,875	1,579,875
2015		1,100,000	351,125	1,451,125
2016		1,150,000	321,563	1,471,563
2017		1,150,000	288,500	1,438,500
2018		1,150,000	254,000	1,404,000
2019-2023		4,550,000	797,125	5,347,125
2024-2028		2,000,000	78,750	2,078,750
	$	12,300,000	2,470,938	14,770,938

Fiscal year ending June 30		General Obligation Bond Series 2011 Principal	Interest	Total debt service
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		1,200,000	757,700	1,957,700
2019-2023		9,430,000	3,183,625	12,613,625
2024-2027		11,770,000	715,825	12,485,825
	$	29,760,000	7,989,950	37,749,950

The maximum debt of the College may not exceed 3% of the assessed valuation of the District or approximately $496,700,000.

(8) Pension Plan – Educational Retirement Board

Plan Description

Substantially all of the College’s full-time employees participate in an educational 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, other employees of state public school districts, colleges and universities, and some state agency employees) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy

Member Contributions

Plan members whose annual salary is $20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over $20,000 are required to make the following contributions to the Plan: 9.40% of their gross salary in fiscal year 2013; 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions

In fiscal year 2013, the College was required to contribute 12.4% of the gross covered salary for employees whose annual salary is $20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than $20,000.

In the future, the College will contribute the following percentages of the gross covered salary of employees: 13.15% of the gross covered salary in fiscal year 2014; and 13.9% of gross covered salary in fiscal year 2015.

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, 2013, 2012, and 2011, were $7,413,614, $6,313,392, and $6,916,650, 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 2013, employees may voluntarily contribute up to a maximum of $17,500 if under age 50, and up to a maximum of $23,000 if the employee is 50 or older. The College does not contribute or match any funds in the 457(b) savings program. The total amount of employee contributions for the fiscal years 2013 and 2012 was approximately $495,106 and $775,880, respectively.

(Continued)

(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.

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

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

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The College's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were $1,349,720, $1,210,856 and $1,076,144, respectively, which equal the required contributions for each year.

(10) Commitments and Contingencies

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

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

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

At June 30, 2013, the College has $3,906,034 of outstanding capital commitments to contractors and architects related to the following projects:

Access Control Project	$	39,949
ATC Roof		104,466
Building Renewal & Replacement Small Projects		98,544
Enterprise Application Performance Plan		21,347
Enterprise Storage		22,437
H Building Renovation		86,394
HED Equipment Renewal		55,914
HVAC SB & Max Salazar		7,154
Image Software Project		23,440
J Building Coffee Bar Electrical		2,568
JS Building Renovation		340,779
KC & MS Fire Alarm Upgrade		378
L Building Renovation		767,442
LSA 1st Floor Renovation		64,100
Main Bookstore & Student Activities		341,793
Media Production Studio		913
Motorpool Equipment Renewal		173,207
Network Replacement		42,316
Nine Building Fire Alarm Upgrades		46,331
Parking System		1,558
Renewable Energy Technology		24,229
S Building Renovation		52,720
Southwest Campus Master Plan		89,988
SRC Communications Entrance Cooling		1,284
SSC Building Enhancements		205,241
SSC Food Court Enclosure		68,878
Student Services Center Renovation		857,045
TC138 HVAC Upgrade		29,960
Tom Wiley Building Renovation		38,331
Web Home Page		289
WS Phase III		97,804
WS Stone Replacement Project		199,235
	$	3,906,034

(11) Leases

In fiscal year 2010, the College purchased land and buildings; a private company leases a majority of one building, which is recorded at $5.6 million with accumulated depreciation of approximately $494,787 at June 30, 2013. 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:

2014	$	682,832
2015		696,488
2016		710,418
2017		724,626
2018		739,119
2019 and thereafter		1,392,589
	$	4,946,072

(12) Endowments (Foundation)

On July 1, 2009 the Uniform Prudent Management of Institutional Funds Act became effective in New Mexico. If a donor has not provided specific instructions, state law permits the Board of Directors to authorize for expenditure the interest, dividends and net appreciation (realized and unrealized) of the investments of endowment funds.

The endowment spending policy is subject to annual review and provides that the annual amount of potential distributions from each endowment fund shall be limited to a maximum of 5% of the average of the last three fiscal years' asset value of the endowment fund. At the beginning of each fiscal year, the Foundation's board of directors will determine the potential distribution amount for each endowment fund for the ensuing fiscal year. At June 30, 2013 the net appreciation of $428,071 was available to be spent, of which $428,071 is restricted to specific purposes.

As of June 30, 2013 the value of the Foundation's endowment portfolio was $4,340,887 and the permanent endowment contributions were $3,912,816.

SUPPLEMENTARY INFORMATION SECTION

Schedule 1

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

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

Unrestricted and Restricted – All Operations

Year ended June 30, 2013

	Original budget	Final budget	Actuals (budgetary basis)	Variance favorable (unfavorable)
Beginning balance budgeted	$ 45,919,121	65,317,913	65,317,913	
Revenues:				
Tuition	20,400,900	19,350,000	18,581,315	(768,685)
Miscellaneous fees	4,211,642	3,642,000	3,658,031	16,031
State government appropriations	47,750,400	47,750,400	47,750,400	—
Local government appropriations	46,033,199	47,015,952	47,702,800	686,848
Federal government contracts/grants	49,883,500	50,587,879	39,688,188	(10,899,691)
State government contracts/grants	7,209,636	7,460,790	6,785,231	(675,559)
Local government contracts/grants	—	—	—	—
Private contracts/grants	3,424,826	2,220,470	1,037,077	(1,183,393)
Endowments	50,000	—	—	—
Sales and services	5,775,930	5,165,347	4,580,649	(584,698)
Other	3,105,461	2,872,382	2,468,555	(403,827)
Capital outlay	36,400,000	27,150,000	11,804,374	(15,345,626)
Building renewal and replacement	1,934,890	1,820,268	1,724,934	(95,334)
Retirement of indebtedness	9,575,000	9,550,000	9,225,454	(324,546)
Total revenues	235,755,384	224,585,488	195,007,008	(29,578,480)
Expenditures:				
Instruction	66,336,206	61,627,529	58,239,702	3,387,827
Academic support	13,657,926	13,527,321	12,008,799	1,518,522
Student services	19,541,000	19,343,684	17,918,532	1,425,152
Institutional support	18,992,101	20,297,753	17,309,511	2,988,242
Operation and maintenance of plant	14,525,459	15,351,552	14,105,371	1,246,181
Student social and cultural activities	203,352	203,352	97,998	105,354
Public services	1,614,985	1,867,519	1,395,950	471,569
Internal services	279,844	317,560	252,561	64,999
Student aid grants and stipends	52,667,729	52,804,395	42,287,962	10,516,433
Auxiliary enterprise	2,486,592	3,458,182	2,481,584	976,598
Capital outlay	39,700,000	36,700,000	14,529,190	22,170,810
Building renewal and replacement	16,000,000	14,316,124	8,483,727	5,832,397
Retirement of indebtedness	11,502,000	10,302,000	8,667,322	1,634,678
Total expenditures	257,507,194	250,116,971	197,778,209	52,338,762
Transfers to (from):				
Instruction and general	(4,942,232)	(8,867,617)	(8,867,617)	—
Student social and cultural	(3,600)	(3,600)	(3,600)	—
Public service	78,000	78,000	78,000	—
Internal service	—	—	—	—
Student aid and grants	2,777,143	2,346,669	2,346,669	—
Auxiliary enterprise	(100,000)	(166,500)	(166,500)	—
Capital outlay	671,101	671,101	671,101	—
Building renewal and replacement	1,519,588	5,941,947	5,941,947	—
Total transfers	—	—	—	—
Change in net position (budgetary basis)	(21,751,810)	(25,531,483)	(2,771,201)	$ 22,760,282
Net position (budgetary basis)	$ 24,167,311	39,786,430	62,546,712	

Schedule 1

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

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

Year ended June 30, 2013

Reconciliation of change in net position (budgetary basis) to change in net position (GAAP basis):		
Change in net position (budgetary basis)	$	(2,771,201)
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		2,466
Investment in plant fund		16,941,227
Depreciation expense not included in budgetary basis		(10,633,124)
Increase (decrease) revenue due to conversion to full accrual accounting for GAAP basis:		
Summer school tuition		97,200
GASB 33 revenue		5,611
Mill levy revenue		650,693
Primary institution increase in net position	$	4,292,872

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.

Schedule 2

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE
Schedule of Revenues, Expenditures, and Changes in Net Position – Budget and Actual
Unrestricted – Non Instruction & General
Year ended June 30, 2013

	Original budget	Final budget	Actuals (budgetary basis)	Variance favorable (unfavorable)
Beginning balance budgeted	$ 28,434,258	40,037,108	40,037,108	
Revenues:				
Tuition	—	—	—	—
Miscellaneous fees	218,152	185,000	139,643	(45,357)
State government appropriations	—	—	—	—
Local government appropriations	—	—	—	—
Federal government contracts/grants	—	—	—	—
State government contracts/grants	65,000	—	—	—
Local government contracts/grants	—	—	—	—
Private contracts/grants	26,660	14,167	9,800	(4,367)
Endowments	—	—	—	—
Sales and services	4,007,500	3,822,000	3,479,894	(342,106)
Other	100,000	100,000	83,178	(16,822)
Capital outlay	36,400,000	27,150,000	11,804,374	(15,345,626)
Building renewal and replacement	1,934,890	1,820,268	1,724,934	(95,334)
Retirement of indebtedness	9,575,000	9,550,000	9,225,454	(324,546)
Total revenues	52,327,202	42,641,435	26,467,277	(16,174,158)
Expenditures:				
Instruction	—	—	—	—
Academic support	—	—	—	—
Student services	—	—	—	—
Institutional support	—	—	—	—
Operation and maintenance of plant	—	—	—	—
Student social and cultural activities	203,352	203,352	97,998	105,354
Public services	163,000	188,000	147,807	40,193
Internal services	200,000	200,000	173,975	26,025
Student aid grants and stipends	2,868,803	2,544,331	2,333,862	210,469
Auxiliary enterprise	2,439,476	3,401,095	2,435,915	965,180
Capital outlay	39,700,000	36,700,000	14,529,190	22,170,810
Building renewal and replacement	16,000,000	14,316,124	8,483,727	5,832,397
Retirement of indebtedness	11,502,000	10,302,000	8,667,322	1,634,678
Total expenditures	73,076,631	67,854,902	36,869,796	30,985,106
Transfers to (from):				
Instruction and general	—	—	—	—
Student social and cultural	(3,600)	(3,600)	(3,600)	—
Public service	78,000	78,000	78,000	—
Internal service	—	—	—	—
Student aid and grants	2,777,143	2,346,669	2,346,669	—
Auxiliary enterprise	(100,000)	(166,500)	(166,500)	—
Capital outlay	671,101	671,101	671,101	—
Building renewal and replacement	1,519,588	5,941,947	5,941,947	—
Total transfers	4,942,232	8,867,617	8,867,617	—
Change in net position (budgetary basis)	(15,807,197)	(16,345,850)	(1,534,902)	$ 14,810,948
Net position (budgetary basis)	$ 12,627,061	23,691,258	38,502,206	

See accompanying independent auditors' report.

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE
Schedule of Revenues, Expenditures, and Changes in Net Position – Budget and Actual
Restricted – Non Instruction & General
Year ended June 30, 2013

	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	46,204,960	46,513,087	36,368,799	(10,144,288)
State government contracts/grants	4,426,616	4,737,664	4,571,570	(166,094)
Local government contracts/grants	—	—	—	—
Private contracts/grants	334,190	321,550	220,580	(100,970)
Endowments	—	—	—	—
Sales and services	106,244	72,847	18,490	(54,357)
Other	305,861	469,082	147,059	(322,023)
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total revenues	51,377,871	52,114,230	41,326,498	(10,787,732)
Expenditures:				
Instruction	—	—	—	—
Academic support	—	—	—	—
Student services	—	—	—	—
Institutional support	—	—	—	—
Operation and maintenance of plant	—	—	—	—
Student social and cultural activities	—	—	—	—
Public services	1,451,985	1,679,519	1,248,143	431,376
Internal services	79,844	117,560	78,586	38,974
Student aid grants and stipends	49,798,926	50,260,064	39,954,100	10,305,964
Auxiliary enterprise	47,116	57,087	45,669	11,418
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total expenditures	51,377,871	52,114,230	41,326,498	10,787,732
Transfers to (from):				
Instruction and general	—	—	—	—
Student social and cultural	—	—	—	—
Public service	—	—	—	—
Internal service	—	—	—	—
Student aid and grants	—	—	—	—
Auxiliary enterprise	—	—	—	—
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Total transfers	—	—	—	—
Change in net position (budgetary basis)	—	—	—	$ —
Net position (budgetary basis)	$ —	—	—	

See accompanying independent auditors' report.

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Schedule of Pledged Collateral

June 30, 2013

The College:					
Wells Fargo Bank checking accounts				$	2,337,839
FDIC Insurance					(250,000)
Uninsured public funds				$	2,087,839
50% collateral requirement $525,258				$	262,629
102% sweep collateral requirement $1,562,581					1,593,833
Total collateral requirements					1,856,462
	CUSIP	**Rate**	**Maturity**		
Collateral (at fair value):					
FN AL0604	3138EGU69	3.00%	8/1/2026		505,874
FN AR1196	3138NXKJ5	3.00%	1/1/2043		1,154,775
FN AD8529	31418WPP9	4.50%	8/1/2040		406,743
GN II 4168	36202ETZ2	5.00%	6/1/2038		232,236
GN II 3321	36202DVN8	6.00%	12/1/2032		1,361,597
Total collateral					3,661,225
Over collateral requirement				$	1,804,763

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Schedule of Individual Deposit and Investment Accounts
June 30, 2013

The College:

Name of depository	Account name	Type of account	Bank balance	Book balance
Cash on Hand	Petty cash and change fund	Cash	$ -	$ 11,275
Wells Fargo Bank	Student federal fund	Checking	491,276	34,790
	Operational account	Checking	1,564,234	233,620
	Stafford loans	Checking	259,519	11,306
	Perkins Loans	Checking	21,365	21,745
	Payroll	Checking	-	(86,603)
	Student refund	Checking	-	(48,398)
Bank of America	Direct Deposit	Checking	1,444	1,444
Total cash			2,337,839	179,179
Office of the State Treasure	Current fund	Investment	34,894,846	34,894,846
	Renewal and replacement	Investment	16,049,885	16,049,885
	Retirement of indebtedness	Investment	8,459,487	8,459,487
	Plant	Investment	21,486,728	21,486,728
	Endowment	Investment	1,647,608	1,647,608
Total investments			82,538,554	82,538,554
Total cash and investments			$ 84,876,393	$ 82,717,733

The Foundation:

Name of depository	Account name	Type of account	Bank balance	Book balance
Wells Fargo	Operational account	Checking	$ 446,546	$ 437,755
Wells Fargo	Operational account	Savings	79,637	79,637
Merrill Lynch		Money Market Mutual fund	457,478	457,478
Total cash			983,661	974,870
Merrill Lynch				
Federal Agency Obligations				
	Federal National Mtg Assn	Investment	279,304	279,304
	Federal Home Loan Mtg Corp	Investment	51,695	51,695
	US Treasury Notes	Investment	389,351	389,351
	US Treasury Bonds	Investment	75,824	75,824
			796,174	796,174
Certificates of Deposit		Investment	448,414	448,414
Corporate obligations		Investment	41,174	41,174
Mutual Funds		Investment	565,358	565,358
Stocks		Investment	2,907,233	2,907,233
Total investments			4,758,353	4,758,353
Total cash and investments			$ 5,742,014	$ 5,733,223

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

For the Period July 1, 2012 through June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or pass-through number		Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grant 2011-2012	84.007	P007A112635	$	568,106
Federal Work Study	84.033	P033A072635		519,091
Federal Pell Grant 2012-2013	84.063	P033A122635		35,097,045
Federal Pell Grant 2011-12	84.063	P033A112545		(60,043)
				36,124,199
U.S. Department of Education				
Trio Cluster:				
Pass-through from Santa Fe Community College				
TRIO Student Support Services Grant	84.042A	P042A101121-12		244,187
				244,187
U.S. Department of Education Pass-through from New Mexico Department of Education				
Perkins-Vocational Expansion 2012-13	84.048	V048A130031-12A		1,095,760
Perkins-Vocational Expansion 2011-12	84.048	V048A120031-12A		126,377
Perkins-Vocational Expansion 2011-12 Redistribution	84.048	V048A110031A		45,047
Perkins-Vocational Expansion 2009-10	84.048	V048A100031A		(4,822)
				1,262,362
Adult Basic Education	84.002	019888		401,558
U.S. Department of Education Pass-through from The University of New Mexico				
HSI STEM Cooperative: STEM Up	84.031C	P031C110106		344,259
National Science Foundation				
A Model for Online Cross Instructional STEM Course	47.076	271365-8701		7,523
SCME	47.076	DUE-0902411		7,110
Geographic Information	47.076	DUE-0801893		2,461
				17,094
Small Business Administration Pass-through from New Mexico Small Business Development Center				
Small Business Development Center-SV	59.037	9-7620-0032-11		21,689
Small Business Development Center-Yale	59.037	6-7620-0032-11		21,689
NMSB International Trade	59.037	1-603001-Z-0139		6,000
				49,378
Corporation for National and Community Service				
AmeriCorps	94.013	44-0103-0-1-506		131,255
U.S. Department of Health and Human Services				
Cancer Early Detection	93.283	09/BCC/0200/0526		2,430
U.S. Department of Agriculture				
Fit for Life	10.223	2009-38422-19871		77,269
U.S. Department of Labor Pass Through from New Mexico Department of Workforce Solutions				
America Recovery & Reinvestment Act (ARRA)				
Solar Center of Excellence	17.275	GJ-20032-10-60-A-35		357,907
SESP Training	17.275	GJ-20032-10-60-A-35		196,362
				554,269

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

For the Period July 1, 2012 through June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or pass-through number		Federal Expenditures
U.S. Department of Labor Pass Through from				
Santa Fe Community College				
Trade Adj. Asst. Community College & Career Training	17.282	TC-22550-11-60-A-35		173,455
U.S. Department of Energy Pass Through from				
Houston Community College				
Solar Instructor Training Network Grant	81.087	DE-EE0005680		1,250
National Institute Standards Board through				
NM Manufacturing Extension Partnership	11.611	70NANB5BH1194		13,800
National Security Agency				
STARTALK	12.900	H98230-13-1-0018		39,632
Total federal expenditures			$	**39,436,396**

Note A:

During the year through 6/30/13, various lenders made loans to students under the Guaranteed Student Loan Program (which includes Stafford, Direct and Perkins Loans):

	CFDA Number		Disbursements
Federal Direct Loan Program	84.268	$	42,243,151
Federal Family Education Loan Program (Stafford)	84.032	$	(16,658)
Perkins Loan Program	84.038	$	27,472

Note B:

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Institute 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

Note D:

The Schedule of Expenditures of Federal Awards includes negative expenditures. These amounts represent funds returned for program years outside of the current program year.

SINGLE AUDIT AND OTHER INFORMATION

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

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

Independent Auditors' Report

The Governing Board
Central New Mexico Community College
and
Mr. Hector H. Balderas, New Mexico State Auditor

We have audited, in accordance with the 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, the 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 year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and the related budgetary comparisons of the College, presented as supplemental information, and have issued our report thereon dated November 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as finding 12-2.

The College's Responses to Findings

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Atkeyta, Weiner & Cherne, P.C.

Albuquerque, NM
November 5, 2013

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

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

The Governing Board
Central New Mexico Community College
and
Mr. Hector H. Balderas, New Mexico State Auditor

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

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Opinion on Each Major Federal Program

In our opinion, the College, complied, in all material respects, with the types of 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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 13-1. Our opinion on each major federal program is not modified with respect to these matters.

The College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the College, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Abeyta, Weiner & Cherne, P.C.

Albuquerque, New Mexico
November 5, 2013

Section A - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	Unqualified
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?	No
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

CFDA Number	Name of Federal
84.007, 84.033, 84.063, 84.268, 84.038	Student Financial Assistance - Cluster
17.275	ARRA - Solar Center of Excellence
84.048	Perkins-Vocational Expansion
84.031C	HSI STEM Cooperative: STEM Up

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

Department of Education
CFDA #'s: 84.007, 84.033, 84.063, 84.268, 84.038
Program: Student Financial Assistance Cluster
FY 2012-2013
Pass Through Entity - N/A

13-1 (Other) Financial Aid Overaward

Condition
During our review of student files for financial aid, we noted the following instance of non-compliance:

- Out of 100 students tested, we found one instance in which the student was awarded $975.25 more in financial aid than their cost of attendance and financial need. This resulted in a financial aid overaward.

Criteria

An overaward exists when a student's aid package exceeds his or her need. While the College must always take care not to overaward a student when packaging his or her aid, circumstances may change after you have packaged the student's aid that result in an overaward. For instance, the student may receive a scholarship or grant from an outside organization. When an overaward situation arises, you may be required to adjust the Federal Student Aid (FSA) in the student's package in order to eliminate the overaward.

Overawards only become overpayments if a school cannot correct them before funds are disbursed to a student. That is, an overpayment exists when some or all of the funds that make up an overaward have been disbursed to the student. An overaward exists whenever a student's award exceeds his or her cost of attendance (COA) (34 CFR 673.5(d)).

Cause
The student received scholarships and grants from an outside organization that caused the student's total financial award to exceed the student's cost of attendance (COA).

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

13-1 (Other) Financial Aid Overaward (continued)

Effect
The College overpaid the student for financial aid. In general, unless a school is liable, a student is liable for any overpayment made to him or her. Because a student can't be required to repay wages earned, you can only adjust FWS by reducing the hours a student can work in the future and thus the student's future earnings. You can continue to employ the student, but the student can't be paid from FWS funds. If you've already adjusted all other federal aid and institutional aid, and there's still an overaward, you must reimburse the FWS program from your school's funds. You cannot require the student to repay wages earned.

If we extrapolate the error rate of our findings to the overall population of students receiving federal financial aid, it is possible that 158 students were overawarded financial aid.

Recommendation
Because the student can't be required to repay wages earned, and the aid has already been disbursed to the student, it is recommended that the College reimburse the FWS program from the College's funds for the overaward amount. Personnel responsible for oversight should communicate the federal requirements for overawards and the importance of properly packaging and disbursing financial aid. In addition, the College Financial Aid Office should consider performing spot checks on financial aid packages prior to disbursement to determine that overawards do not exist.

Response
The Financial Aid Office has been working with Ellucian Banner consultants this year and had this work-study overaward issue identified. With Ellucian consultant assistance, we identified two reports and improved a process that will help us eliminate this issue in the future. These work-study overawards are corrected at the end of the fiscal year and adjusted in July, after all aid has been paid to students. Financial Aid Office staff conducted a thorough review and comparison and found only a few instances of this nature.

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

12-2 (other) Human Resources (HR)

Condition

During the course of our audit, we tested 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 12 instructors tested, no email of acceptance of the letter of appointment (LOA) contract from the instructor could be located.
- For seven out of 20 terminated employees tested, the Information Technology (IT) department did not receive a timely ITS ticket to terminate employee access to the College's network applications from HR.
- For five out of nine employees tested, the HR department was unable to document that the individuals had been timely furnished to the state directory.
- For two out of 65 employees tested, the HR department was unable to document that the individuals had completed and complied with requirements of the Federal Form I-9.
- For one out of 25 employees tested, the HR department was unable to document that the individuals had completed a Federal Form W-4.

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, each department, and each 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.

Internal policy states that department supervisors must immediately notify applicable departments of terminated employees, the HR department is responsible for contacting ITS through footprints to create an ITS ticket as notice 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.

Federal Law requires employers to obtain a Federal Form I-9 on each newly hired employee and retain a copy of the form on file for three years from the hire date or one year from the termination date which ever is later.

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)

Federal Law requires employers to obtain a Federal Form W-4 on each newly hired employee and retain a copy of the form on file for four years from the hire date.

Cause

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

Failure to comply with the College's separation policy as detailed in the College's 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.

Failure to comply with federal document retention policies for Federal Form I-9 and W-4.

Effect

If we extrapolate the error rate of our findings to the overall population, it is possible that 297 employees that were terminated in fiscal year 2013 still have access to the College's network applications.

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.

The College was not in compliance with Federal form I-9 and form W-4 document retention policies.

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.

The HR department should coordinate with ITS to cross reference current access to the College's network applications with active employees and remove access for all inactive employees.

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

Faculty Load and Compensation (FLAC) was implemented in the Summer of 2013. This Banner system functionality will be assisting the College in streamlining processes, including administrative task of automating the acknowledgment of course loads for part-time faculty assignments and overload assignments for full-time faculty. An Argos Report will be generated by Human Resources (HR) and Payroll for tracking progress of acknowledgments. The report will be distributed to the administrative support and academic leaders for each designated school. If there are faculty members who have yet to acknowledge the FLAC assignment, the academic school staff will assist to reach out to the faculty member and request course acknowledgement. Thereafter, HR will follow-up with faculty members whose FLAC acknowledgement is still outstanding. This report will be shared with the Comptroller and the Executive Director of Human Resources.

HR learned that Banner Workflow may assist in establishing effective communication to all stakeholders in the separation process. HR will be learning more about the Work Flow process and capabilities in November 2013. HR will lead an effort with all key stakeholders in 2014 involved in the separation process to streamline the communication to all parties informing them of separations.

HR is hiring an HRIT/Process Improvement Analyst starting in November. At this time, HR will be involving the HRIT expert to assist in revising the current reporting mechanism ensuring the necessary improvements and compliance are met.

The College's HR department is redesigning the checklists for new hire packets and determined a process that will ensure 100% of all I-9s are obtained via the new hire process. The new hire will not be processed, until confirmation that the I-9 is received and appropriately filed.

The College is in the discovery stage of implementing electronic imaging of employee records, including Payroll file documents. This should improve the recovery of payroll documents, including W-4 Forms.

The Human Resources and Payroll departments are continuing to review processes and reassess written policies and procedures to ensure compliance with applicable state and federal reporting, verification requirements, proper retention of documentation, as well as infuse best business practices.

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Status of Prior Year Audit Findings

Status of Prior Year Audit Findings		Current Status
11-4	ERB reporting	Resolved
12-1	Return of Title IV Funds	Resolved
12-2	Human Resources (HR)	Modified and Repeated
12-3	Information Technology Systems (ITS)	Resolved

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Exit Conference

An exit conference was held in a closed session on November 5, 2013, 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
Debbi Moore	Governing Board Member
Bob Matteucci	Governing Board Member

Representing Central New Mexico Community College

Kathie Winograd	President
Kathy Ulibarri	Vice President of Finance and Operations
Sydney Gunthorpe	Vice President of Academic Affairs
Phillip Bustos	Vice President of Student Services
Loretta Montoya	Comptroller
Wencui Yang	Business Office Accounting Director
Allen Leatherwood	Director of Internal Audit
Mark Lovato	Senior Staff Auditor
Lisa Archuleta	Staff Auditor

Representing Central New Mexico Community College Foundation

Kathy Ulibarri	Foundation Board Treasurer

Representing Abeyta, Weiner & Cherne, P.C.

Amy C. Cherne	Principal
Jeremy S. Hamlin	Manager