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MESALANDS COMMUNITY COLLEGE

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MESALANDS COMMUNITY COLLEGE

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# FINANCIAL SECTION

Woodard, Cowen & Co.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business type activities Mesalands Community College as of and for the year ended June 30, 2013 and the related notes to the financial statements 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 defined by the Government Accounting Standards Board as of and for the year ended June 30, 2013, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of Mesalands Community College as of June 30, 2013 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, 2013 and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

*Required Supplementary Information*

Mesalands Community College has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the omission of the Management Discussion and Analysis.

*Other Information*

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 schedule of changes in assets and liabilities – agency funds and 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, the schedule of changes in assets and liabilities – agency funds and the additional schedules listed as "other supplemental information" in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over 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* in considering Mesalands Community College's internal control over financial reporting and compliance.

Woodard, Cowen & Co

Clovis, NM
June 27, 2014

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

EXHIBIT A

STATEMENT OF NET POSITION

JUNE 30, 2013

| | | Primary Institution |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents (Note 2) | $ | 3,349,267 |
| Restricted cash held in trust by others (Note 3) | | 75,000 |
| Accounts receivable, net (Note 4) | | 324,253 |
| Inventories (Note 5) | | 256,170 |
| Due from grantors (Note 4) | | 394,061 |
| Due from other agencies (Note 4) | | 158,923 |
| Total Current Assets | | 4,557,674 |
| Noncurrent assets: | | |
| Capital assets, net (Note 9) | | 19,602,040 |
| Prepaid expenses | | 27,559 |
| Total Noncurrent Assets | | 19,629,599 |
| Total Assets | | 24,187,273 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Student deposits | | 9,080 |
| Accounts payable and deferred liabilites | | 168,720 |
| Funds held for others | | 84,266 |
| Compensated absences, current portion (Note 6) | | 145,243 |
| Loan Payable to New Mexico Finance Authority, current portion (Note 7) | | 12,782 |
| Total Current Liabilities | | 420,091 |
| Noncurrent liabilities: | | |
| Compensated absences, less current portion (Note 6) | | 133,726 |
| Loan Payable to New Mexico Finance Authority, less current portion (Note 7) | | 152,686 |
| Total Noncurrent Liabilities | | 286,412 |
| Total Liabilities | | 706,503 |
| **NET POSITION** | | |
| Net investment in capital assets | | 19,602,040 |
| Restricted for inventories | | 256,170 |
| Restricted for endowments | | 75,000 |
| Unrestricted | | 3,547,560 |
| Total Net Position | $ | 23,480,770 |

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 POSITION

FOR THE YEAR ENDED JUNE 30, 2013

| | Primary Institution |
|---|---|
| Operating Revenues: | |
| Student tuition and fees | $ 831,051 |
| Grants and contracts | 2,254,097 |
| Sales and services | 472,107 |
| Other operating revenues | 88,245 |
| Total Operating Revenues | 3,645,500 |
| Operating Expenses: | |
| Education and general | |
| Instruction | 2,190,614 |
| Academic support | 738,480 |
| Student support | 539,300 |
| Institutional support | 913,967 |
| Operation and maintenance of plant | 438,209 |
| Public Service | 141,145 |
| Student aid, grants and stipends | 1,388,997 |
| Renewals and replacements | 15,000 |
| Depreciation | 682,719 |
| Auxiliary enterprises | 339,499 |
| Intercolligiate athletics | 118,412 |
| Total Operating Expenses | 7,506,342 |
| Operating Income (Loss) | (3,860,842) |
| Nonoperating Revenues (Expenses): | |
| State appropriations | 4,310,171 |
| Taxes | 226,896 |
| Interest | 22,033 |
| Total Nonoperating Revenues (Expenses) | 4,559,100 |
| Income (Loss) before contributions and transfers | 698,258 |
| Captial Contributions | - |
| Change in Net Position | 698,258 |
| Net Position Beginning of Year | 22,587,465 |
| restatements | 195,047 |
| Net Position Beginning of Year as restated | 22,782,512 |
| Net Position End of Year | $ 23,480,770 |

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, 2013

| | |
|---|---|
| Cash flows from operating activites | |
| Receipts from student tuition and fees | $ 831,051 |
| Receipts from grants and contracts | 2,254,097 |
| Other receipts | 560,352 |
| Payments to or on behalf of employees | (3,548,167) |
| Payment to suppliers for goods and services | (2,242,913) |
| Payments for scholarships | (1,073,604) |
| Net cash (used) by operating activites | (3,219,184) |
| Cash flows from noncapital financing activities | |
| State appropriations | 4,310,171 |
| Tax revenues | 226,896 |
| Net cash provided by noncapital financing activities | 4,537,067 |
| Cash flows from capital and related financing activities | |
| Purchase of capital assets | (420,618) |
| Notes Payble (net) | (12,782) |
| Net cash provided by capital and related financing activities | (433,400) |
| Cash flows from investing activites | |
| Investment earnings | 22,033 |
| Net cash provided by investing activities | 22,033 |
| Increase (decrease) in cash and cash equivalents | 906,516 |
| Cash and cash equivalents - beginning of year | 2,517,751 |
| Cash and cash equivalents - end of year | $ 3,424,267 |
| Reconcilliation of net operating revenues (expenses) to net cash (used) by operations | |
| Operating Income (Loss) | $ (3,860,842) |
| Adjusments to reconcile operating income (loss) to net cash (used) by operations | |
| Depreciation | 682,719 |
| Changes in assets and liabilities: | |
| Receivables | (177,221) |
| Inventories | 3,371 |
| Other assets | 21,035 |
| Accounts payable and accrued liabilities | 137,333 |
| Compensated Absences | (25,579) |
| Net cash (used) by operating activities | $ (3,219,184) |

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, 2013

| | | |
|---|---|---|
| ASSETS | | |
| Cash on deposit | $ | 31,758 |
| TOTAL ASSETS | $ | 31,758 |
| | | |
| LIABILITIES | | |
| Due to student groups | $ | 31,758 |
| TOTAL LIABILITIES | $ | 31,758 |

The accompanying notes are an integral part of these financial statements

## 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.

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 position, revenues, expenses and changes in net position, 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.

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:

| | Life in Years |
|---|---|
| Buildings and improvements | 50 |
| Land improvements | 20 |
| Leasehold improvements | 10 |
| Library books | 10 |
| Equipment | 5 – 12 |

*Net Position*: Is 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, 2013.

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

### C. Significant Accounting Policies, continued

*Net Position*, continued:

Restricted net position 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 position are resources that the College is legally or contractually obligated to spend in accordance with imposed restrictions by third parties. Restricted non-expendable net position 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 position 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 it 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 Position. 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 is subsequent years.

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

## 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 position, revenues, expenses, and changes in net position, 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 position as invested in capital assets, net of related debt, restricted and unrestricted; classifying net position as invested in capital assets, net of related debt, restricted and unrestricted; classifying the statement of net position 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

## 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.

## 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, 2013, 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 all Banks | $ 3,580,436 |
| Less: FDIC or NCUSIF Coverage | 1,216,582 |
| Uninsured Public Funds | 2,363,854 |
| 50% Collateral Required | 1,119,101 |
| Pledged collateral held by pledging banks agents in the name of the College | ( 2,777,318) |
| Uninsured and un-collateralized | $ 62,826 |

**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, 2013, the government's bank balance of $ 3,580,436 was exposed to custodial credit risk as follows:

| | Mesalands Community College |
|---|---|
| Uninsured and Un-collateralized | $ 62,826 |

## 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, 2013, 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.

## 4. 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 | $ 343,671 | $ 20,621 | $ 323,050 |
| Grants receivable | 394,061 | - | 394,061 |
| NSF check chargeback | 1,203 | - | 1,203 |
| Due from other agencies | 158,923 | - | 158,923 |
| Total Account Receivable | $ 897,858 | $ 20,621 | $ 877,237 |

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.

## 5. 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, 2013 was $ 256,170.

## 6. 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 $ 186,785 at June 30, 2013. 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, 2013 of $ 92,184. The compensated absences balance at June 30, 2013 is $ 278,969. There is an increase of $ 25,579 from the previous year-end balance of $ 253,390.

| | 6/30/12 | Additions | Reductions | 06/30/13 | Amounts Due in One Year |
|---|---|---|---|---|---|
| Total Compensated Absences | $ 253,390 | $ 133,726 | $ 108,147 | $ 278,969 | $ 145,243 |

## 7. 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 7/1/2012 | Increases | Decreases | Balance 6/30/2013 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| NMFAA | $ 178,250 | $ - | $ 12,782 | $ 165,468 | $ 12,782 |
| TOTAL | $ 178,250 | $ - | $ 12,782 | $ 165,468 | $ 12,782 |

The annual requirement to amortize all long-term debt as of June 30, 2013 is shown below:

| | NMFAA |
|---|---|
| 6/30/2014 | 12,782 |
| 6/30/2015 | 12,782 |
| 6/30/2016 | 12,782 |
| 6/30/2017 | 12,782 |
| 6/30/2018 | 12,782 |
| 2019-2023 | 63,910 |
| 2024-2026 | 37,648 |
| TOTAL | $ 165,468 |

## 8. 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, 2013, the College held $ 31,758 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.

## 9. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

| | Balance June 30, 2012 | Additions | Deletions | Balance June 30, 2013 |
|---|---|---|---|---|
| Non-Depreciated | | | | |
| Land | $ 822,495 | $ - | $ - | $ 822,495 |
| Museum Collection | 1,149,816 | - | - | 1,149,816 |
| Total Non-Depreciated | 1,972,311 | - | - | 1,972,311 |
| Other Capital Assets | | | | |
| Leasehold Improvements | 22,373 | - | - | 22,373 |
| Library Books | 241,114 | 1,967 | - | 243,081 |
| Buildings & Improvements | 16,942,029 | 248,134 | - | 17,190,163 |
| Equipment | 5,484,518 | 297,351 | - | 5,781,869 |
| Construction in Progress | 86,224 | - | 86,224 | - |
| Total Depreciable Assets | 22,776,258 | 547,452 | 86,224 | 23,237,486 |
| Total Capital Assets | 24,748,569 | 547,452 | 86,224 | 25,209,797 |
| Accumulated Depreciation | | | | |
| Leasehold Improvements | 17,234 | 1,697 | - | 18,931 |
| Library Books | 146,099 | 19,974 | - | 166,073 |
| Buildings & Improvements | 2,371,286 | 370,091 | - | 2,741,377 |
| Equipment | 2,390,419 | 290,957 | - | 2,681,376 |
| Total Accumulated Depreciation | 4,925,038 | 682,719 | - | 5,607,757 |
| Capital Assets - net | $ 19,823,531 | $ (135,267) | $ 86,224 | $ 19,602,040 |

## 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

Plan Description – Substantially all of the Mesalands Community College's full-time employees participate in an educational 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 some state agency employees) 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.

## 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD, continued

Funding Policy

Member Contributions – Plan members whose annual salary is $20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over $20,000 are required to make the following contributions to the Plan: 9.40% of their gross salary in fiscal year 2013; 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions – in fiscal year 2013, the Mesalands Community College was required to contribute 12.4% of the covered salary for employees whose annual salary is $20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than $20,000.

In the future, the Mesalands Community College will contribute the following percentages of the gross covered salary of employees: 13.15% of the gross covered salary in fiscal year 2014; and 13.9% of the gross covered salary in fiscal year 2015.

The contribution requirements of plan members and the Mesalands Community College are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of legislature. The Mesalands Community College's contributions to ERB for the fiscal years ending June 30, 2013, 2012, and 2011 were $275,160, $230,285, and $258,162, respectively, which equal the amount of the required contributions for each fiscal year.

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

Plan Description - Mesalands Community College contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

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

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3,4 or 5; municipal fire member coverage plan 3,4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, that statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Mesalands Community College's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were $52,843, $47,406 and $42,228 respectively, which equal the required contributions for each year.

## 12. RISK MANAGEMENT

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

## 13. DERIVED TAX REVENUES

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

## 14. INDEPENDENT SCHOLARSHIP FUNDS

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

## 15. BUDGETS

The public service expenditure budget in the Unrestricted Non Instruction and General fund was over expended by $73,626.

## 16. RESTRICTED NET POSITION

The statement of net position reports $ 331,170 of restricted net position, of which $ 331,170 is restricted by enabling legislation.

## 17. RESTATEMENT OF NET POSITION

The statement of net position was restated by $ 195,047 due to correction of prior year receivables.

# SUPPORTING SCHEDULES

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

SCHEDULE I

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

FOR THE YEAR ENDING JUNE 30, 2013

| | Original Budget | Final Revised Budget | Actual Budgetary Basis | Variance with Final Budget (Over) Under |
|---|---|---|---|---|
| Beginning Fund Balance | $ 1,898,240 | $ 2,288,199 | $ 2,288,199 | $ - |
| Unrestricted and Restricted Revenues: | | | | |
| Tuition and Miscellaneous Fees | 1,113,500 | 1,137,126 | 952,705 | 184,421 |
| Federal Government Appropriations | 1,564,138 | 1,564,138 | 940,434 | 623,704 |
| State Government Appropriations | 4,464,100 | 4,464,100 | 4,411,913 | 52,187 |
| Local Government Appropriations | 190,000 | 190,000 | 237,576 | (47,576) |
| Federal Govt. Grants and Contracts | 1,442,154 | 1,051,194 | 978,127 | 73,067 |
| State Govt. Grants and Contracts | 580,169 | 514,520 | 465,414 | 49,106 |
| Local Govt. Grants and Contracts | - | - | - | - |
| Private Gifts | 103,500 | 103,500 | 87,124 | 16,376 |
| Endowments, Land, and Perm Fund | - | - | - | - |
| Sales and Services | 904,000 | 904,000 | 465,778 | 438,222 |
| Other Sources | 189,482 | 176,700 | 83,200 | 93,500 |
| State GO and Severence Tax Bonds | - | - | - | - |
| Renewal & Replacement | - | - | - | - |
| Miscellaneous Institutional Revenue | 375,000 | 375,000 | 375,000 | - |
| Total Unrestricted and Restricted Revenues | 10,926,043 | 10,480,278 | 8,997,271 | 1,483,007 |
| Unrestricted and Restricted Expenditures: | | | | |
| Instruction | 3,411,460 | 3,054,667 | 2,583,249 | 471,418 |
| Academic Support | 1,083,464 | 1,133,464 | 870,842 | 262,622 |
| Student Services | 790,407 | 840,407 | 635,962 | 204,445 |
| Institutional Support | 1,286,570 | 1,386,570 | 1,077,782 | 308,788 |
| Operation & Maintenance of Plant | 720,927 | 770,927 | 516,751 | 254,176 |
| Public Service | 433,169 | 433,353 | 141,145 | 292,208 |
| Student Aid, Grants & Stipends | 2,004,138 | 2,004,138 | 1,388,997 | 615,141 |
| Auxiliary Enterprises | 516,882 | 516,882 | 339,499 | 177,383 |
| Intercollegiate Athletics | 120,000 | 120,000 | 118,412 | 1,588 |
| Renewal & Replacement | 44,715 | 44,715 | 15,000 | 29,715 |
| Internal Services | 400,000 | 400,000 | 333,918 | 66,082 |
| Capital Outlay | 60,000 | 83,626 | 43,270 | 40,356 |
| Total Unrestricted and Restricted Expenditures | 10,871,732 | 10,788,749 | 8,064,827 | 2,723,922 |
| Net Transfers | - | - | - | - |
| Change in Fund Balance (budgetary basis) | 54,311 | (308,471) | 932,444 | (1,240,915) |
| Ending Fund Balance | $ 1,843,929 | $ 2,596,670 | $ 3,220,643 | $ 1,240,915 |

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, 2013

| | Original Budget | Final Revised Budget | Actual Budgetary Basis | Variance with Final Budget (Over) Under |
|---|---|---|---|---|
| Beginning Fund Balance | $ 608,191 | $ 506,343 | $ 506,343 | $ - |
| Unrestricted Revenues: | | | | |
| Tuition and Miscellaneous Fees | 73,000 | 96,626 | 42,470 | 54,156 |
| 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 | 904,000 | 904,000 | 465,778 | 438,222 |
| Other Sources | 32,482 | 19,700 | - | 19,700 |
| State GO and Severence Tax Bonds | - | - | - | - |
| Renewal & Replacement | - | - | - | - |
| Miscellaneous Institutional Revenue | 375,000 | 375,000 | 375,000 | - |
| Total Unrestricted Revenues | 1,447,882 | 1,458,726 | 943,148 | 515,578 |
| Unrestricted Expenditures: | | | | |
| Instruction | - | - | - | - |
| Academic Support | - | - | - | - |
| Student Services | - | - | - | - |
| Institutional Support | - | - | - | - |
| Operation & Maintenance of Plant | - | - | - | - |
| Public Service | 256,000 | 256,000 | 17,563 | 238,437 |
| Student Aid, Grants & Stipends | 166,000 | 166,000 | 239,626 | (73,626) |
| Auxiliary Enterprises | 516,882 | 516,882 | 339,499 | 177,383 |
| Intercollegiate Athletics | 120,000 | 120,000 | 118,412 | 1,588 |
| Renewal & Replacement | 44,715 | 44,715 | 15,000 | 29,715 |
| Internal Service | 400,000 | 400,000 | 333,918 | 66,082 |
| Capital Outlay | 60,000 | 83,626 | 43,270 | 40,356 |
| Retirement of Indebtedness | 12,782 | 12,782 | - | 12,782 |
| Total Unrestricted Expenditures | 1,576,379 | 1,600,005 | 1,107,288 | 479,935 |
| Net Transfers | 174,015 | 186,797 | 186,797 | - |
| Change in Fund Balance (budgetary basis) | 45,518 | 45,518 | 22,657 | 35,643 |
| Ending Fund Balance | $ 653,709 | $ 551,861 | $ 529,000 | $ 35,643 |

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, 2013

| | 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 | 1,564,138 | 1,564,138 | 940,434 | 623,704 |
| State Government Appropriations | 174,000 | 174,000 | 121,813 | 52,187 |
| Local Government Appropriations | - | - | - | - |
| Federal Govt. Grants and Contracts | 32,000 | 32,000 | - | 32,000 |
| State Govt. Grants and Contracts | 145,169 | 145,353 | 123,582 | 21,771 |
| Local Govt. Grants and Contracts | - | - | - | - |
| Private Gifts | 100,000 | 100,000 | 87,124 | 12,876 |
| Endowments, Land, and Perm Fund | - | - | - | - |
| Sales and Services | - | - | - | - |
| Other Sources | - | - | - | - |
| State GO and Severence Tax Bonds | - | - | - | - |
| Renewal & Replacement | - | - | - | - |
| Miscellaneous Institutional Revenue | - | - | - | - |
| Total restricted revenues | 2,015,307 | 2,015,491 | 1,272,953 | 742,538 |
| Restricted Expenditures: | | | | |
| Instruction | - | - | - | - |
| Academic Support | - | - | - | - |
| Student Services | - | - | - | - |
| Institutional Support | - | - | - | - |
| Operation & Maintenance of Plant | - | - | - | - |
| Public Service | 177,169 | 177,353 | 123,582 | 53,771 |
| Student Aid, Grants & Stipends | 1,838,138 | 1,838,138 | 1,149,371 | 688,767 |
| Auxiliary Enterprises | - | - | - | - |
| Intercollegiate Athletics | - | - | - | - |
| Renewal & Replacement | - | - | - | - |
| Internal Service | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Total restricted expenses | 2,015,307 | 2,015,491 | 1,272,953 | 742,538 |
| 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, 2013

| | Original Budget | Final Revised Budget | Actual Budgetary Basis | Variance with Final Budget (Over) Under |
|---|---|---|---|---|
| Beginning Fund Balance | $ 1,290,049 | $ 1,781,856 | $ 1,781,856 | $ - |
| Unrestricted Revenues: | | | | |
| Tuition and Miscellaneous Fees | 1,040,500 | 1,040,500 | 910,235 | 130,265 |
| Federal Government Appropriations | - | - | - | - |
| State Government Appropriations | 4,230,200 | 4,230,200 | 4,230,200 | - |
| Local Government Appropriations | 190,000 | 190,000 | 237,576 | (47,576) |
| 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 | 157,000 | 157,000 | 83,200 | 73,800 |
| State GO and Severence Tax Bonds | - | - | - | - |
| Renewal & Replacement | - | - | - | - |
| Miscellaneous Institutional Revenue | - | - | - | - |
| Total Unrestricted Revenues | 5,617,700 | 5,617,700 | 5,461,211 | 156,489 |
| Expenditures: | | | | |
| Instruction | 2,193,681 | 2,293,681 | 1,837,263 | 456,418 |
| Academic Support | 679,592 | 729,592 | 502,678 | 226,914 |
| Student Services | 727,863 | 777,863 | 573,843 | 204,020 |
| Institutional Support | 1,125,611 | 1,225,611 | 934,092 | 291,519 |
| Operation & Maintenance of Plant | 720,927 | 770,927 | 516,751 | 254,176 |
| Public Service | - | - | - | - |
| Student Aid, Grants & Stipends | - | - | - | - |
| Auxiliary Enterprises | - | - | - | - |
| Intercollegiate Athletics | - | - | - | - |
| Renewal & Replacement | - | - | - | - |
| Internal Service | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Total Unrestricted Expenditures | 5,447,674 | 5,797,674 | 4,364,627 | 1,433,047 |
| Net Transfers | (174,015) | (186,797) | (186,797) | - |
| Change in Fund Balance (Budgetary Basis) | (3,989) | (366,771) | 909,787 | (1,276,558) |
| Ending Fund Balance | $ 1,286,060 | $ 1,415,085 | $ 2,691,643 | $ (1,276,558) |

The accompanying notes are an integral part of these financial statements

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

FOR THE YEAR ENDING JUNE 30, 2013

| | Original Budget | Final Revised Budget | Actual Budgetary Basis | Variance with Final Budget (Over) Under |
|---|---|---|---|---|
| Beginning Fund Balance | $ - | $ - | $ - | $ - |
| Restricted Revenues: | | | | |
| Tuition and Miscellaneous Fees | - | - | - | - |
| Federal Government Appropriations | - | - | - | - |
| State Government Appropriations | - | - | - | - |
| Local Government Appropriations | - | - | - | - |
| Federal Govt. Grants and Contracts | 1,410,154 | 1,019,194 | 978,127 | 41,067 |
| State Govt. Grants and Contracts | 435,000 | 369,167 | 341,832 | 27,335 |
| Local Govt. Grants and Contracts | - | - | - | - |
| Private Gifts | - | - | - | - |
| Endowments, Land, and Perm Fund | - | - | - | - |
| Sales and Services | - | - | - | - |
| Other Sources | - | - | - | - |
| State GO and Severence Tax Bonds | - | - | - | - |
| Renewal & Replacement | - | - | - | - |
| Miscellaneous Institutional Revenue | - | - | - | - |
| Total Restricted Revenues | 1,845,154 | 1,388,361 | 1,319,959 | 68,402 |
| Restricted Expenditures: | | | | |
| Instruction | 1,217,779 | 760,986 | 745,986 | 15,000 |
| Academic Support | 403,872 | 403,872 | 368,164 | 35,708 |
| Student Services | 62,544 | 62,544 | 62,119 | 425 |
| Institutional Support | 160,959 | 160,959 | 143,690 | 17,269 |
| Operation & Maintenance of Plant | - | - | - | - |
| Public Service | - | - | - | - |
| Student Aid, Grants & Stipends | - | - | - | - |
| Auxiliary Enterprises | - | - | - | - |
| Intercollegiate Athletics | - | - | - | - |
| Renewal & Replacement | - | - | - | - |
| Internal Service | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Total Restricted Expenditures | 1,845,154 | 1,388,361 | 1,319,959 | 68,402 |
| 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 VI

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

FOR THE YEAR ENDING JUNE 30, 2013

| | | |
|---|---|---|
| Urestricted and Restricted Revenues: | | |
| Total Budgetary Basis | $ | 8,997,271 |
| Add: Current year receivables and other credits | | 877,237 |
| Deduct: Prior year receivables and other debits | | 1,669,908 |
| Total GAAP Basis | $ | 8,204,600 |
| Unrestricted and Restricted Expenditures: | | |
| Total Budgetary Basis | $ | 8,064,827 |
| Add: Current year payables and other debits | | 262,066 |
| Deduct: Prior year payables and other credits | | 820,551 |
| Total GAAP Basis | $ | 7,506,342 |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

SCHEDULE VII

SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS

JUNE 30, 2013

| | | Account Type | Balance per Bank | Deposits in Transit | Outstanding Checks | Reconciled Cash |
|---|---|---|---|---|---|---|
| 1st National Bank of New Mexico | General | MM | $ 2,488,201 | $ 1,252 | $ (205,800) | $ 2,283,653 |
| 1st National Bank of New Mexico | Payroll | MM | 3,309 | 4,140 | (1,205) | 6,244 |
| Wells Fargo | General | MM | 375,653 | 2,185 | - | 377,838 |
| Everyones Federal Credit Union | Agency | Share Draft | 33,012 | - | (1,254) | 31,758 |
| Quay Schools Credit Union | General | CD | 40,940 | - | - | 40,940 |
| Tucumcari Federal S&L | General | CD | 52,466 | - | - | 52,466 |
| Everyones Federal Credit Union | General | CD | 52,863 | - | - | 52,863 |
| Everyones Federal Credit Union | General | CD | 52,863 | - | - | 52,863 |
| Everyones Federal Credit Union | General | CD | 52,883 | - | - | 52,883 |
| Tucumcari Federal S&L | General | CD | 52,397 | - | - | 52,397 |
| Quay Schools Credit Union | General | CD | 52,842 | - | - | 52,842 |
| Quay Schools Credit Union | General | CD | 95,002 | - | - | 95,002 |
| Tucumcari Federal S&L | General | CD | 62,668 | - | - | 62,668 |
| Tucumcari Federal S&L | General | CD | 62,652 | - | - | 62,652 |
| Quay Schools Credit Union | General | CD | 51,817 | - | - | 51,817 |
| Everyones Federal Credit Union | General | CD | 50,868 | - | - | 50,868 |
| | | | $ 3,580,436 | $ 7,577 | $ (208,259) | 3,379,754 |
| Petty Cash | | | | | | 1,271 |
| | | | | | | 3,381,025 |
| Add: Cash held by others | | | | | | 75,000 |
| Cash overdraft | | | | | | - |
| Less: Agency fund cash | | | | | | (31,758) |
| Total cash Statement of Net Assets | | | | | | $ 3,424,267 |

* 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, 2013

| | | | Total Deposits | FDIC or NCUSIF Insurance | Collateral Required | Collateral Pledged | Security Deficit |
|---|---|---|---|---|---|---|---|
| 1ST National Bank of New Mexico | | | $ 2,488,201 | $ 250,000 | $ 1,119,101 | $ 2,777,318 | $ - |
| COLLATERAL | CUSIP # | MATURITY | | | | | |
| Bernalillo NM Mun Sch Dist | 085279MW4 | 08/01/17 | | $ 76,347 | | | |
| Roosevelt Cnty NM G.R. | 776461AL9 | 06/01/17 | | 110,685 | | | |
| Dulce NM Indpt Sch Dist | 264430GQ6 | 06/01/14 | | 102,621 | | | |
| Torrance ETC CNTYS NM | 891400MS9 | 03/15/18 | | 234,514 | | | |
| San Jon NM Mun Sch Dist | 798127BK1 | 05/01/14 | | 51,738 | | | |
| San Jon NM Mun Sch Dist | 798127BL9 | 05/01/15 | | 52,827 | | | |
| Mosquero NM Mun Sch Dist | 619636DR1 | 08/15/18 | | 262,762 | | | |
| Dulce NM Indpt Sch Dist | 264430GR4 | 06/01/15 | | 103,853 | | | |
| FNMA Arm | 31402HA50 | 11/01/33 | | 13,652 | | | |
| FNMA | 31419KU78 | 11/01/25 | | 52,043 | | | |
| Portales NM Mun Sch Dist | 736151DH1 | 01/15/17 | | 103,934 | | | |
| Portales NM Mun Sch Dist | 736151DJ7 | 01/15/18 | | 263,566 | | | |
| Hobbs NM Sch Dist #16 | 433866DF4 | 04/15/23 | | 479,360 | | | |
| Santa Rosa NM CSD #8 | 802751DP9 | 05/15/17 | | 332,672 | | | |
| Taos NM Mun Sch Dist | 876014FC0 | 09/01/17 | | 286,873 | | | |
| FHLMC | 3134G44X3 | 05/30/28 | | 249,871 | | | |
| | | | | $ 2,777,318 | | | |
| 1st National Bank of New Mexico | | | $ 3,309 | $ 3,309 | $ - | $ - | $ - |
| Everybody's Federal Credit Union | | | $ 33,012 | $ 33,012 | $ - | $ - | $ - |
| Wells Fargo | | | $ 375,653 | $ 250,000 | $ 62,827 | $ - | $ 62,827 |
| Quay Schools Credit Union | | | $ 240,601 | $ 240,601 | $ - | $ - | $ - |
| Tucumcari Federal S & L | | | $ 230,183 | $ 230,183 | $ - | $ - | $ - |
| Everybody's Federal Credit Union | | | $ 209,477 | $ 209,477 | $ - | $ - | $ - |

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, 2013

| | Balance 6/30/2012 | Additions | Deductions | Balance 6/30/2013 |
|---|---|---|---|---|
| Auto tech club | $ 1,524 | $ 9 | $ 7 | $ 1,526 |
| Astronomy club | 197 | 2 | 1 | 198 |
| Checkmate chess club | 557 | 824 | 823 | 558 |
| Chi Alpha | 446 | 2 | 2 | 446 |
| Diesel club | 871 | 121 | 119 | 873 |
| Skills USA club | 347 | 2 | 1 | 348 |
| Hot meal club | 2,430 | 16 | 12 | 2,434 |
| Life savers club | 450 | 2 | 1 | 451 |
| Livestock judging | 413 | 2 | 2 | 413 |
| Natural Science club | 218 | 2 | 1 | 219 |
| Peer mentoring | 389 | 2 | 1 | 390 |
| Phi Theta Kappa | 988 | 2,506 | 2,214 | 1,280 |
| Rodeo club | 7,893 | 17,760 | 17,113 | 8,540 |
| Farrier SHOE club | 7,693 | 8,919 | 7,199 | 9,413 |
| SIFE | 989 | 115 | 57 | 1,047 |
| Spanish club | 809 | 4 | 2 | 811 |
| Student senate | 957 | 1,155 | 1,203 | 909 |
| Truck driving club | 394 | 2 | 1 | 395 |
| Tucumcari softball club | 1 | 40 | 41 | - |
| M.E.S.A. | 293 | 74 | 73 | 294 |
| NAWRTC | 71 | 2 | 1 | 72 |
| Employee office fund | 655 | 2,525 | 2,244 | 936 |
| GED Club | 662 | 200 | 657 | 205 |
| TOTAL | $ 29,247 | $ 34,286 | $ 31,775 | $ 31,758 |

The accompanying notes are an integral part of these financial statements

# FEDERAL AWARDS SECTION

Woodard, Cowen & Co.
Certified Public Accountants

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

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

We have audit the financial statements of the business-type activities of Mesalands Community College, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and the related budgetary comparisons presented as supplemental information for the year ended June 30, 2013, and have issued our report thereon dated June 27, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mesalands Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mesalands Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mesalands Community College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies identified as items 2011-3 and 2013-4.

**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 from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-2, 2012-1, 2012-2, 2013-1, 2013-2, and 2013-3.

Mesalands Community College's Responses to Findings

The Mesalands Community College's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Mesalands Community College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Woodard, Cowen & Co

Clovis, New Mexico
June 27, 2014

Woodard, Cowan & 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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mesalands Community College's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Mesalands Community College's compliance.

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**Clovis:** 116 E. Grand Avenue or PO Box 1874, Clovis NM 88101 – Phone 575-762-3811 Fax 575-762-3866

Opinion on Each Major Federal Program

In our opinion, Mesalands Community College, complied, in all material respects, with the types of compliance 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, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-5. Our opinion on each major federal program is not modified with respect to these matters.

Mesalands Community College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Mesalands Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

The management of Mesalands Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mesalands Community College's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Woodard, Cowen & Co

Clovis, New Mexico
June 27, 2014

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

SCHEDULE X

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2013

| Federal Grantor/Pass through Grantor/Program Title | Federal CFDA # | Program or Grantor Number | Program Award | Program Expenditures |
|---|---|---|---|---|
| US DEPARTMENT OF EDUCATION | | | | |
| Direct programs | | | | |
| Student Financial Aid Cluster | | | | |
| <1>Pell grant program | 84.063 | P063P005217 | $ 879,773 | $ 879,773 |
| <1>Federal Work Study Program | 84.033 | P003A008469 | 24,891 | 24,262 |
| <1>Federal SEOG Program | 84.007 | P007A008469 | 19,747 | 19,747 |
| TOTAL DIRECT GRANTS | | | | 923,782 |
| Passed through the State Department of Higher Education | | | | |
| Adult Basic Education | 84.002 | SPE499888 | 49,559 | 39,100 |
| Adult Basic Education - El Civics | 84.002 | SPE499888 | 7,534 | 2,332 |
| Higher Education Institutional Aid | 84.031 | PO31C110036 | 920,562 | 864,937 |
| TOTAL PASSTHROUGH GRANTS | | | | 906,369 |
| TOTAL DEPARTMENT OF EDUCATION | | | | 1,830,151 |
| SMALL BUSINESS ADMINISTRATION | | | | |
| Small Business Development Center | 59.037 | 7620003212 | 21,689 | 21,689 |
| TOTAL SMALL BUSINESS ADMINISTRATION | | | | 21,689 |
| US DEPARTMENT OF LABOR | | | | |
| Passed through the NM Skill-Up Network Consortium | | | | |
| <1>Integrated Basic Education Skills Training | 17.282 | TC225501160A35 | 22,928 | 22,112 |
| TOTAL US DEPARTMENT OF LABOR | | | | 22,112 |
| TOTAL FEDERAL AWARDS EXPENDITURES | | | | $ 1,873,952 |

<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

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

SCHEDULE XI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

SECTION I – SUMMARY OF AUDITORS' RESULTS

| | |
|---|---|
| Report on Financial Statements | Unmodified |
| Significant Deficiencies on GAGAS | 2011-3 and 2013-4 |
| Other matters required to be reported | 2011-2, 2012-1, 2012-2<br>2013-1, 2013-2, and 2013-3 |
| Material noncompliance | None |
| Questioned Cost | None |
| Type A & B dollar threshold | $ 300,000 |
| Entity Risk | High Risk |
| Major Federal Programs | Pell Grants CFDA#84.063<br>Federal Work Study Program CFDA#84.033<br>Federal SEOG Program CFDA#84.007<br>Integrated Basic Education Skills Training CFDA#17.282 |
| Significant Deficiencies on Internal Control over Major Programs | None |
| Material Weaknesses | None |
| Report on Compliance with Major Programs | Unmodified |
| Findings reportable under 510(a) of Circular A-133 | 2013-5 |

SECTION II – FINANCIAL STATEMENT FINDINGS

| Prior Year Findings – | | Status |
|---|---|---|
| 2011-2 | Late Audit Report | Revised and Repeated |
| 2011-3 | Internal Review Process | Revised and Repeated |
| 2012-1 | Expenditures | Revised and Repeated |
| 2012-2 | Payroll Liabilities | Revised and Repeated |

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Current Year Findings –

Compliance

2011-2 Late Audit Report (Other)

Condition: The June 30, 2013 audit report was received by the New Mexico State Auditor's Office on July 1, 2014.

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, 2013.

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 in August 2012. The implementation was made without running parallel to the old system to ensure that it was running correctly. As a result there were numerous errors which were not corrected timely and the books were not available to audit prior to the due date of the report.

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 College staff have been working diligently to correct all the problems which created the situation of the books not being ready for audit. There is new management in place and additional more qualified personnel have been hired to make sure the College books are reconciled and ready for audit in the future.

2013-1 Uncollateralized Funds (Other)

Condition: Bank balance at Wells Fargo Bank was under collateralized by $ 62,827on June 30, 2013.

Criteria: 6-10-17 NMSA 1978 Compilation – Any bank or savings loan association designated as a depository shall deliver securities of the kind specified in Section 6-10-16 NMSA, or join safekeeping receipt, therefore, to the public official from whom, or the public board from which, the public money is received for deposit is an aggregate value equal to one-half the amount public money to be received in accordance with Subsection B Section 6-10-16 NMSA 1978.

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

2013-1 Uncollateralized Funds (Other), continued

Effect: Potential loss of funds if operation of bank ceases.

Cause: Bank did not secure adequate collateral and the College has not had over the FDIC covered funds in that particular bank in a number of years and therefore was not adequately monitoring the need for collateral.

Recommendation: Notify bank to increase collateral to meet requirements. Also, the College should monitor the monthly collateralization statement provided by the bank to determine collateral is adequate.

Response: Pledged collateral will be monitored more closely by the College.

2013-2 Overspent Budget (Other)

Condition: The public service expenditure budget in the Unrestricted Non Instruction and General fund was over expended by $73,626.

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

Cause: The College had numerous errors in the posting of expenditures during the year, due to inadequate training on the new accounting system. As a result, monitoring of budgets became more difficult.

Effect: When budgets are overspent then budgetary control over expenditures is weakened.

Recommendation: All expenditures should be checked against budget prior to the expenditure being approved to ensure that budgets are not overspent.

Response: The College has made changes in personnel which includes a Director to oversee the functions of the accounting department which will help to ensure that the budgets are monitored correctly in the future.

Internal Control

2011-3 Internal Review Process (Significant Deficiency)

Condition: The College did not complete reconciliations of Cash, Receivables, Payables and other subsidiary ledgers for the June 30, 2013, until May 2014. It was unknown to management that these reconciliations were not completed timely.

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Internal Control, continued

2011-3 Internal Review Process (Significant Deficiency), continued

Criteria: Good internal controls dictate that reconciliation's of Cash and all subsidiary ledgers to the general ledger be made on a timely basis. Also, adjustments and/or corrections to all accounts should be made timely in an effort to provide accurate and up to date information for managements use in decision making.

Cause: The College personnel in the business office were inadequately trained on the new accounting system, the system itself does not provide for good fund accounting or the automated ability to reconcile and there was no supervision or management review of the processes, reporting or accuracy of the accounting records. The position of Dean of Administrative Services, who oversees the business office was never filled in the fiscal year, and no one was assigned the responsibility to monitor the business office.

Effect: Besides delaying the audit process, the information presented to management was inaccurate and erroneous reports were being used by management and others.

Recommendation: The College should have someone from a management position over the business office. There should be policies and procedures in place to ensure reconciliations are completed timely and accurately. Since the software system does not perform reconciliation functions, then other procedures should be developed to provide those functions.

Response: The College has a new President and has made great strides in correcting these issues. A new Directors position was developed to oversee the business and financial aid offices. The College has hired a new more qualified business manager and is working to make changes in controls and develop the reconciliation processes needed with the new software.

2012-1 Expenditures (other)

Condition: 39 of 127 of the expenditures tested that amounted to $142,676 of the total of $634,105 or 22% had various internal control violations, most specific with the purchase orders being issued after the invoice or the invoice not being paid on a timely basis.

Cause: Lack of supervision and monitoring of the business office and understanding of the new accounting system. The new software was implemented without proper training and planning and the staff were not getting checks issued on a timely basis. Procedures for issuing purchase orders were not updated to coincide with changes caused by the new accounting software.

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Internal Control, continued

2012-1 Expenditures (Other), continued

Effect: Failure to use purchase orders properly could cause over-expenditure of approved budget, which is a violation of state law. Not paying invoices timely reflects badly on the College within the community and makes the reconciliation process harder.

Recommendation: Adhere to policies and procedures as outlined by the board of trustees and the state procurement code. Develop new procedures as needed when new software is implemented.

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. The College is currently working on new procedures and have made changes in staffing and management duties to help resolve these issues.

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. Policies and procedures must be adjusted and updated to make sure controls are working when a new software system is implemented.

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 II – FINANCIAL STATEMENT FINDINGS, continued

Internal Control, continued

2013-3 Implementation of Software (Other)

Condition: During the 2012-2013 fiscal year the College purchased a new accounting software system. The president of the College at the time, had no plan for implementation and did not outline any procedures for the staff to implement the software. There was not a planned cutoff or implementation date that would coincide with a natural transition, as good accounting policy would dictate. No parallel system was run, as was recommended by the software company, subordinates to the president and the auditors. The system change over consisted of starting to run transactions on the new system in the middle of August 2012 and not using the old system any longer. This created a situation of a massive amount of errors and the records not being reconciled timely and being ready for audit.

Criteria: Good accounting policies dictate that new software systems should begin running at the beginning of a fiscal year or at the beginning of the calendar year. It is always recommended that the old system be run for a period of at least 12 months with the new system to ensure that the new system is running properly.

Effect: The College books were not reconciled, closed out and ready to audit on a timely basis. Management of the College did not have accurate reports during the fiscal year.

Recommendation: The College should have written procedures and policies regarding implementation of any new software.

Response: The College will be updating the procedures and policies manual and will make sure to include items necessary for a successful transition in software implementation.

2013-4 Oversight of the Accounting Department (Significant Deficiency)

Condition: After the Dean of Administrative Services resigned in June 2012, no one was assigned to oversee the business office. The College president at the time took on the responsibility, however, there was never any oversight during that period before she was released from her duties. The College had no plan for other department heads to step up to review reporting and processes of the business office. The duties fell to the interim business manager, who lacked experience in implementation of new software.

Criteria: College policies and procedures dictate that a person in upper management be responsible for direct supervision of the business manager and review reports and financial information timely.

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Internal Control, continued

2013-4 Oversight of the Accounting Department (Significant Deficiency) continued

Cause: The past president did not have the foresight to have someone directed to be the direct supervisor of the business manager. Once the president was released from her contract, the Co-acting presidents were relying on the ability of the business manager to ensure reconciliations and financial reporting was accurate as their other duties limited the time available to also manage the business office.

Effect: Lack of oversight created a situation where the business office was struggling just to take care of daily transactions in the new system and therefore numerous errors were occurring in postings, transitional entries in implementation, timeliness of reconciliations, and ultimately not being ready to close the books and be audited in a timely manner.

Recommendation: The College should make sure policies and procedures are written to ensure that there is always someone from upper management to supervise the business manager and review the accounting records and financial reports timely.

Response: The College has made changes in personnel which includes a Director to oversee the functions of the accounting department, including supervision of the business manager, which will help to ensure that the accounting process is timely and accurate. Also, the College has hired a new business manager who is highly qualified and who will be evaluating and updating procedures and controls in the business office.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2013-5 Late Federal Report

Condition: The data collection form and reporting package was not submitted to the federal clearinghouse or to the federal agencies within nine months of the fiscal year end.

Criteria: OMB Circular A-133.320 requires the data collections form and reporting package to be submitted to the federal clearinghouse and federal agencies nine months after the entity's year end for entities expending $500,000 or more of federal funds in a fiscal year.

Cause: The fiscal year 11-12 audit was late being completed, therefore the data collection form could not be completed and copies of the audit submitted with it as required.

Effect: The data collection form and reporting package was not submitted by the nine month deadline. Failure to comply with federal reporting requirements could affect future federal funding.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, continued

2013-5 Late Federal Report, continued

| | |
|---|---|
| Recommendation: | The College should be prepared to have the financial statements audited in a timely manner so that the reporting can be made within the time period required. |
| Response: | Management concurs with the recommendation and will be monitoring the completion of future audits to ensure they are completed with enough time for submission of the data collection form and reporting package. |

STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

OTHER INFORMATION

JUNE 30, 2013

## 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 June 27, 2014. Present were J. Bronson Moore, Board Chair, James P. Streetman, Board Secretary, Dr. Thomas W. Newsome, President, Natalie Gillard, Vice-President of Academic Affairs, Amanda Hammer, Director of Business and Auxiliary Services and D. Brent Woodard, CPA.