

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

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JUNE 30, 2009

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STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

OFFICIAL ROSTER

JUNE 30, 2009

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

FINANCIAL SECTION

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, 2009, 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, 2009 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, 2009 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, 2009 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 9, 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.

Management's Discussion and Analysis on pages 3-7 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements and the budgetary comparison statements that collectively comprise Mesalands Community College's basic financial statements. The accompanying financial information listed as supporting Schedules VI, VII, VIII and IX in the Table of Contents is presented for the purpose of additional analysis and the Schedule of Expenditures of Federal Awards listed as supporting schedule X as required by the U.S. Office of Management and Budget Circular A-133 *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 9, 2009

A handwritten signature in blue ink that reads "Roy Woodward & Associates". The signature is written in a cursive style and is positioned to the right of the date.

State of New Mexico
Mesalands Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

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, 2009. 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 2009.

Financial Highlights

Net assets increased by \$2,814,722 or 23% in 2009 over net assets in 2008. The increases are primarily due to revenues exceeding expenses.

In 2009 total assets were increased by \$3,124,319 over total assets in 2008. The increase is related to construction in progress of capital projects.

Total revenues in fiscal year 2009 were \$10,880,517 as compared to \$8,118,459 in fiscal year 2008. State appropriations account for the largest source of revenue at \$6,493,330. In 2009 grants and contracts generated revenues in just under \$2 million. In 2009 as well as 2008 tuition and fees increased. In fiscal year 2009 student tuition and fee revenue increased by \$412,372, as compared to 2008.

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 2009. 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, 2009

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, 2009

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

Mesalands Community College
 Condensed Summary of Net Assets
 June 30, 2009 and 2008

Assets	2009	2008	Increase Decrease*
Current Assets	\$ 2,417,345	\$ 1,800,389	\$ 616,956
Capital Assets, net	\$13,239,926	\$10,712,343	\$2,527,583
Other Assets	\$ 5,298	\$ 25,518	\$ 20,220*
Total Assets	<u>\$15,662,569</u>	<u>\$12,538,250</u>	<u>\$3,124,319</u>
Liabilities			
Current Liabilities	\$ 455,405	\$ 168,080	\$ 287,325
Non-Current Liabilities	\$ 145,971	123,699	22,272
Total Liabilities	<u>\$ 601,376</u>	<u>\$ 291,779</u>	<u>\$ 309,497</u>
Net Assets			
Invested in Capital Assets (Net of Related Debt)	\$13,239,926	\$10,712,343	\$ 2,527,583
Restricted for Inventories	\$ 152,721	\$ 87,045	\$ 65,676
Restricted for Endowments	\$ 75,000	\$ 65,000	\$ 10,000
Unrestricted	\$ 1,593,546	\$ 1,382,083	\$ 211,463
Total Net Assets	<u>\$15,061,193</u>	<u>\$12,246,471</u>	<u>\$2,814,722</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, 2009 equal \$758,324, which makes up the major share of the College's current assets.

Current liabilities are generally defined as amounts due within one year, and include accounts payable, payroll accruals, and accrued vacation. Current liabilities for 2009 were \$455,405.

Non-current assets are capital assets, net of accumulated depreciation, for 2009 were \$13,239,926, the capital assets increased due to construction in progress.

For fiscal year 2009 the college has no outstanding debt.

State of New Mexico
 Mesalands Community College
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2009

Condensed Summary of Revenue, Expenses, and Changes in Net Assets

Mesalands Community College
 Condensed Summary of Net Assets
 June 30, 2009 and 2008

Operating Revenue by Major Source	2009	2008	Increase Decrease*
Tuition and Fees	\$1,206,760	\$ 794,388	\$ 412,372
Grants and Contracts	1,909,343	2,468,483	559,140*
Sales and Services	208,538	221,465	12,927*
Auxiliary Services	453,891	365,353	88,538
Miscellaneous Institutional Revenue	320,914	319,211-	1,703
Other	<u>78,443</u>	<u>11,608</u>	<u>66,835</u>
Total	\$4,177,889	\$4,180,508	\$ 2,619
Operating Expenses by Major Function			
Instruction	\$2,663,040	\$2,768,526	\$ 105,486*
Academic Support	507,873	459,350	48,523
Student Services	742,443	731,420	11,023
Institutional Support	669,197	656,241	12,956
Operation and Maintenance of Plant	507,100	183,891	323,209
Depreciation	492,888	322,284	170,604
Student Aid	1,029,704	885,162	144,542
Auxiliary Services	469,200	358,963	110,237
Internal Services	251,000	303,613	52,613*
Intercollegiate Athletics	<u>134,039</u>	<u>80,027</u>	<u>54,012</u>
Total	\$8,075,795	\$7,016,768	\$ 1,059,027
Non-Operating Revenues (Expenses)			
State Appropriation	\$6,493,330	\$3,642,716	\$ 2,850,614
Local Tax Levy	184,016	163,225	20,791
Investment Income	25,282	52,010	26,728*
Donations	<u>-</u>	<u>15,000</u>	<u>15,000*</u>
Total	<u>\$6,702,628</u>	<u>\$ 3,872,951</u>	<u>\$ 2,829,677</u>
Total increase (decrease) in net assets 591	\$2,814,722	\$1,101,691	\$ 1,713,031
Net assets, end of year	<u>\$15,061,193</u>	<u>\$12,246,471</u>	<u>\$ 2,814,722</u>

State of New Mexico
Mesalands Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

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 twice. 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 six 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, 2009

	Primary Institution
ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 758,324
Restricted cash held in trust by others (Note 3)	75,000
Accounts receivable, net (Note 4)	450,437
Inventories (Note 5)	152,721
Due from grantors (Note 4)	157,307
Due from other agencies (Note 4)	823,556
Total Current Assets	<u>2,417,345</u>
Noncurrent assets:	
Capital assets, net (Note 6)	13,239,926
Prepaid leases	5,298
Total Noncurrent Assets	<u>13,245,224</u>
Total Assets	<u>15,662,569</u>
LIABILITIES	
Current liabilities:	
Accounts payable and deferred liabilities	311,623
Funds held for others	2,635
Due to grantors	36,851
Deferred revenue	10,971
Compensated absences, current portion	93,325
Total Current Liabilities	<u>455,405</u>
Noncurrent liabilities:	
Compensated absences, less current portion	<u>145,971</u>
Total Noncurrent Liabilities	<u>145,971</u>
Total Liabilities	<u>601,376</u>
NET ASSETS	
Invested in capital assets	13,239,926
Restricted for inventories	152,721
Restricted for endowments	75,000
Unrestricted	1,593,546
Total Net Assets	<u>\$ 15,061,193</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, 2009

	Primary Institution
Operating Revenues:	
Student tuition and fees	\$ 1,206,760
Grants and contracts	1,909,343
Sales and services	208,538
Auxiliary enterprises	453,891
Miscellaneous institutional revenue	320,914
Other operating revenues	78,443
Total Operating Revenues	<u>4,177,889</u>
Operating Expenses:	
Education and general	
Instruction	2,663,040
Academic support	507,873
Student support	742,443
Institutional support	669,197
Operation and maintenance of plant	507,100
Student aid, grants and stipends	1,029,704
Renewals and replacements	609,311
Depreciation	492,888
Auxiliary enterprises	469,200
Internal services	251,000
Intercollegiate athletics	134,039
Total Operating Expenses	<u>8,075,795</u>
Operating Income (Loss)	<u>(3,897,906)</u>
Nonoperating Revenues (Expenses):	
State appropriations	6,493,330
Taxes	184,016
Interest	25,282
Total Nonoperating Revenues (Expenses)	<u>6,702,628</u>
Income (Loss) before contributions and transfers	2,804,722
Captial Contributions	10,000
Change in Net Assets	<u>2,814,722</u>
Net Assets Beginning of Year	<u>12,246,471</u>
Net Assets End of Year	<u>\$ 15,061,193</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, 2009

Cash flows from operating activities	
Receipts from student tuition and fees	\$ 985,852
Receipts from grants and contracts	1,624,074
Other receipts	1,061,786
Payments to or on behalf of employees	(3,410,231)
Payment to suppliers for goods and services	(3,250,872)
Payments for scholarships	(1,093,808)
Net cash (used) by operating activities	<u>(4,083,199)</u>
Cash flows from noncapital financing activities	
State appropriations	6,493,330
Tax revenues	184,016
Net cash provided by noncapital financing activities	<u>6,677,346</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	(3,020,471)
Capital contributions	10,000
Net cash provided by capital and related financing activities	<u>(3,020,471)</u>
Cash flows from investing activities	
Investment earnings	25,282
Net cash provided by investing activities	<u>25,282</u>
Increase (decrease) in cash and cash equivalents	(401,042)
Cash and cash equivalents - beginning of year	<u>1,234,366</u>
Cash and cash equivalents - end of year	<u><u>\$ 833,324</u></u>
Reconciliation of net operating revenues (expenses) to net cash (used) by operations	
Operating Income (Loss)	\$ (3,897,906)
Adjustments to reconcile operating income (loss) to net cash (used) by operations	
Depreciation	492,888
Changes in assets and liabilities:	
Receivables	(942,322)
Inventories	(65,676)
Other assets	20,220
Accounts payable and accrued liabilities	273,721
Compensated Absences	35,876
Net cash (used) by operating activities	<u><u>\$ (4,083,199)</u></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, 2009

ASSETS

Cash on deposit

\$ 36,350

TOTAL ASSETS

\$ 36,350

LIABILITIES

Due to student groups

\$ 36,350

TOTAL LIABILITIES

\$ 36,350

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, 2009

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.

In the fall of 2008, the college launched a new program for Wind Technology Training in conjunction with the North American Wind Training and Research Center. The college, with funds provided from federal state and local sources has erected its own wind turbine on campus to provide educational opportunities and electricity for the college.

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2009

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, 2009

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, 2009.

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2009

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.

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2009

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.

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2009

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, 2009

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, 2009, 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 \$250,000, 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	\$ 1,154,559
Less: FDIC or NCUSIF Coverage	<u>649,219</u>
Uninsured Public Funds	505,340
Pledged collateral held by pledging banks agent in the name of the College	<u>(841,067)</u>
Uninsured and un-collateralized	\$ <u>-</u>

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2009

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, 2009, None of the government's bank balance of \$1,154,559 was exposed to custodial credit risk as follows:

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

3. **CASH HELD BY OTHERS**

During the 2007 and 2008 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. During 2009 and 2009 another \$10,000.00 was added to this endowment fund through contributions.

4. **ACCOUNTS RECEIVABLE**

The College's accounts receivable at June 30, 2009, 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	\$ 627,640	\$ 179,685	\$ 447,955
Taxes receivable	3,372	-	3,372
Grants receivable	157,307	-	157,307
NSF check chargeback	2,482	-	2,482
Due from other agencies	823,556	-	820,184
Total Account Receivable	\$ 1,614,357	\$ 179,685	\$ 1,431,300

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2009

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. Inventories consist of items for resale in the bookstore and museum of the College. All inventories are presented at cost using the first in/first out (FIFO) method of accounting. The balance of inventories at June 30, 2009 was \$152,721.

6. **CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
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	199,419	9,914	-	209,333
Buildings & Improvements	8,358,182	20,792	-	8,378,974
Equipment	1,678,296	3,345,494	-	5,023,790
Construction in Progress	1,137,600	750,171	1,105,900	781,871
Total Depreciable Assets	<u>11,395,870</u>	<u>4,126,371</u>	<u>1,105,900</u>	<u>14,416,341</u>
Total Capital Assets	<u>13,366,829</u>	<u>4,126,371</u>	<u>1,105,900</u>	<u>16,387,300</u>
Accumulated Depreciation				
Leasehold Improvements	8,464	2,778	-	11,242
Library Books	73,870	16,399	-	90,269
Buildings & Improvements	1,351,546	175,323	-	1,526,869
Equipment	1,220,606	298,388	-	1,518,994
Total Accumulated Depreciation	<u>2,654,486</u>	<u>492,888</u>	<u>-</u>	<u>3,147,374</u>
Capital Assets - net	<u>\$ 10,712,343</u>	<u>\$ 3,633,483</u>	<u>\$ 1,105,900</u>	<u>\$ 13,239,926</u>

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2009

7. 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, 2009, the College held \$36,350 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.

8. 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 \$138,423 at June 30, 2009. 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, 2009 of \$100,873. The compensated absences balance at June 30, 2009 is \$239,296. There is an increase of \$35,876 from the previous year-end balance of \$203,420.

	<u>6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/09</u>	<u>Amounts Due in One Year</u>
Total Compensated Absences	<u>\$ 203,420</u>	<u>\$527,179</u>	<u>\$ 491,303</u>	<u>\$ 239,296</u>	<u>\$ 93,325</u>

9. 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 7.9% of their gross salary. The College is required to contribute 11.65% 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, 2009, 2008 and 2007 were \$266,901, \$228,233, and \$197,028, respectively, equal to the amount of the required contributions for each year.

JUNE 30, 2009

10. 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 post employment 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 post employment 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, 2009

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

The Mesalands Community College's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$ 31,578, \$ 30,077 and \$ 27,302 , respectively, which equal the required contributions for each year.

12. 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.

13. 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.

14. 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, 2009, is as follows:

Scholarship Fund	\$ 16,532
Marty Samson Fund	755
Ralph B. Drake Memorial Scholarship Fund	<u>6,384</u>
	<u>\$ 23,671</u>

15. BUDGETS

None of the budgets of the College were overspent during the fiscal year.

16. RESTRICTED NET ASSETS

The statement of net assets reports \$ 227,721 of restricted net assets, of which \$ 227,721 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, 2009

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Beginning Fund Balance	\$ 763,231	\$ 1,200,633	\$ 1,200,633	\$ -
Unrestricted and Restricted Revenues:				
Tuition and Miscellaneous Fees	891,000	937,000	1,070,280	(133,280)
Federal Government Appropriations	1,294,638	1,276,638	693,962	582,676
State Government Appropriations	3,726,800	3,641,300	3,458,655	182,645
Local Government Appropriations	165,000	165,000	184,301	(19,301)
Federal Govt. Grants and Contracts	1,000,127	1,100,127	783,997	316,130
State Govt. Grants and Contracts	282,700	306,251	224,674	81,577
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	100,000	100,000	64,977	35,023
Endowments, Land, and Perm Fund	-	-	-	-
Sales and Services	450,000	550,000	577,524	(27,524)
Other Sources	174,000	174,000	163,779	10,221
State General Obligation	3,113,970	3,593,203	3,313,082	280,121
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	180,000	370,000	365,916	4,084
Total Unrestricted and Restricted Revenues	<u>11,378,235</u>	<u>12,213,519</u>	<u>10,901,147</u>	<u>1,312,372</u>
Unrestricted and Restricted Expenditures:				
Instruction	3,008,227	2,992,856	2,521,074	471,782
Academic Support	541,570	558,570	507,873	50,697
Student Services	702,311	774,311	742,443	31,868
Institutional Support	723,270	728,978	669,197	59,781
Operation & Maintenance of Plant	572,150	565,113	507,100	58,013
Public Service	263,050	297,451	224,214	73,237
Student Aid, Grants & Stipends	1,632,138	1,660,138	1,029,704	630,434
Auxiliary Enterprises	345,400	475,000	469,200	5,800
Intercollegiate Athletics	175,000	165,000	134,039	30,961
Renewal & Replacement	89,069	239,069	203,715	35,354
Internal Services	245,760	350,000	286,536	63,464
Capital Outlay	3,163,970	3,955,970	3,181,744	774,226
Total Unrestricted and Restricted Expenditures	<u>11,461,915</u>	<u>12,762,456</u>	<u>10,476,839</u>	<u>2,285,617</u>
Net Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance (budgetary basis)	<u>(83,680)</u>	<u>(548,937)</u>	<u>424,308</u>	<u>(973,245)</u>
Ending Fund Balance	<u>\$ 846,911</u>	<u>\$ 1,749,570</u>	<u>\$ 776,325</u>	<u>\$ 973,245</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, 2009

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Beginning Fund Balance	\$ 348,703	\$ 551,632	\$ 551,632	\$ -
Unrestricted Revenues:				
Tuition and Miscellaneous Fees	55,000	55,000	-	55,000
Federal Government Appropriations	-	-	-	-
State Government Appropriations	50,000	24,200	-	24,200
Local Government Appropriations	-	-	-	-
Federal Govt. Grants and Contracts	-	-	-	-
State Govt. Grants and Contracts	142,700	140,800	79,966	60,834
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	-	-	-	-
Endowments, Land, and Perm Fund	-	-	-	-
Sales and Services	450,000	550,000	577,524	(27,524)
Other Sources	7,000	7,000	3,737	3,263
State General Obligation	3,113,970	3,593,203	3,313,082	280,121
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	180,000	370,000	365,916	4,084
Total Unrestricted Revenues	<u>3,998,670</u>	<u>4,740,203</u>	<u>4,340,225</u>	<u>399,978</u>
Unrestricted Expenditures:				
Instruction	-	-	-	-
Academic Support	-	-	-	-
Student Services	-	-	-	-
Institutional Support	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Public Service	91,050	100,000	47,506	52,494
Student Aid, Grants & Stipends	97,000	125,000	112,210	12,790
Auxiliary Enterprises	345,400	475,000	469,200	5,800
Intercollegiate Athletics	175,000	165,000	134,039	30,961
Renewal & Replacement	89,069	239,069	203,715	35,354
Internal Service	245,760	350,000	286,536	63,464
Capital Outlay	3,163,970	3,955,970	3,181,744	774,226
Total Unrestricted Expenditures	<u>4,207,249</u>	<u>5,410,039</u>	<u>4,434,950</u>	<u>975,089</u>
Net Transfers	<u>167,693</u>	<u>415,926</u>	<u>415,926</u>	<u>-</u>
Change in Fund Balance (budgetary basis)	<u>(40,886)</u>	<u>(253,910)</u>	<u>321,201</u>	<u>(575,111)</u>
Ending Fund Balance	<u>\$ 307,817</u>	<u>\$ 297,722</u>	<u>\$ 872,833</u>	<u>\$ (575,111)</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, 2009

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
Restricted Revenues:				
Tuition and Miscellaneous Fees	-	-	-	-
Federal Government Appropriations	1,294,638	1,276,638	693,962	582,676
State Government Appropriations	140,500	158,500	158,555	(55)
Local Government Appropriations	-	-	-	-
Federal Govt. Grants and Contracts	32,000	32,000	32,000	-
State Govt. Grants and Contracts	140,000	165,451	144,708	20,743
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	100,000	100,000	64,977	35,023
Endowments, Land, and Perm Fund	-	-	-	-
Sales and Services	-	-	-	-
Other Sources	-	-	-	-
State General Obligation	-	-	-	-
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	-	-	-	-
Total restricted revenues	1,707,138	1,732,589	1,094,202	638,387
Restricted Expenditures:				
Instruction	-	-	-	-
Academic Support	-	-	-	-
Student Services	-	-	-	-
Institutional Support	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Public Service	172,000	197,451	176,708	20,743
Student Aid, Grants & Stipends	1,535,138	1,535,138	917,494	617,644
Auxiliary Enterprises	-	-	-	-
Intercollegiate Athletics	-	-	-	-
Renewal & Replacement	-	-	-	-
Internal Service	-	-	-	-
Capital Outlay	-	-	-	-
Total restricted expenses	1,707,138	1,732,589	1,094,202	638,387
Net Transfers	-	-	-	-
Change in Fund Balance (budgetary basis)	-	-	-	-
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

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, 2009

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Beginning Fund Balance	\$ 414,528	\$ 649,001	\$ 649,001	\$ -
Unrestricted Revenues:				
Tuition and Miscellaneous Fees	836,000	882,000	1,070,280	(188,280)
Federal Government Appropriations	-	-	-	-
State Government Appropriations	3,536,300	3,458,600	3,300,100	158,500
Local Government Appropriations	165,000	165,000	184,301	(19,301)
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	167,000	167,000	160,042	6,958
State General Obligation	-	-	-	-
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	-	-	-	-
Total Unrestricted Revenues	<u>4,704,300</u>	<u>4,672,600</u>	<u>4,714,723</u>	<u>(42,123)</u>
Expenditures:				
Instruction	2,040,100	1,924,729	1,769,077	155,652
Academic Support	541,570	558,570	507,873	50,697
Student Services	702,311	774,311	742,443	31,868
Institutional Support	723,270	728,978	669,197	59,781
Operation & Maintenance of Plant	572,150	565,113	507,100	58,013
Public Service	-	-	-	-
Student Aid, Grants & Stipends	-	-	-	-
Auxiliary Enterprises	-	-	-	-
Intercollegiate Athletics	-	-	-	-
Renewal & Replacement	-	-	-	-
Internal Service	-	-	-	-
Capital Outlay	-	-	-	-
Total Unrestricted Expenditures	<u>4,579,401</u>	<u>4,551,701</u>	<u>4,195,690</u>	<u>356,011</u>
Net Transfers	<u>(167,693)</u>	<u>(415,926)</u>	<u>(415,926)</u>	<u>-</u>
Change in Fund Balance (Budgetary Basis)	<u>(42,794)</u>	<u>(295,027)</u>	<u>103,107</u>	<u>(398,134)</u>
Ending Fund Balance	<u>\$ 371,734</u>	<u>\$ 353,974</u>	<u>\$ 752,108</u>	<u>\$ (398,134)</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, 2009

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
Restricted Revenues:				
Tuition and Miscellaneous Fees	-	-	-	-
Federal Government Appropriations	-	-	-	-
State Government Appropriations	-	-	-	-
Local Government Appropriations	-	-	-	-
Federal Govt. Grants and Contracts	968,127	1,068,127	751,997	316,130
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>968,127</u>	<u>1,068,127</u>	<u>751,997</u>	<u>316,130</u>
Restricted Expenditures:				
Instruction	968,127	1,068,127	751,997	316,130
Academic Support	-	-	-	-
Student Services	-	-	-	-
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>968,127</u>	<u>1,068,127</u>	<u>751,997</u>	<u>316,130</u>
Net Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance (Budgetary Basis)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

RECONCILIATION OF BUDGETARY BASIS REVENUES AND
EXPENDITURES TO GAAP BASIS REVENUES AND EXPENDITURES

FOR THE YEAR ENDING JUNE 30, 2009

Unrestricted and Restricted Revenues:

Total Budgetary Basis	\$ 10,901,947
Add: Current year receivables and other credits	203,026
Deduct: Prior year receivables and other debits	224,456
Total GAAP Basis	<u>\$ 10,880,517</u>

Unrestricted and Restricted Expenditures:

Total Budgetary Basis	\$ 10,476,839
Add: Current year payables and other debits	601,376
Deduct: Prior year payables and other credits	3,002,420
Total GAAP Basis	<u>\$ 8,075,795</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, 2009

		<u>Account Type</u>
1st National Bank of New Mexico	General	MM
1st National Bank of New Mexico	Payroll	MM
Everyones Federal Credit Union	Agency	Share Draft
RBC Wealth Management	General	MM
Tucumcari Federal S & L	General	CD
Everyones Federal Credit Union 3/09	General	CD
State Farm Bank	General	CD
GE Capital Financial INC	General	CD
Quay Schools Credit Union	General	CD

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
\$ 755,013	\$ 2,327	\$ (361,910)	\$ 395,430
327	-	(326)	1
37,198	-	(848)	36,350
2,171	-	-	2,171
90,000	-	-	90,000
50,000	-	-	50,000
87,350	-	-	87,350
94,000	-	-	94,000
38,500	-	-	38,500
<u>\$ 1,154,559</u>	<u>\$ 2,327</u>	<u>\$ (363,084)</u>	<u>793,802</u>
			<u>872</u>
			794,674
			<u>(36,350)</u>
			<u>\$ 758,324</u>

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

SCHEDULE VIII

SCHEDULE OF PLEDGED COLLATERAL

JUNE 30, 2009

	TOTAL DEPOSITS	FDIC OR NCUSIF INSURANCE	COLLATERAL REQUIRED	COLLATERAL PLEDGED	SECURITY DEFICIT
1ST National Bank of New Mexico	\$ 755,340	\$ 250,000	\$ 252,670	\$ 841,067	\$ -
COLLATERAL	CUSIP #	MATURITY			
Bernalillo NM Mun Sch Dist	085279mw4	08/01/17	76,619		
Eastern NM University	27678NAK9	08/15/11	52,200		
FHLMC Arm	3128NCMT8	10/01/35	70,498		
Bloomfield Sch Dist	094143AG9	10/01/09	100,497		
Gadsden NM Indpt Sch Dist	362550KG9	08/15/15	153,818		
Roosevelt Cnty NM G.R.	776461AL9	06/01/17	102,575		
FHLMC Pool	31283KU71	12/01/16	37,661		
FFCB Fixed Rate Note	31331GPT0	03/11/19	146,042		
Dulce NM Indpt Sch Dist	264430GQ6	06/01/14	101,157		
			\$ 841,067		
RBC Wealth Management	\$ 2,171	\$ 2,171	\$ -	\$ -	\$ -
Everybody's Federal Credit Union	\$ 37,198	\$ 37,198	\$ -	\$ -	\$ -
Tucumcari Federal S & L	\$ 90,000	\$ 90,000	\$ -	\$ -	\$ -
State Farm Bank	\$ 87,350	\$ 87,350	\$ -	\$ -	\$ -
GE Capital Financial INC	\$ 94,000	\$ 94,000	\$ -	\$ -	\$ -
Everybody's Federal Credit Union 3/09	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ -
Quay Schools Credit Union	\$ 38,500	\$ 38,500	\$ -	\$ -	\$ -

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.

COMBINING SCHEDULE OF CHANGES IN ACCOUNT BALANCES -- AGENCY FUND

FOR THE YEAR ENDED JUNE 30, 2009

	Balance 6/30/2008	Additions	Deductions	Balance 6/30/2009
Auto tech club	\$ 3,601	\$ 2	\$ 2,087	\$ 1,516
Astronomy club	194	1	-	195
Checkmate chess club	25	113	-	138
Chi Alpha	372	113	42	443
Diesel club	2,483	67	1,988	562
Skills USA club	-	389	68	321
Hot meal club	3,439	105	1,135	2,409
Life savers club	446	2	-	448
Livestock judging	208	203	-	411
Natural Science club	212	3	-	215
Peer mentoring	383	3	-	386
Phi Theta Kappa	1,747	2,550	2,558	1,739
Rodeo club	4,005	6,786	2,722	8,069
Farrier SHOE club	9,977	3,758	4,259	9,476
SIFE	949	63	-	1,012
Spanish club	802	2	-	804
Student senate	732	114	-	846
Truck driving club	391	1	-	392
Tucumcari softball club	318	1,110	482	946
M.E.S.A.	-	670	305	365
Fossil friends	2,997	2,045	1,418	3,624
Employee office fund	1,779	1,872	1,880	1,771
GED Club	459	3	200	262
TOTAL	<u>\$ 35,519</u>	<u>\$ 19,975</u>	<u>\$ 19,144</u>	<u>\$ 36,350</u>

The accompanying notes are an integral part of these financial statements

FEDERAL AWARDS SECTION

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, 2009, and have issued our report thereon dated November 9, 2009. 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 2008-3, 2009-1, 2009-2, 2009-3, and 2009-4.

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, the New Mexico State Legislature, 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 9, 2009

A handwritten signature in blue ink that reads "Roy Woodward & Associates". The signature is written in a cursive style and is positioned to the right of the date.

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, 2009. 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.

As described in item 2009-5 in the accompanying schedule of findings and questioned costs, Mesalands Community College, did not comply with requirements regarding allowable expenditures that are applicable to its community based job training grant. Also, as described in item 2009-6 in the accompanying schedule of findings and questioned costs, Mesalands Community College, did not comply with requirements regarding monitoring of the Davis-Bacon Act requirements that are applicable to its hispanic serving institutions assisting communities grant. Compliance with such requirements is necessary, in our opinion, for Mesalands Community College, to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2009.

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.

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 as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-5 and 2009-6 to be significant deficiencies.

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. None of the deficiencies listed in the proceeding paragraph are considered material weaknesses.

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 management, the Trustees, the Commission on Higher Education, the New Mexico State Legislature, the Office of the State Auditor, the New Mexico State Legislature 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 9, 2009



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2009

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	-	\$ 689,463
Federal Work Study Program	84.033	P003A008469	-	24,891
Federal SEOG Program	84.007	P007A008469	-	19,747
TOTAL DIRECT GRANTS				<u>734,101</u>
Passed through the State Department of Higher Education				
Adult Basic Education	84.002	SPE#499888	48,625	34,195
Adult Basic Education - El Civics	84.002		7,189	5,951
TOTAL PASSTHROUGH GRANTS				<u>40,146</u>
TOTAL DEPARTMENT OF EDUCATION				<u>774,247</u>
SMALL BUSINESS ADMINISTRATION				
Small Business Development Center	59.037	0-7620-0032-12	156,814	176,723
TOTAL SMALL BUSINESS ADMINISTRATION				<u>176,723</u>
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<1> Hispanic Serving Institutions Assisting Commur	14.514	HSIAC-06-NM-14	600,000	208,948
TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>208,948</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	330,200
TOTAL US DEPARTMENT OF LABOR				<u>330,200</u>
TOTAL FEDERAL AWARDS EXPENDITURES				<u>\$ 1,490,118</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, 2009

SECTION I – SUMMARY OF AUDITORS' RESULTS

Report on Financial Statements		Unqualified
Significant Deficiencies on GAGAS		None
Other matters required to be reported	2008-3, 2009-1, 2009-2, 2009-3, and 2009-4	
Material weakness involving significant deficiencies		None
Material noncompliance		None
Questioned Cost		\$36,851
Type A & B dollar threshold		\$ 300,000
Entity Risk		Low Risk
Major Federal Program	Hispanic Serving Institutions Assisting Communities CFDA#14.514 Community Based Job Training Grant CFDA #17.269	
Significant Deficiencies on Internal Control over Major Programs		Yes
Report on Compliance with Major Programs		Qualified
Findings reportable under 510(a) of Circular A-133		2009-5 and 2009-6

SECTION II – FINANCIAL STATEMENT FINDINGS

<u>Prior Year Findings –</u>	<u>Status</u>
2008-1 Overspent Budget	Resolved
2008-2 Under Collateralized Bank Account	Resolved
2008-3 Credit Card Expenditures	Revised and Repeated

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Current Year Findings –

Compliance

2008 – 3 Credit card expenditures

Condition: The College has been using credit cards that are not restricted to gas or telephone. Charges were made for satellite radio and on star for the new College vehicle. Also, an account was set up for materials, in which the agreement included a Home Depot credit card.

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: Management changed the use of the cards to fuel only, however, the cards in question can be used for other purposes. Management also, believed that the Home Depot account was only so they could buy materials with a purchase order, and were unaware of any credit card being issued.

Recommendation: Determine if a card was issued from Home Depot and if so then destroy it. Also, all other cards that are not specific to gas or telephone use should be destroyed.

Response: The College will destroy any other credit cards being used for vehicle purposes. The College will secure gas only credit cards. The Home Depot credit card will be cancelled, which will eliminate the line of credit.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

2009 - 1 Procurement of architectural services

Condition:	The College did not have sealed competitive bids for architectural services for current construction projects. Those services exceeded \$ 200,000 over four years.
Criteria:	Per NMSA 13-1-154.1 the College may procure multiple architectural or engineering design service contracts for multiple projects under a single qualifications-based request for proposals, provided the total amount of a contract and all renewals does not exceed two hundred thousand dollars (\$200,000) over four years.
Effect	Violation of state procurement laws could result in loss of future funding from state sources.
Cause:	The Management of the College was unaware of the state statute regarding multiple source contracts.
Recommendation:	The College should verify the statutes regarding procurement of services prior to initiating contracts for those services.
Response:	The College will complete request for proposals for architectural services before any new projects are initiated.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Current Year Findings –

Internal Control

2009 - 2 Activity Receipts

Condition:	Individuals are not being issued receipts for donations or cash payments by the sponsors of various college activities.
Criteria:	Good control policies and procedures require that all monies received by the Sponsors of College activities should be receipted to the individual donating or paying those funds.
Cause:	The College personnel had not considered that monies received by the sponsors of activities should be included in the policies for securing funds the College is responsible for.
Effect:	Not issuing receipts at the sponsor level for activity funds weakens control of cash, which is in trust to the College. Also, it weakens the ability to determine if all funds are being turned into the business office in tact and with enough time to ensure it is deposited within 24 hours of receipt.
Recommendation:	The College should update polices and procedures on cash collections to include all Activity funds and train those in charge of the various activities on the procedures expected, in order to secure funds and get them deposited timely.
Response	The College will implement additional policies and procedures in order to provide a time frame that allows the College to make deposits as required. In October 2009, club sponsors were notified to begin receipting all monies received and turn into the Business Office in a timely manner to ensure the funds are deposited within 24 hours.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

2009 – 3 Student accounts receivable reconciliation

- Condition: The student accounts receivable in the Sonis operating system has not been adjusted for bad debts and error corrections on a timely basis.
- Criteria: Good internal controls dictate that reconciliation's of subsidiary ledgers to the general ledger be made on a timely basis. Also, adjustments and/or corrections to accounts receivable should be made timely in an effort to provide accurate and up to date information for managements use in decision making.
- Cause: The College has made this a low priority. The Sonis system can be linked directly to the general ledger system, however, lack of knowledgeable personnel and funding has not made this a priority. As a result, time has not been allotted to prepare a monthly reconciliation of those receivables.
- Recommendation: The College should take the extra time to make all necessary adjustments to the accounts receivable and then link the Sonis system to the MIP accounting software system.
- Response: The accounts receivable will be a top priority this year. Six hours a week will be devoted by the Business Office to correcting this finding by May 1, 2010.

2009 – 4 Travel and Per Diem Documentation

- Condition: Adequate documentation was not attached to all travel and per diem reimbursements for travel by management of the College.
- Criteria: Good internal controls and College policies and procedures require that reimbursements for travel and per diem should be adequately documented and all the documentation attached to the reimbursement requests at the time of finalizing the transaction. Keeping travel documentation in another location is not a substitute for attaching it or copies of it to the original request for reimbursement.
- Effect: Not attaching all documentation is a loss of audit trail and proof that the expenditure was reasonable and necessary. Should documentation not be available to prove the legitimacy of an expenditure the College could be liable to repay federal or state funding or could lose future federal and state funding.
- Recommendation: The College should implement procedures which preclude payment of any travel and per diem request by anyone in the College without properly attached documentation as to purpose of travel, itineraries where applicable, dates, and receipts.
- Response: The College will implement procedures to verify necessary supporting travel documentation prior to approving travel requests and payment.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, continued

2009 – 5 Allowable costs for Community Based Job Training Grant program passed through the NM Department of Labor from the US Department of Labor for 2008-09 CFDA 17.269

Condition: Expenditures in the amount of \$36,851.02 were disallowed by the grantor, during an audit of the fund by the US Department of Labor.

Criteria: OMB Circular A-21 paragraph C, number (3) states that a cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the costs was made. Number (4) states a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objectives in accordance with relative benefits received or other equitable relationships. OMB Circular A-21 paragraph J, section 1(f) references unallowable advertising and public relations costs, such as, costs of displays, demonstrations, exhibits, costs of promotional items and memorabilia, and costs of advertising and public relations designed solely to promote the institution. Paragraph J, section 17, identifies costs of entertainment associated with such costs of meals are unallowable. Paragraph J, section 32 allows the costs of meetings and conferences if the primary purpose is the dissemination of technical information.

Cause: The College believed that because the grant was written using the term North American Wind Research and Training Center in the application, that advertising, promotional and other expenditures which included this wording were acceptable. The US Department of Labor disagrees with this interpretation and takes the position that all advertising using the grant funds could only mention the Wind Technology Program.

Recommendation: The college should get clarification of allowable grant expenditures when multiple programs are involved. The grant was specific to the wind technology training and not the research part of the program.

Response: The College concurs with the "Cause" stated above. The expense related issues have been resolved to the satisfaction of the U.S. Department of Labor.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, continued

2009 – 6 Monitoring of Davis-Bacon for the Hispanic Serving Institutions Assisting Communities Program (HSIAC) from the US Department of Housing and Urban Development for 2008-09 CFDA 14.514

Condition: The College did not monitor for Davis-Bacon compliance for local contractors hired to complete portions of the homes being built in the buildings trade program at the college, under the HSIAC grant.

Criteria: The Davis-Bacon Act as amended, requires that each contract over \$2,000 to which the United States or the District of Columbia is a party for the construction, alteration, or repair of public buildings or public works shall contain a clause setting forth the minimum wages to be paid to various classes of laborers and mechanics employed under the contract. Under the provisions of the Act, contractors or their subcontractors are to pay workers employed directly upon the site of the work no less than the locally prevailing wages and fringe benefits paid on projects of a similar character. The Davis-Bacon Act directs the Secretary of Labor to determine such local prevailing wage rates.

Cause: The Management of the College were unaware that Davis-Bacon would apply on this type of grant, as the program was to have students only involved in the construction. When it was determined the project would not complete in the allotted time, local contractors were used to complete certain phases of the project.

Recommendation: The College should develop procedures to ensure Davis-Bacon compliance is being monitored anytime federal monies over \$2,000 are involved in a project.

Response: The College was the recipient of the above mentioned grant for its Building Trades Program. The non-compliance was in reference to a single family dwelling. The College will develop procedures to ensure that the Davis-Bacon compliance is also monitored on grants.

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

OTHER INFORMATION

JUNE 30, 2009

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 9, 2009. Present were J. Bronson Moore, Chair; Dr. Phillip O. Barry, President; Dr. David Gallatin, Dean of Instructional Services, Natalie Gillard, Associate Dean of Instructional Services and D. Brent Woodard, CPA and Gayland Cowen, CPA.

SUMMARY OF PASSED ADJUSTMENTS

Re: Mesaland Community College

None