

STATE OF NEW MEXICO  
 MESALANDS COMMUNITY COLLEGE

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JUNE 30, 2012

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MESALANDS COMMUNITY COLLEGE

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STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

OFFICIAL ROSTER

JUNE 30, 2012

BOARD OF TRUSTEES

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

EXECUTIVE PERSONNEL

Dr. Mildred P. Lovato	President
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, 2012, 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, 2012 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, 2012 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, 2012 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 April 26, 2013 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 25 through 30 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-Clyde & Co.*

April 26, 2013

**State of New Mexico**  
Mesalands Community College  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012

**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, 2012. 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 2012.

**Financial Highlights**

Net assets increased by \$53,796 or 2% in 2012 over net assets in 2011. The increases are primarily due to an increase in current assets.

In 2012, total assets were increased by \$389,897 over total assets in 2011.

Total revenues in fiscal year 2012 were \$8,341,068 as compared to \$11,884,794 in fiscal year 2011. State appropriations account for the largest source of revenue at \$4,262,523. This reduction may be primarily attributed to a reduction in capital funds. In 2012, grants and contracts generated revenues of \$2 million. In fiscal year 2012, student tuition and fee revenue decreased by \$126,647, as compared to 2011.

**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 2012. 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, 2012

**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, 2012

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

Mesalands Community College  
 Condensed Summary of Net Assets  
 June 30, 2012 and 2011

<b>Assets</b>	<b>2012</b>	<b>2011</b>	<b>Increase Decrease*</b>
Current Assets	\$ 3,532,020	\$ 3,057,951	\$ 474,069
Capital Assets, net	\$ 19,823,534	\$ 19,929,107	\$ (105,573) *
Other Assets	<u>\$ 48,591</u>	<u>\$ 27,190</u>	<u>\$ 21,401</u>
Total Assets	\$ 23,404,145	\$ 23,014,248	\$ 389,897
<b>Liabilities</b>			
Current Liabilities	\$ 432,641	\$ 316,118	\$ 116,523
Non-Current Liabilities	<u>\$ 318,486</u>	<u>\$ 98,908</u>	<u>\$ 219,578</u>
Total Liabilities	\$ 751,127	\$ 415,026	\$ 336,101
<b>Net Assets</b>			
Invested in Capital Assets (Net of Related Debt)	\$ 19,823,534	\$ 19,929,107	\$ (105,573) *
Restricted for Inventories	\$ 259,542	\$ 253,056	\$ 6,486
Restricted for Endowments	\$ 75,000	\$ 75,000	\$ 0
Unrestricted	<u>\$ 2,494,942</u>	<u>\$ 2,342,059</u>	<u>\$ 152,883</u> *
Total Net Assets	<u>\$ 22,653,018</u>	<u>\$ 22,599,222</u>	<u>\$ 53,796</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, 2012 equal \$2,444,470, 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 2012 were \$432,641.

Non-current assets are capital assets, net of accumulated depreciation, for 2012 were \$19,823,534, the capital assets increased due to construction in progress.

For fiscal year 2012, the College has incurred an outstanding debt of \$178,250 for the repair of the Mesalands Community Colleges Dinosaur Museum and Natural History Laboratory roof.

**State of New Mexico**  
 Mesalands Community College  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 June 30, 2012

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

Mesalands Community College  
 Condensed Summary of Net Assets  
 June 30, 2012 and 2011

<b>Operating Revenue by Major Source</b>	<b>2012</b>	<b>2011</b>	<b>Increase Decrease</b>	<b>*</b>
Tuition and Fees	\$ 961,371	\$ 1,088,018	\$ (126,647)	*
Grants and Contracts	2,205,084	1,903,701	301,383	
Sales and Services	639,436	1,016,096	(376,660)	*
Other operating revenue	<u>26,363</u>	<u>33,691</u>	<u>(7,328)</u>	*
Total	\$ 3,832,254	\$ 4,041,506	\$ (209,252)	*
<b>Operating Expenses by Major Function</b>				
Instruction	\$ 3,938,785	\$ 2,247,867	\$ 1,690,918	
Academic Support	448,918	485,056	(36,138)	*
Student Services	847,210	837,004	10,206	
Institutional Support	822,504	938,773	(116,269)	*
Operation and Maintenance of Plant	641,395	570,735	70,660	
Public Service	195,634	225,710	(30,076)	*
Depreciation	640,579	601,625	38,954	
Student Aid	129,587	1,648,676	(1,519,089)	*
Auxiliary Services	429,399	452,335	(22,936)	*
Internal Services	-	375,000	(375,000)	*
Intercollegiate Athletics	118,329	153,513	(35,184)	*
Renewals and replacements	<u>63,175</u>	<u>131,478</u>	<u>(68,303)</u>	*
Total	\$ 8,275,515	\$ 8,667,772	\$ (392,257)	*
Non-Operating Revenues (Expenses)				
State Appropriation	\$ 4,262,523	\$ 7,617,757	\$ (3,355,234)	*
Local Tax Levy	223,575	210,539	13,036	
Investment Income	22,716	14,992	7,724	
Donations	<u>0</u>	<u>0</u>	<u>0</u>	
Total	\$ 4,508,814	\$ 7,843,288	\$ (3,334,474)	*
Total increase (decrease) in net assets	\$ 3,276,682	\$ 3,222,886	\$ 53,796	
Net assets, end of year	<u>\$ 22,653,018</u>	<u>\$ 19,376,336</u>	<u>\$ 3,276,682</u>	

**State of New Mexico**  
Mesalands Community College  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012

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. The College purchased Jenzabar, an accounting system that integrates all components in the reporting process, including accounts receivable, accounts payable, payroll, student enrollment and billings, which is the primary increase for operating expenses.

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

### **General Budgetary Highlights**

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

### **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, 2012

	<u>Primary Institution</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 2,444,470
Restricted cash held in trust by others (Note 3)	75,000
Accounts receivable, net (Note 4)	378,054
Inventories (Note 5)	259,542
Due from grantors (Note 4)	368,688
Due from other agencies (Note 4)	6,266
Total Current Assets	<u>3,532,020</u>
Noncurrent assets:	
Capital assets, net (Note 8)	19,823,531
Prepaid expenses	48,594
Total Noncurrent Assets	<u>19,872,125</u>
Total Assets	<u>23,404,145</u>
<b>LIABILITIES</b>	
Current liabilities:	
Cash overdrafts	1,719
Accounts payable and deferred liabilities	315,133
Funds held for others	2,635
Compensated absences, current portion	113,154
Loan Payable to New Mexico Finance Authority, current portion	12,782
Total Current Liabilities	<u>445,423</u>
Noncurrent liabilities:	
Compensated absences, less current portion	140,236
Loan Payable to New Mexico Finance Authority, less current portion	165,468
Total Noncurrent Liabilities	<u>305,704</u>
Total Liabilities	<u>751,127</u>
<b>NET ASSETS</b>	
Invested in capital assets	19,823,531
Restricted for inventories	259,542
Restricted for endowments	75,000
Unrestricted	2,494,945
Total Net Assets	<u>\$ 22,653,018</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, 2012

	Primary Institution
Operating Revenues:	
Student tuition and fees	\$ 961,371
Grants and contracts	2,205,084
Sales and services	639,436
Other operating revenues	26,363
Total Operating Revenues	<u>3,832,254</u>
Operating Expenses:	
Education and general	
Instruction	3,938,785
Academic support	448,918
Student support	847,210
Institutional support	822,504
Operation and maintenance of plant	641,395
Public Service	195,634
Student aid, grants and stipends	129,587
Renewals and replacements	63,175
Depreciation	640,579
Auxiliary enterprises	429,399
Intercolligiate athletics	118,329
Total Operating Expenses	<u>8,275,515</u>
Operating Income (Loss)	<u>(4,443,261)</u>
Nonoperating Revenues (Expenses):	
State appropriations	4,262,523
Taxes	223,575
Interest	22,716
Total Nonoperating Revenues (Expenses)	<u>4,508,814</u>
Income (Loss) before contributions and transfers	65,553
Capital Contributions	-
Change in Net Assets	<u>65,553</u>
Net Assets Beginning of Year	22,599,222
restatements	(11,757)
Net Assets Beginning of Year as restated	<u>22,587,465</u>
Net Assets End of Year	<u>\$ 22,653,018</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, 2012

Cash flows from operating activities	
Receipts from student tuition and fees	\$ 961,371
Receipts from grants and contracts	2,205,084
Other receipts	665,799
Payments to or on behalf of employees	(3,872,838)
Payment to suppliers for goods and services	(2,236,333)
Payments for scholarships	(1,511,772)
Net cash (used) by operating activities	<u>(3,788,689)</u>
Cash flows from noncapital financing activities	
State appropriations	4,262,523
Tax revenues	223,575
Net cash provided by noncapital financing activities	<u>4,486,098</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	(535,003)
Notes Payable (net)	178,250
Net cash provided by capital and related financing activities	<u>(356,753)</u>
Cash flows from investing activities	
Investment earnings	22,716
Net cash provided by investing activities	<u>22,716</u>
Increase (decrease) in cash and cash equivalents	363,372
Cash and cash equivalents - beginning of year	<u>2,154,379</u>
Cash and cash equivalents - end of year	<u>\$ 2,517,751</u>
Reconciliation of net operating revenues (expenses) to net cash (used) by operations	
Operating Income (Loss)	\$ (4,443,261)
Adjustments to reconcile operating income (loss) to net cash (used) by operations	
Depreciation	640,579
Changes in assets and liabilities:	
Receivables	(177,054)
Inventories	3,486
Other assets	283,484
Accounts payable and accrued liabilities	(57,021)
Compensated Absences	(38,902)
Net cash (used) by operating activities	<u>\$ (3,788,689)</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, 2012

ASSETS

Cash on deposit

\$ 29,247

TOTAL ASSETS

\$ 29,247

LIABILITIES

Due to student groups

\$ 29,247

TOTAL LIABILITIES

\$ 29,247

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, 2012

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, 2012

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.

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2012

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, 2012.

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2012

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, 2012

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

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2012

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, 2012

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, 2012, 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	\$ 3,006,567
Less: FDIC or NCUSIF Coverage	<u>1,145,157</u>
Uninsured Public Funds	1,861,410
Pledged collateral held by pledging banks agent in the name of the College	<u>( 2,485,630)</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, 2012, the government's bank balance of \$ 3,006,567 was exposed to custodial credit risk as follows:

Mesalands Community College

Uninsured and Un-collateralized	\$ <u>      NONE</u>
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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, 2012, 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, 2012

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	\$ 398,220	\$ 21,166	\$ 377,054
Taxes receivable	6,266		6,266
Grants receivable	285,564	-	285,564
NSF check chargeback	1,000	-	1,000
Due from other agencies	83,124	-	83,124
Total Account Receivable	\$ 774,174	\$ 21,166	\$ 753,008

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, 2012 was \$ 259,542.

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 \$ 157,168 at June 30, 2012. 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, 2012 of \$ 96,222. The compensated absences balance at June 30, 2012 is \$ 253,390. There is an increase of \$ 38,902 from the previous year-end balance of \$ 214,488.

	<u>6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/12</u>	Amounts Due in <u>One Year</u>
Total Compensated Absences	\$ 214,488	\$ 140,236	\$ 101,334	\$ 253,390	\$ 113,154

STATE OF NEW MEXICO  
 MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2012

**8. LONG-TERM DEBT**

On October 5, 2011 the College received a loan from the New Mexico Finance Authority. The proceeds of the loan were used to make repairs to the roof of the main building on campus. The loan is non interest bearing, and was in the amount of \$ 178,250. Thirteen annual payments of \$ 12,782 are due beginning July 15, 2012 with a final payment of \$ 12,084 due July 15, 2025.

	Balance 7/1/2011	Increases	Decreases	Balance 6/30/2012	Amounts Due Within One Year
NMFAA	\$ -	\$ 178,250	\$ -	\$ 178,250	\$ 12,782
TOTAL	<u>\$ -</u>	<u>\$ 178,250</u>	<u>\$ -</u>	<u>\$ 178,250</u>	<u>\$ 12,782</u>

The annual requirement to amortize all long-term debt as of June 30, 2012 is shown below:

	NMFAA
6/30/2013	\$ 12,782
6/30/2014	12,782
6/30/2015	12,782
6/30/2016	12,782
6/30/2017	12,782
2018-2022	63,910
2023-2026	50,430
TOTAL	<u>\$ 178,250</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, 2012, the College held \$ 29,247 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.



STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2012

**10. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<b>Non-Depreciated</b>				
Land	\$ 822,495	\$ -	\$ -	\$ 822,495
Museum Collection	1,148,464	1,352	-	1,149,816
Total Non-Depreciated	<u>1,970,959</u>	<u>1,352</u>	<u>-</u>	<u>1,972,311</u>
<b>Other Capital Assets</b>				
Leasehold Improvements	22,373	-	-	22,373
Library Books	239,093	2,021	-	241,114
Buildings & Improvements	16,735,111	206,918	-	16,942,029
Equipment	5,246,030	238,488	-	5,484,518
Construction in Progress	-	86,224	-	86,224
Total Depreciable Assets	<u>22,242,607</u>	<u>533,651</u>	<u>-</u>	<u>22,776,258</u>
Total Capital Assets	<u>24,213,566</u>	<u>535,003</u>	<u>-</u>	<u>24,748,569</u>
<b>Accumulated Depreciation</b>				
Leasehold Improvements	15,537	1,697	-	17,234
Library Books	126,319	19,780	-	146,099
Buildings & Improvements	2,019,121	352,165	-	2,371,286
Equipment	2,123,482	266,937	-	2,390,419
Total Accumulated Depreciation	<u>4,284,459</u>	<u>640,579</u>	<u>-</u>	<u>4,925,038</u>
Capital Assets - net	<u>\$ 19,929,107</u>	<u>\$ (105,576)</u>	<u>\$ -</u>	<u>\$ 19,823,531</u>

**11. EMPLOYEE RETIREMENT SYSTEM**

*Plan Description:* Substantially all of Mesalands Community College's 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 benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified 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 for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2012

11. **EMPLOYEE RETIREMENT SYSTEM**, continued

Funding Policy – Plan members earning \$20,000 or less annually are required by statute to contribute 7.90% of their gross salary. Plan members earning over \$20,000 annually were required to contribute 11.15% of their gross salary in fiscal year 2012 and will be required to contribute 9.40% of their gross salary in fiscal year 2013. The College has been and is required to contribute 12.40% of the gross covered salary for employees earning \$20,000 or less, in fiscal years 2012 and 2013. In fiscal year 2012 the College contributed 9.15% of the gross covered salary of employees earning more than \$20,000 annually. In fiscal year 2013 the College will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and 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, 2012, 2011 and 2010 were: \$ 230,285, \$ 258,162, and \$ 272,206, respectively, which equal the amount of the required contributions for the year.

12. **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, 2012

**12. 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](http://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, 2012, the statute requires each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee is required to contribute .917% of their salary. In the fiscal years ending 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>Rate</u>	<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution</u>
	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, 2012, 2011 and 2010 were \$ 47,406, \$ 42,228 and \$ 34,405, respectively, which equal the required contributions for each year.

**13. 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, 2012

14. **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.

15. **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.

16. **BUDGETS**

None of the budgets were overspent for the fiscal year.

17. **RESTRICTED NET ASSETS**

The statement of net assets reports \$ 334,542 of restricted net assets, of which \$ 334,542 is restricted by enabling legislation.

18. **RESTATEMENT OF NET ASSETS**

The statement of net assets was restated by \$ (11,757) due to correction of prior year receivables.

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, 2012

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Beginning Fund Balance	\$ 820,936	\$ 1,872,782	\$ 1,872,782	\$ -
Unrestricted and Restricted Revenues:				
Tuition and Miscellaneous Fees	1,113,500	1,113,500	1,001,915	111,585
Federal Government Appropriations	1,544,638	1,544,638	-	1,544,638
State Government Appropriations	4,367,900	4,367,900	4,302,352	65,548
Local Government Appropriations	170,000	170,000	222,362	(52,362)
Federal Govt. Grants and Contracts	212,000	954,154	410,707	543,447
State Govt. Grants and Contracts	145,169	703,920	325,736	378,184
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	103,500	103,500	-	103,500
Endowments, Land, and Perm Fund	-	-	-	-
Sales and Services	879,000	879,000	633,018	245,982
Other Sources	173,700	173,700	136,994	36,706
State GO and Severence Tax Bonds	121,000	121,000	63,052	57,948
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	-	-	-	-
Total Unrestricted and Restricted Revenues	8,830,407	10,131,312	7,096,136	3,035,176
Unrestricted and Restricted Expenditures:				
Instruction	2,383,847	3,684,752	2,668,772	1,015,980
Academic Support	616,340	616,340	448,918	167,422
Student Services	886,940	886,940	847,210	39,730
Institutional Support	823,112	823,112	822,504	608
Operation & Maintenance of Plant	720,054	720,054	641,395	78,659
Public Service	463,169	463,169	195,634	267,535
Student Aid, Grants & Stipends	2,009,638	2,009,638	129,587	1,880,051
Auxiliary Enterprises	498,945	498,945	429,399	69,546
Intercollegiate Athletics	120,000	120,000	118,329	1,671
Renewal & Replacement	67,307	67,307	63,175	4,132
Internal Services	5,000	5,000	-	5,000
Capital Outlay	176,000	176,000	117,903	58,097
Total Unrestricted and Restricted Expenditures	8,770,352	10,071,257	6,482,826	3,588,431
Net Transfers	-	-	-	-
Change in Fund Balance (budgetary basis)	60,055	60,055	613,310	(553,255)
Ending Fund Balance	\$ 760,881	\$ 1,812,727	\$ 2,486,092	\$ 553,255

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, 2012

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Beginning Fund Balance	\$ 522,436	\$ 625,425	\$ 625,425	\$ -
Unrestricted Revenues:				
Tuition and Miscellaneous Fees	73,000	73,000	53,561	19,439
Federal Government Appropriations	-	-	-	-
State Government Appropriations	59,900	59,900	59,900	-
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	879,000	879,000	633,018	245,982
Other Sources	19,700	19,700	540	19,160
State GO and Severence Tax Bonds	121,000	121,000	63,052	57,948
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	-	-	-	-
Total Unrestricted Revenues	<u>1,156,100</u>	<u>1,156,100</u>	<u>810,071</u>	<u>346,029</u>
Unrestricted Expenditures:				
Instruction	-	-	-	-
Academic Support	-	-	-	-
Student Services	-	-	-	-
Institutional Support	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Public Service	286,000	286,000	46,883	239,117
Student Aid, Grants & Stipends	159,500	159,500	129,587	29,913
Auxiliary Enterprises	498,945	498,945	429,399	69,546
Intercollegiate Athletics	120,000	120,000	118,329	1,671
Renewal & Replacement	67,307	67,307	63,175	4,132
Internal Service	5,000	5,000	-	5,000
Capital Outlay	176,000	176,000	117,903	58,097
Total Unrestricted Expenditures	<u>1,312,752</u>	<u>1,312,752</u>	<u>905,276</u>	<u>407,476</u>
Net Transfers	<u>174,015</u>	<u>174,015</u>	<u>174,015</u>	<u>-</u>
Change in Fund Balance (budgetary basis)	<u>17,363</u>	<u>17,363</u>	<u>78,810</u>	<u>(61,447)</u>
Ending Fund Balance	<u>\$ 539,799</u>	<u>\$ 642,788</u>	<u>\$ 704,235</u>	<u>\$ (61,447)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

SCHEDULE III

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

FOR THE YEAR ENDING JUNE 30, 2012

	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	1,544,638	1,544,638	-	1,544,638
State Government Appropriations	188,500	188,500	-	188,500
Local Government Appropriations	-	-	-	-
Federal Govt. Grants and Contracts	49,000	49,000	-	49,000
State Govt. Grants and Contracts	145,169	145,169	148,751	(3,582)
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	100,000	100,000	-	100,000
Endowments, Land, and Perm Fund	-	-	-	-
Sales and Services	-	-	-	-
Other Sources	-	-	-	-
State GO and Severence Tax Bonds	-	-	-	-
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	-	-	-	-
Total restricted revenues	2,027,307	2,027,307	148,751	1,878,556
Restricted Expenditures:				
Instruction	-	-	-	-
Academic Support	-	-	-	-
Student Services	-	-	-	-
Institutional Support	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Public Service	177,169	177,169	148,751	28,418
Student Aid, Grants & Stipends	1,850,138	1,850,138	-	1,850,138
Auxiliary Enterprises	-	-	-	-
Intercollegiate Athletics	-	-	-	-
Renewal & Replacement	-	-	-	-
Internal Service	-	-	-	-
Capital Outlay	-	-	-	-
Total restricted expenses	2,027,307	2,027,307	148,751	1,878,556
Net Transfers	-	-	-	-
Change in Fund Balance (budgetary basis)	-	-	-	-
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

SCHEDULE IV

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

FOR THE YEAR ENDING JUNE 30, 2012

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Beginning Fund Balance	\$ 298,500	\$ 1,247,357	\$ 1,247,357	\$ -
Unrestricted Revenues:				
Tuition and Miscellaneous Fees	1,040,500	1,040,500	948,354	92,146
Federal Government Appropriations	-	-	-	-
State Government Appropriations	4,119,500	4,119,500	4,242,452	(122,952)
Local Government Appropriations	170,000	170,000	222,362	(52,362)
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	154,000	154,000	136,454	17,546
State GO and Severence Tax Bonds	-	-	-	-
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	-	-	-	-
Total Unrestricted Revenues	5,484,000	5,484,000	5,549,622	(65,622)
Expenditures:				
Instruction	2,220,847	2,220,847	2,081,080	139,767
Academic Support	616,340	616,340	448,918	167,422
Student Services	886,940	886,940	847,210	39,730
Institutional Support	823,112	823,112	822,504	608
Operation & Maintenance of Plant	720,054	720,054	641,395	78,659
Public Service	-	-	-	-
Student Aid, Grants & Stipends	-	-	-	-
Auxiliary Enterprises	-	-	-	-
Intercollegiate Athletics	-	-	-	-
Renewal & Replacement	-	-	-	-
Internal Service	-	-	-	-
Capital Outlay	-	-	-	-
Total Unrestricted Expenditures	5,267,293	5,267,293	4,841,107	426,186
Net Transfers	(174,015)	(174,015)	(174,015)	-
Change in Fund Balance (Budgetary Basis)	42,692	42,692	534,500	(491,808)
Ending Fund Balance	\$ 341,192	\$ 1,290,049	\$ 1,781,857	\$ (491,808)

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, 2012

	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	163,000	905,154	410,707	494,447
State Govt. Grants and Contracts	-	558,751	176,985	381,766
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>163,000</u>	<u>1,463,905</u>	<u>587,692</u>	<u>876,213</u>
Restricted Expenditures:				
Instruction	163,000	1,463,905	587,692	876,213
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>163,000</u>	<u>1,463,905</u>	<u>587,692</u>	<u>876,213</u>
Net Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance (Budgetary Basis)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

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

FOR THE YEAR ENDING JUNE 30, 2012

Unrestricted and Restricted Revenues:

Total Budgetary Basis	\$ 7,096,136
Add: Current year receivables and other credits	5,290,775
Deduct: Prior year receivables and other debits	4,045,843
Total GAAP Basis	<u>\$ 8,341,068</u>

Unrestricted and Restricted Expenditures:

Total Budgetary Basis	\$ 6,482,826
Add: Current year payables and other debits	3,907,720
Deduct: Prior year payables and other credits	2,115,031
Total GAAP Basis	<u>\$ 8,275,515</u>

The accompanying notes are an integral part of these financial statements

## SUPPORTING SCHEDULES

SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS

JUNE 30, 2012

		Account Type	Balance per Bank	Deposits in Transit	Outstanding Checks	Reconciled Cash
1st National Bank of New Mexico	General	MM	\$ 2,111,410	\$ 1,751	\$ (532,768)	\$ 1,580,393
1st National Bank of New Mexico	Payroll	MM	3,333	-	(5,052)	(1,719)
Wells Fargo	General	MM	190,949	3,004	-	193,953
Everyones Federal Credit Union	Agency	Share Draft	32,023	-	(2,776)	29,247
Quay Schools Credit Union	General	CD	40,213	-	-	40,213
Tucumcari Federal S&L	General	CD	51,767	-	-	51,767
Everyones Federal Credit Union	General	CD	52,334	-	-	52,334
Everyones Federal Credit Union	General	CD	52,334	-	-	52,334
Everyones Federal Credit Union	General	CD	51,908	-	-	51,908
Tucumcari Federal S&L	General	CD	51,721	-	-	51,721
Quay Schools Credit Union	General	CD	51,178	-	-	51,178
Quay Schools Credit Union	General	CD	92,584	-	-	92,584
Tucumcari Federal S&L	General	CD	61,991	-	-	61,991
Tucumcari Federal S&L	General	CD	61,973	-	-	61,973
Quay Schools Credit Union	General	CD	50,849	-	-	50,849
Everyones Federal Credit Union	General	CD	50,000	-	-	50,000
			<u>\$ 3,006,567</u>	<u>\$ 4,755</u>	<u>\$ (540,596)</u>	<u>2,470,726</u>
Petty Cash						<u>1,272</u>
						<u>2,471,998</u>
Add: Cash held by others						75,000
Cash overdraft						1,719
Less: Agency fund cash						<u>(29,247)</u>
Total cash Statement of Net Assets						<u>\$ 2,519,470</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, 2012

	Total: Deposits	FDIC or NCUSIF Insurance	Collateral Required	Collateral Pledged	Security Deficit																																																																																																																		
1ST National Bank of New Mexico	\$ 2,111,410	\$ 250,000	\$ 930,705	\$ 2,485,630	\$ -																																																																																																																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">COLLATERAL</th> <th style="text-align: left;">CUSIP #</th> <th style="text-align: left;">MATURITY</th> <th></th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>Bernalillo NM Mun Sch Dist</td> <td>085279MW4</td> <td>08/01/17</td> <td style="text-align: right;">\$ 78,418</td> <td></td> <td></td> </tr> <tr> <td>FHLMC Arm</td> <td>3128NCMT8</td> <td>10/01/35</td> <td style="text-align: right;">32,064</td> <td></td> <td></td> </tr> <tr> <td>Gadsden NM Indpt Sch Dist</td> <td>362550KG9</td> <td>08/15/15</td> <td style="text-align: right;">152,514</td> <td></td> <td></td> </tr> <tr> <td>Roosevelt Cnty NM G.R.</td> <td>776461AL9</td> <td>06/01/17</td> <td style="text-align: right;">112,897</td> <td></td> <td></td> </tr> <tr> <td>Dulce NM Indpt Sch Dist</td> <td>264430GQ6</td> <td>06/01/14</td> <td style="text-align: right;">104,721</td> <td></td> <td></td> </tr> <tr> <td>Torrance ETC CNTYS NM</td> <td>891400MS9</td> <td>03/15/18</td> <td style="text-align: right;">240,661</td> <td></td> <td></td> </tr> <tr> <td>San Jon NM Mun Sch Dist</td> <td>798127BJ4</td> <td>05/01/13</td> <td style="text-align: right;">51,741</td> <td></td> <td></td> </tr> <tr> <td>San Jon NM Mun Sch Dist</td> <td>798127BK1</td> <td>05/01/14</td> <td style="text-align: right;">53,069</td> <td></td> <td></td> </tr> <tr> <td>San Jon NM Mun Sch Dist</td> <td>798127BL9</td> <td>05/01/15</td> <td style="text-align: right;">53,829</td> <td></td> <td></td> </tr> <tr> <td>Mosquero NM Mun Sch Dist</td> <td>619636DR1</td> <td>08/15/18</td> <td style="text-align: right;">270,417</td> <td></td> <td></td> </tr> <tr> <td>FFCB Fixed Rate Note</td> <td>31331X4F6</td> <td>09/21/17</td> <td style="text-align: right;">121,233</td> <td></td> <td></td> </tr> <tr> <td>Dulce NM Indpt Sch Dist</td> <td>264430GR4</td> <td>06/01/15</td> <td style="text-align: right;">107,394</td> <td></td> <td></td> </tr> <tr> <td>FNMA Arm</td> <td>31402HA50</td> <td>11/01/33</td> <td style="text-align: right;">24,802</td> <td></td> <td></td> </tr> <tr> <td>FNMA</td> <td>3138A2CF4</td> <td>12/01/25</td> <td style="text-align: right;">624,478</td> <td></td> <td></td> </tr> <tr> <td>FNMA</td> <td>31419KU78</td> <td>11/01/25</td> <td style="text-align: right;">79,934</td> <td></td> <td></td> </tr> <tr> <td>Portales NM Mun Sch Dist</td> <td>736151DH1</td> <td>01/15/17</td> <td style="text-align: right;">106,115</td> <td></td> <td></td> </tr> <tr> <td>Portales NM Mun Sch Dist</td> <td>736151DJ7</td> <td>01/15/18</td> <td style="text-align: right;">271,343</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>\$ 2,485,630</u></td> <td></td> <td></td> </tr> </tbody> </table>						COLLATERAL	CUSIP #	MATURITY				Bernalillo NM Mun Sch Dist	085279MW4	08/01/17	\$ 78,418			FHLMC Arm	3128NCMT8	10/01/35	32,064			Gadsden NM Indpt Sch Dist	362550KG9	08/15/15	152,514			Roosevelt Cnty NM G.R.	776461AL9	06/01/17	112,897			Dulce NM Indpt Sch Dist	264430GQ6	06/01/14	104,721			Torrance ETC CNTYS NM	891400MS9	03/15/18	240,661			San Jon NM Mun Sch Dist	798127BJ4	05/01/13	51,741			San Jon NM Mun Sch Dist	798127BK1	05/01/14	53,069			San Jon NM Mun Sch Dist	798127BL9	05/01/15	53,829			Mosquero NM Mun Sch Dist	619636DR1	08/15/18	270,417			FFCB Fixed Rate Note	31331X4F6	09/21/17	121,233			Dulce NM Indpt Sch Dist	264430GR4	06/01/15	107,394			FNMA Arm	31402HA50	11/01/33	24,802			FNMA	3138A2CF4	12/01/25	624,478			FNMA	31419KU78	11/01/25	79,934			Portales NM Mun Sch Dist	736151DH1	01/15/17	106,115			Portales NM Mun Sch Dist	736151DJ7	01/15/18	271,343						<u>\$ 2,485,630</u>		
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Wells Fargo	\$ 190,949	\$ 190,949	\$ -	\$ -	\$ -																																																																																																																		
Quay Schools Credit Union	\$ 234,824	\$ 234,824	\$ -	\$ -	\$ -																																																																																																																		
Tucumcari Federal S & L	\$ 227,452	\$ 227,452	\$ -	\$ -	\$ -																																																																																																																		
Everybody's Federal Credit Union	\$ 206,576	\$ 206,576	\$ -	\$ -	\$ -																																																																																																																		

All pledged securities are held by the financial institutions agent at

Federal Home Loan Bank of Dallas  
8500 Freeport Parkway South, Suite 100  
Irving, Texas 75063-2547

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, 2012

	Balance 6/30/2011	Additions	Deductions	Balance 6/30/2012
Auto tech club	\$ 1,521	\$ 4	\$ 1	\$ 1,524
Astronomy club	197	1	1	197
Checkmate chess club	578	1,245	1,266	557
Chi Alpha	446	1	1	446
Diesel club	994	3	126	871
Skills USA club	347	1	1	347
Hot meal club	2,424	7	1	2,430
Life savers club	450	1	1	450
Livestock judging	413	1	1	413
Natural Science club	218	1	1	218
Peer mentoring	389	1	1	389
Phi Theta Kappa	558	2,370	1,940	988
Rodeo club	8,817	3,221	4,145	7,893
Farrier SHOE club	5,217	3,771	1,295	7,693
SIFE	1,014	5	30	989
Spanish club	808	2	1	809
Student senate	838	944	825	957
Truck driving club	394	1	1	394
Tucumcari softball club	42	-	41	1
M.E.S.A.	367	1	75	293
NAWRTC	71	1	1	71
Fossil friends	1	-	1	-
Employee office fund	245	1,273	863	655
GED Club	862	1	201	662
TOTAL	<u>\$ 27,211</u>	<u>\$ 12,856</u>	<u>\$ 10,820</u>	<u>\$ 29,247</u>

The accompanying notes are an integral part of these financial statements

FEDERAL AWARDS SECTION



# Woodward, 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 governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of Mesalands Community College, as of and for the year ended June 30, 2012, and have issued our report thereon dated April 26, 2012. 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

Management of Mesalands Community College is responsible for establishing and maintaining effective 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 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.

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

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 pursuant to *Government Auditing Standards* paragraph 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-2, 2011-3, 2012-1 and 2012-2.

The 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 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

A handwritten signature in cursive script, appearing to read "Shirley A. [unclear]".

April 26, 2013

# Woodard, Cowen & 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, 2012. 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, 2012.

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



April 26, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2012

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				
Pell grant program	84.063	P063P005217	\$ 1,012,971	\$ 1,004,356
Federal Work Study Program	84.033	P003A008469	24,891	24,891
Federal SEOG Program	84.007	P007A008469	19,747	19,747
Federal Academic Competitiveness Grant	84.375	P375A098471	17,838	700
TOTAL DIRECT GRANTS				<u>1,049,694</u>
Passed through the State Department of Higher Education				
Adult Basic Education	84.002	SPE499888	48,831	47,652
Adult Basic Education - EI Civics	84.002	SPE499888	7,604	4,937
<1>Higher Education Institutional Aid	84.031	PO31C110036	777,154	279,798
TOTAL PASSTHROUGH GRANTS				<u>332,387</u>
TOTAL DEPARTMENT OF EDUCATION				<u>1,382,081</u>
SMALL BUSINESS ADMINISTRATION				
<1>Small Business Development Center	59.037	7620003212	153,353	148,751
TOTAL SMALL BUSINESS ADMINISTRATION				<u>148,751</u>
TOTAL FEDERAL AWARDS EXPENDITURES				<u>\$ 1,530,832</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, 2012

SECTION I – SUMMARY OF AUDITORS' RESULTS

Report on Financial Statements		Unqualified
Significant Deficiencies on GAGAS		None
Other matters required to be reported	2011-2, 2011-3, 2012-1 and 2012-2	
Material noncompliance		None
Questioned Cost		None
Type A & B dollar threshold		\$ 300,000
Entity Risk		Low Risk
Major Federal Program	Higher Education Institutional Aid CFDA#84.031 Small Business Development Center CFDA#59.037	
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>
2011-1	Disposal of Capital Assets	Resolved
2011-2	Late Audit Report	Revised and Repeated
2011-3	Internal Review Process	Revised and Repeated

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Current Year Findings –

Compliance

2011-2 Late Audit Report (Other)

Condition: The June 30, 2012 audit report was received by the New Mexico State Auditor's Office on May 17, 2013.

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, 2012.

Cause: The College implemented a new software system to record and report all financial transactions of the college as well as track student enrollment and accounts receivable. The President of the College insisted that all attention be given to implementing the new software for the fiscal year 2012-2013, at the cost of finalizing the fiscal year June 30, 2012 books and records. As a result the year end procedures were not completed and the books ready to audit in a timely manner.

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 develop internal procedures regarding implementation of new software, which include ensuring that the old software runs parallel for a time in order to detect problems, errors and provide accurate and timely reporting.

Response: The Board of Trustees have terminated the President of the College and expect that better decisions will be made by the new administration, regarding the approach to implementation of new software and procedures during transitional periods.

Internal Control

2011-3 Internal Review Process (Other)

Condition: There were a number of corrections (44) which had to be posted as adjusting entries by the College during the audit process. There was also a receivable to the College of \$7,622 from an activity fund, which was outstanding over 365 days and was never followed up on by any staff members regarding validity or collection.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Internal Control, continued

2011-3 Internal Review Process, continued

- Criteria: Good internal controls dictate that reconciliations 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. Receivables from third parties, especially agency funds, should be reviewed monthly.
- Cause: The College personnel in the business office were instructed to devote their time to implementation of new software and therefore time constraints did not allow proper finalization of the year end processes. 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.
- 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 develop internal procedures regarding implementation of new software, which include ensuring that the old software runs parallel for a time in order to detect problems, errors and provide accurate and timely reporting. 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 Board of Trustees have terminated the President of the College and expect that better decisions will be made by the new administration, regarding the approach to implementation of new software and procedures during transitional periods. The staff has since been made aware of the importance of year end procedures being implemented in timely manner and that internal review procedures are to be evaluated to prevent or reduce the ability for upper management to allow override of the control process.

2012-1 Expenditures (other)

- Condition: 12 of 168 of the expenditures tested that amounted to \$67,146.66 of the total of \$951,433.67 or 7% had various internal control violations, most specific with the purchase orders being issued after the invoice or the invoice exceeding the purchase order amount. This was a total of 7% of the funds tested and is not considered material.
- Criteria: Internal controls over budget are weakened when purchase orders are not prepared before purchase.



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Internal Control, continued

2012-1 Expenditures, continued

Cause: Disregard of college policies.

Effect: Failure to use purchase orders properly could cause over-expenditure of approved budget, which is a violation of state law.

Recommendation: Adhere to policies and procedures as outlined by the board of trustees and the state procurement code.

Response: The College will provide additional training to personnel and implement a review process to ensure that the College staff adheres to the policies regarding procurement.

2012-2 Payroll Liabilities (other)

Condition: The payroll liabilities are not being reconciled and adjusted properly or timely in the general ledger.

Criteria: Good accounting procedures and district policies regarding internal control require that payroll liabilities recorded in the general ledger be reconciled to the payroll subsidiary ledgers for accuracy and completeness at the end of each payroll period.

Effect: Numerous adjustments had to be made at year end by the college to get the liability accounts correct based on amounts that were accrued and not yet paid. The lack of reconciliation can create instances of late payment or over payment of liabilities, because incorrect amounts are shown to be due. Incorrect reporting creates an environment that could adversely affect managements' decisions.

Recommendation: The College should re-evaluate review policies regarding the financial data to ensure someone, who is qualified, verifies that all the subsidiary information is included accurately in the general ledger and in financial reports each month.

Response: The College will be evaluating the entire procurement and reporting process, especially with the new accounting software systems, and making the necessary changes to internal control policies and procedures to help prevent errors from occurring and going unnoticed in the future.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

OTHER INFORMATION

JUNE 30, 2012

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 April 26, 2013. Present were J. Bronson Moore, Board Chair, James P. Streetman, Board Secretary, Natalie Gillard, Acting Co-President, Dr. Aaron Kennedy, Acting Co-President and D. Brent Woodard, CPA.

SUMMARY OF PASSED ADJUSTMENTS

Re: Mesaland Community College

None