

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

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JUNE 30, 2010

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STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

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JUNE 30, 2010

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STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

OFFICIAL ROSTER

JUNE 30, 2010

BOARD OF TRUSTEES

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

EXECUTIVE PERSONNEL

| | |
|----------------------|---------------------------------|
| Dr. Phillip O. Barry | President |
| David Plummer | Dean of Administrative Services |
| Dr. Aaron Kennedy | Dean of Student Services |
| Natalie Gillard | Dean of Academic Affairs |

FINANCIAL SECTION

Woodard, Cowen & Co.

Certified Public Accountants

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, 2010, 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, 2010 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 cash flows, where applicable, 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, 2010 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 8, 2010 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

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Phone 575-762-3811
Fax 575-762-3866

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 Schedule of Expenditures of Federal Awards listed as supporting schedule X is presented for the purpose of additional analysis 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. 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 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 8, 2010

State of New Mexico
Mesalands Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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, 2010. This discussion should be read along with the accompanying financial statements and footnotes included therein. Management assisted Woodard, Cowen & Co. 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 2010

Financial Highlights

Net assets increased by \$4,315,143 or 29% in 2010 over net assets in 2009. The increases are primarily due to revenues exceeding expenses.

In 2010 total assets were increased by \$4,774,895 over total assets in 2009. The increase is related to construction in progress of capital projects.

Total revenues in fiscal year 2010 were \$12,092,138 as compared to \$10,880,517 in fiscal year 2009. State appropriations account for the largest source of revenue at \$7,507,427. In 2010 grants and contracts generated revenues in just over \$2 million. In 2010 as well as 2009 tuition and fees increased. In fiscal year 2010 student tuition and fee revenue decreased by \$49,099, as compared to 2009.

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 2010. 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, 2010

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, 2010

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

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

| Assets | 2010 | 2009 | Increase Decrease* |
|-----------------------------------------------------|-----------------------------|-----------------------------|-------------------------------|
| Current Assets | \$ 2,329,934 | \$ 2,417,345 | \$ 87,411 * |
| Capital Assets, net | \$ 18,078,176 | \$ 13,239,926 | \$ 4,838,250 |
| Other Assets | <u>\$ 29,354</u> | <u>\$ 5,298</u> | <u>\$ 24,056</u> |
| Total Assets | \$ 20,437,464 | \$ 15,662,569 | \$ 4,774,895 |
| | | | |
| Liabilities | | | |
| Current Liabilities | \$ 919,910 | \$ 455,405 | \$ 464,505 |
| Non-Current Liabilities | <u>\$ 141,218</u> | <u>145,971</u> | <u>4,753</u> |
| Total Liabilities | \$ 1,061,128 | \$ 601,376 | \$ 459,752 |
| | | | |
| Net Assets | | | |
| Invested in Capital Assets (Net of Related Debt) | \$ 18,078,176 | \$ 13,239,926 | \$ 4,838,250 |
| Restricted for Inventories | \$ 183,728 | \$ 152,721 | \$ 31,007 |
| Restricted for Endowments | \$ 75,000 | \$ 75,000 | \$ 0 |
| Unrestricted | <u>\$ 1,039,432</u> | <u>\$ 1,593,546</u> | <u>\$ 554,114</u> |
| Total Net Assets | <u>\$ 19,376,336</u> | <u>\$ 15,061,193</u> | <u>\$ 4,315,143</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, 2010 equal \$734,290, 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 2010 were \$919,910.

Non-current assets are capital assets, net of accumulated depreciation, for 2010 were \$18,078,176, the capital assets increased due to construction in progress.

For fiscal year 2010 the college has no outstanding debt.

State of New Mexico
 Mesalands Community College
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2010

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

Mesalands Community College
 Condensed Summary of Net Assets
 June 30, 2010 and 2009

| Operating Revenue by Major Source | 2010 | 2009 | Increase Decrease* |
|---------------------------------------------|---------------------|---------------------|-------------------------------|
| Tuition and Fees | \$1,157,661 | \$1,206,760 | \$ 49,099 * |
| Grants and Contracts | 2,136,058 | 1,909,343 | 226,715 |
| Sales and Services | 216,339 | 208,538 | 7,801 |
| Auxiliary Services | 408,155 | 453,891 | 45,736* |
| Miscellaneous Institutional Revenue | 425,623 | 320,914 | 104,709 |
| Other | <u>23,151</u> | <u>78,443</u> | <u>55,292*</u> |
| Total | <u>\$4,366,987</u> | <u>\$4,177,889</u> | <u>\$ 189,098</u> |
| | | | |
| Operating Expenses by Major Function | | | |
| Instruction | \$2,214,073 | \$2,663,040 | \$ 448,967* |
| Academic Support | 490,218 | 507,873 | 17,655* |
| Student Services | 723,992 | 742,443 | 18,451* |
| Institutional Support | 618,719 | 669,197 | 50,478* |
| Operation and Maintenance of Plant | 553,215 | 507,100 | 46,115 |
| Depreciation | 542,625 | 492,888 | 49,737 |
| Student Aid | 1,569,971 | 1,029,704 | 540,267 |
| Auxiliary Services | 460,763 | 469,200 | 8,437 * |
| Internal Services | 375,000 | 251,000 | 124,000 |
| Intercollegiate Athletics | 132,029 | 134,039 | 2,010* |
| Renewals and replacements | <u>129,432</u> | <u>609,311</u> | <u>479,879*</u> |
| Total | <u>\$7,810,037</u> | <u>\$8,075,795</u> | <u>\$ 265,758*</u> |
| | | | |
| Non-Operating Revenues (Expenses) | | | |
| State Appropriation | \$7,507,427 | \$6,493,330 | \$ 1,014,097 |
| Local Tax Levy | 195,430 | 184,016 | 11,414 |
| Investment Income | 22,294 | 25,282 | 2,988* |
| Donations | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | <u>\$7,725,151</u> | <u>\$ 6,702,628</u> | <u>\$ 1,022,523</u> |
| | | | |
| Total increase (decrease) in net assets | \$4,315,143 | \$2,814,722 | \$ 1,500,421 |
| | | | |
| Net assets, end of year | <u>\$19,376,336</u> | <u>\$15,061,193</u> | <u>\$ 4,315,143</u> |

State of New Mexico
Mesalands Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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 experienced enrollment growth, with increases in excess of 5% for six consecutive years. However, recently total headcount has decreased, while total credit hours remained flat. 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, 2010

| | <u>Primary Institution</u> |
|--------------------------------------------------|--------------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents (Note 2) | \$ 734,290 |
| Restricted cash held in trust by others (Note 3) | 75,000 |
| Accounts receivable, net (Note 4) | 446,647 |
| Inventories (Note 5) | 183,728 |
| Due from grantors (Note 4) | 120,905 |
| Due from other agencies (Note 4) | 769,364 |
| Total Current Assets | <u>2,329,934</u> |
| Noncurrent assets: | |
| Capital assets, net (Note 8) | 18,078,176 |
| Prepaid expenses | 29,354 |
| Total Noncurrent Assets | <u>18,107,530</u> |
| Total Assets | <u>20,437,464</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable and deferred liabilities | 826,982 |
| Funds held for others | 2,641 |
| Due to grantors | - |
| Deferred revenue | - |
| Compensated absences, current portion | 90,287 |
| Total Current Liabilities | <u>919,910</u> |
| Noncurrent liabilities: | |
| Compensated absences, less current portion | 141,218 |
| Total Noncurrent Liabilities | <u>141,218</u> |
| Total Liabilities | <u>1,061,128</u> |
| NET ASSETS | |
| Invested in capital assets | 18,078,176 |
| Restricted for inventories | 183,728 |
| Restricted for endowments | 75,000 |
| Unrestricted | 1,039,432 |
| Total Net Assets | <u>\$ 19,376,336</u> |

The accompanying notes are an integral part of these financial statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2010

| | Primary Institution |
|--------------------------------------------------|------------------------|
| Operating Revenues: | |
| Student tuition and fees | \$ 1,157,661 |
| Grants and contracts | 2,136,058 |
| Sales and services | 216,339 |
| Auxiliary enterprises | 408,155 |
| Miscellaneous institutional revenue | 425,623 |
| Other operating revenues | 23,151 |
| Total Operating Revenues | <u>4,366,987</u> |
| Operating Expenses: | |
| Education and general | |
| Instruction | 2,214,073 |
| Academic support | 490,218 |
| Student support | 723,992 |
| Institutional support | 618,719 |
| Operation and maintenance of plant | 553,215 |
| Student aid, grants and stipends | 1,569,971 |
| Renewals and replacements | 129,432 |
| Depreciation | 542,625 |
| Auxiliary enterprises | 460,763 |
| Internal services | 375,000 |
| Intercolligiate athletics | 132,029 |
| Total Operating Expenses | <u>7,810,037</u> |
| Operating Income (Loss) | <u>(3,443,050)</u> |
| Nonoperating Revenues (Expenses): | |
| State appropriations | 7,507,427 |
| Taxes | 195,430 |
| Interest | 22,294 |
| Total Nonoperating Revenues (Expenses) | <u>7,725,151</u> |
| Income (Loss) before contributions and transfers | <u>4,282,101</u> |
| Capital Contributions | - |
| Change in Net Assets | <u>4,282,101</u> |
| Net Assets Beginning of Year | 15,061,193 |
| restatements | 33,042 |
| Net Assets Beginning of Year as restated | <u>15,094,235</u> |
| Net Assets End of Year | <u>\$ 19,376,336</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, 2010

| | |
|--------------------------------------------------------------------------------------|-----------------------|
| Cash flows from operating activities | |
| Receipts from student tuition and fees | \$ 1,157,661 |
| Receipts from grants and contracts | 2,136,058 |
| Other receipts | 647,646 |
| Payments to or on behalf of employees | (3,576,392) |
| Payment to suppliers for goods and services | (2,054,364) |
| Payments for scholarships | (1,586,034) |
| Net cash (used) by operating activities | <u>(3,275,425)</u> |
| Cash flows from noncapital financing activities | |
| State appropriations | 7,507,427 |
| Tax revenues | 195,430 |
| Net cash provided by noncapital financing activities | <u>7,702,857</u> |
| Cash flows from capital and related financing activities | |
| Purchase of capital assets | (4,473,760) |
| Capital contributions | - |
| Net cash provided by capital and related financing activities | <u>(4,473,760)</u> |
| Cash flows from investing activities | |
| Investment earnings | 22,294 |
| Net cash provided by investing activities | <u>22,294</u> |
| Increase (decrease) in cash and cash equivalents | (24,034) |
| Cash and cash equivalents - beginning of year | <u>833,324</u> |
| Cash and cash equivalents - end of year | <u>\$ 809,290</u> |
| Reconciliation of net operating revenues (expenses) to net cash (used) by operations | |
| Operating Income (Loss) | \$ (3,443,050) |
| Adjustments to reconcile operating income (loss) to net cash (used) by operations | |
| Depreciation | 542,625 |
| Changes in assets and liabilities: | |
| Receivables | 44,727 |
| Inventories | (31,007) |
| Other assets | 66,539 |
| Accounts payable and accrued liabilities | (463,050) |
| Compensated Absences | 7,791 |
| Net cash (used) by operating activities | <u>\$ (3,275,425)</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, 2010

ASSETS

| | |
|-----------------|------------------|
| Cash on deposit | \$ 31,816 |
| TOTAL ASSETS | <u>\$ 31,816</u> |

LIABILITIES

| | |
|-----------------------|------------------|
| Due to student groups | \$ 31,816 |
| TOTAL LIABILITIES | <u>\$ 31,816</u> |

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History

Mesalands Community College was established as Tukumcari 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 Tukumcari (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 Tukumcari 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.

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2010

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

History, continued

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.

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 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.

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2010

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

C. Significant Accounting 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.

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, 2010.

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2010

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.

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

JUNE 30, 2010

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

C. Significant Accounting Policies, continued

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.

D. 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.

E. 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.

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

JUNE 30, 2010

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

F. Budgetary Process, continued

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.

H. 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.

I. Accounting Applications

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

J. 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.

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2010

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, 2010, 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 | \$ 1,645,450 |
| Less: FDIC or NCUSIF Coverage | <u>838,402</u> |
| Uninsured Public Funds | 807,048 |
| Pledged collateral held by pledging banks agent in the name of the College | <u>(1,957,004)</u> |
| Uninsured and un-collateralized | <u>\$ -</u> |

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, 2010, None of the government's bank balance of \$ 1,645,450 was exposed to custodial credit risk as follows:

Mesalands Community College

| | |
|---------------------------------|-------------|
| 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 another \$10,000.00 was added to this endowment fund through contributions.

4. ACCOUNTS RECEIVABLE

The College's accounts receivable at June 30, 2010, 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.

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2010

5. **ACCOUNTS RECEIVABLE**, continued

A schedule of receivables and allowance for doubtful accounts by fund is as follows:

| | Gross | Allowance for Doubtful Accounts | Net |
|--------------------------|---------------------|---------------------------------------|---------------------|
| Student tuition and fees | \$ 622,912 | \$ 187,782 | \$ 435,130 |
| Taxes receivable | 4,792 | | 4,792 |
| Grants receivable | 120,905 | - | 120,905 |
| NSF check chargeback | 6,725 | - | 6,725 |
| Due from other agencies | 769,364 | - | 769,364 |
| Other receivables | 9,083 | | 9,083 |
| Total Account Receivable | <u>\$ 1,533,781</u> | <u>\$ 187,782</u> | <u>\$ 1,336,916</u> |

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.

6. **INVENTORIES**

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, 2010 was \$ 183,728.

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 \$ 117,620 at June 30, 2010. 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, 2010 of \$113,885. The compensated absences balance at June 30, 2010 is \$ 231,505. There is an decrease of \$ 7,791 from the previous year-end balance of \$ 239,296.

| | <u>6/30/09</u> | <u>Additions</u> | <u>Reductions</u> | <u>06/30/10</u> | Amounts Due in <u>One Year</u> |
|----------------------------|-------------------|-------------------|-------------------|-------------------|--------------------------------------|
| Total Compensated Absences | <u>\$ 239,296</u> | <u>\$ 519,388</u> | <u>\$ 527,179</u> | <u>\$ 231,505</u> | <u>\$ 90,287</u> |

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2010

8. CAPITAL ASSETS

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

| | Balance June 30, 2009 | Additions | Deletions | Balance June 30, 2010 |
|---------------------------------|--------------------------|---------------------|-------------------|--------------------------|
| 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 | 209,333 | 15,717 | - | 225,050 |
| Buildings & Improvements | 8,378,974 | 1,678,914 | - | 10,057,888 |
| Equipment | 5,023,790 | 219,475 | - | 5,243,265 |
| Construction in Progress | 781,871 | 4,248,640 | 781,871 | 4,248,640 |
| Total Depreciable Assets | <u>14,416,341</u> | <u>6,162,746</u> | <u>781,871</u> | <u>19,797,216</u> |
| Total Capital Assets | <u>16,387,300</u> | <u>6,162,746</u> | <u>781,871</u> | <u>21,768,175</u> |
| Accumulated Depreciation | | | | |
| Leasehold Improvements | 11,242 | 2,597 | - | 13,839 |
| Library Books | 90,269 | 17,085 | - | 107,354 |
| Buildings & Improvements | 1,526,869 | 211,293 | - | 1,738,162 |
| Equipment | 1,518,994 | 311,650 | - | 1,830,644 |
| Total Accumulated Depreciation | <u>3,147,374</u> | <u>542,625</u> | <u>-</u> | <u>3,689,999</u> |
| Capital Assets - net | <u>\$ 13,239,926</u> | <u>\$ 5,620,121</u> | <u>\$ 781,871</u> | <u>\$ 18,078,176</u> |

9. 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, 2010, the College held \$ 31,816 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.

10. 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 adjustments to plan members (certified

JUNE 30, 2010

10. EMPLOYEE RETIREMENT SYSTEM, continued

teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes the financial statements and required supplementary information. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502-6129. The report is also available on ERB's website at www.nmerb.org.

Funding Policy – Effective July 1, 2009, plan members were required by statute to contribute 7.90% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.40% of their gross salary. The College was required to contribute 12.40% of the gross covered salary for employees earning \$20,000 or less, and 10.90% of the gross covered salary of employees earning more than \$20,000 annually. The employer contribution is increasing by .75% each year until effective July 1, 2011, the employer contribution will be 13.90% of the gross covered salary. The contribution requirements of plan members and the Mesalands Community College are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Mesalands Community College's contributions to the ERB for the fiscal years ended June 30, 2010, 2009 and 2008 were: \$272,206, \$266,901, and \$228,233, respectively, which equal the amount of the required contributions for the year.

11. 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.

JUNE 30, 2010

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute 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. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

| <u>Fiscal Year</u> | <u>Employer Contribution Rate</u> | <u>Employee Contribution Rate</u> |
|--------------------|-----------------------------------|-----------------------------------|
| FY11 | 1.666% | .833% |
| FY12 | 1.834% | .917% |
| FY13 | 2.000% | 1.000% |

Also, 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.

The Mesalands Community College's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$ 34,405, \$ 31,578 and \$ 30,077, 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.

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2010

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.

15. BUDGETS

Two budgets were overspent as of June 30, 2010. They consisted of:

| | |
|---------------------------|-----------|
| Intercollegiate Athletics | \$ 14,511 |
| Renewals and Replacement | \$ 62,125 |

16. RESTRICTED NET ASSETS

The statement of net assets reports \$ 258,728 of restricted net assets, of which \$ 258,728 is restricted by enabling legislation.

17. RESTATEMENT OF NET ASSETS

The statement of net assets was restated by \$ 33,042 due to correction of prior year receivables.

SUPPORTING SCHEDULES

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, 2010

| | Original Budget | Final Revised Budget | Actual Budgetary Basis | Variance with Final Budget (Over) Under |
|------------------------------------------------|--------------------|----------------------------|------------------------------|-----------------------------------------------|
| Beginning Fund Balance | \$ 666,696 | \$ 758,324 | \$ 732,636 | \$ (25,688) |
| Unrestricted and Restricted Revenues: | | | | |
| Tuition and Miscellaneous Fees | 1,083,693 | 1,093,693 | 1,125,859 | (32,166) |
| Federal Government Appropriations | 1,294,638 | 1,294,638 | 1,243,638 | 51,000 |
| State Government Appropriations | 4,031,000 | 3,869,355 | 3,849,528 | 19,827 |
| Local Government Appropriations | 165,000 | 165,000 | 195,344 | (30,344) |
| Federal Govt. Grants and Contracts | 1,032,000 | 1,124,200 | 493,914 | 630,286 |
| State Govt. Grants and Contracts | 168,000 | 168,000 | 170,876 | (2,876) |
| Local Govt. Grants and Contracts | - | - | - | - |
| Private Gifts | 100,000 | 100,000 | 71,559 | 28,441 |
| Endowments, Land, and Perm Fund | - | - | - | - |
| Sales and Services | 634,000 | 727,000 | 635,255 | 91,745 |
| Other Sources | 159,000 | 159,000 | 152,580 | 6,420 |
| State GO and Severance Tax Bonds | 8,383,970 | 8,393,626 | 4,644,996 | 3,748,630 |
| Renewal & Replacement | - | - | - | - |
| Miscellaneous Institutional Revenue | - | - | 1,127 | (1,127) |
| Total Unrestricted and Restricted Revenues | <u>17,051,301</u> | <u>17,094,512</u> | <u>12,584,676</u> | <u>4,509,836</u> |
| Unrestricted and Restricted Expenditures: | | | | |
| Instruction | 3,128,420 | 3,073,257 | 2,348,161 | 725,096 |
| Academic Support | 597,240 | 588,440 | 519,906 | 68,534 |
| Student Services | 818,254 | 813,254 | 767,838 | 45,416 |
| Institutional Support | 776,370 | 766,370 | 656,190 | 110,180 |
| Operation & Maintenance of Plant | 603,997 | 603,997 | 586,719 | 17,278 |
| Public Service | 300,000 | 316,000 | 268,817 | 47,183 |
| Student Aid, Grants & Stipends | 1,662,138 | 1,679,138 | 1,569,971 | 109,167 |
| Auxiliary Enterprises | 494,789 | 494,789 | 460,763 | 34,026 |
| Intercollegiate Athletics | 125,000 | 117,518 | 132,029 | (14,511) |
| Renewal & Replacement | 67,307 | 67,307 | 129,432 | (62,125) |
| Internal Services | - | 45,000 | - | 45,000 |
| Capital Outlay | 8,516,663 | 8,526,319 | 4,658,496 | 3,867,823 |
| Total Unrestricted and Restricted Expenditures | <u>17,090,178</u> | <u>17,091,389</u> | <u>12,098,322</u> | <u>4,993,067</u> |
| Net Transfers | <u>20,250</u> | <u>20,250</u> | <u>(20,250)</u> | <u>40,500</u> |
| Change in Fund Balance (budgetary basis) | <u>(18,627)</u> | <u>23,373</u> | <u>466,104</u> | <u>(442,731)</u> |
| Ending Fund Balance | <u>\$ 685,323</u> | <u>\$ 734,951</u> | <u>\$ 1,198,740</u> | <u>\$ 417,043</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, 2010

| | Original Budget | Final Revised Budget | Actual Budgetary Basis | Variance with Final Budget (Over) Under |
|-----------------------------------------------------------|--------------------|----------------------------|------------------------------|-----------------------------------------------|
| Beginning Fund Balance | \$ 312,722 | \$ 432,656 | \$ 476,656 | \$ 44,000 |
| Unrestricted Revenues: | | | | |
| Tuition and Miscellaneous Fees | 137,693 | 147,693 | 75,480 | 72,213 |
| Federal Government Appropriations | - | - | - | - |
| State Government Appropriations | 125,600 | 118,118 | 115,300 | 2,818 |
| Local Government Appropriations | - | - | - | - |
| 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 | 634,000 | 727,000 | 635,255 | 91,745 |
| Other Sources | 7,000 | 7,000 | 1,805 | 5,195 |
| State GO and Severance Tax Bonds Renewal & Replacement | 8,383,970 | 8,393,626 | 4,644,996 | 3,748,630 |
| Miscellaneous Institutional Revenue | - | - | 1,127 | (1,127) |
| Total Unrestricted Revenues | 9,288,263 | 9,393,437 | 5,473,963 | 3,919,474 |
| Unrestricted Expenditures: | | | | |
| Instruction | - | - | - | - |
| Academic Support | - | - | - | - |
| Student Services | - | - | - | - |
| Institutional Support | - | - | - | - |
| Operation & Maintenance of Plant | - | - | - | - |
| Public Service | 100,000 | 116,000 | 97,941 | 18,059 |
| Student Aid, Grants & Stipends | 127,000 | 127,000 | 125,878 | 1,122 |
| Auxiliary Enterprises | 494,789 | 494,789 | 460,763 | 34,026 |
| Intercollegiate Athletics | 125,000 | 117,518 | 132,029 | (14,511) |
| Renewal & Replacement | 67,307 | 67,307 | 129,432 | (62,125) |
| Internal Service | - | 45,000 | - | 45,000 |
| Capital Outlay | 8,516,663 | 8,526,319 | 4,658,496 | 3,867,823 |
| Total Unrestricted Expenditures | 9,430,759 | 9,493,933 | 5,604,539 | 3,889,394 |
| Net Transfers | 193,557 | 193,557 | 153,057 | 40,500 |
| Change in Fund Balance (budgetary basis) | 51,061 | 93,061 | 22,481 | 70,580 |
| Ending Fund Balance | \$ 363,783 | \$ 525,717 | \$ 499,137 | \$ 114,580 |

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, 2010

| | 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 | 1,294,638 | 1,243,638 | 51,000 |
| State Government Appropriations | 140,500 | 140,500 | 146,628 | (6,128) |
| Local Government Appropriations | - | - | - | - |
| Federal Govt. Grants and Contracts | 32,000 | 49,000 | - | 49,000 |
| State Govt. Grants and Contracts | 168,000 | 168,000 | 170,876 | (2,876) |
| Local Govt. Grants and Contracts | - | - | - | - |
| Private Gifts | 100,000 | 100,000 | 71,559 | 28,441 |
| Endowments, Land, and Perm Fund | - | - | - | - |
| Sales and Services | - | - | - | - |
| Other Sources | - | - | - | - |
| State GO and Severence Tax Bonds | - | - | - | - |
| Renewal & Replacement | - | - | - | - |
| Miscellaneous Institutional Revenue | - | - | - | - |
| Total restricted revenues | <u>1,735,138</u> | <u>1,752,138</u> | <u>1,632,701</u> | <u>119,437</u> |
| Restricted Expenditures: | | | | |
| Instruction | - | - | - | - |
| Academic Support | - | - | - | - |
| Student Services | - | - | - | - |
| Institutional Support | - | - | - | - |
| Operation & Maintenance of Plant | - | - | - | - |
| Public Service | 200,000 | 200,000 | 170,876 | 29,124 |
| Student Aid, Grants & Stipends | 1,535,138 | 1,552,138 | 1,444,093 | 108,045 |
| Auxiliary Enterprises | - | - | - | - |
| Intercollegiate Athletics | - | - | - | - |
| Renewal & Replacement | - | - | - | - |
| Internal Service | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Total restricted expenses | <u>1,735,138</u> | <u>1,752,138</u> | <u>1,614,969</u> | <u>137,169</u> |
| Net Transfers | - | - | - | - |
| Change in Fund Balance (budgetary basis) | <u>-</u> | <u>-</u> | <u>17,732</u> | <u>(17,732)</u> |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,732</u> | <u>\$ (17,732)</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, 2010

| | Original Budget | Final Revised Budget | Actual Budgetary Basis | Variance with Final Budget (Over) Under |
|------------------------------------------|--------------------|----------------------------|------------------------------|-----------------------------------------------|
| Beginning Fund Balance | \$ 353,974 | \$ 325,668 | \$ 255,980 | \$ 69,688 |
| Unrestricted Revenues: | | | | |
| Tuition and Miscellaneous Fees | 946,000 | 946,000 | 1,050,379 | (104,379) |
| Federal Government Appropriations | - | - | - | - |
| State Government Appropriations | 3,764,900 | 3,610,737 | 3,587,600 | 23,137 |
| Local Government Appropriations | 165,000 | 165,000 | 195,344 | (30,344) |
| 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 | 152,000 | 152,000 | 150,775 | 1,225 |
| State GO and Severence Tax Bonds | - | - | - | - |
| Renewal & Replacement | - | - | - | - |
| Miscellaneous Institutional Revenue | - | - | - | - |
| Total Unrestricted Revenues | 5,027,900 | 4,873,737 | 4,984,098 | (110,361) |
| Expenditures: | | | | |
| Instruction | 2,128,420 | 1,998,057 | 1,854,247 | 143,810 |
| Academic Support | 597,240 | 588,440 | 519,906 | 68,534 |
| Student Services | 818,254 | 813,254 | 767,838 | 45,416 |
| Institutional Support | 776,370 | 766,370 | 656,190 | 110,180 |
| Operation & Maintenance of Plant | 603,997 | 603,997 | 586,719 | 17,278 |
| Public Service | - | - | - | - |
| Student Aid, Grants & Stipends | - | - | - | - |
| Auxiliary Enterprises | - | - | - | - |
| Intercollegiate Athletics | - | - | - | - |
| Renewal & Replacement | - | - | - | - |
| Internal Service | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Total Unrestricted Expenditures | 4,924,281 | 4,770,118 | 4,384,900 | 385,218 |
| Net Transfers | (173,307) | (173,307) | (173,307) | - |
| Change in Fund Balance (Budgetary Basis) | (69,688) | (69,688) | 425,891 | (495,579) |
| Ending Fund Balance | \$ 284,286 | \$ 255,980 | \$ 681,871 | \$ (425,891) |

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, 2010

| | 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 | 1,000,000 | 1,075,200 | 493,914 | 581,286 |
| State Govt. Grants and Contracts | - | - | - | - |
| Local Govt. Grants and Contracts | - | - | - | - |
| Private Gifts | - | - | - | - |
| Endowments, Land, and Perm Fund | - | - | - | - |
| Sales and Services | - | - | - | - |
| Other Sources | - | - | - | - |
| State GO and Severance Tax Bonds | - | - | - | - |
| Renewal & Replacement | - | - | - | - |
| Miscellaneous Institutional Revenue | - | - | - | - |
| Total Restricted Revenues | <u>1,000,000</u> | <u>1,075,200</u> | <u>493,914</u> | <u>581,286</u> |
| Restricted Expenditures: | | | | |
| Instruction | 1,000,000 | 1,075,200 | 493,914 | 581,286 |
| 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>1,000,000</u> | <u>1,075,200</u> | <u>493,914</u> | <u>581,286</u> |
| Net Transfers | - | - | - | - |
| Change in Fund Balance (Budgetary Basis) | - | - | - | - |
| 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, 2010

Unrestricted and Restricted Revenues:

| | |
|-------------------------------------------------|----------------------|
| Total Budgetary Basis | \$ 12,584,676 |
| Add: Current year receivables and other credits | 169,433 |
| Deduct: Prior year receivables and other debits | 661,971 |
| Total GAAP Basis | <u>\$ 12,092,138</u> |

Unrestricted and Restricted Expenditures:

| | |
|-----------------------------------------------|---------------------|
| Total Budgetary Basis | \$ 12,098,322 |
| Add: Current year payables and other debits | 786,851 |
| Deduct: Prior year payables and other credits | 5,075,136 |
| Total GAAP Basis | <u>\$ 7,810,037</u> |

The accompanying notes are an integral part of these financial statements

SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS

JUNE 30, 2010

| | | Account Type | Balance per Bank | Deposits in Transit | Outstanding Checks | Reconciled Cash |
|------------------------------------|---------|-----------------|---------------------|------------------------|-----------------------|--------------------|
| 1st National Bank of New Mexico | General | MM | \$ 1,056,691 | \$ 2,094 | \$ (879,576) | \$ 179,209 |
| 1st National Bank of New Mexico | Payroll | MM | 357 | - | (356) | 1 |
| Everyones Federal Credit Union | Agency | Share Draft | 34,594 | - | (2,778) | 31,816 |
| Quay Schools Credit Union | General | CD | 39,266 | - | - | 39,266 |
| State Farm Bank | General | CD | 120,326 | - | - | 120,326 |
| Tucumcari Federal S&L | General | CD | 50,733 | - | - | 50,733 |
| Everyones Federal Credit Union | General | CD | 50,446 | - | - | 50,446 |
| Everyones Federal Credit Union | General | CD | 50,446 | - | - | 50,446 |
| Everyones Federal Credit Union | General | CD | 50,729 | - | - | 50,729 |
| Charter Bank | General | CD | 50,532 | - | - | 50,532 |
| Charter Bank | General | CD | 90,780 | - | - | 90,780 |
| Tucumcari Federal S&L | General | CD | 50,550 | - | - | 50,550 |
| | | | <u>\$ 1,645,450</u> | <u>\$ 2,094</u> | <u>\$ (882,710)</u> | 764,834 |
| Petty Cash | | | | | | <u>1,272</u> |
| | | | | | | 766,106 |
| Less: Agency fund cash | | | | | | <u>(31,816)</u> |
| Total cash Statement of Net Assets | | | | | | <u>\$ 734,290</u> |

* All accounts are interest bearing

The accompanying notes are an integral part of these financial statements

SCHEDULE OF PLEDGED COLLATERAL

JUNE 30, 2010

| | Total Deposits | FDIC or NCUSIF Insurance | Collateral Required | Collateral Pledged | Security Deficit |
|----------------------------------|-------------------|--------------------------------|------------------------|-----------------------|---------------------|
| 1ST National Bank of New Mexico | \$ 1,057,048 | \$ 250,000 | \$ 403,524 | \$ 1,957,004 | \$ - |
| <u>COLLATERAL</u> | <u>CUSIP #</u> | <u>MATURITY</u> | | | |
| Bernalillo NM Mun Sch Dist | 085279mw4 | 08/01/17 | \$ 78,671 | | |
| Eastern NM University | 27678NAK9 | 08/15/11 | 52,341 | | |
| FHLMC Arm | 3128NCMT8 | 10/01/35 | 63,753 | | |
| Gadsden NM Indpt Sch Dist | 362550KG9 | 08/15/15 | 157,311 | | |
| Roosevelt Cnty NM G.R. | 776461AL9 | 06/01/17 | 107,435 | | |
| Dulce NM Indpt Sch Dist | 264430GQ6 | 06/01/14 | 105,002 | | |
| FNMA Fixed Rate Note | 3136FJWC1 | 12/16/13 | 252,269 | | |
| FHLB Fixed Rate Note | 3133XVNT4 | 12/14/12 | 152,164 | | |
| Torrance ETC CNTYS NM | 891400MS9 | 03/15/18 | 227,240 | | |
| FHLB Fixed Rate Note | 3133XVNT4 | 12/14/12 | 760,818 | | |
| | | | <u>\$ 1,957,004</u> | | |
| Everybody's Federal Credit Union | \$ 34,594 | \$ 34,594 | \$ - | \$ - | \$ - |
| Quay Schools Credit Union | \$ 39,266 | \$ 39,266 | \$ - | \$ - | \$ - |
| State Farm Bank | \$ 120,326 | \$ 120,326 | \$ - | \$ - | \$ - |
| Tucumcari Federal S & L | \$ 50,733 | \$ 50,733 | \$ - | \$ - | \$ - |
| Everybody's Federal Credit Union | \$ 50,446 | \$ 50,446 | \$ - | \$ - | \$ - |
| Everybody's Federal Credit Union | \$ 50,446 | \$ 50,446 | \$ - | \$ - | \$ - |
| Everybody's Federal Credit Union | \$ 50,729 | \$ 50,729 | \$ - | \$ - | \$ - |
| Charter Bank | \$ 50,532 | \$ 50,532 | \$ - | \$ - | \$ - |
| Charter Bank | \$ 90,780 | \$ 90,780 | \$ - | \$ - | \$ - |
| Tucumcari Federal S & L | \$ 50,550 | \$ 50,550 | \$ - | \$ - | \$ - |

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, 2010

| | Balance 6/30/2009 | Additions | Deductions | Balance 6/30/2010 |
|-------------------------|----------------------|------------------|------------------|----------------------|
| Auto tech club | \$ 1,516 | \$ 1 | \$ - | \$ 1,517 |
| Astronomy club | 195 | 1 | - | 196 |
| Checkmate chess club | 138 | 225 | - | 363 |
| Chi Alpha | 443 | 2 | - | 445 |
| Diesel club | 562 | 408 | - | 970 |
| Skills USA club | 321 | 25 | - | 346 |
| Hot meal club | 2,409 | 8 | - | 2,417 |
| Life savers club | 448 | 1 | - | 449 |
| Livestock judging | 411 | 1 | - | 412 |
| Natural Science club | 215 | 2 | - | 217 |
| Peer mentoring | 386 | 2 | - | 388 |
| Phi Theta Kappa | 1,739 | 1,728 | 2,448 | 1,019 |
| Rodeo club | 8,069 | 6,032 | 8,047 | 6,054 |
| FARRIER SHOE club | 9,476 | 3,344 | 3,775 | 9,045 |
| SIFE | 1,012 | 2 | - | 1,014 |
| Spanish club | 804 | 2 | - | 806 |
| Student senate | 846 | 276 | 40 | 1,082 |
| Truck driving club | 392 | 1 | - | 393 |
| Tucumcari softball club | 946 | 2,189 | 3,094 | 41 |
| M.E.S.A. | 365 | 1 | - | 366 |
| Fossil friends | 3,624 | 1,813 | 2,437 | 3,000 |
| Employee office fund | 1,771 | 1,554 | 2,087 | 1,238 |
| GED Club | 262 | 1 | 225 | 38 |
| TOTAL | <u>\$ 36,350</u> | <u>\$ 17,619</u> | <u>\$ 22,153</u> | <u>\$ 31,816</u> |

The accompanying notes are an integral part of these financial statements

FEDERAL AWARDS SECTION

Woodard, Cowen & Co.

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, 2010, and have issued our report thereon dated November 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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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 other 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 2009-2, 2009-3, and 2010-1.

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 board of trustees, others within the College, 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, applicable 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 8, 2010

Woodard, Cowen & Co.

Certified Public Accountants

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, 2010. 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 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, 2010.

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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 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 an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mesalands Community College's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Trustees, others within the College, 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 8, 2010

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2010

| Federal Grantor/Pass through Grantor/Program Title | Federal CFDA # | Program or Grantor Number | Program Award | Program Expenditures |
|-----------------------------------------------------------------|-------------------|---------------------------------|------------------|-------------------------|
| US DEPARTMENT OF EDUCATION | | | | |
| Direct programs | | | | |
| Student Financial Aid Cluster | | | | |
| <1>Pell grant program | 84.063 | P063P005217 | \$ 1,189,905 | \$ 1,171,084 |
| <1>Federal Work Study Program | 84.033 | P003A008469 | 33,730 | 24,891 |
| <1>Federal SEOG Program | 84.007 | P007A008469 | 19,808 | 19,747 |
| <1>Federal Academic Competitiveness Grant | | P375A098471 | 18,500 | 18,206 |
| TOTAL DIRECT GRANTS | | | | <u>1,233,928</u> |
| Passed through the State Department of Higher Education | | | | |
| Adult Basic Education | 84.002 | SPE499888 | 50,554 | 48,597 |
| Adult Basic Education - EI Civics | 84.002 | SPE499888 | 14,690 | 10,562 |
| State Fiscal Stabilization Funds | 84.394 | | 128,100 | 20,525 |
| TOTAL PASSTHROUGH GRANTS | | | | <u>79,684</u> |
| TOTAL DEPARTMENT OF EDUCATION | | | | <u>1,313,612</u> |
| SMALL BUSINESS ADMINISTRATION | | | | |
| Small Business Development Center | 59.037 | 7620003212 | 194,693 | 170,877 |
| TOTAL SMALL BUSINESS ADMINISTRATION | | | | <u>170,877</u> |
| US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| Hispanic Serving Institutions | 14.514 | HSIAC06NM14 | 600,000 | 191,848 |
| TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | <u>191,848</u> |
| US DEPARTMENT OF LABOR | | | | |
| Passed through the NM Department of Labor | | | | |
| Community Based Job Training Grant | 17.269 | CB159210760A35 | 1,980,000 | 131,114 |
| TOTAL US DEPARTMENT OF LABOR | | | | <u>131,114</u> |
| TOTAL FEDERAL AWARDS EXPENDITURES | | | | <u>\$ 1,807,451</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, 2010

SECTION I – SUMMARY OF AUDITORS' RESULTS

| | |
|------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Report on Financial Statements | Unqualified |
| Significant Deficiencies on GAGAS | None |
| Other matters required to be reported | 2009-2, 2009-3, and 2010-1 |
| Material noncompliance | None |
| Questioned Cost | None |
| Type A & B dollar threshold | \$ 300,000 |
| Entity Risk | High Risk |
| Major Federal Program | Pell Grant Program CFDA#84.063 Federal Work Study Program CFDA#84.033 Federal SEOG Program CFDA#84.007 Federal Academic Competitiveness Grant CFDA#11.111 |
| Significant Deficiencies on Internal Control over Major Programs | None |
| Material Weaknesses | 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> |
|-----------------------------------------------------|----------------------|
| 2008-3 Credit card expenditures | Resolved |
| 2009-1 Procurement of architectural services | Resolved |
| 2009-2 Activity receipts | Revised and Repeated |
| 2009-3 Student accounts receivable reconciliation | Revised and Repeated |
| 2009-4 Travel and per diem documentation | Resolved |
| 2009-5 Allowable costs under the Job Training Grant | Resolved |
| 2009-6 Monitoring Davis-Bacon for HSIAC Grant | Resolved |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Current Year Findings –

Compliance

2010-1 Overspent Budgets

Condition: Expenditures exceeded the approved budget amounts in the unrestricted instruction and general funds as follows:

| | |
|---------------------------|-----------|
| Intercollegiate Athletics | \$ 14,511 |
| Renewals and Replacement | \$ 62,125 |

Criteria: Any funds expended by the College shall have an approved budget for the expenditure per Chapter 22 Article 8 NMSA 1978.

Cause: The College was in the process of re-organization of upper management due to the retirement of the Dean who was responsible for the budget. The overspent budgets were not recognized until it was past the date that a BAR could get through the process to be approved.

Effect: Violation of state statutes regarding expenditures could result in a loss of future funding or repayment of funding already received.

Recommendation: The College should implement procedures to ensure that, during the transfers of duties to new personnel, that all functions and responsibilities of the person leaving are completed in a correct and timely manner.

Response: The College concurs with the "Cause" stated above. The College will implement procedures to ensure that budgets will be monitored, to include during transitions of administration, to ensure they are not overspent.

Internal Control

2009 - 2 Activity Receipts

Condition: Individuals are not being issued receipts for donations or cash payments received by Fossil Friends at the museum.

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: Because the funds were received at a site other than the main campus the College policies regarding use of receipt books was not adhered to.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Internal Control, continued

2009 - 2 Activity Receipts, continued

Effect: Not issuing receipts at the sponsor/administrative 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 intact and with enough time to ensure it is deposited within 24 hours of receipt.

Recommendation: The College should re-evaluate controls to include a method to ensure that all funds received by anyone, in the capacity as an agent of the college or one of its activity programs, is following established control policies.

Response The College implemented additional policies and procedures during Fiscal Year 2010 to address the issues with receipting and depositing activity funds. The College will re-evaluate these policies and procedures to ensure that activity funds collected at sites other than the main campus are being receipted and deposited as per established controls.

2009–3 Student accounts receivable reconciliation

Condition: The student accounts receivable in the Sonis operating system has not been completely adjusted for bad debts and error corrections and reconciled with the general ledger.

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 worked diligently to correct the problems with the student receivable reconciliation, however, they have not completed all the necessary corrections. The needed corrections span a number of semesters, therefore, the time involved to make all corrections has been more than expected. 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.

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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Internal Control, continued

2009–3 Student accounts receivable reconciliation, continued

Response: The College devoted extra time starting last year to make the necessary adjustments to student accounts receivable. However due to the number of corrections and the time required to make adjustments and/or corrections, it has taken longer than estimated to complete. The College will continue to make this a priority to complete the necessary adjustments and/or corrections to the student accounts receivable. The College will also investigate the feasibility and cost of linking the Sonis system with the MIP accounting software system.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

OTHER INFORMATION

JUNE 30, 2010

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 and review. All services were in compliance with SAS 115.

EXIT CONFERENCE

An exit conference was held on November 8, 2010. Present were J. Bronson Moore, Chair; Dr. Phillip O. Barry, President; David Plummer, Dean of Administrative Services; Carolyn Chavez, Business Manager and D. Brent Woodard, CPA.

SUMMARY OF PASSED ADJUSTMENTS

Re: Mesaland Community College

None