

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

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JUNE 30, 2008

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STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

OFFICIAL ROSTER

JUNE 30, 2008

BOARD OF TRUSTEES

J. Bronson Moore	Chair
Jimmy Sandoval	Vice Chair
James Streetman	Secretary / Clerk
Ted Peabody	Member
Liz Estrada	Member

EXECUTIVE PERSONNEL

Dr. Phillip O. Barry	President
Dr. Dave Gallatin	Dean of Administrative Services
Dr. Aaron Kennedy	Dean of Student Services

Portales
Clovis

RWA

Roy Woodard & Associates

Certified Public Accountants

116 East Grand, P.O. Box 1874, Clovis, New Mexico 88102 Office (575) 762-3811 Fax (575) 762-3866

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Board of Trustees of
Mesalands Community College
Tucumcari, NM

We have audited the accompanying financial statements of the business type activities Mesalands Community College as of and for the year ended June 30, 2008, which collectively comprise the college's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons of the College presented as supplementary information as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of Mesalands Community College's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of Mesalands Community College as of June 30, 2008 and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects the budgetary comparisons of the College as of June 30, 2008 and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated November 6, 2008 on our consideration of Mesalands Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

State of New Mexico
Mesalands Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Mesalands Community College (MCC or the College) for the year ended June 30, 2008. This discussion should be read along with the accompanying financial statements and footnotes included therein. Management assisted Roy Woodard & Associates in the preparation of the basic financial statements and related note disclosures and has prepared this discussion and analysis. The basic financial statements, notes, and this discussion are the responsibility of MCC management.

This management's discussion and analysis (MD&A) only includes financial information for fiscal year 2008.

Financial Highlights

Net assets increased by \$1,101,691 or 10% in 2008 over net assets in 2007. The increases are primarily due to revenues exceeding expenses.

In 2008 total assets were increased by \$1,084,984 over total assets in 2007. The increase is related to construction in progress of major equipment.

Total revenues in fiscal year 2008 were \$8,118,459 as compared to \$6,868,473 in fiscal year 2007. State appropriations account for the largest source of revenue at \$3,642,716. In 2008 grants and contracts generated revenues in excess of \$2 million. In 2008 as well as 2007 tuition and fees increased. In fiscal year 2008 student tuition and fee revenue increased by \$81,816, as compared to 2007.

Using the Basic Financial Statements

The Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of fiscal year 2008. It is a point-in-time financial statement, the purpose of which is to give the readers a fiscal snapshot of the condition of MCC. The statement presents end-of-year data concerning current and non-current assets, current and non-current liabilities, and net assets.

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenue, Expenses, and Changes in Net Assets (SRECNA). The purpose of the SRECNA is to present the revenue received by the College as well as expenses, gains, and losses received or incurred by the College.

The Statement of Cash Flows presents the inflows and outflows of cash, summarized by operating, capital, financing, and investing activities. The statement is prepared using the direct method of cash flows, presenting gross amounts for the year's activities.

State of New Mexico
Mesalands Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Reporting Entity

This financial report presents the basic financial statements and the budgetary comparisons of the College.

State of New Mexico
 Mesalands Community College
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2008

Net Assets and Revenue, Expenses, and Changes in Net Assets

Mesalands Community College
 Condensed Summary of Net Assets
 June 30, 2008 and 2007

Assets	2008	2007	Increase Decrease*
Current Assets	\$ 1,800,389	\$1,627,085	\$ 173,304
Capital Assets, net	\$10,712,343	9,786,217	\$ 926,126
Other Assets	<u>\$ 25,518</u>	<u>39,964</u>	<u>\$ 14,446*</u>
Total Assets	<u>\$12,538,250</u>	<u>\$11,453,266</u>	<u>\$1,084,984</u>
Liabilities			
Current Liabilities	\$ 168,080	\$ 170,806	\$ 2,726*
Non-Current Liabilities	<u>123,699</u>	<u>137,680</u>	<u>13,981*</u>
Total Liabilities	<u>\$ 291,779</u>	<u>\$ 308,486</u>	<u>\$ 16,707*</u>
Net Assets			
Invested in Capital Assets (Net of Related Debt)	\$10,712,343	\$ 9,786,217	\$ 926,126
Restricted for Inventories	87,045	95,986	8,941*
Restricted for Endowments	65,000		65,000
Unrestricted	<u>1,382,083</u>	<u>1,262,577</u>	<u>119,506*</u>
Total Net Assets	<u>\$12,246,471</u>	<u>\$11,144,780</u>	<u>\$1,101,691</u>

Current assets include cash and other assets that are deemed to be consumed or convertible to cash within one year. Cash and cash equivalents as of June 30, 2008 equal \$1,169,366, which makes up the major share of the College's current assets. Cash and cash equivalents increased by \$144,481 or 14% over last year.

Current liabilities are generally defined as amounts due within one year, and include accounts payable, payroll accruals, and accrued vacation. Current liabilities decreased by \$2,726 in 2008 over last year.

Non-current assets are capital assets, net of accumulated depreciation, for 2007-2008 were \$10,712,343, the capital assets increased due to construction in progress.

For fiscal year 2008 the college has no outstanding debt.

State of New Mexico
 Mesalands Community College
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2008

Condensed Summary of Revenue, Expenses, and Changes in Net Assets
 Mesalands Community College
 Condensed Summary of Net Assets
 June 30, 2008 and 2007

Operating Revenue by Major Source	2008	2007	Increase Decrease*
Tuition and Fees	\$ 794,388	\$ 712,575	\$ 81,813
Grants and Contracts	2,468,483	1,592,017	876,466
Sales and Services	221,465	169,696	51,769
Auxiliary Services	365,353	332,041	33,312
Miscellaneous Institutional Revenue	319,211	-	319,211
Other	<u>11,608</u>	<u>23,725</u>	<u>12,117*</u>
Total	<u>\$4,180,508</u>	<u>\$2,830,051</u>	<u>\$ 1,350,457</u>
Operating Expenses by Major Function			
Instruction	\$2,768,526	\$1,478,269	\$1,290,257
Public Service	267,291	195,015	72,276
Academic Support	459,350	365,511	93,839
Student Services	731,420	1,059,823	328,403*
Institutional Support	656,241	551,685	104,556
Operation and Maintenance of Plant	183,891	431,706	247,815*
Depreciation	322,284	269,670	52,614
Student Aid	885,162	792,448	92,714
Auxiliary Services	358,963	366,161	7,198
Internal Services	303,613	199,861	103,752
Intercollegiate Athletics	<u>80,027</u>	<u>57,224</u>	<u>22,803</u>
Total	<u>\$7,016,768</u>	<u>\$ 5,767,373</u>	<u>\$ 1,249,398</u>
Non-Operating Revenues (Expenses)			
State Appropriation	\$3,642,716	\$ 3,810,843	\$ 168,127*
Local Tax Levy	163,225	165,744	2,519*
Investment Income	52,010	61,835	9,825*
Donations	<u>80,000</u>	-	<u>80,000</u>
Total	<u>\$3,937,951</u>	<u>\$ 4,038,422</u>	<u>\$ 100,471*</u>
Total increase (decrease) in net assets	\$1,101,691	\$ 1,101,100	\$ 591
Net assets, end of year	<u>\$12,246,471</u>	<u>\$11,144,780</u>	<u>\$ 1,101,691</u>

State of New Mexico
Mesalands Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Revenues in the new reporting model are shown by source of funding. Operating revenues are generally defined as exchange transactions that are produced in the primary business functions of the College, including instruction, public service, and auxiliary services. Non-operating revenues are generally defined as non-exchange transactions and include state appropriations, local tax levy, gifts, and interest income. While classified as non-operating revenue, state appropriations account for the majority of the College's revenues and provide much-needed support for the operation of the College.

Operating expenses for MCC are presented in a functional format showing the major functions of the College, with expenses for instruction and for the support of instruction representing a majority of expenditures.

Total net assets (assets minus liabilities) are classified by the College's ability to use those assets to meet operating needs. Net assets that are restricted as to their use by sponsoring agencies or donors are classified as non-expendable (for example, permanent endowments) or expendable (contract or grant net assets). Unrestricted net assets may be used to meet all operating needs of the College.

General Budgetary Highlights

Over the course of the year, the College revised the budget once. Beginning balances were adjusted. Additional revenue and expenditures were added to reflect some additional projects, and we added more revenue and expenditures for auxiliary enterprises.

Factors Impacting Future Periods

Mesalands Community College continues to experience enrollment growth, with increases in excess of 5% for five consecutive years. This is particularly important since two of the College's largest sources of funding (State Appropriation and Tuition/Fees) are derived directly from enrollment numbers.

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

EXHIBIT A

STATEMENT OF NET ASSETS

JUNE 30, 2008

	<u>Primary Institution</u>
ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 1,169,366
Restricted cash held in trust by others (Note 3)	65,000
Accounts receivable, net (Note 4)	254,522
Inventories	87,045
Due from grantors (Note 4)	152,546
Due from other agencies (Note 4)	68,642
Due from external parties	3,268
Total Current Assets	<u>1,800,389</u>
Noncurrent assets:	
Capital assets, net (Note 5)	10,712,343
Prepaid leases	25,518
Total Noncurrent Assets	<u>10,737,861</u>
 Total Assets	 <u>12,538,250</u>
LIABILITIES	
Current liabilities:	
Accounts payable and deferred liabilities	77,236
Funds held for others	152
Deferred revenue	10,971
Compensated absences, current portion	79,721
Total Current Liabilities	<u>168,080</u>
Noncurrent liabilities:	
Compensated absences, less current portion	123,699
Total Noncurrent Liabilities	<u>123,699</u>
 Total Liabilities	 <u>291,779</u>
NET ASSETS	
Invested in capital assets	10,712,343
Restricted for inventories	87,045
Restricted for endowments	65,000
Unrestricted	1,382,083
Total Net Assets	<u>\$ 12,246,471</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

EXHIBIT B

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008

	Primary Institution
Operating Revenues:	
Student tuition and fees	\$ 794,388
Grants and contracts	2,468,483
Sales and services	221,465
Auxiliary enterprises	365,353
Miscellaneous institutional revenue	319,211
Other operating revenues	11,608
Total Operating Revenues	<u>4,180,508</u>
Operating Expenses:	
Education and general	
Instruction	2,768,526
Public service	267,291
Academic support	459,350
Student services	731,420
Institutional support	656,241
Student aid, grants and stipends	885,162
Operation and maintenance of plant	183,891
Depreciation	322,284
Auxiliary enterprises	358,963
Internal services	303,613
Intercollegiate athletics	80,027
Total Operating Expenses	<u>7,016,768</u>
Operating Income (Loss)	<u>(2,836,260)</u>
Nonoperating Revenues (Expenses):	
State appropriations	3,642,716
Taxes	163,225
Interest	52,010
Donated assets	15,000
Total Nonoperating Revenues (Expenses)	<u>3,872,951</u>
Income (Loss) before contributions and transfers	1,036,691
Capital Contributions	65,000
Change in Net Assets	<u>1,101,691</u>
Net Assets Beginning of Year	<u>11,144,780</u>
Net Assets End of Year	<u>\$ 12,246,471</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

EXHIBIT C

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

Cash flows from operating activities	
Receipts from student tuition and fees	\$ 794,388
Receipts from grants and contracts	2,468,483
Other receipts	917,637
Payments to or on behalf of employees	(3,188,085)
Payment to suppliers for goods and services	(2,582,974)
Payments for scholarships	(889,509)
Net cash (used) by operating activities	<u>(2,480,060)</u>
Cash flows from noncapital financing activities	
State appropriations	3,642,716
Tax revenues	163,225
Net cash provided by noncapital financing activities	<u>3,805,941</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	(1,168,410)
Capital contributions	65,000
Net cash provided by capital and related financing activities	<u>(1,168,410)</u>
Cash flows from investing activities	
Investment earnings	52,010
Net cash provided by investing activities	<u>52,010</u>
Increase (decrease) in cash and cash equivalents	209,481
Cash and cash equivalents - beginning of year	<u>1,024,885</u>
Cash and cash equivalents - end of year	<u>\$ 1,234,366</u>
Reconciliation of net operating revenues (expenses) to net cash (used) by operations	
Operating Income (Loss)	\$ (2,836,260)
Adjustments to reconcile operating income (loss) to net cash (used) by operations	
Depreciation	322,284
Changes in assets and liabilities:	
Receivables	27,236
Inventories	8,941
Other assets	14,446
Accounts payable and accrued liabilities	(38,339)
Deferred revenue	(7,510)
Compensated Absences	29,142
Net cash (used) by operating activities	<u>\$ (2,480,060)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

EXHIBIT D

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -- AGENCY FUND

JUNE 30, 2008

ASSETS

Cash on deposit

\$ 35,519

TOTAL ASSETS

\$ 35,519

LIABILITIES

Due to student groups

\$ 35,519

TOTAL LIABILITIES

\$ 35,519

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

History

Mesalands Community College was established as Tucumcari Area Vocational School (TAVS) under the Area Vocational School Act of New Mexico during the thirty-third Legislative Session of the State of New Mexico. In January 1979, an act of the Legislature authorized the establishment of an area vocational school in Tucumcari (Statutory Authority: Sections 21-17-1 through 21-17-17 NMSA 1978). The school was authorized to offer programs of vocational education leading to certificates and diplomas.

In November 1993, the institution was authorized by the New Mexico Commission on Higher Education to offer Associate of Applied Science degrees for each of its technical/vocational programs. The degree programs were implemented in the fall semester of 1994.

In June 1994, the Commission on Higher Education authorized the College to offer the Associate of Applied Science degree for each of its technical/vocational programs. The degree programs were implemented in the fall semester of 1994.

In 1994, the Board of Trustees authorized Tucumcari Area Vocational School to begin doing business as Mesa Technical College in order to more accurately represent the institution to its varied constituents as a small community college.

In the fall semester 1995, Mesa Technical College implemented a pre-collegiate studies program and expanded its course offerings in general education. In the spring semester 1996, the College began expanding its offerings via distance learning, including the Electronic Distance Education Network (EDEN), a cooperative effort of the universities of New Mexico, PBS and the Internet.

In the spring semester of 1996, the College developed programs in paleontology and geology. Mesalands Dinosaur Museum and Natural Science Laboratories were planned, based on a partnership that developed between the College and the community in recognizing, owning, and promoting this region's rich heritage as one of the premier deposits of fossilized ancient life. The community continues to donate considerable time, energy, and resources to the museum for cataloging specimens and providing sites for further exploration.

The College launched an intensive effort to earn accreditation from the Commission on Institutions of Higher Education of the North Central Association of Colleges and Schools, and The Higher Learning Commission. Administration, faculty, and staff set forth on a fast-track to compress the two-year process normally needed to earn a site visit from NCA into a period of less than a year. In August 1997, these efforts were rewarded when NCA granted Mesa Technical College candidacy for accreditation. In August of 1999, Mesalands was granted the status of initial accreditation by NCA, at which time the state allowed the College to begin offering the Associate of Arts degree.

In the fall of 1998, the College launched a new Intercollegiate Rodeo program in response to the desire of its students and the locale in which the College is situated.

With the College continuing to grow and mature, the College's name was changed to more adequately reflect its mission. On September 11, 2001, the Board of Trustees renamed the institution Mesalands Community College.

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

Reporting Entity

The College is considered to be the reporting entity, and the College does not have any component units.

Accounting Policies

The financial statements of the Mesalands Community College (the College) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to educational institutions. The more significant of the College's accounting policies are described below.

A. Basis of Presentation

As of July 1, 2003, the College was required to implement Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; GASB Statement No. 35 – *Basic Financial Statements and Management's Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*; and GASB Statement No. 38 – *Certain Financial Statement Notice Disclosures*. This financial report provides an entity-wide perspective of the College's assets, liabilities, and net assets, revenues, expenses and changes in net assets, and cash flows. Presentation under GASB Statement Nos. 34, 35, 37 and 38 replaces the fund-group accounting perspective that was previously required.

B. Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated.

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

C. Significant Account Policies

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and 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 reported period. Actual results could differ significantly from those estimates.

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

C. Significant Accounting Policies

Cash and cash equivalents: Cash and cash equivalents consist of all highly liquid investments with original maturities of three months or less.

Accounts receivable: The College records student accounts receivable at the time a student registers for classes. Provisions for un-collectable student accounts are recorded to maintain an adequate allowance for anticipated losses.

Inventories: Inventories, consisting mainly of items held for resale, are valued at the lower of cost or market on a first-in, first-out (FIFO) basis. They are reported at cost.

Capital Assets: Capital assets are recorded at original cost, or fair value if donated. The College's capitalization policy for moveable equipment includes all items with a unit cost of \$5,000 or more, and an estimated useful life greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Software, whether purchased or developed for internal use, and library books are capitalized and depreciated under the college policies. Museum collection pieces are booked at estimated fair market value when received or internally developed in the College foundry. These pieces are deemed to appreciate in value and therefore no depreciation is accumulated on them. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

	<u>Life in Years</u>
Buildings and improvements	50
Land improvements	20
Leasehold improvements	10
Library books	10
Equipment	5 – 12

Net Assets: Are as classified as follows:

Invested in capital assets, net of related debt represents the College's total investment in capital assets net of outstanding debt 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. There are no such amounts as of June 30, 2008.

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

C. Significant Accounting Policies, continued

Net Assets, continued:

Restricted net assets represent those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. Restricted expendable net assets are resources that the College is legally or contractually obligated to spend in accordance with imposed restrictions by third parties. Restricted non-expendable net assets consist of endowment and similar funds in which third parties 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 the principal.

Unrestricted net assets consist of those operating funds over which the governing board retains full control to use in achieving any of its authorized use.

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.

Revenues: Are classified as operating or non-operating according to the following criteria:

Operating revenues include activities that have the characteristics of an exchange transaction, such as a) student tuition and fees, net of scholarship discounts and allowances; and b) sales and services; and c) contracts and grants. Grant revenues are recognized when all eligibility requirements have been met.

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as a) appropriations; b) taxes; and c) investment income.

Student tuition and fee revenue and auxiliary enterprises revenue from students are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship Allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or non-governmental programs, are recorded as operating or non-operating revenue in the College's financial statements. To the extent that revenue from such programs are used to satisfy tuition and fees, other student charges, and auxiliary enterprise charges the College has recorded a scholarship allowance.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

D. Significant Accounting Policies, continued

Deferred revenue consists primarily of advances from contracts and grants. Revenue is recognized to the extent expenses are incurred.

Expenses: Are classified as operating or non-operating according to the following criteria:

Operating expenses include activities that have the characteristic of an exchange transaction, such as a) employee salaries, benefits, and related expenses; b) scholarships and fellowships, net of scholarship discounts and allowances; c) utilities, supplies, and other services; d) professional fees; and e) depreciation expenses related to College property, plant and equipment.

Non-operating expenses include activities that have the characteristics of non-exchange - transactions, such as interest on capital-related debt and bonds expenses that are defined as non-operating expenses by GASB Statement No. 9 – *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34.

E. Accounting Changes

As a result of the adoption of GASB Statement Nos. 34, 35, 37, 38, and 40, the financial statements are required to provide a comprehensive perspective of the College's assets, liabilities, and net assets, revenues, expenses, and changes in net assets, and cash flows, and replaces the fund group perspective that was previously required. The impact of adopting the new standards resulted in adding management's discussion and analysis as required supplementary information; adding a management's discussion and analysis as required supplementary information; adding a direct method statement of cash flows; classifying net assets as invested in capital assets, net of related debt, restricted and unrestricted; classifying net assets as invested in capital assets, net of related debt, restricted and unrestricted; classifying the statement of net assets between current and non-current assets and liabilities and classifying revenue and expenses as operating and non-operating.

F. Budgetary Process

The Board adopts an annual budget for the current unrestricted and restricted funds. And the unexpected plant funds that are prepared by the administration and approved by the Board, the state of New Mexico Commission on Higher Education, and the state Budget Division of the Department of Finance and Administration. To amend the budget, the College requires the following order of approval: (1) College President, (2) College Board Members, (3) Commission on Higher Education, and (4) State Department of Finance and Administration.

JUNE 30, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

F. Budgetary Process, continued

Budgets are adopted on a basis of accounting that is not in accordance with generally accepted accounting principles. The budget is adopted on a modified accrual basis. Certain revenues and expenditures that have been earned and incurred in accordance with generally accepted accounting principles are deferred under the budgetary basis. An example would be accrued vacation pay.

In the statements prepared in accordance with generally accepted accounting principles, the accrued vacation liability is recognized. For the budgetary basis, the College does not recognize the expense and liability until the wage expense is paid in subsequent years.

Budgetary comparisons presented in the accompanying supporting schedules for the current unrestricted and restricted funds, and the plant funds are on this non-GAAP budgetary basis. These budgets secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Since the process in the state of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, the appropriated cash balance is legally restricted and is therefore, used in the calculation to determine the annual budget.

Budgetary control is required to be exercised over the total major expenditure category for each of the following budgetary functions: instruction and general, internal services, student social and cultural development activities, student aid grants and stipends, auxiliary enterprises, intercollegiate athletics, major and minor capital outlay, and each item of transfer between funds and/or functions. Total expenditures or transfers in each of the above enumerated items of budgetary control may not exceed the amount shown in the final budget.

G. Non-Exchange Transactions

The College has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* commencing with the fiscal year beginning on July 1, 2001. No adjustments of prior periods have been necessary and as such, no restatements of beginning fund balances have been made to the financial statements to and from other funds for the period.

I. Income Tax Status

The College is an institution of higher education of the State of New Mexico and as such the income accruing from the exempt purposes of the College is not subject to federal income taxes. Any unrelated business income in excess of \$1,000 is reported to the federal government. Any income tax accruing from such income would be paid from the profits of the business income.

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

J. Accounting Applications

The College uses a computerized system to prepare all the accounting records.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 results could differ from those estimates.

2. **CASH**

Cash and cash equivalents include cash on hand, certificates of deposit, and cash in banks with various financial institutions. As of June 30, 2008, the amount of cash and cash equivalents reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks.

Except for items in transit, the carrying value of deposits by the respective depositories equates to the carrying value by the College. New Mexico State Statutes authorize the College to deposit cash with a bank, savings and loan association, or credit union whose deposits are insured by an agency of the United States. All cash deposits that exceed the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Shares Insurance Fund (NCUSIF) amount of \$100,000, are required to be collateralized with eligible securities, as described by New Mexico State Statutes, in amounts equal to at least 50% of the College's carrying value of the deposits. Collateral pledged is held in safekeeping by other financial institutions. The pledged securities remain in the name of the financial institution.

Collateral requirements are as follows:

Total Deposits	\$ 1,446,493
Less: FDIC or NCUSIF Coverage	<u>768,907</u>
Uninsured Public Funds	677,586
Pledged collateral held by pledging banks agent in the name of the College	<u>(1,009,360)</u>
Uninsured and un-collateralized	<u><u>8,951</u></u>

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2008

2. **CASH**, continued

Custodial credit risk- is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$677,586 of the government's bank balance of \$1,446,492 was exposed to custodial credit risk as follows:

<u>Mesalands Community College</u>	
Uninsured and Un-collateralized	<u>\$ 8,951</u>

3. **CASH HELD BY OTHERS**

During the fiscal year Mesalands Community College received \$65,000 from the state legislative for a faculty endowment fund. The funds were received under Section 21-1-27.1 NMSA 1978. The college has entrusted the funds over to Mesalands Community College Foundation to manage.

4. **ACCOUNTS RECEIVABLE**

The College's accounts receivable at June 30, 2008, represent revenues earned from the student tuition and fees, loans, advances to students, local tax levy, the federal government grants and contracts, and State of New Mexico agencies that include pass through federal and state grants. With the exception of the student tuition and fees receivable, all amounts are expected to be collected within sixty days after year-end. A schedule of receivables and allowance for doubtful accounts by fund is as follows:

	Gross	Allowance for Doubtful Accounts	Net
Student tuition and fees	\$ 352,106	\$ 97,584	\$ 254,522
Taxes receivable	3,658	-	3,658
Grants receivable	152,546	-	152,546
NSF check chargeback	3,243	-	3,243
Due from other agencies	64,984	-	64,984
Due from external parties	25	-	25
Total Account Receivable	\$ 576,562	\$ 97,584	\$ 478,978

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2008

4. ACCOUNTS RECEIVABLE, continued

Property taxes are required to be imposed prior to October 1 and attach as an enforceable lien on property within the district on January 1, however, they are due and payable in two equal installments on November 10 and April 10 of the following year, and become delinquent 30 days after the due date. The property taxes are collected by the Quay County Treasurer and remitted to the College in the month following the month of collection. Prior years delinquent property tax amounts were not available from the Quay County Treasurer.

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Non-Depreciated				
Land	\$ 822,495	\$ -	\$ -	\$ 822,495
Museum Collection	1,148,464	-	-	1,148,464
Total Non-Depreciated	<u>1,970,959</u>	<u>-</u>	<u>-</u>	<u>1,970,959</u>
Other Capital Assets				
Leasehold Improvements	22,373	-	-	22,373
Library Books	198,067	1,352	-	199,419
Buildings & Improvements	6,510,632	1,847,550	-	8,358,182
Equipment	1,605,971	104,575	32,250	1,678,296
Construction in Progress	1,825,199	1,137,600	1,825,199	1,137,600
Total Depreciable Assets	<u>10,162,242</u>	<u>3,091,077</u>	<u>1,857,449</u>	<u>11,395,870</u>
Total Capital Assets	<u>12,133,201</u>	<u>3,091,077</u>	<u>1,857,449</u>	<u>13,366,829</u>
Accumulated Depreciation				
Leasehold Improvements	5,687	2,777	-	8,464
Library Books	58,256	15,614	-	73,870
Buildings & Improvements	1,183,574	167,972	-	1,351,546
Equipment	1,099,467	135,920	14,781	1,220,606
Total Accumulated Depreciation	<u>2,346,984</u>	<u>322,283</u>	<u>14,781</u>	<u>2,654,486</u>
Capital Assets - net	<u>\$ 9,786,217</u>	<u>\$ 2,768,794</u>	<u>\$ 1,842,668</u>	<u>\$ 10,712,343</u>

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2008

6. AGENCY FUNDS

Agency funds are used to account for assets held by the College as an agent for private organizations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of funds. At June 30, 2008, the College held \$35,519 in agency funds in custody for various groups. Agency funds have their own bank account and are not co-mingled with the College's monies.

7. COMPENSATED ABSENCES PAYABLE

Administrative and non-instructional employees on twelve-month contracts accumulate annual leave. Instructional employees are governed by their contracts and may not carryover annual leave.

For employees with less than ten years of service, annual continual leave is ten working days of annual leave. As each employee completes a year of service and has not taken the allocated annual leave for the year, the employee has six months to take the unused annual leave or the employee loses it. Accrued vacation leave was valued using the pay levels in effect and was \$111,567 at June 30, 2008. In addition, the College had personnel with earned sick leave of which one-third (1/3) is accrued at separation using the pay levels in effect at June 30, 2008 of \$91,853. The compensated absences balance at June 30, 2008 is \$203,420. There is an increase of \$29,142 from the previous year-end balance of \$174,278.

	<u>6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/08</u>	Amounts Due in <u>One Year</u>
Total Compensated Absences	<u>\$ 174,278</u>	<u>\$315,452</u>	<u>\$ 286,310</u>	<u>\$ 203,420</u>	<u>\$ 79,721</u>

8. EMPLOYEE RETIREMENT SYSTEM

Plan Description: Substantially all of the College full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustment to plan members and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, NM 87502.

Funding Policy: Plan members are required to contribute 7.825% of their gross salary. The College is required to contribute 10.90% of the gross covered salary. The contribution requirements of plan members and the College is established in Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The College's contributions to ERA for the years ending June 30, 2008, 2007 and 2006 were \$228,233, \$197,028, and \$173,434, respectively, equal to the amount of the required contributions for each year.

JUNE 30, 2008

9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. Mesalands Community College contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, 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 the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2008

9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

The Mesalands Community College's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$ 30,077, \$ 27,302 and \$ 26,122 , respectively, which equal the required contributions for each year.

10. RISK MANAGEMENT

The College is subject to risk of loss through areas of general liability, workers compensation, and natural disaster. To minimize the risk of financial loss, the College participates in the New Mexico Public School Insurance Authority (a risk pool of all education agencies within the State of New Mexico). The New Mexico Public School Insurance Authority acts as a common carrier of insurance. The assumption of risk is upon the payment of premiums by the College to the New Mexico Public School Authority and lies with the Authority. The Authority reevaluates premiums annually and Mesalands Community College's risk is limited to premiums paid and respective deductibles.

11. DERIVED TAX REVENUES

The College reports all revenues received from derived tax revenues or imposed non-exchange revenues according to requirements of GASB 33 & 36.

12. INDEPENDENT SCHOLARSHIP FUNDS

Various individuals have established scholarship funds at Citizens Bank located in Tucumcari, New Mexico. The College is entitled to the earnings from the accounts. Such interest income is used to award scholarship to students. The College does not own the cash held within those accounts, therefore, the College has not recorded the cash balances within the accounting ledgers of the College. The balance of the cash accounts at June 30, 2008, is as follows:

Scholarship Fund	\$ 17,361
Marty Samson Fund	997
Ralph B. Drake Memorial Scholarship Fund	<u>6,741</u>
	<u>\$ 25,099</u>

13. BUDGETS

The internal service function in the unrestricted Non-Instruction and General Fund was over expended by \$66,632 during the fiscal year.

14. RESTRICTED NET ASSETS

The statement of net assets reports \$152,045 of restricted net assets, of which \$152,045 is restricted by enabling legislation.

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

SCHEDULE I

SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES
UNRESTRICTED AND RESTRICTED - ALL OPERATIONS

FOR THE YEAR ENDING JUNE 30, 2008

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Revenues:				
Tuition and Miscellaneous Fees	\$ 776,000	\$ 876,000	\$ 752,893	\$ 123,107
Federal Government Appropriations	1,074,804	1,168,912	605,995	562,917
State Government Appropriations	3,576,649	3,582,541	3,758,071	(175,530)
Local Government Appropriations	165,500	165,500	164,375	1,125
Federal Govt. Grants and Contracts	1,766,454	2,100,032	1,309,093	790,939
State Govt. Grants and Contracts	212,500	349,500	166,899	182,601
Private Gifts	100,000	100,000	20,786	79,214
Sales and Services	434,000	469,000	483,497	(14,497)
Other Sources	189,000	182,000	180,985	1,015
State General Obligation	3,100,000	3,100,000	143,010	2,956,990
Miscellaneous Institutional Revenue	281,000	281,000	319,212	(38,212)
Total all revenues	<u>11,675,907</u>	<u>12,374,485</u>	<u>7,904,816</u>	<u>4,469,669</u>
Cash Balance Budgeted	<u>796,023</u>	<u>1,023,640</u>	<u>1,023,640</u>	<u>-</u>
Total all revenues and cash balance budgeted	<u>12,471,930</u>	<u>13,398,125</u>	<u>8,928,456</u>	<u>4,469,669</u>
Expenditures:				
Instruction	3,365,719	3,813,297	2,886,718	926,579
Academic Support	522,272	507,272	459,350	47,922
Student Support	790,032	771,032	731,420	39,612
Institutional Support	681,368	691,368	656,241	35,127
Operation & Maintenance of Plant	521,364	531,364	482,795	48,569
Public Service	232,225	322,225	267,291	54,934
Student Aid, Grants & Stipends	1,405,804	1,505,804	885,162	620,642
Auxiliary Enterprises	346,608	366,608	346,024	20,584
Intercollegiate Athletics	70,000	147,000	95,027	51,973
Renewal & Replacement	140,263	240,263	175,561	64,702
Internal Services	236,984	236,984	303,616	(66,632)
Capital Outlay	<u>3,501,697</u>	<u>3,501,697</u>	<u>506,651</u>	<u>2,995,046</u>
Total all expenses	<u>11,814,336</u>	<u>12,634,914</u>	<u>7,795,856</u>	<u>4,839,058</u>
Change in net assets (budgetary basis)	<u>\$ 657,594</u>	<u>\$ 763,211</u>	<u>\$ 1,132,600</u>	<u>\$ (369,389)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

SCHEDULE II

SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES
UNRESTRICTED - NON INSTRUCTION & GENERAL

FOR THE YEAR ENDING JUNE 30, 2008

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Revenues:				
Tuition and Miscellaneous Fees	\$ 69,000	\$ 69,000	\$ 43,475	\$ 25,525
Federal Government Appropriations	-	-	-	-
State Government Appropriations	351,697	351,697	348,697	3,000
Local Government Appropriations	-	-	-	-
Federal Govt. Grants and Contracts	-	-	-	-
State Govt. Grants and Contracts	78,400	145,400	-	145,400
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	-	-	-	-
Endowments, Land, and Perm Fund	-	-	-	-
Sales and Services	434,000	469,000	483,497	(14,497)
Other Sources	7,000	-	10,452	(10,452)
State General Obligation	3,100,000	3,100,000	143,010	2,956,990
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	281,000	281,000	319,212	(38,212)
Total unrestricted revenues	<u>4,321,097</u>	<u>4,416,097</u>	<u>1,348,343</u>	<u>3,067,754</u>
Cash Balance Budgeted	<u>196,806</u>	<u>411,003</u>	<u>411,003</u>	<u>-</u>
Total unrestricted revenues and cash balance budgeted	<u><u>4,517,903</u></u>	<u><u>4,827,100</u></u>	<u><u>1,759,346</u></u>	<u><u>3,067,754</u></u>
Expenditures:				
Instruction	-	-	-	-
Academic Support	-	-	-	-
Student Support	-	-	-	-
Institutional Support	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Public Service	69,125	89,125	82,663	6,462
Student Aid, Grants & Stipends	97,000	97,000	96,616	384
Auxiliary Enterprises	346,608	366,608	346,024	20,584
Intercollegiate Athletics	70,000	147,000	95,027	51,973
Renewal & Replacement	140,263	240,263	175,561	64,702
Internal Service	236,984	236,984	303,616	(66,632)
Capital Outlay	3,501,697	3,501,697	506,651	2,995,046
Total unrestricted expenses	<u>4,461,677</u>	<u>4,678,677</u>	<u>1,606,158</u>	<u>3,072,519</u>
Change in net assets (budgetary basis)	<u><u>\$ 56,226</u></u>	<u><u>\$ 148,423</u></u>	<u><u>\$ 153,188</u></u>	<u><u>\$ (4,765)</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

SCHEDULE III

SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES
RESTRICTED - NON INSTRUCTION & GENERAL

FOR THE YEAR ENDING JUNE 30, 2008

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Revenues:				
Tuition and Miscellaneous Fees	\$ -	\$ -	\$ -	\$ -
Federal Government Appropriations	1,074,804	1,168,912	605,995	562,917
State Government Appropriations	134,000	139,892	161,765	(21,873)
Local Government Appropriations	-	-	-	-
Federal Govt. Grants and Contracts	29,000	29,000	17,729	11,271
State Govt. Grants and Contracts	134,100	204,100	166,899	37,201
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	100,000	100,000	20,786	79,214
Endowments, Land, and Perm Fund	-	-	-	-
Sales and Services	-	-	-	-
Other Sources	-	-	-	-
State General Obligation	-	-	-	-
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	-	-	-	-
Total restricted revenues	<u>1,471,904</u>	<u>1,641,904</u>	<u>973,174</u>	<u>668,730</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total restricted revenues and cash balance budgeted	<u>1,471,904</u>	<u>1,641,904</u>	<u>973,174</u>	<u>668,730</u>
Expenditures:				
Instruction	-	-	-	-
Academic Support	-	-	-	-
Student Support	-	-	-	-
Institutional Support	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Public Service	163,100	233,100	184,628	48,472
Student Aid, Grants & Stipends	1,308,804	1,408,804	788,546	620,258
Auxiliary Enterprises	-	-	-	-
Intercollegiate Athletics	-	-	-	-
Renewal & Replacement	-	-	-	-
Internal Service	-	-	-	-
Capital Outlay	-	-	-	-
Total restricted expenses	<u>1,471,904</u>	<u>1,641,904</u>	<u>973,174</u>	<u>668,730</u>
Change in net assets (budgetary basis)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

SCHEDULE IV

SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES
UNRESTRICTED - INSTRUCTION & GENERAL

FOR THE YEAR ENDING JUNE 30, 2008

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Revenues:				
Tuition and Miscellaneous Fees	\$ 707,000	\$ 807,000	\$ 709,418	\$ 97,582
Federal Government Appropriations	-	-	-	-
State Government Appropriations	3,090,952	3,090,952	3,247,609	(156,657)
Local Government Appropriations	165,500	165,500	164,375	1,125
Federal Govt. Grants and Contracts	-	-	-	-
State Govt. Grants and Contracts	-	-	-	-
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	-	-	-	-
Endowments, Land, and Perm Fund	-	-	-	-
Sales and Services	-	-	-	-
Other Sources	182,000	182,000	170,533	11,467
State General Obligation	-	-	-	-
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	-	-	-	-
Total Unrestricted Revenues	<u>4,145,452</u>	<u>4,245,452</u>	<u>4,291,935</u>	<u>(46,483)</u>
Cash Balance Budgeted	<u>599,217</u>	<u>612,637</u>	<u>612,637</u>	<u>-</u>
Total unrestricted revenues and cash balance budgeted	<u>4,744,669</u>	<u>4,858,089</u>	<u>4,904,572</u>	<u>(46,483)</u>
Expenditures:				
Instruction	1,752,265	1,827,265	1,676,106	151,159
Academic Support	522,272	507,272	459,350	47,922
Student Support	666,032	686,032	650,668	35,364
Institutional Support	681,368	691,368	656,241	35,127
Operation & Maintenance of Plant	521,364	531,364	482,795	48,569
Public Service	-	-	-	-
Student Aid, Grants & Stipends	-	-	-	-
Auxiliary Enterprises	-	-	-	-
Intercollegiate Athletics	-	-	-	-
Renewal & Replacement	-	-	-	-
Internal Service	-	-	-	-
Capital Outlay	-	-	-	-
Total unrestricted expenditures	<u>4,143,301</u>	<u>4,243,301</u>	<u>3,925,160</u>	<u>318,141</u>
Change in net assets (budgetary basis)	<u>\$ 601,368</u>	<u>\$ 614,788</u>	<u>\$ 979,412</u>	<u>\$ (364,624)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

SCHEDULE V

SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES
RESTRICTED - INSTRUCTION & GENERAL

FOR THE YEAR ENDING JUNE 30, 2008

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Revenues:				
Tuition and Miscellaneous Fees	\$ -	\$ -	\$ -	\$ -
Federal Government Appropriations	-	-	-	-
State Government Appropriations	-	-	-	-
Local Government Appropriations	-	-	-	-
Federal Govt. Grants and Contracts	1,737,454	2,071,032	1,291,364	779,668
State Govt. Grants and Contracts	-	-	-	-
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	-	-	-	-
Endowments, Land, and Perm Fund	-	-	-	-
Sales and Services	-	-	-	-
Other Sources	-	-	-	-
State General Obligation	-	-	-	-
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	-	-	-	-
Total restricted revenues	<u>1,737,454</u>	<u>2,071,032</u>	<u>1,291,364</u>	<u>779,668</u>
Cash Balance Budgeted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total restricted revenues and cash balance budgeted	<u>1,737,454</u>	<u>2,071,032</u>	<u>1,291,364</u>	<u>779,668</u>
Expenditures:				
Instruction	1,613,454	1,986,032	1,210,612	775,420
Academic Support	-	-	-	-
Student Support	124,000	85,000	80,752	4,248
Institutional Support	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Public Service	-	-	-	-
Student Aid, Grants & Stipends	-	-	-	-
Auxiliary Enterprises	-	-	-	-
Intercollegiate Athletics	-	-	-	-
Renewal & Replacement	-	-	-	-
Internal Service	-	-	-	-
Capital Outlay	-	-	-	-
Total restricted expenditures	<u>1,737,454</u>	<u>2,071,032</u>	<u>1,291,364</u>	<u>779,668</u>
Change in net assets (budgetary basis)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

SCHEDULE VI

RECONCILIATION OF CHANGE IN NET ASSETS
GAAP BASIS TO BUDGETARY BASIS

FOR THE YEAR ENDING JUNE 30, 2008

Reconciliation of change in net assets on GAAP basis to budgetary basis	
Change in net assets (GAAP basis)	\$ 1,101,691
Add: Depreciation expense	322,284
Budgeted cash	1,023,640
Compensated absences	29,142
Bad debts	20,033
Inventory	8,941
Payables	130,930
Disposal of assets	17,469
Less: Deferred revenue	(10,971)
Receivables	(452,855)
Allowance for doubtful accounts	(20,033)
Prepaid Lease	(26,005)
Donated assets	(80,000)
Capital outlay	<u>(1,250,878)</u>
Change in net assets (budgetary basis)	<u>\$ 813,388</u>

The accompanying notes are an integral part of these financial statements

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS

JUNE 30, 2008

		<u>Account Type</u>
1st National Bank of New Mexico	General	MM
1st National Bank of New Mexico	Payroll	MM
Everyones Federal Credit Union	General	Share Draft
Everyones Federal Credit Union	Agency	Share Draft
Washington Mutual	General	CD
Indymac Bank	General	CD
Tucumcari Federal S & L	General	CD
Everyones Federal Credit Union	General	CD
Corus Bank	General	CD
Corus Bank	General	CD
State Farm Bank	General	CD
Country Wide Bank	General	CD
Corus Bank	General	CD
Country Wide VA SB	General	CD
Smith Barney	General	MM

Petty Cash

Less: Agency fund cash

Total cash Statement of Net Assets

* All accounts are interest bearing

The accompanying notes are an integral part of these financial statements

SCHEDULE VII

Balance per Bank	Deposits in Transit	Outstanding Checks	Reconciled Cash
\$ 759,305	\$ 2,125	\$ (243,425)	\$ 518,005
380	-	(379)	1
4	-	-	4
36,320	-	(801)	35,519
90,000	-	-	90,000
94,000	-	-	94,000
49,448	-	-	49,448
88,043	-	-	88,043
58,253	-	-	58,253
29,249	-	-	29,249
83,866	-	-	83,866
38,443	-	-	38,443
30,399	-	-	30,399
88,000	-	-	88,000
783	-	-	783
<u>\$ 1,446,493</u>	<u>\$ 2,125</u>	<u>\$ (244,605)</u>	<u>1,204,013</u>
			<u>872</u>
			1,204,885
			<u>(35,519)</u>
			<u>\$ 1,169,366</u>

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

SCHEDULE VIII

SCHEDULE OF PLEDGED COLLATERAL

JUNE 30, 2008

	<u>TOTAL DEPOSITS</u>	<u>FDIC OR NCUSIF INSURANCE</u>	<u>COLLATERAL REQUIRED</u>	<u>COLLATERAL PLEDGED</u>	<u>SECURITY DEFICIT</u>
1ST National Bank of New Mexico	\$ 759,685	\$ 100,000	\$ 329,843	\$ 1,009,360	\$ -
COLLATERAL	CUSIP #	MATURITY			
FHLB fixed rate note	31339XZ56	06/30/09	299,796		
FHLB fixed rate note	31339XZ56	06/30/09	74,949		
Lovington NM Mun Sch Dist 1	547473AZ1	10/01/08	102,587		
Bernalillo NM Mun Sch Dist	085279mw4	08/01/17	74,604		
Lovington NM Mun Sch Dist 1	547473AZ1	10/01/08	102,587		
Eastern NM University	27678NAK9	08/15/11	50,988		
Tucumcari NM Mun Sch Dist	898881BK2	08/01/08	154,015		
FHLB fixed rate note	3133XPCF9	02/08/19	149,834		
			<u>\$ 1,009,360</u>		
Washington Mutual Bank	\$ 90,000	\$ 90,000	\$ -	\$ -	\$ -
Everybody's Federal Credit Union	\$ 124,367	\$ 124,367	\$ -	\$ -	\$ -
Tucumcari Federal S & L	\$ 49,448	\$ 49,448	\$ -	\$ -	\$ -
Indymac Bank	\$ 94,000	\$ 94,000	\$ -	\$ -	\$ -
Country Wide VA	\$ 88,000	\$ 88,000	\$ -	\$ -	\$ -
Country Wide Bank	\$ 38,443	\$ 38,443	\$ -	\$ -	\$ -
State Farm Bank	\$ 83,866	\$ 83,866	\$ -	\$ -	\$ -
Corus Bank	\$ 117,901	\$ 100,000	\$ 8,951	\$ -	\$ 8,951
Smith Barney MM	\$ 783	\$ 783	\$ -	\$ -	\$ -

All pledged securities are held by the financial institutions agent, the Federal Home Loan Bank of Dallas, Texas in the name of the College.

The accompanying notes are an integral part of these financial statements

AGENCY FUNDS

AGENCY FUND--To account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

SCHEDULE IX

COMBINING SCHEDULE OF CHANGES IN ACCOUNT BALANCES -- AGENCY FUND

FOR THE YEAR ENDED JUNE 30, 2008

	Balance 6/30/2007	Additions	Deductions	Balance 6/30/2008
Auto tech club	\$ 3,555	\$ 47	\$ 0	\$ 3,601
Astronomy club	27	166	-	194
Checkmate chess club	23	1	0	25
Chi Alpha	259	136	23	372
Diesel club	1,498	986	1	2,483
Hot meal club	338	3,101	0	3,439
Life savers club	445	2	0	446
Livestock judging	203	6	0	208
Natural Science club	207	6	0	212
Peer mentoring	376	7	1	383
Phi Theta Kappa	2,952	984	2,189	1,747
Rodeo club	1,642	3,539	1,176	4,005
Farrier SHOE club	14,534	2,232	6,789	9,977
SIFE	947	1	0	949
Spanish club	904	92	194	802
Student senate	521	212	0	732
Truck driving club	310	81	0	391
Tucumcari softball club	318	-	-	318
Fossil friends	2,340	1,257	600	2,997
Employee office fund	2,027	1,951	2,199	1,779
GED Club	608	2	150	459
TOTAL	<u>\$ 34,034</u>	<u>\$ 14,807</u>	<u>\$ 13,322</u>	<u>\$ 35,519</u>

The accompanying notes are an integral part of these financial statements

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

Hector H. Balderas
New Mexico State Auditor
and Board Members
Mesalands Community College
Tucumcari, New Mexico

We have audited the financial statements of the business type activities and the budgetary comparisons of Mesalands Community College as of and for the year ended June 30, 2008, and have issued our report thereon dated November 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Mesalands Community College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Mesalands Community College's financial statements is more than inconsequential will not be prevented or detected by Mesalands Community College's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that are required to be reported under Government Auditing Standards paragraph 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2008-1, 2008-2 and 2008-3.

Mesalands Community College's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Mesalands Community College's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of trustees, management, the Office of the State Auditor, the New Mexico State Legislature and its committees, the New Mexico Department of Finance and Administration, the New Mexico Commission on Higher Education, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 6, 2008

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector H. Balderas
New Mexico State Auditor
The Board of Trustees of
Mesalands Community College
Tucumcari, New Mexico

Compliance

We have audited the compliance of Mesalands Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. Mesalands Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Mesalands Community College's management. Our responsibility is to express an opinion on Mesalands Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 required 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 Mesalands Community College's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mesalands Community College's compliance with those requirements.

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

Internal Control over Compliance

The management of Mesalands Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mesalands

Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mesalands Community College's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

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

November 6, 2008

FEDERAL AWARDS SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	PROGRAM OR GRANTOR NUMBER	PROGRAM AWARD	PROGRAM EXPENDITURES
US DEPARTMENT OF EDUCATION				
Direct programs				
Student Financial Aid Cluster				
Pell grant program	84.063	P063P005217	-	\$ 564,679
Federal Work Study Program	84.033	P003A008469	-	19,557
Federal SEOG Program	84.007	P007A008469	-	19,990
TOTAL DIRECT GRANTS				<u>604,226</u>
Passed through the State Department of Higher Education				
Title V	84.031	P0315020003	311,650	80,788
Adult Basic Education	84.002	SPE#499888	48,625	36,111
Adult Basic Education - EI Civics	84.002		7,189	5,815
Carl Perkins	84.048		15,430	12,227
TOTAL PASSTHROUGH GRANTS				<u>134,941</u>
TOTAL DEPARTMENT OF EDUCATION				<u><u>739,167</u></u>
SMALL BUSINESS ADMINISTRATION				
<1>Small Business Development Center	59.037	0-7620-0032-12	156,814	114,878
TOTAL SMALL BUSINESS ADMINISTRATION				<u>114,878</u>
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Hispanic Serving Institutions Assisting Commu	14.514	HSIAC-06-NM-14	600,000	150,743
TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>150,743</u>
US DEPARTMENT OF LABOR				
Passed through the NM Department of Labor				
<1>Community Based Job Training Grant	17.269	3-15921-07-60-A-35	2,000,000	832,272
TOTAL US DEPARTMENT OF LABOR				<u>832,272</u>
TOTAL FEDERAL AWARDS EXPENDITURES				<u><u>\$ 1,837,060</u></u>

<1> Major Program

Note 1 - This schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

Note 2 - The College had no non-cash assistance, insurance loans or loan guarantees during the year.

Note 3 - The College does not participate in Federal Loan Programs

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

SECTION I – SUMMARY OF AUDITORS' RESULTS

Report on Financial Statements	Unqualified
Significant Deficiencies on GAGAS	None
Other matters required to be reported	2008-1, 2008-2, and 2008-3
Material weakness involving significant deficiencies	None
Material noncompliance	None
Questioned Cost	None
Type A & B dollar threshold	\$ 300,000
Entity Risk	Low Risk
Major Federal Program	SBDC CFDA #59.037 Community Based Job Training Grant CFDA #17.269
Significant Deficiencies on Internal Control over Major Programs	None
Report on Compliance with Major Programs	Unqualified
Findings reportable under 510(a) of Circular A-133	None

SECTION II – FINANCIAL STATEMENT FINDINGS

<u>Prior Year Findings –</u>	<u>Status</u>
2007-1 Agency Fund Reconciliation	Resolved
2006-4 Purchase Orders	Resolved
2007-3 Museum Deposits	Resolved

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Current Year Findings –

Internal Control

2008-1 Overspent Budget

Condition:	The internal service expenditures budget in the Unrestricted Non Instruction and General fund was overexpended by \$66,632.
Criteria:	Any funds expended by the College shall have an approved budget for the expenditure per Chapter 22 Article 8 of NMSA 1978.
Cause:	The College was receiving help from an external source in preparing budgets and reporting revenue and expenditures for the Internal Service Funds, in doing so management did not realize that the increase in revenues had created a situation where the expenditures had exceeded the budget.
Effect:	When budgets are overspent then budgetary control over expenditures is weakened.
Recommendation:	All expenditures should be checked against budget prior to the expenditure being approved to ensure that budgets are not overspent.
Response:	The internal service funds budget will be monitored by the Dean of Administrative Services to ensure the budget is not overspent.

2008 - 2 Under Collateralized Bank Account

Condition:	Bank balance at Corus Bank was under collateralized by \$ 8,951 on June 30, 2008.
Criteria:	6-10-17 NMSA 1978 Compilation – Any bank or savings loan association designated as a depository shall deliver securities of the kind specified in Section 6-10-16 NMSA, or join safekeeping receipt, therefore, to the public official from whom, or the public board from which, the public money is received for deposit is an aggregate value equal to one-half the amount public money to be received in accordance with Subsection B Section 6-10-16 NMSA 1978.
Effect:	Potential loss of funds if operation of bank ceases.
Cause:	Bank did not secure adequate collateral.
Recommendation:	Notify bank to increase collateral to meet requirements. Also, the College should monitor the monthly collateralization statement provided by the bank to determine collateral is adequate.
Response:	The Business Office staff will ensure all bank balances are adequately collateralized.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

2008 – 3 Credit card expenditures

Condition:	The College has been using credit cards to make expenditures for travel and other items not allowed under statute.
Criteria:	Credit cards can only be used for gas, telephone and state agency procurement per Section 3, Chapter 28, Laws 2007.
Effect:	Violation of state procurement laws could result in loss of future funding from state sources.
Cause:	The management of the College were unaware of the 2007 law for use of credit cards.
Recommendation:	Cancel and destroy all college credit cards that are not specific for fuel or telephone use.
Response:	The College will only use gasoline credit cards.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

OTHER INFORMATION

JUNE 30, 2008

PREPARATION OF FINANCIAL STATEMENTS

The College prepared accrual basis financial information in the form of trial balances and budgets. They also provided the necessary information to change the foot notes from the prior year. Although it would be preferred and desirable for the College to prepare its own GAAP-basis financial statements, it is felt that the College's personnel don't have the time to prepare them in the appropriate reporting format. Therefore, the outside auditor prepared the GAAP-basis financial statements and updated the footnotes for inclusion in the annual audit report and the College provided knowledgeable staff for input. All services were in compliance with SAS 112.

EXIT CONFERENCE

An exit conference was held on November 6, 2008. Present were J. Bronson Moore, Chair; Dr. Phillip O. Barry, President; Dr. David Gallatin, Dean of Instructional Services, and D. Brent Woodard, CPA.

SUMMARY OF PASSED ADJUSTMENTS

Re: Mesaland Community College

None