

**MESALANDS COMMUNITY
COLLEGE**

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

JUNE 30, 2011

Woodard, Cowen & Co.

Certified Public Accountants

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

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MESALANDS COMMUNITY COLLEGE

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STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

OFFICIAL ROSTER

JUNE 30, 2011

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, 2011, 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, 2011 as listed in the table of contents. These financial statements are the responsibility of Mesalands Community College's management. Our responsibility is to express an opinion 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 with 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 opinion.

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, 2011 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, 2011 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 December 12, 2011 on our consideration of Mesalands Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Portales: 305 S. Avenue B or PO Box 445, Portales NM 88130 – Phone 575-356-8564 Fax 575-356-2453
Clovis: 116 E. Grand Avenue or PO Box 1874, Clovis NM 88101 – Phone 575-762-3811 Fax 575-762-3866

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 24 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming opinions on the basic financial statements and the budgetary comparisons of Mesalands Community College. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Woodward, Green & Co.

December 12, 2011

State of New Mexico
Mesalands Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

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, 2011. 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 2011.

Financial Highlights

Net assets increased by \$3,222,886 or 17% in 2011 over net assets in 2010. The increases are primarily due to revenues exceeding expenses.

In 2011 total assets were increased by \$2,576,784 over total assets in 2010. The increase is related to construction in progress of capital projects.

Total revenues in fiscal year 2011 were \$11,884,794 as compared to \$12,092,138 in fiscal year 2010. State appropriations account for the largest source of revenue at \$7,617,757. In 2011 grants and contracts generated revenues just under \$2 million. In 2011 tuition and fees decreased slightly. In fiscal year 2011 student tuition and fee revenue decreased by \$69,643, as compared to 2010.

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 2011. 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, 2011

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, 2011

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

Mesalands Community College
 Condensed Summary of Net Assets
 June 30, 2011 and 2010

Assets	<u>2011</u>	<u>2010</u>	Increase Decrease*
Current Assets	\$ 3,057,951	\$ 2,329,934	\$ 728,017
Capital Assets, net	\$19,929,107	\$18,078,176	\$1,850,931
Other Assets	<u>27,190</u>	<u>\$ 29,354</u>	<u>\$ 2,164*</u>
Total Assets	<u>\$23,014,248</u>	<u>\$20,437,464</u>	<u>\$2,576,784</u>
Liabilities			
Current Liabilities	\$ 316,118	\$ 919,910	\$ 603,792*
Non-Current Liabilities	<u>\$ 98,908</u>	<u>141,218</u>	<u>42,310*</u>
Total Liabilities	<u>\$ 415,026</u>	<u>\$ 1,061,128</u>	<u>\$ 646,102*</u>
Net Assets			
Invested in Capital Assets (Net of Related Debt)	\$19,929,107	\$18,078,176	\$ 1,850,931
Restricted for Inventories	\$ 253,056	\$ 183,728	\$ 69,328
Restricted for Endowments	\$ 75,000	\$ 75,000	\$ 0
Unrestricted	<u>\$ 2,342,059</u>	<u>\$ 1,039,432</u>	<u>\$ 1,302,627</u>
Total Net Assets	<u>\$22,599,222</u>	<u>\$19,376,336</u>	<u>\$ 3,222,886</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, 2011 equal \$2,083,317, 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 2011 were \$316,118.

Non-current assets are capital assets, net of accumulated depreciation, for 2011 were \$19,929,107, the capital assets increased due to construction in progress.

For fiscal year 2011 the college has no outstanding debt.

State of New Mexico
 Mesalands Community College
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2011

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

Mesalands Community College
 Condensed Summary of Net Assets
 June 30, 2011 and 2010

Operating Revenue by Major Source	2011	2010	Increase Decrease*
Tuition and Fees	\$1,088,018	\$1,157,661	\$ 69,643 *
Grants and Contracts	1,903,701	2,136,058	232,357*
Sales and Services	201,858	216,339	14,481*
Auxiliary Services	394,162	408,155	13,993*
Miscellaneous Institutional Revenue	420,076	425,623	5,547*
Other	33,691	23,151	10,540
Total	<u>\$4,041,506</u>	<u>\$4,366,987</u>	<u>\$ 325,481*</u>
Operating Expenses by Major Function			
Instruction	\$2,247,867	\$2,214,073	\$ 33,794
Academic Support	485,056	490,218	5,162*
Student Services	837,004	723,992	113,012
Institutional Support	938,773	618,719	320,054
Operation and Maintenance of Plant	570,735	553,215	17,520
Public Service	225,710	0	225,710
Depreciation	601,625	542,625	59,000
Student Aid	1,648,676	1,569,971	78,705
Auxiliary Services	452,335	460,763	8,428*
Internal Services	375,000	375,000	0
Intercollegiate Athletics	153,513	132,029	21,484
Renewals and Replacements	131,478	129,432	2,046
Total	<u>\$8,667,772</u>	<u>\$7,810,037</u>	<u>\$ 857,735</u>
Non-Operating Revenues (Expenses)			
State Appropriation	\$7,617,757	\$7,507,427	\$ 110,330
Local Tax Levy	210,539	195,430	15,109
Investment Income	14,992	22,294	7,302*
Donations	0	0	0
Total	<u>\$7,843,288</u>	<u>\$ 7,725,151</u>	<u>\$ 118,137</u>
Total increase (decrease) in net assets	\$3,222,886	\$4,315,143	\$ (1,092,257)
Net assets, end of year	<u>\$22,599,222</u>	<u>\$19,376,336</u>	<u>\$ 3,222,886</u>

State of New Mexico
Mesalands Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

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.

Factors Impacting Future Periods

Mesalands Community College experienced enrollment growth over multiple years. However, the last two fiscal years total headcount and total credit hours have decreased. 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, 2011

	<u>Primary Institution</u>
ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 2,083,317
Restricted cash held in trust by others (Note 3)	75,000
Accounts receivable, net (Note 4)	555,108
Inventories (Note 5)	253,056
Due from grantors (Note 4)	55,047
Due from other agencies (Note 4)	36,423
Total Current Assets	<u>3,057,951</u>
Noncurrent assets:	
Capital assets, net (Note 8)	19,929,107
Prepaid expenses	27,190
Total Noncurrent Assets	<u>19,956,297</u>
Total Assets	<u>23,014,248</u>
LIABILITIES	
Current liabilities:	
Cash overdrafts	3,938
Accounts payable and deferred liabilities	193,964
Funds held for others	2,636
Compensated absences, current portion	115,580
Total Current Liabilities	<u>316,118</u>
Noncurrent liabilities:	
Compensated absences, less current portion	98,908
Total Noncurrent Liabilities	<u>98,908</u>
Total Liabilities	<u>415,026</u>
NET ASSETS	
Invested in capital assets	19,929,107
Restricted for inventories	253,056
Restricted for endowments	75,000
Unrestricted	2,342,059
Total Net Assets	<u>\$ 22,599,222</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

EXHIBIT B

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	Primary Institution
Operating Revenues:	
Student tuition and fees	\$ 1,088,018
Grants and contracts	1,903,701
Sales and services	201,858
Auxiliary enterprises	394,162
Miscellaneous institutional revenue	420,076
Other operating revenues	33,691
Total Operating Revenues	<u>4,041,506</u>
Operating Expenses:	
Education and general	
Instruction	2,247,867
Academic support	485,056
Student support	837,004
Institutional support	938,773
Operation and maintenance of plant	570,735
Public Service	225,710
Student aid, grants and stipends	1,648,676
Renewals and replacements	131,478
Depreciation	601,625
Auxiliary enterprises	452,335
Internal services	375,000
Intercollegiate athletics	153,513
Total Operating Expenses	<u>8,667,772</u>
Operating Income (Loss)	<u>(4,626,266)</u>
Nonoperating Revenues (Expenses):	
State appropriations	7,617,757
Taxes	210,539
Interest	14,992
Total Nonoperating Revenues (Expenses)	<u>7,843,288</u>
Income (Loss) before contributions and transfers	<u>3,217,022</u>
Capital Contributions	-
Change in Net Assets	<u>3,217,022</u>
Net Assets Beginning of Year	19,376,336
restatements	5,864
Net Assets Beginning of Year as restated	<u>19,382,200</u>
Net Assets End of Year	<u>\$ 22,599,222</u>

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

Cash flows from operating activities	
Receipts from student tuition and fees	\$ 1,088,018
Receipts from grants and contracts	1,903,701
Other receipts	613,268
Payments to or on behalf of employees	(3,704,789)
Payment to suppliers for goods and services	(2,351,129)
Payments for scholarships	(1,589,142)
Net cash (used) by operating activities	<u>(4,040,073)</u>
 Cash flows from noncapital financing activities	
State appropriations	7,617,757
Tax revenues	210,539
Net cash provided by noncapital financing activities	<u>7,828,296</u>
 Cash flows from capital and related financing activities	
Purchase of capital assets	(2,470,861)
Sale of capital assets	12,735
Net cash provided by capital and related financing activities	<u>(2,458,126)</u>
 Cash flows from investing activities	
Investment earnings	14,992
Net cash provided by investing activities	<u>14,992</u>
 Increase (decrease) in cash and cash equivalents	1,345,089
Cash and cash equivalents - beginning of year	<u>809,290</u>
 Cash and cash equivalents - end of year	<u>\$ 2,154,379</u>
 Reconciliation of net operating revenues (expenses) to net cash (used) by operations	
Operating Income (Loss)	\$ (4,626,266)
Adjustments to reconcile operating income (loss) to net cash (used) by operations	
Depreciation	601,625
Changes in assets and liabilities:	
Receivables	20,093
Inventories	(39,328)
Other assets	655,966
Accounts payable and accrued liabilities	(635,146)
Compensated Absences	(17,017)
Net cash (used) by operating activities	<u>\$ (4,040,073)</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, 2011

ASSETS

Cash on deposit
TOTAL ASSETS

\$ 27,211
\$ 27,211

LIABILITIES

Due to student groups
TOTAL LIABILITIES

\$ 27,211
\$ 27,211

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

History

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2011

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 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.

JUNE 30, 2011

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, 2011.

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2011

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.

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2011

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, 2011

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, 2011

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, 2011, 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	\$ 2,561,614
Less: FDIC or NCUSIF Coverage	<u>888,357</u>
Uninsured Public Funds	836,629
Pledged collateral held by pledging banks agent in the name of the College	<u>(2,181,011)</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, 2011, None of the government's bank balance of \$ 1,645,450 was exposed to custodial credit risk as follows:

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

3. **CASH HELD BY OTHERS**

During the 2007 and 2008 fiscal year Mesalands Community College received \$65,000 from the state legislature 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, 2011, 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, 2011

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	\$ 614,336	\$ 59,228	\$ 555,108
Taxes receivable	5,053		5,053
Grants receivable	55,047	-	55,047
NSF check chargeback	107	-	107
Due from other agencies	31,370	-	31,370
Total Account Receivable	<u>\$ 705,913</u>	<u>\$ 59,228</u>	<u>\$ 646,685</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 year's 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, 2011 was \$ 253,056.

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 \$ 128,096 at June 30, 2011. 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, 2011 of \$ 86,392. The compensated absences balance at June 30, 2011 is \$ 214,488. There is an decrease of \$ 17,017 from the previous year-end balance of \$ 231,505.

	<u>6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/11</u>	Amounts Due in <u>One Year</u>
Total Compensated Absences	<u>\$ 231,505</u>	<u>\$ 197,816</u>	<u>\$ 214,833</u>	<u>\$ 214,488</u>	<u>\$ 98,908</u>

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2011

8. CAPITAL ASSETS

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

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
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	225,050	14,043	-	239,093
Buildings & Improvements	10,057,888	6,677,223	-	16,735,111
Equipment	5,243,265	15,500	12,735	5,246,030
Construction in Progress	4,248,640	2,428,583	6,677,223	-
Total Depreciable Assets	<u>19,797,216</u>	<u>9,135,349</u>	<u>6,689,958</u>	<u>22,242,607</u>
Total Capital Assets	<u>21,768,175</u>	<u>9,135,349</u>	<u>6,689,958</u>	<u>24,213,566</u>
Accumulated Depreciation				
Leasehold Improvements	13,839	1,698	-	15,537
Library Books	107,354	18,965	-	126,319
Buildings & Improvements	1,738,162	280,959	-	2,019,121
Equipment	1,830,644	300,003	7,165	2,123,482
Total Accumulated Depreciation	<u>3,689,999</u>	<u>601,625</u>	<u>7,165</u>	<u>4,284,459</u>
Capital Assets - net	<u>\$ 18,078,176</u>	<u>\$ 8,533,724</u>	<u>\$ 6,682,793</u>	<u>\$ 19,929,107</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, 2011, the College held \$ 27,211 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, 2011

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 through June 30, 2011, 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. Mesalands Community 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. Effective July 1, 2011 plan members are required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually are required to contribute 11.15% of their gross salary. Mesalands Community College is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 9.15% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and Mesalands Community College are established in State statute under Chapter 22, Article 11, NMSA 1978. The Requirements may be amended by acts of legislature. Mesalands Community College's contributions to the ERB for the fiscal years ended June 30, 2011, 2010 and 2009 were: \$ 258,162, \$ 272,206, 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.

JUNE 30, 2011

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

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the 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, 2011, the statute requires each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee is required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 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>
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, 2011, 2010 and 2009 were \$ 42,228 \$ 34,405 and \$ 31,578, 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, 2011

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**

None of the budgets were overspent for the fiscal year.

16. **RESTRICTED NET ASSETS**

The statement of net assets reports \$ 328,056 of restricted net assets, of which \$ 328,056 is restricted by enabling legislation.

17. **RESTATEMENT OF NET ASSETS**

The statement of net assets was restated by \$ 5,864 due to correction of prior year payables.

SUPPORTING SCHEDULES

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

FOR THE YEAR ENDING JUNE 30, 2011

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Beginning Fund Balance	\$ 746,447	\$ 1,183,740	\$ 1,183,740	\$ -
Unrestricted and Restricted Revenues:				
Tuition and Miscellaneous Fees	956,500	956,500	851,562	104,938
Federal Government Appropriations	1,500,000	1,500,000	1,223,622	276,378
State Government Appropriations	4,589,400	4,478,750	4,507,959	(29,209)
Local Government Appropriations	170,000	170,000	210,278	(40,278)
Federal Govt. Grants and Contracts	414,000	414,000	254,648	159,352
State Govt. Grants and Contracts	152,169	152,169	145,994	6,175
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	103,500	103,500	106,151	(2,651)
Endowments, Land, and Perm Fund	-	-	-	-
Sales and Services	894,000	894,000	546,414	347,586
Other Sources	171,700	171,700	161,756	9,944
State GO and Severance Tax Bonds	-	-	-	-
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	-	-	-	-
Total Unrestricted and Restricted Revenues	8,951,269	8,840,619	8,008,384	832,235
Unrestricted and Restricted Expenditures:				
Instruction	2,632,067	2,417,767	2,185,522	232,245
Academic Support	628,840	611,840	471,603	140,237
Student Services	930,640	920,640	813,789	106,851
Institutional Support	883,412	958,412	912,736	45,676
Operation & Maintenance of Plant	720,054	720,054	554,906	165,148
Public Service	508,169	508,169	219,450	288,719
Student Aid, Grants & Stipends	1,884,500	1,909,500	1,602,950	306,550
Auxiliary Enterprises	503,945	503,945	439,789	64,156
Intercollegiate Athletics	120,000	155,000	149,255	5,745
Renewal & Replacement	67,307	67,307	62,243	5,064
Internal Services	5,000	5,000	(72,651)	77,651
Capital Outlay	-	-	-	-
Total Unrestricted and Restricted Expenditures	8,883,934	8,777,634	7,339,592	1,438,042
Net Transfers	20,250	20,250	20,250	-
Change in Fund Balance (budgetary basis)	87,585	83,235	689,042	(605,807)
Ending Fund Balance	\$ 658,862	\$ 1,100,505	\$ 1,872,782	\$ 605,807

The accompanying notes are an integral part of these financial statements

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

FOR THE YEAR ENDING JUNE 30, 2011

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Beginning Fund Balance	\$ 490,467	\$ 501,869	\$ 501,869	\$ -
Unrestricted Revenues:				
Tuition and Miscellaneous Fees	-	-	-	-
Federal Government Appropriations	-	-	-	-
State Government Appropriations	93,600	124,250	124,250	-
Local Government Appropriations	-	-	-	-
Federal Govt. Grants and Contracts	-	-	-	-
State Govt. Grants and Contracts	-	-	-	-
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	3,500	3,500	-	3,500
Endowments, Land, and Perm Fund	-	-	-	-
Sales and Services	894,000	894,000	546,414	347,586
Other Sources	19,700	19,700	1,935	17,765
State GO and Severance Tax Bonds Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	-	-	-	-
Total Unrestricted Revenues	1,010,800	1,041,450	672,599	368,851
Unrestricted Expenditures:				
Instruction	-	-	-	-
Academic Support	-	-	-	-
Student Services	-	-	-	-
Institutional Support	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Public Service	324,000	324,000	73,456	250,544
Student Aid, Grants & Stipends	127,000	152,000	139,734	12,266
Auxiliary Enterprises	503,945	503,945	439,789	64,156
Intercollegiate Athletics	120,000	155,000	149,255	5,745
Renewal & Replacement	67,307	67,307	62,243	5,064
Internal Service	5,000	5,000	(72,651)	77,651
Capital Outlay	-	-	-	-
Total Unrestricted Expenditures	1,147,252	1,207,252	791,826	415,426
Net Transfers	181,517	206,517	206,517	-
Change in Fund Balance (budgetary basis)	45,065	40,715	87,290	(46,575)
Ending Fund Balance	\$ 535,532	\$ 542,584	\$ 589,159	\$ (46,575)

The accompanying notes are an integral part of these financial statements

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

FOR THE YEAR ENDING JUNE 30, 2011

	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	1,500,000	1,500,000	1,223,622	276,378
State Government Appropriations	140,500	140,500	169,709	(29,209)
Local Government Appropriations	-	-	-	-
Federal Govt. Grants and Contracts	49,000	49,000	-	49,000
State Govt. Grants and Contracts	152,169	152,169	145,994	6,175
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	100,000	100,000	106,151	(6,151)
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>1,941,669</u>	<u>1,941,669</u>	<u>1,645,476</u>	<u>296,193</u>
Restricted Expenditures:				
Instruction	-	-	-	-
Academic Support	-	-	-	-
Student Services	-	-	-	-
Institutional Support	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Public Service	184,169	184,169	145,994	38,175
Student Aid, Grants & Stipends	1,757,500	1,757,500	1,463,216	294,284
Auxiliary Enterprises	-	-	-	-
Intercollegiate Athletics	-	-	-	-
Renewal & Replacement	-	-	-	-
Internal Service	-	-	-	-
Capital Outlay	-	-	-	-
Total restricted expenses	<u>1,941,669</u>	<u>1,941,669</u>	<u>1,609,210</u>	<u>332,459</u>
Net Transfers	-	-	-	-
Change in Fund Balance (budgetary basis)	-	-	36,266	(36,266)
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,266</u>	<u>\$ (36,266)</u>

The accompanying notes are an integral part of these financial statements

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

FOR THE YEAR ENDING JUNE 30, 2011

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Beginning Fund Balance	\$ 255,980	\$ 681,871	\$ 681,871	\$ -
Unrestricted Revenues:				
Tuition and Miscellaneous Fees	956,500	956,500	851,562	104,938
Federal Government Appropriations	-	-	-	-
State Government Appropriations	4,355,300	4,214,000	4,214,000	-
Local Government Appropriations	170,000	170,000	210,278	(40,278)
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	159,821	(7,821)
State GO and Severence Tax Bonds	-	-	-	-
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	-	-	-	-
Total Unrestricted Revenues	<u>5,633,800</u>	<u>5,492,500</u>	<u>5,435,661</u>	<u>56,839</u>
Expenditures:				
Instruction	2,267,067	2,052,767	1,930,874	121,893
Academic Support	628,840	611,840	471,603	140,237
Student Services	930,640	920,640	813,789	106,851
Institutional Support	883,412	958,412	912,736	45,676
Operation & Maintenance of Plant	720,054	720,054	554,906	165,148
Public Service	-	-	-	-
Student Aid, Grants & Stipends	-	-	-	-
Auxiliary Enterprises	-	-	-	-
Intercollegiate Athletics	-	-	-	-
Renewal & Replacement	-	-	-	-
Internal Service	-	-	-	-
Capital Outlay	-	-	-	-
Total Unrestricted Expenditures	<u>5,430,013</u>	<u>5,263,713</u>	<u>4,683,908</u>	<u>579,805</u>
Net Transfers	<u>(161,267)</u>	<u>(186,267)</u>	<u>(186,267)</u>	<u>-</u>
Change in Fund Balance (Budgetary Basis)	<u>42,520</u>	<u>42,520</u>	<u>565,486</u>	<u>(522,966)</u>
Ending Fund Balance	<u>\$ 298,500</u>	<u>\$ 724,391</u>	<u>\$ 1,247,357</u>	<u>\$ (522,966)</u>

The accompanying notes are an integral part of these financial statements

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

FOR THE YEAR ENDING JUNE 30, 2011

	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	365,000	365,000	254,648	110,352
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>365,000</u>	<u>365,000</u>	<u>254,648</u>	<u>110,352</u>
Restricted Expenditures:				
Instruction	365,000	365,000	254,648	110,352
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>365,000</u>	<u>365,000</u>	<u>254,648</u>	<u>110,352</u>
Net Transfers	-	-	-	-
Change in Fund Balance (Budgetary Basis)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

SCHEDULE VI

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

FOR THE YEAR ENDING JUNE 30, 2011

Unrestricted and Restricted Revenues:

Total Budgetary Basis	\$ 8,008,384
Add: Current year receivables and other credits	4,045,843
Deduct: Prior year receivables and other debits	169,433
Total GAAP Basis	<u>\$ 11,884,794</u>

Unrestricted and Restricted Expenditures:

Total Budgetary Basis	\$ 7,339,592
Add: Current year payables and other debits	2,115,031
Deduct: Prior year payables and other credits	786,851
Total GAAP Basis	<u>\$ 8,667,772</u>

The accompanying notes are an integral part of these financial statements

SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS

JUNE 30, 2011

		Account Type	Balance per Bank	Deposits in Transit	Outstanding Checks	Reconciled Cash
1st National Bank of New Mexico	General	MM	\$ 1,919,916	\$ 1,812	\$ (448,014)	\$ 1,473,714
1st National Bank of New Mexico	Payroll	MM	3,341	-	(7,279)	(3,938)
Everyones Federal Credit Union	Agency	Share Draft	30,026	-	(2,815)	27,211
Quay Schools Credit Union	General	CD	39,893	-	-	39,893
Tucumcari Federal S&L	General	CD	50,877	-	-	50,877
Everyones Federal Credit Union	General	CD	51,183	-	-	51,183
Everyones Federal Credit Union	General	CD	51,183	-	-	51,183
Everyones Federal Credit Union	General	CD	51,370	-	-	51,370
Tucumcari Federal S&L	General	CD	51,143	-	-	51,143
Quay Schools Credit Union	General	CD	50,549	-	-	50,549
Quay Schools Credit Union	General	CD	91,042	-	-	91,042
Tucumcari Federal S&L	General	CD	60,335	-	-	60,335
Tucumcari Federal S&L	General	CD	60,335	-	-	60,335
Quay Schools Credit Union	General	CD	50,421	-	-	50,421
			<u>\$ 2,561,614</u>	<u>\$ 1,812</u>	<u>\$ (458,108)</u>	2,105,318
Petty Cash						<u>1,272</u>
						2,106,590
Add: Cash held by others						75,000
Cash overdraft						3,938
Less: Agency fund cash						<u>(27,211)</u>
Total cash Statement of Net Assets						<u>\$ 2,158,317</u>

* All accounts are interest bearing

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

SCHEDULE VIII

SCHEDULE OF PLEDGED COLLATERAL

JUNE 30, 2011

	Total Deposits	FDIC or NCUSIF Insurance	Collateral Required	Collateral Pledged	Security Deficit
1ST National Bank of New Mexico	\$ 1,923,257	\$ 250,000	\$ 836,629	\$ 2,181,011	\$ -
<u>COLLATERAL</u>	<u>CUSIP #</u>	<u>MATURITY</u>			
Bernalillo NM Mun Sch Dist	085279MW4	08/01/17	\$ 79,011		
FHLMC Arm	3128NCMT8	10/01/35	47,273		
Gadsden NM Indpt Sch Dist	362550KG9	08/15/15	155,100		
Roosevelt Cnty NM G.R.	776461AL9	06/01/17	110,855		
Dulce NM Indpt Sch Dist	264430GQ6	06/01/14	105,527		
Torrance ETC CNTYS NM	891400MS9	03/15/18	234,408		
San Jon NM Mun Sch Dist	798127BJ4	05/01/13	52,986		
San Jon NM Mun Sch Dist	798127BK1	05/01/14	53,778		
San Jon NM Mun Sch Dist	798127BL9	05/01/15	53,985		
Mosquero NM Mun Sch Dist	619636DR1	08/15/18	259,850		
FFCB Fixed Rate Note	31331X4F6	09/21/17	117,180		
Dulce NM indpt Sch Dist	264430GR4	06/01/15	109,977		
FNMA Arm	31402HA50	11/01/33	34,508		
FHLB Fixed Rate Note	313371VF0	12/11/15	301,795		
FNMA	31419KU78	11/01/25	95,686		
Portales NM Mun Sch Dist	736151DH1	01/15/17	103,899		
Portales NM Mun Sch Dist	736151DJ7	01/15/18	265,193		
			<u>\$ 2,181,011</u>		
Everybody's Federal Credit Union	\$ 30,026	\$ 30,026	\$ -	\$ -	\$ -
Quay Schools Credit Union	\$ 231,905	\$ 231,905	\$ -	\$ -	\$ -
Tucumcari Federal S & L	\$ 222,690	\$ 222,690	\$ -	\$ -	\$ -
Everybody's Federal Credit Union	\$ 153,736	\$ 153,736	\$ -	\$ -	\$ -

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 College 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, 2011

	Balance 6/30/2010	Additions	Deductions	Balance 6/30/2011
Auto tech club	\$ 1,517	\$ 4	\$ -	\$ 1,521
Astronomy club	196	1	-	197
Checkmate chess club	363	960	745	578
Chi Alpha	445	1	-	446
Diesel club	970	24	-	994
Skills USA club	346	1	-	347
Hot meal club	2,417	8	1	2,424
Life savers club	449	1	-	450
Livestock judging	412	1	-	413
Natural Science club	217	1	-	218
Peer mentoring	388	1	-	389
Phi Theta Kappa	1,019	1,652	2,113	558
Rodeo club	6,054	11,643	8,880	8,817
Farrier SHOE club	9,045	1,661	5,489	5,217
SIFE	1,014	4	4	1,014
Spanish club	806	2	-	808
Student senate	1,082	776	1,020	838
Truck driving club	393	1	-	394
Tucumcari softball club	41	1	-	42
M.E.S.A.	366	1	-	367
NAWRTC	-	71	-	71
Fossil friends	3,000	931	3,930	1
Employee office fund	1,238	1,532	2,525	245
GED Club	38	1,041	217	862
TOTAL	<u>\$ 31,816</u>	<u>\$ 20,319</u>	<u>\$ 24,924</u>	<u>\$ 27,211</u>

The accompanying notes are an integral part of these financial statements

FEDERAL AWARDS SECTION

Woodard, Curran & 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, 2011, and have issued our report thereon dated December 12, 2011. 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 the 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 the Mesalands Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 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.

Compliance and Other Matters

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

We noted certain matters that are required to be reported under Government Auditing Standards paragraph 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which are described in the accompanying Schedule of Findings and Recommendations as item 2011-1, 2011-2 and 2011-3.

The Mesalands Community College's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the 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 Mesalands Community College Trustees, others within the College, the New Mexico Commission on Higher Education, the Office of the State Auditor, the New Mexico State Legislature, and applicable federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

Mesalands Community College

December 12, 2011

Woodard, Curran & Co.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 Mesalands Community College's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Mesalands Community College's major federal programs for the year ended June 30, 2011. Mesalands Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Mesalands Community College's management. Our responsibility is to express an opinion on Mesalands Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 could have a direct and material effect on each of its major federal programs, for the year ended June 30, 2011.

Portales: 305 S. Avenue B or PO Box 445, Portales NM 88130 – Phone 575-356-8564 Fax 575-356-2453
Clovis: 116 E. Grand Avenue or PO Box 1874, Clovis NM 88101 – Phone 575-762-3811 Fax 575-762-3866

Internal Control over Compliance

The management of Mesalands Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mesalands Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Mesalands Community College Trustees, others within the College, the New Mexico Commission on Higher Education, the Office of the State Auditor, the New Mexico State Legislature, and applicable federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature

December 12, 2011

STATE OF NEW MEXICO
 MESALANDS COMMUNITY COLLEGE

SCHEDULE X

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

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	\$ 1,414,614	\$ 1,143,345
<1>Federal Work Study Program	84.033	P003A008469	24,891	24,891
<1>Federal SEOG Program	84.007	P007A008469	19,747	15,240
<1>Federal Academic Competitiveness Grant	84.375	P375A098471	25,000	24,262
TOTAL DIRECT GRANTS				<u>1,207,738</u>
Passed through the State Department of Higher Education				
Adult Basic Education	84.002	SPE499888	39,115	31,570
Adult Basic Education - EI Civics	84.002	SPE499888	7,562	7,504
<1>State Fiscal Stabilization Funds	84.394		128,100	107,575
TOTAL PASSTHROUGH GRANTS				<u>146,649</u>
TOTAL DEPARTMENT OF EDUCATION				<u>1,354,387</u>
SMALL BUSINESS ADMINISTRATION				
Small Business Development Center	59.037	7620003212	164,495	145,994
TOTAL SMALL BUSINESS ADMINISTRATION				<u>145,994</u>
TOTAL FEDERAL AWARDS EXPENDITURES				<u>\$ 1,500,381</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, 2011

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Report on Financial Statements	Unqualified
Significant Deficiencies on GAGAS	None
Other matters required to be reported	2011-1, 2011-2 and 2011-3
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#84.375 State Stabilization Funds ARRA CFDA#84.394
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>
2010-1 Overspent Budgets	Resolved
2009-2 Activity receipts	Resolved
2009-3 Student accounts receivable reconciliation	Resolved

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Current Year Findings –

Compliance

2011-1 Disposal of Capital Assets (Other)

Condition: The College failed to notify the Office of the State Auditor of its intent to dispose of assets, 30 days prior to their disposal.

Criteria: The New Mexico State Auditor's Office has issued 2.2.2.10 NMAC V. Disposition of Property, which states that at least 30 days prior to any disposition of property on the agency inventory list, written notification of the official finding an proposed disposition and duly sworn and subscribed under oath by each member of the authority approving the action must be sent to the State Auditor.

Cause: The College disregarded the policies and procedures established by the Office of the State Auditor, because they were unaware of those policies in the State Auditor Rule for 2011.

Effect: Violated policies and procedures established by the Office of the State Auditor regarding disposal of capital assets.

Recommendation: The College should make sure someone attends the training on the State Audit Rule each year and should keep a copy of the rule on hand to refer to when needed.

Response: The College concurs with the "Cause" stated above. Both the Dean of Administrative Services and the Business Manger were new to their positions and were not aware of the policy. Both the Dean of Administrative Services and the Business Manager will attend the training on the next State Auditor Rule. In addition, the College policies and procedures related to the disposition of property will be reviewed and revised as needed to ensure they include the notification to the Office of the State Auditor when disposing property.

2011-2 Late Audit Report (Other)

Condition: The June 30, 2011 audit report was received by the New Mexico State Auditor's Office on January 17, 2011.

Criteria: The New Mexico State Auditor's Office has issued 2. NMAC 2.2, Requirements for Contracting and Conducting Audits of Agencies, setting due dates for College audits to be submitted by November 15, 2011.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

2011-2 Late Audit Report (Other), continued

Cause: During and after the fiscal year audited, there were a number of either changes or shifting of personnel within the business office. Due to training, review and correction of postings and the closing process, the College was not ready to be audited as early as normal. Once the audit began there were delays due to both auditor hardware issues and the need for additional adjusting entries for the fiscal year.

Effect: The report was not available for the New Mexico State Auditor and other users to review on a timely basis. Late audit reports could have an effect on future funding.

Recommendation: The College should continue to train personnel and develop the procedures to ensure that all adjusting entries and the closing process is completed more timely. We believe this was an isolated incident, due to the changes in personnel and auditor hardware issues.

Response The Dean of Administrative Services, the Business Manager and the Director of Personnel were all new to their positions. This impacted the timeline of the year-end review and the closing process. These issues along with the auditor's hardware issues caused delays leading to the audit report being submitted late to the New Mexico State Auditor's Office. Now that the Dean of administrative Services, the Business Manager and the Director of Personnel have been in position and through the audit process, no future delays are expected.

Internal Control

2011-3 Internal Review Process (Other)

Condition: There were a number of corrections which had to be posted as adjusting entries by the College during the audit process.

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 all accounts should be made timely in an effort to provide accurate and up to date information for managements use in decision making.

Cause: The College had a number of changes or shifting of key personnel in the business office. Due to the amount of time spent in training and the timing of some of the changes, not all of the accounts were evaluated by College staff to ensure that all adjustments were made prior to the initial closing of the books.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Internal Control, continued

2011-3 Internal Review Process, continued

Effect: Besides delaying the audit process, the information presented to management could be inaccurate, which would create erroneous reports being used by management and others.

Recommendation: The College should consider changing accounting systems which would integrate all components in the reporting process, including accounts receivable, accounts payable, payroll and student enrollment and billings. Also, the college should develop review procedures to ensure all accounts are evaluated or reconciled prior to the final closing of the books.

Response: The Dean of Administrative Services, the Business Manager, the Account Specialist and the Director of Personnel were all new to their positions. Now that these personnel have been in position and through the audit process, the College will review procedures to ensure all accounts are evaluated or reconciled prior to the final closing of the books. The College concurs with the "Recommendation" above in changing administrative computing systems to integrate financial and student components. The College will review new systems and determine if changing systems is feasible.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

OTHER INFORMATION

JUNE 30, 2011

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 December 12, 2011. Present were J. Bronson Moore, Chair; Dr. Mildred P. Lovato, President, David Plummer, Dean of Administrative Services and D. Brent Woodard, CPA.