


SAN JUAN COLLEGE

2008-2009



Annual Financial Report

**SAN JUAN COLLEGE
STATE OF NEW MEXICO
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009**



INTRODUCTORY SECTION



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OFFICIAL ROSTER

Board of Trustees

- R. Shane Chance Chairman
- Kenneth W. Hare Vice Chairman
- Eva B. Stokely..... Secretary
- Evelyn B. Benny..... Member
- Chad King..... Member
- Dr. Joseph Pope..... Member
- D. Craig Walling..... Member

Executive Officers

- Dr. Carol J. Spencer..... President
- Dr. Alvin Brown Associate Vice President for Institutional Resources and Planning
- David P. Eppich Vice President for Student Services
- J. Pernell Jones..... Vice President for Business Services
- Mike Tacha..... Vice President for Learning
- Timothy Warren..... Vice President for Technology Services

Business Services Officials

- J. Pernell Jones..... Vice President for Business Services
- Dianne Garcia, C.P.A..... Associate Vice President for Business Services and Controller

INDEPENDENT AUDITORS' REPORT



KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor, and
The Board of Trustees of
San Juan College

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of San Juan College, as of and for the year ended June 30, 2009, which collectively comprise the College's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison presented as supplemental information in the financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of San Juan College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and discretely presented component unit, of San Juan College as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, of the College 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 presents fairly, in all material respects the budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11, the College has implemented GASB 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as of June 30, 2009.

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2009, on our consideration of San Juan 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 and should be considered in assessing the results of our audit.

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Hector H. Balderas, State Auditor, and
The Board of Trustees of
San Juan College

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office 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 pledged collateral listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Keystone Accounting, LLC

November 11, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rationale: Management's Discussion and Analysis

The objective of the discussion and analysis that follows is to equip external users of the College's financial statement with the insight and understanding possessed by College management having lived with the numbers day in and day out. A full discussion and analysis would be overwhelming; accordingly, only key issues have been articulated.

This discourse is intended to supplement data reported in the basic financial statements and accompanying notes and supplemental schedules. This discussion and analysis should be reviewed in concert with this information.

Basic Financial Statements

The basic financial statements include Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows. These statements are presented in a manner consistent with Governmental Accounting Standards Board (GASB) Statement 34. While San Juan College—like many other colleges, universities, and governmental entities—uses fund accounting to account for its economic resources, GASB mandates presentation of the College's financial data as a single program business-type activity to facilitate interpretation by those not familiar with fund accounting. Consistent with GASB 34, paragraph 12, assets, liabilities, revenues, expenses, gains, and losses are reported using the economic resources measurement focus and accrual basis of accounting; accordingly, revenues are recorded as earned, and expenses are recorded as the liability is incurred.

The condensed financial statements that follow are presented in a comparative format including results for the 2009 and 2008 fiscal years.

Statement of Net Assets

The Statement of Net Assets is commensurate with a balance sheet in that it presents a snapshot of the organization's financial position on the last day of the fiscal year. Assets and liabilities are regarded as either current or non-current, and the remainder interests are recorded as Net Assets. This is the most notable departure from traditional balance sheet presentations that typically regard such interests as equity, capital, or fund balance. Net Assets are divided into amounts Invested in Capital (e.g. furniture, fixtures, and equipment), Restricted, or Unrestricted. A condensed version of the College's June 30, 2009 Statement of Net Assets is presented on the following page.

2008-2009 was framed by nearly dichotomous proportion for San Juan College. As the nationwide economic malaise settled into San Juan County with an unquestionable certainty, the College not only experienced a surge in enrollment, but completed a number of capital construction projects. It is the latter occurrence that is most evident on the College's Statement of Net Assets for fiscal year 2009.

While total assets remained essentially unchanged (\$108.03 million at June 30, 2009 compared to \$108.50 million at June 30, 2008), the change in the composition of those assets is important. Current assets declined from \$28.93 million at 06/30/2008 to \$21.19 million one year later. The \$7.74 million decline is a corollary to the increase reported in *Capital Assets* during the same time period.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

SAN JUAN COLLEGE
CONDENSED STATEMENT OF NET ASSETS
JUNE 30, 2009 AND 2008

	<u>6/30/2009</u>	<u>6/30/2008</u>
<u>Assets</u>		
Current assets	\$21,185,384	\$28,926,340
Capital assets	86,371,398	79,056,786
Other Noncurrent assets	471,976	519,069
Total Assets	<u>\$108,028,758</u>	<u>\$108,502,195</u>
<u>Liabilities</u>		
Post Employment Benefits	\$3,147,489	\$ -
Other current liabilities	6,625,448	7,141,573
Other noncurrent liabilities	23,117,601	24,608,239
Total Liabilities	<u>\$32,890,538</u>	<u>\$31,749,812</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	\$64,300,205	\$58,633,192
Restricted	2,571,935	2,533,405
Unrestricted	8,266,080	15,585,786
Total Net Assets	<u>\$75,138,220</u>	<u>\$76,752,383</u>
Total Liabilities and Net Assets	<u>\$108,028,758</u>	<u>\$108,502,195</u>

During the 2009 fiscal year, the College completed, or substantively completed five major capital projects:

- *Dining Hall and Old Library Renovation* – The renovation of more than 30,000 square feet to expand the College's food service operations, and reformulate the former home of the College's library. The former library was converted into four classrooms, the Center for Teaching Excellence, an office suite for the College's grants functions, and a series of meeting spaces.
- *Health Sciences Center* - A new 13,000 square foot facility from which the College launched new programs in Medical Laboratory Technician, and Surgical Technician. The project included classrooms, laboratories, meeting rooms, an operating room, and a state-of-the-art simulation center.
- *Learning Commons Plaza* – Landscaping and site improvement of more than 67,000 square feet exterior to the College's main campus that replaced concrete and asphalt with green areas intended to give clearer definition to the College's entryway. The construction established a scalable seating

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

area with seating up to 5,000 suitable for commencement or more intimate, amphitheatre-type events; and congregational spaces suitable for learning or socializing.

- *Outdoor Learning Center* - Embodying a number of learning opportunities indigenous to the San Juan region, the project—once fully completed—will include a series of demonstration gardens and pathways that showcase xeric plant materials and landscaping indigenous to the region; a meeting and classroom facility for use by the College and the community; and an outdoor renewable energy lab featuring working models of photovoltaic and geothermal forms of sustainable energy.
- *Trades & Technology* – This second phase renovation incorporated 4,413 square feet and included the addition of four classrooms: two multi-purpose classrooms, and program-specific classrooms for automotive technology and diesel technology.

This activity preponderantly explains the increase in the College's capital assets during the twelve month period that ended June 30, 2009. Capital assets grew by 9 per cent—an increase of \$7.31 million: an amount commensurate with the decline in the College's current assets over the same time span.

In spite of this migration in total current assets, the College registered a satisfactory measure of liquidity at the end of the 2009 fiscal year. With total current assets of \$21.19 million, and total current liabilities of \$6.96 million, the College's *current ratio* at year-end was 3.04:1. Stated another way, for every \$1.00 of current liability for which the College was obligated at 06/30/2009, it held more than \$3.00 of relatively liquid assets that could be used to satisfy those liabilities.

Of comparable note as the activity reported in capital assets, is a new obligation reported in the liability section of the College's Statement of Net Assets. General Accounting Standards Board Statement No. 45, Accounting, reporting and Disclosure Requirements for Postemployment Benefits Other Than Pension, was fully implemented by San Juan College in fiscal 2009. This pronouncement mandates the biennial engagement of an actuarial firm to calculate the actuarial accrued liability of the institution's pledge of benefits, other than pension, to its employees upon retirement from the institution. Per the College's employee handbook, individuals that retire from San Juan College are eligible to continue health insurance coverage for themselves and qualifying dependents. This plan is sponsored by San Juan College, with the institution remitting 60% of the premium for the retiree and dependents, and the retiree remitting the remaining 40%.

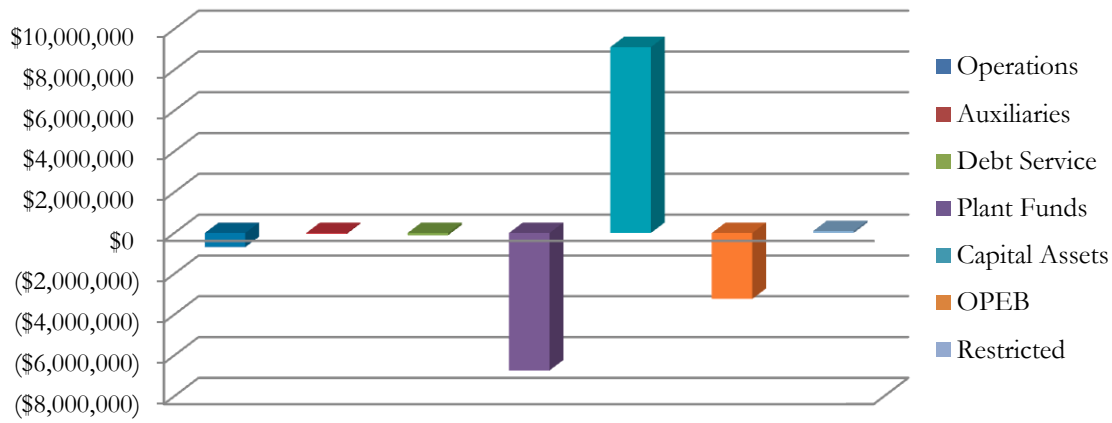
The most recent, formal estimation of the College's Other Post-Employment Benefit (OPEB) was as of July 1, 2008. At that date, the College's actuarial accrued liability approximated \$27.7 million. A thirty year amortization of this obligation would necessitate an annual contribution of \$3.42 million. The College remitted nearly \$270,000 in payment of premiums for existing retired employees. GASB 45 requires that an expense for the remaining \$3.15 million be accrued during the fiscal year ended June 30, 2009. The impact of that accrual is manifest as a liability, and a reduction in the institution's total net assets as discussed below.

Net assets represent the residual interests of assets held by the institution—that is total assets minus total liabilities. *Change* in total net assets is a summation of revenues and expenditures recorded by the institution during the reported period. On June 30, 2009, the total net assets of San Juan College amounted to \$75,138,220—a decrease of \$1,614,163 over the total reported on June 30, 2008. The graphic on the following page depicts the disaggregated elements of the change in the College's total net assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

The College's unrestricted net assets declined by \$7.32 million. The components of this decrease include accrual of the College's OPEB obligation as discussed in the preceding section, as well as an investment of Plant Fund assets used to complete various capital projects previously discussed herein as well as other enhancements to the institution's Property, Plant and Equipment. The *matriculation* of Plant Fund assets ultimately manifests as a change in total net investments in capital assets. This total, reported net of related, long-term debt, grew from \$58.63 million to \$64.30 million—an increase of \$5.67 million.

Changes in Net Assets



Another component of Unrestricted Net Assets is general College operations. Despite mid-year reductions in the budget totals for local taxes and state appropriations, San Juan College was able to ameliorate their impact on its financial position through effective control of expenditures. While College operations *reported* a \$695,000 decline in total net assets, this largely resulted from the use of the total *increase* in Unrestricted Net Assets yielded by the College's general operations during fiscal year 2008. The College's Governing Board approved use of the fiscal year 2008 increase for fiscal 2009 start up costs (salaries and equipment) for the new Health Sciences Center.

Statement of Revenues, Expenses, and Changes in Fund Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets shares many of the same attributes as a Statement of Changes in Financial Position, or Statement of Changes in Fund Balance. The Statement of Revenues, Expenses, and Changes in Net Assets is a cumulative summary of the organization's financial activities for the reported fiscal year. A condensed version of the College's Statement of Revenues, Expenses, and Changes in Net Assets is presented on the following page.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

SAN JUAN COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>Operating Revenues</u>		
Student tuition and fees	\$5,475,203	\$4,075,831
Less: Scholarship allowances	(2,126,884)	(1,295,401)
Federal Grants and Contracts	7,301,744	6,571,229
State Grants and Contracts	2,235,637	2,478,530
Nongovernmental grants and contracts	1,833,920	1,370,388
Auxiliary enterprises	3,424,439	2,971,610
Other operating revenues	1,414,012	1,948,452
Total Operating Revenues	\$19,558,071	\$18,120,639
<u>Operating Expenses</u>		
Educational and General		
Instruction	\$27,047,620	\$26,096,628
Public service	2,903,656	2,923,448
Academic support	4,551,458	3,709,223
Student services	5,451,145	5,217,124
Institutional support	6,545,668	6,278,041
Operations and maintenance of plant	7,576,848	5,833,832
Depreciation expense	5,803,465	5,547,680
Student aid	5,329,110	5,246,899
Auxiliary enterprises	3,696,201	3,033,416
Other operating expenses	516,030	442,887
Total Operating Expenses	\$69,421,201	\$64,329,178
Operating Income/(Loss)	(\$49,863,130)	(\$46,208,539)
<u>Nonoperating Revenues/(Expenses)</u>		
State appropriations	\$22,262,313	\$22,027,688
Local appropriations	17,759,407	18,941,221
Capital appropriations, grants, and gifts	8,453,153	4,238,184
Other nonoperating revenues/(expenses)	(225,906)	(289,780)
Total Nonoperating Revenues/(Expenses)	\$48,248,967	\$44,917,313
Increase/(Decrease) in Net Assets	(\$1,614,163)	(\$1,291,226)
Net Assets, beginning of the year	76,752,383	76,748,207
Net Assets, end of the year	\$75,138,220	\$75,456,981

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

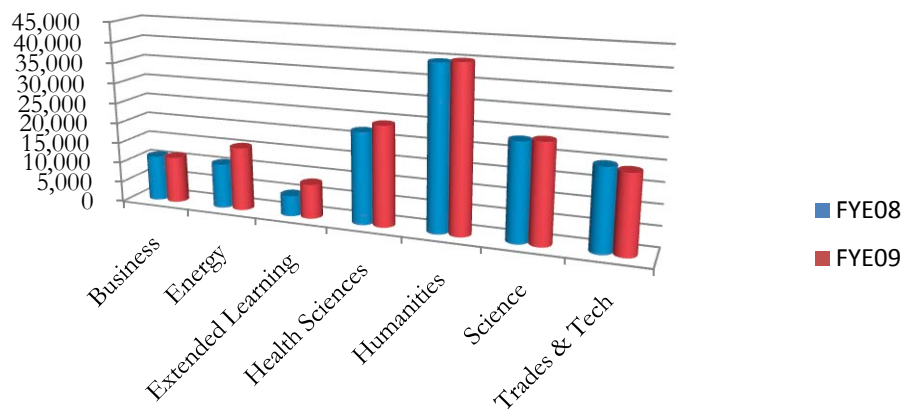
To underscore the financial consequences of a governmental entity's operation for its taxing constituencies, the Governmental Accounting Standards Board (GASB) mandates that revenue and expenditures be distinguished between *operating* and *nonoperating*. Local and state appropriations are regarded as nonoperating revenue in that there is no specific *exchange* of services or goods associated with the revenues. As a result, the College's Statement of Revenues, Expenses, and Changes in Net Assets reports an *operating* loss of \$49.86 million. This total does not include local and state appropriations. A more representative view of the institution's fiscal effectiveness for the year being reported may be found in the amount reported as Increase or Decrease in Net Assets. This total includes both local and state appropriations. As previously detailed, for the fiscal year that ended June 30, 2009, San Juan College reported a decrease in net assets of \$1.61 million.

Taken together, operating and nonoperating revenues for San Juan College for the year ended June 30, 2009, increased by 7.6% or \$4.77 million.

<u>Revenues</u>	<u>FYE09</u>	<u>FYE08</u>	<u>% Change</u>
Operating	\$19,558,071	\$18,120,639	7.9%
Nonoperating	48,248,967	44,917,313	7.4%
Total Revenues	\$67,807,038	\$63,037,952	7.6%

The prominent points of increase in revenue include a gain of \$4.21 million in capital appropriations, grants, and gifts, and \$1.40 million in student tuition and fees. The former is attributable to the College's construction activities during 2008-09: most notably, a \$1.9 million gift from the San Juan College Foundation for expansion and renovation of the College's Dining Hall and former library; and state appropriations for the Learning Commons Plaza, Outdoor Learning Center, and Trades and Technology. The latter increase resulted from a 7.8% increase in student enrollment.

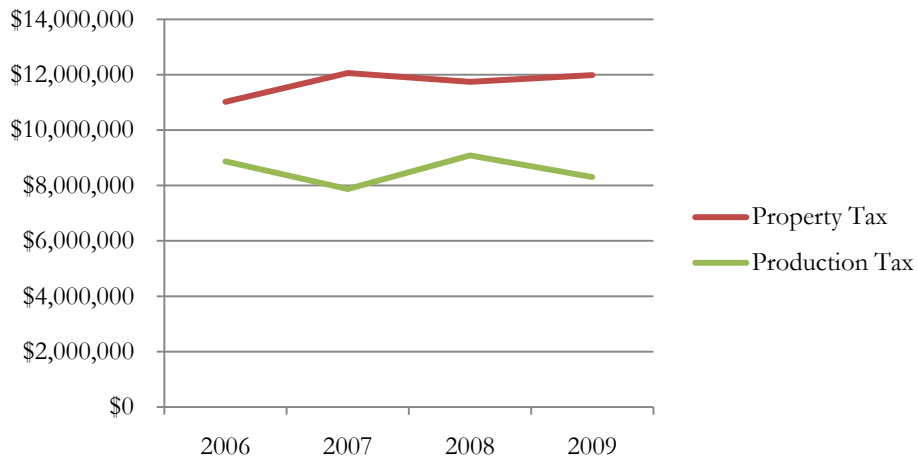
**Student Credit Hours
by School**



MANAGEMENT’S DISCUSSION AND ANALYSIS--CONTINUED

The trend line below reflects recent history for local property and production taxes. While the property tax line ultimately held form in fiscal 2009, production taxes declined by 9% during the year. The same forces that underlay the mitigation in the College’s local tax revenue had a similar impact for the State of New Mexico; accordingly, in January 2009, the state levied a 2.5% statewide reduction in higher education appropriations.

Local Taxes



On its face, the Statement of Revenues, Expenses, and Changes in Net Assets reports an increase in total operating expenses of 7.9%. It bears reiteration that the \$69.42 million in total operating expenses reported for FYE 2009 includes the \$3.15 million Other Post-Employment Benefit liability mandated by GASB Statement 45. This expense is associated with future retirement insurance premiums that the College is likely to incur. Total operating expenses, not including this future outlay, only increased by 3.0% from total expenses reported for FYE 2008.

% of Total Operating Expenses by Functional Categories

<u>Year</u>	<u>Instruction</u>	<u>Public Service</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>Operation of Plant</u>	<u>Student Aid</u>	<u>Auxiliary Enterprises</u>	<u>All Others</u>
2009	39.0%	4.2%	6.6%	7.9%	9.4%	10.9%	7.7%	5.3%	9.0%
2008	38.1%	4.2%	6.3%	7.8%	9.5%	11.0%	8.0%	5.6%	9.5%

Statement of Cash Flows

The Statement of Cash Flows provides an analysis of the organization’s cash position for the year. The statement reports cash used or provided by operating activities, non-capital financing activities, capital financing activities, and investing activities. The condensed Statement of Cash Flows for San Juan College for FYE 2009 follows.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

SAN JUAN COLLEGE CONDENSED STATEMENT OF CASH FLOWS FOR FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

<u>Sources/(Uses)</u>	<u>2009</u>	<u>2008</u>
Operating Activities, net	(\$38,845,310)	(\$40,539,714)
Noncapital Financing Activities, net	40,427,562	40,692,946
Capital Financing Activities, net	(9,863,026)	(3,085,059)
Investing Activities, net	14,018,525	(409,444)
Increase/(Decrease) in Cash and Cash Equivalents	\$5,737,751	(\$3,341,271)
Cash and Cash Equivalents, beginning of the year	11,437,555	14,778,826
Cash and Cash Equivalents, end of the year	<u>\$17,175,306</u>	<u>\$11,437,555</u>

Budget Variations

The supplemental section following the Notes to the Basic Financial Statements includes budget comparison summaries prescribed by the New Mexico State Auditor's Office. The College's year-end expenditures complied with final amounts approved by its Board of Trustees and submitted to the state departments for Higher Education and Finance and Administration.

Capital Asset and Long-Term Debt Activity

Capital assets for San Juan College increased by \$7.31 million during the 2008-09 fiscal year. While Note 5 to the Basic Financial Statements presents a more comprehensive detail of the increase in Capital Assets, the table atop the following page is a concise delineation of activity in this category.

The total valuation of buildings placed into service during 2008-2009 was \$12.87 million. That includes the Outdoor Learning Center Greenhouse, in the amount of \$545,000; Phase II renovation of the Trades and Technology Center in the amount of \$1.12 million; expansion and renovation of the Dining Hall and former library, \$7.59 million; and Phase I of the Health Sciences Center in the amount of \$3.61 million.

The lone construction project in process at fiscal year-end was the Outdoor Learning Center in the amount of \$3,124,040.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

Capital Assets, 06/30/2008	\$79,056,786
Additions	
Construction-in-Progress (net)	(3,270,863)
Infrastructure, Land and leasehold improvements	2,066,529
Buildings	12,866,601
Equipment, furnishings, and software	1,294,120
Library books	168,654
Retirements (net of accumulated depreciation)	(6,963)
Depreciation	(5,803,466)
Restatements (see Note 12)	
Capital Assets, 06/30/2009	\$86,371,398

Currently Known Facts, Decisions, or Conditions

- Continued volatility in the natural gas markets portends a certain decline for the College's budgets (operating and debt service) for local production taxes. The forecast model that the College uses—as well as receipts through the first quarter of FYE 2010—suggests as much as a 33% drop off in amounts budgeted for that fiscal year.
- The Governor of the State of New Mexico convened a special legislative session in October 2009 to address a \$650 million revenue shortfall anticipated by the state in 2009-2010. The resultant legislation includes reductions of 2% to 6.5% in the College's state appropriation for FYE 2010. The legislation is awaiting signature by the Governor.
- The College's Board of Trustees is actively considering substantive changes to the health care benefit that the entity sponsors for its retired employees.
- In November 2009, Mesa Airlines announced the closing of its pilot training program at San Juan College. The program will cease operations in March 2010.
- The College has engaged an architect to begin programming the second phase of its Health Sciences Center. Budget for this project totals \$5 million and is funded by proceeds from the state's 2008 general obligation bond election.

San Juan College Foundation

The San Juan College Foundation was established in 1973 as a not-for-profit, 501(c)(3) corporation to provide resources for various critical needs at San Juan College and within the communities that the College serves. The mission of the Foundation is to provide private sector resources for the advancement and support of San Juan College. Pursuant to GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, the Foundation is discretely presented in the College's financial statements as a component unit. The organization has separately audited financial statements, which can be obtained at San Juan College Foundation, Inc., 4601 College Boulevard, Farmington, New Mexico 87402.

BASIC FINANCIAL STATEMENTS



STATEMENT OF NET ASSETS**EXHIBIT A**

	Primary Institution	Component Unit San Juan College Foundation
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 16,703,330	\$ 505,351
Investments	-	6,928,129
Accounts Receivable, net	583,496	-
Due from Other Governments	2,762,277	-
Other Receivables, net	300,724	325,000
Inventories	515,580	-
Other Assets	319,977	882
Total Current Assets	<u>21,185,384</u>	<u>7,759,362</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	471,976	-
Capital Assets, not being depreciated	5,134,681	1,130,946
Capital Assets, net of accumulated depreciation	81,236,717	2,513,521
Land Held for Investment	-	5,000
Beneficial Interest in Remainder Trusts	-	2,526,750
Total Non-Current Assets	<u>86,843,374</u>	<u>6,176,217</u>
Total Assets	<u>\$ 108,028,758</u>	<u>\$ 13,935,579</u>
LIABILITIES:		
Current Liabilities:		
Accounts Payable	\$ 1,106,952	\$ 197,043
Accrued Compensated Absences	214,209	-
Other Post-Employment Benefits	332,927	-
Other Accrued Liabilities	2,029,058	-
Unearned Revenue	675,351	-
Bonds and Note Payable -- Current	1,685,694	-
Deposits and Funds Held for Others	914,184	249,224
Total Current Liabilities	<u>6,958,375</u>	<u>446,267</u>
Non-Current Liabilities		
Accrued Compensated Absences	2,497,291	-
Other Post-Employment Benefits	2,814,562	-
Bonds and Note Payable -- Non-Current	20,620,310	-
Total Non-Current Liabilities	<u>25,932,163</u>	<u>-</u>
Total Liabilities	<u>\$ 32,890,538</u>	<u>\$ 446,267</u>
NET ASSETS:		
Invested in Capital Assets Net of Related Debt	64,300,205	3,644,467
Restricted Non-Expendable	360,000	9,002,207
Restricted Expendable	2,211,935	3,894,684
Unrestricted	8,266,080	(3,052,046)
Total Net Assets	<u>\$ 75,138,220</u>	<u>\$ 13,489,312</u>

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**EXHIBIT B**

	Primary Institution	Component Unit San Juan College Foundation
REVENUES:		
Operating Revenues:		
Student Tuition and Fees	\$ 5,475,203	\$ -
Less: Scholarship Allowances	(2,126,884)	-
Federal Grants and Contracts	7,301,744	-
State Grants and Contracts	2,235,637	-
Non Governmental Grants and Contracts	1,833,920	2,430,475
Sales and Services	919,216	-
Auxiliary Enterprises	3,424,439	-
Other Operating Revenues	494,796	2,157
Total Operating Revenues	<u>19,558,071</u>	<u>2,432,632</u>
EXPENSES:		
Operating Expenses:		
Education and General		
Instruction	27,047,620	-
Public Service	2,903,656	-
Academic Support	4,551,458	-
Student Services	5,451,145	-
Institutional Support	6,545,668	-
Operations and Maintenance of Plant	7,576,848	-
Depreciation Expense	5,803,465	141,171
Student Aid	5,329,110	-
Auxiliary Enterprises	3,696,201	-
Other Operating Expenses	516,030	3,952,833
Total Operating Expenses	<u>69,421,201</u>	<u>4,094,004</u>
Operating Loss	<u>(49,863,130)</u>	<u>(1,661,372)</u>
NON-OPERATING REVENUES (EXPENSES)		
State Appropriations	22,262,313	-
Local Appropriations	17,759,407	-
Investment Income (Loss)	625,732	(2,850,770)
Interest on Capital Asset-related Debt	(816,141)	-
Gain (Loss) on Disposal of Capital Assets	(6,964)	-
Other Non-Operating Expenditures	(28,533)	-
Total Non-Operating Revenues (Expenses)	<u>39,795,814</u>	<u>(2,850,770)</u>
Income (Loss) before Other Revenue (Expenses)	<u>(10,067,316)</u>	<u>(4,512,142)</u>
Capital Appropriations	6,471,377	-
Capital Grants and Gifts	1,921,776	-
Additions to Permanent Endowments	60,000	-
Total Other Revenue	<u>8,453,153</u>	<u>-</u>
Decrease in Fund Net Assets	<u>(1,614,163)</u>	<u>(4,512,142)</u>
FUND NET ASSETS, beginning of year	<u>76,752,383</u>	<u>18,001,454</u>
FUND NET ASSETS, end of year	<u>\$ 75,138,220</u>	<u>\$ 13,489,312</u>

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS

EXHIBIT C

	Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$ 3,583,931
Grants and Contracts	11,232,263
Sales and Services	924,260
Auxiliary Sales and Services	3,559,564
Payments to Suppliers	(14,126,628)
Payments to Employees	(28,681,265)
Payments for Utilities	(1,503,431)
Payments for Benefits	(8,483,660)
Payments for Scholarships	(5,329,110)
Other Receipts (Payments)	(21,234)
Net Cash Used in Operating Activities	<u>(38,845,310)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	22,262,313
Local Appropriations	18,428,369
Agency Receipts	7,775,440
Agency Payments	(8,038,560)
Net Cash Provided by Non-Capital Financing Activities	<u>40,427,562</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Interest Payment on Bonds, net	(857,638)
Capital Appropriations	6,408,918
Principal Payment on Bonds	(1,798,302)
Purchase of Capital Assets	(13,616,004)
Net Cash Provided (used) by Capital Financing Activities	<u>(9,863,026)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds for Sale and Maturities of Investments	22,025,887
Purchase of Investments	(8,710,084)
Investment Income	702,722
Net Cash Provided (used) by Investing Activities	<u>14,018,525</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,737,751
Cash and Cash Equivalents, beginning of year	11,437,555
Cash and Cash Equivalents, end of year	<u>\$ 17,175,306</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Loss	\$ (49,863,130)
Adjustments to Reconcile Operating Loss to Net Cash Provided (used) by Operating Activities	
Depreciation Expense	5,803,465
Changes in Assets and Liabilities	
Accounts Receivable	1,267,231
Due from Other Governments and Other Receivables	(139,038)
Inventories	13,630
Other Assets	(100,279)
Accounts Payable	(103,738)
Accrued Expenses and Compensated Absences	4,164,379
Other Liabilities, current	39,785
Unearned Revenue	72,385
Net Cash Provided (used) by Operating Activities	<u>\$ (38,845,310)</u>

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization

The San Juan Community College District was created by majority vote of the San Juan County electorate on November 17, 1981. Formerly a branch campus of New Mexico State University, San Juan College (the College) was reorganized under the state “Junior College Act” (i.e. Sections 21-13-1 through 21-13-25 New Mexico Statutes Annotated, 1978 compilation, as amended). The purpose of the Junior College Act is to provide for the creation of local junior colleges and to extend the privilege of a basic vocational, technological or higher education to all persons who are qualified to pursue the courses of study offered. San Juan College is funded through appropriations from the State of New Mexico, local mil tax levy, and tuition and fees.

The College is governed by a Board of Trustees consisting of seven members elected from single member districts within San Juan County. The Board's authority is established by state statute, specifically the 1985 Community College Act as amended. The Board employs a President and Chief Executive Officer who is responsible for the management and day-to-day control of the institution including the hiring of administrative officers, faculty and staff.

The mission of the College is to improve the quality of life of the citizens it serves by meeting the educational and human needs of the entire community in concert with other community agencies, businesses, industries and other groups.

The College is accredited by the North Central Association of Colleges and Secondary Schools as a degree-granting institution.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation.

Similar to private-sector, standards of accounting and financial reporting issued prior to November 30, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

The College is an agency of the State of New Mexico and, as such, is included in the State of New Mexico's Consolidated Annual Financial Report.

San Juan College Foundation, Inc. (Foundation) is a legally separate, tax - exempt component unit of San Juan College (College). The Foundation acts primarily as a fund raising organization to supplement the resources that are available to the College in support of its programs. The thirty member board of the foundation consists of graduates and friends of the college. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can be used by or for the benefit of the College only, the foundation is considered a component unit of the College and is discretely presented in the college's financial statements.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

During the year ended June 30, 2009, the Foundation distributed \$3,520,104 to the College for both restricted and unrestricted purpose. Complete financial statements for the Foundation can be obtained from the Foundation Administration Office at 4601 College Boulevard, Farmington, New Mexico 87402.

Measurement Focus and Basis of Accounting.

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements of the Primary Institution have been prepared in a single column format using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-entity transactions have been eliminated. Eliminations are not performed between the Primary Institution and the discrete Component Unit.

Statement of Net Assets.

Current assets consist of unrestricted assets which are available for current operations or which will be available within one year and restricted assets that will be used for current operations. All other assets are included in non-current assets. Current liabilities consist of those liabilities that are due within one year including the current portion of any long-term liabilities.

Cash and Cash Equivalents.

Cash and cash equivalents consist of cash on hand, demand deposits, and current investments (e.g., certificates of deposit) which are defined as investments that are readily convertible to cash or which have an original maturity date of three months or less.

During fiscal years 2008 and 2009 the College received endowment fund appropriations from the State of New Mexico totaling \$360,000 as a match against existing endowment funds held by the College's Foundation. The endowments funds are invested in certificates of deposit at a financial institution with maturities of less than two years. As promulgated in HB 07-983, the income from the investments shall be used as scholarships for full-time students with a minimum GPA of 2.5. The College has not realized revenue from the endowment investments. The endowment fund is a component of Restricted Cash and Cash Equivalents on the Statement of Net Assets.

Investments.

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting for Financial Reporting for Certain Investments and External Investment Pools. Changes in the unrealized gain or loss on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Assets.

Marketable securities are carried by the Foundation at fair value. Third-party investment managers administer substantially all marketable securities of the Foundation. Gains and losses resulting from securities transactions are recorded in Investment Income.

Beneficial interest in remainder trusts of the Foundation are measured at fair value, using the valuation technique of present value of estimated expected future cash flows to be received.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED**Inventories.**

Inventories are generally stated at the lower of cost or market. Cost is determined by using the retail method. Departmental inventories—comprised of such items as classroom and laboratory supplies, teaching materials and office supplies—which are consumed in the teaching and administrative process, are expensed when purchased.

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 of greater than one year. The College includes software purchased with a piece of equipment in the cost of capitalization. This total cost is depreciated over the useful life of the equipment. In compliance with AICPA SOP 98-1, software purchased for internal use is capitalized and depreciated. 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.

Depreciation for the College is calculated using the straight-line method over the estimated useful lives of the assets; generally 30 years for buildings and infrastructure, 25 years for land improvements, five years for library books, and three to 15 years for equipment. Loaned equipment, from private and federal sources (whether furnished or purchased), is not owned by the College and is not an asset.

Over the span of its existence, the College has acquired significant collections of art, rare books, historical treasures and other special collections. The purpose of these collections is for public exhibition, education, or research in furtherance of public service rather than financial gain. When the valuation of a collection is possible and practical it is capitalized.

Capital assets of the Foundation are stated at cost, except for works of art the Foundation intends to hold indefinitely, which are recorded at fair value on the date of donation.

The Foundation follows the practice of capitalizing, at cost, all expenditures for capital assets in excess of \$1,000. Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Depreciation is computed on a straight-line basis over 25 years for buildings, 10 to 25 years for improvements, and five to seven years for equipment.

Capitalized Interest.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the College during the current fiscal year was \$976,354. Of this amount, \$160,213 was included as part of the cost of capital assets under construction in connection with building projects.

Compensated Absences.

Regular, full-time employees—exempt and non-exempt—earn annual and sick leave as a function of service. Non-exempt employees also may earn compensated time for hours worked in excess of 40 per week dependent upon their work schedule and the requirements of the job. Compensated time earned is eligible

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

to be taken at 1.5 times the hours worked. In the event of termination, an employee is paid for accumulated annual leave up to 240 hours and earned compensated time. Employees are eligible for payment of accumulated sick leave up to a maximum of 480 hours only upon retirement. The calculation of accrued compensated absences includes a portion of estimated liability for sick leave.

Net Assets.

The College's net assets are classified as follows:

Invested in capital assets, net of related debt represents the College's total capital assets, net of accumulated depreciation and 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.

Restricted net assets represent those resources upon which external restrictions have been imposed that limit the purposes for which such resources can be used. *Restricted expendable* net assets are resources that the College is legally or contractually obligated to spend in accordance with imposed restrictions by third parties. *Restricted non-expendable* net assets consist of endowment and similar funds in which third parties have stipulated, as a condition of the gift instrument, that the principal 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 principal.

Unrestricted net assets consist of those operating funds over which the governing board retains full control to use in achieving any of its authorized purposes.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Elimination Entries.

Eliminations have been made in the Statement of Revenues, Expenses, and Changes in Net Assets to remove the effect of internal charges incurred for service activities in excess of the cost of providing those services and for revenue recognized by the service departments for sales to other College departments. Elimination entries are not recorded between the Primary Institution and the discrete Component Unit.

Operating and Non-Operating Transactions.

The College has classified its revenues and expenses as either operating or non-operating. Revenues and expenses are classified according to the following criteria:

Operating: Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees, scholarship allowances, sales and services of auxiliary enterprises, most federal, state, local grants and contracts, federal appropriations and interest on institutional student loans. Operating expenses include salaries, employee benefits, supplies, materials, services, utilities and depreciation.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

Non operating: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as state appropriations, local appropriations (e.g., property and production taxes), and investment income. Non-operating expense includes interest on capital asset-related debt.

Property Taxes.

Ad valorem taxes are collected by the San Juan County Treasurer and distributed monthly to the College. Property taxes are the personal obligation of the person owning the property on January 1st of each year, the date at which the property becomes subject to valuation for property taxation purposes. Property taxes are due in two installments. The first half is due on November 10th and becomes delinquent on December 11th. The second half is due on April 10th and becomes delinquent on May 11th.

The Oil and Gas Accounting Division of the State of New Mexico Taxation and Revenue Department collects property tax on oil and gas production and equipment. The Oil and Gas Division distributes its collections to the County Treasurer who further distributes the collections to the College. The tax year for oil and gas production begins on September 1st and is collected monthly. Equipment taxes are due on November 30th of each year.

Scholarship Allowances.

Scholarship allowances are reported as an offset to student tuition and fee revenues are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on 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 revenues from such programs are used to satisfy tuition and fees, the College has recorded a scholarship allowance as a contra revenue.

Non-reverting Funds.

According to House Bill 2 unexpended state appropriations do not revert to the state of New Mexico at the end of the fiscal year and are available to the College in subsequent years.

Unearned Revenue.

Unearned revenue consists primarily of students' tuition received in advance for the summer term and advances from contracts and grants to be held substantially after year-end.

Tax Status.

The income generated by the College is excluded from federal income taxes under section 115(a) of the Internal Revenue Code. The College is exempt under section 501(a) of the Internal Revenue Code as an organization described in section 501(c) (3). Income generated from activities unrelated to the College's exempt purpose is subject to tax under Internal Revenue Code section 511.

The Foundation is exempt from federal income taxes under Internal Revenue Code section 501(c) (3).

NOTES TO FINANCIAL STATEMENTS -- CONTINUED**Budgetary Process.**

Operating budgets are submitted for approval to the Board of Trustees, the New Mexico Higher Education Department, and the State Department of Finance and Administration. Separate legislative budget requests may be submitted to the Higher Education Department or other state offices upon approval by the Board of Trustees. Actual expenditures may not exceed the budget on a functional level (i.e. expenditures must be within budgeted amounts by exhibit.)

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.

Long Term Debt Obligations.

Bond premiums and discounts, as well as issue costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discounts.

Bond issuance costs are reported as deferred charges and amortized over the term of the related bond.

Joint Powers of Agreement.

San Juan College entered into an agreement on August 7, 1996 to establish the Criminal Justice Training Authority. The agreement was renewed on October 7, 2008 by the Board of County Commissioners of San Juan County, New Mexico, the City of Farmington, New Mexico, the City of Bloomfield, New Mexico, the City of Aztec, New Mexico, the State of New Mexico Department of Public Safety (DPS), and San Juan Community College District. The purpose of the agreement is to engender collaboration among the participating entities in the provision of training for law enforcement officers in San Juan County. The College provides designated office space, equipment, and classroom facilities and acts as fiscal agent.

Other Significant Accounting Policies.

Other significant accounting policies are set forth in the following notes.

Note 3 – Cash, Cash Equivalents, and Investments

The classification “Cash and Cash Equivalents” includes cash in banks (deposits); cash on hand, petty cash, certificates of deposit and overnight repurchase agreements.

Cash.

The College’s deposits are in demand and time deposit accounts at financial institutions. State statutes require financial institutions to pledge qualifying collateral to the College to cover at least 50% of the uninsured deposits and 102% of overnight deposits. All collateral is held in third party safekeeping in the name of the College. The majority of the total deposits were invested in interest bearing accounts at June 30, 2009.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

Collateralization of Deposits.

At June 30, 2009, the recorded value of the College's cash and time deposits with financial institutions was \$17,163,051. Petty cash funds at June 30, 2009 totaled \$12,255. The balances per bank statements and overnight investment accounts totaled \$17,641,162 at June 30, 2009. Of the bank balance, \$4,134,302 was covered by federal depository insurance and \$11,175,058 was covered by collateral held at the Federal Reserve in the College's name, and \$222,342 was invested in U.S Government Money Market Funds and \$2,109,460 was uncollateralized.

Investments.

None of the Colleges funds were held in investments at June 30, 2009.

A summary of the Foundation's investments at June 30, 2009 is as follows:

	Market
Investments held by investment managers:	
Certificates of Deposit	\$ 92,184
Money market accounts	360,083
Equities	5,012,252
Fixed income investments	1,463,610
Total Pooled Investments	\$ 6,928,129

Interest Rate Risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value resulting from rising interest rates, the College's investment policy limits the average weighted maturity of its portfolio to three years.

The Foundation investments exposed to interest rate risk are primarily invested in short and intermediate term bonds and bond funds. Maturity rates for Foundation investments are as follows:

Investment Type	Fair Value	Investment Maturities			
		Not subject to Interest Rate Risk	Less than		
			1 Year	1-5 Years	5 + Years
Money Market	\$ 360,083	\$ 360,083	\$ -	\$ -	\$ -
Equities	2,477,288	2,477,288	-	-	-
Mutual Funds - Equity	2,974,251	2,974,251	-	-	-
Certificate of Deposit	92,185	-	30,258	61,927	-
Corporate Bond	557,388	-	247,171	191,402	118,815
Treasury and Agency	367,645	-	-	276,918	90,727
Asset Backed Securities	99,289	-	-	-	99,289
Total Investments	\$ 6,928,129	\$ 5,811,622	\$ 277,429	\$ 530,247	\$ 308,831

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

Credit Risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. U.S. obligations, investments explicitly guaranteed by the U.S. Government, and non-debt investments are excluded from this requirement. The College currently has no investments and therefore is excluded from this requirement.

The following table provides information on the credit ratings associated with the Foundation's investment in debt securities at June 30, 2009.

Investment Type	Moody's/S&P Rating	Fair Value
Corporate Bonds	A1/ A	\$ 61,275
Corporate Bonds	A1/ AA-	25,651
Corporate Bonds	A2/ A	189,752
Corporate Bonds	A3/ A	41,612
Corporate Bonds	A3/ A-	63,207
Corporate Bonds	A3/ BBB+	24,276
Corporate Bonds	Aa2/ AA+	30,905
Corporate Bonds	BA2/ BB-	75,834
Corporate Bonds	Baa/ BBB+	44,876
Agency	Aaa/AAA	144,891
Treasuries	Aaa/AAA	<u>222,754</u>
Total Rated Investments		<u>\$ 925,033</u>

Custodial Credit Risk – Deposits.

Custodial credit risk is the risk that in the event of bank failure, the College's deposits may be lost. The College does not have a deposit policy for custodial credit risk. As of June 30, 2009 \$2,109,460 of the College's bank balance of \$17,641,162 was exposed to custodial credit risk.

Uninsured and Uncollateralized	
Citizen's Bank of Farmington	\$ 717,623
Wells Fargo	1,391,823
State of New Mexico	<u>14</u>
Total Uninsured and Uncollateralized	<u>\$ 2,109,460</u>

The Foundation maintains deposits in two financial institutions located in Farmington, New Mexico. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2009, the Foundation's uninsured cash deposits total was approximately \$38,475

Custodial Credit Risk – Investments.

As of June 30, 2009, the College's deposits are in demand and time deposit accounts and not in investments. Therefore the College is not subject to custodial credit risk for investments.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

Marketable Securities in the Foundation are valued at fair value. Third party investment managers administer substantially all investment decisions of the Foundation. The equities, fixed income investments and other investments are held by the brokerage firm in a street name. The Foundation's investments of \$6,928,129 were exposed to custodial credit risk.

Note 4 – Accounts Receivable, Other Receivables, and Beneficial Interest in Remainder Trusts

Accounts Receivable and other receivables are shown net of allowances for doubtful accounts in the accompanying statement of net assets. At June 30, 2009 receivables consisted of the following:

College accounts receivable, net	
Accounts Receivable	\$ 1,402,650
Less: Allowance for doubtful accounts	819,154
Accounts receivable, net	\$ 583,496

Due from Other Governments.

Due from other governments consists of property taxes and unreimbursed federal, state, and local grant expenditures. San Juan County is responsible for levying and billing for property taxes. The College (through the County) has the right to place a lien on the property for unpaid property taxes, and accordingly no provision for doubtful accounts has been established. At June 30, 2009 government receivables consisted of the following:

Billed property taxes	\$ 802,107
Due from other governments	1,140,567
Due from State for capital projects	819,603
Total due from other governments	\$ 2,762,277

Other Receivables, Net San Juan College Foundation.

Other receivables, net San Juan College Foundation consist of unconditional promises to give. These pledge receivables are expected to be fully collectible based on historical collections. Unconditional promises to give are as follows:

Receivables, less than one year	\$ 175,000
Receivables, more than one year	150,000
Total other receivables, net	\$ 325,000

Beneficial Interest in Remainder Trust, San Juan College Foundation.

Individuals established irrevocable charitable remainder unitrust agreements, and the Foundation was named beneficiary under these agreements administered by third party companies. Under the trusts' terms, the donors are to receive an annual distribution equal in the value to a specified percentage of the fair market value of the trust's assets each year until the donors die. At that time, the remaining assets of the trusts are to be distributed to the foundation for use as a permanent endowment. These assets were recorded at fair market value when received, and the liability to the donors' are recorded at the present value of the estimated future payments to be distributed over the donors' expected lives. Beneficial interest in remainder trusts are as follows:

Beneficial interest in remainder trusts	\$ 6,188,666
Less discounts to net present value	3,661,916
Net beneficial interest in remainder trusts	\$ 2,526,750

NOTES TO FINANCIAL STATEMENTS -- CONTINUED**Note 5 – Capital Assets**

At June 30, 2009 capital assets held were as follows:

	Balance 6/30/08	Additions	Transfers/ retirements	Balance 6/30/09
College capital assets not being depreciated:				
Land	\$ 2,010,641	\$ -	\$ -	\$ 2,010,641
Construction in progress	6,394,903	1,778,823	5,049,686	3,124,040
Total nondepreciable capital assets	<u>\$ 8,405,544</u>	<u>\$ 1,778,823</u>	<u>\$ 5,049,686</u>	<u>\$ 5,134,681</u>
College depreciable capital assets:				
Land & leasehold improvements	\$ 6,884,200	\$ 1,173,792	\$ -	\$ 8,057,992
Infrastructure	12,747,720	892,737	-	13,640,457
Buildings	95,457,173	12,866,601	-	108,323,774
Equipment, furnishings, and software	19,304,190	1,294,120	787,834	19,810,476
Library books	1,797,741	168,654	39,408	1,926,987
Total depreciable capital assets	<u>136,191,024</u>	<u>16,395,904</u>	<u>827,242</u>	<u>151,759,686</u>
Less: Accumulated depreciation				
Land & leasehold improvements	3,714,171	245,417	-	3,959,588
Infrastructure	6,475,480	447,172	-	6,922,652
Buildings	40,067,874	3,128,714	-	43,196,588
Equipment, furnishings, and software	14,044,242	1,762,067	780,871	15,025,438
Library books	1,238,015	220,095	39,407	1,418,703
Total accumulated depreciation	<u>65,539,782</u>	<u>5,803,465</u>	<u>820,278</u>	<u>70,522,969</u>
Depreciable capital assets, net	<u>70,651,242</u>	<u>10,592,439</u>	<u>6,963</u>	<u>81,236,717</u>
Capital assets, net	<u>\$ 79,056,786</u>	<u>\$ 12,371,262</u>	<u>\$ 5,056,649</u>	<u>\$ 86,371,398</u>
Foundation capital assets not being depreciated:				
Land	\$ 1,130,946	\$ -	\$ -	\$ 1,130,946
Foundation depreciable capital assets:				
Buildings	\$ 3,786,752	\$ -	\$ -	\$ 3,786,752
Less: Accumulated depreciation				
Buildings	1,131,761	141,470	-	1,273,231
Depreciable capital assets, net	<u>2,654,991</u>	<u>(141,470)</u>	<u>-</u>	<u>2,513,521</u>
Capital assets, net	<u>\$ 3,785,937</u>	<u>\$ (141,470)</u>	<u>\$ -</u>	<u>\$ 3,644,467</u>

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

Note 6 – Special or Specific State Appropriations

The Office of the State Auditor requires the following information on special and severance bond tax appropriations. Revenue from special or specific state appropriations is recognized during the period in which the funds are expended.

Description	Appropriation Period	Original Appropriation	Expenditures To Date	Unencumbered Balance
School Of Energy Facility	07/01/08-06/30/12	\$ 50,000	\$ -	\$ 50,000
Learning Commons Plaza	07/01/06-06/30/10	1,200,000	1,187,136	12,864
Outdoor Learning Center	07/01/05-06/30/10	310,000	310,000	-
Outdoor Learning Center Improvements	07/01/06-06/30/10	800,000	800,000	-
Outdoor Learning Center	07/01/07-06/30/11	100,000	100,000	-
Outdoor Learning Center	07/01/08-06/30/12	275,000	275,000	-
Trades & Tech Center For Teaching	07/01/07-06/30/11	1,340,000	1,340,000	-
Excellence	07/01/05-06/30/10	250,000	250,000	-
Health Science Sim & Teaching Center	07/01/08-06/30/10	587,000	587,000	-
Health Science Phase II	07/01/08-06/30/12	5,000,000	227,369	4,772,631
Creative Arts Center	07/01/07-06/30/11	50,000	50,000	-

Note 7 – Other Accrued Liabilities

At June 30, 2009 other accrued liabilities consisted of the following:

Payroll and Benefits	\$ 1,694,727
Gross Receipts Tax	5,545
Bond Interest Payable	328,786
Total	<u>\$ 2,029,058</u>

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

Note 8 – Long Term Liabilities

Bonds and Notes Payable.

The following is a summary of bonds payable transactions for the year ended June 30, 2009.

Bonds Payable	Balance 6/30/2008	New Issues	Retirements	Balance 6/30/2009	Due Within One Year
2003 Bonds	\$ 1,235,420	\$ -	\$ 233,446	\$ 1,001,974	\$ 239,437
2004 Bonds	6,875,000	-	575,000	6,300,000	600,000
2005 Bonds	10,150,000	-	50,000	10,100,000	25,000
2006 Bonds	4,690,000	-	850,000	3,840,000	725,000
2008 Note	1,126,625	-	89,711	1,036,914	96,257
Total	<u>\$ 24,077,045</u>	<u>\$ -</u>	<u>\$ 1,798,157</u>	<u>\$ 22,278,888</u>	<u>\$ 1,685,694</u>

Bonds and Note Payable	Interest Rates	Amount
2003 Bonds; original amount \$2,222,223; maturing 6/01/13	0.62 - 3.11%	\$ 1,001,974
2004 Bonds; original amount \$7,500,000; maturing 8/15/16	2.15 - 3.875%	6,300,000
2005 Bonds; original amount \$10,700,000; maturing 8/15/21	3.5 - 5%	10,100,000
2006 Bonds; original amount \$5,020,000; maturing 8/15/13	3.5 - 3.7%	3,840,000
2008 Note; original amount \$1,170,000 maturing 1/1/2018	6%	1,036,914
		<u>22,278,888</u>
Less deferred amounts:		
Bond premiums		457,750
On refunding		(430,634)
Less current portion of bonds and note payable		<u>(1,685,694)</u>
Long-term bonds and note payable		<u>\$ 20,620,310</u>

The bonds payable will be paid from taxes levied against property owners living within the College boundaries. The note payable is collateralized by buildings and land. The annual requirements to retire bonds and note payable as of June 30, 2009 are as follows:

Due in Year Ending	Amount	Interest	Payments
June 30, 2010	\$ 1,685,694	\$ 932,094	\$ 2,617,788
June 30, 2011	2,048,544	872,095	2,920,639
June 30, 2012	1,687,350	803,726	2,491,076
June 30, 2013	2,077,374	736,677	2,814,051
June 30, 2014	1,187,278	673,798	1,861,076
June 30, 2015 - June 30, 2019	10,567,648	2,647,440	13,215,088
June 30, 2020 - June 30, 2024	<u>3,025,000</u>	<u>167,500</u>	<u>3,192,500</u>
Total	<u>\$ 22,278,888</u>	<u>\$6,833,330</u>	<u>\$ 29,112,218</u>

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

Compensated Absences.

Long and short term liabilities for compensated absences are as follows:

Balance 6/30/2008	Additions	Deductions	Balance 6/30/2009	Current Amount
\$ 2,618,914	\$ 312,509	\$ 219,923	\$ 2,711,500	\$ 214,209

Note 9 – Contingencies and Commitments

Contingencies.

Risk Management: The College is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The College participates in the New Mexico Self-Insurers' Fund risk pool.

The College has not filed any claims wherein the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the college which exceeds the insurance coverage, the College would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverages have not changed significantly from prior years and coverages are expected to be continued.

At June 30, 2009, no unpaid claims have been filed which exceed policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the College.

New Mexico Self-Insurers' Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

Grants: The College receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. College administration believes that the liability, if any, for reimbursements that may arise from audits, would not be material to the financial position or operations of the College.

Commitments.

Construction Contracts: The College has outstanding construction commitments for construction and renovation of various facilities. Commitments as of June 30, 2009 were \$165,791.

Operating Leases: The College is obligated under certain lease (rental) agreements which are accounted for as operating leases. The items being leased are primarily office facilities and equipment.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

Obligations for lease payments required under operating leases are summarized below:

Year Ending June 30		
2010	\$	314,267
2011		255,615
2012		252,015
2013		248,816
2014		186,612
Total Lease Obligations	\$	<u>1,257,325</u>

Real Property Lease Agreement: On February 1, 1988, the College entered into a Real Property Lease Agreement with the City of Farmington. The Lease designates College property to be used by the City of Farmington for the purpose of installing a public golf course and/or swimming pool. The City established and operates Pinon Hills Golf Course on the leased property. The lease terminates on January 31, 2087 and provides for the opportunity to extend for continued operation of the golf course and/or swimming pool.

Note 10 – Retirement Plans and Post-Employee Benefits

Plan Description.

Substantially all of the College's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy.

For fiscal year 2009, plan members were required to contribute 7.9% of their gross salary. The College was required to contribute 11.65% of the gross covered salary. The employer contribution was slated to increase .75% each year until July 1, 2011 when the employer contribution would be 13.9%. Effective July 1, 2009, plan members are required to contribute 9.4% of their gross salary instead of the 7.9% as in the previous year. This is the result of HB854 which shifted 1.5% of the employer contribution responsibility to the employee. This change affects all employees with annualized salaries over \$20,000 for fiscal years 2010 and 2011. The contribution requirements of plan members and San Juan College are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The College's contributions to the ERB for the fiscal years ending June 30, 2009, 2008 and 2007, were \$3,256,365, \$2,953,740 and \$2,487,906, respectively, which equal the amount of the required contributions for each fiscal year.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

Post-Employment Benefits.

Vesting in Retirement Benefits: A member becomes vested once he/she has met service requirements and has made contributions to the retirement plan for at least five years. Service requirements are satisfied by five or more years of “earned service credit” (actual service) or an “allowed service credit.”

Determination of Benefits: The annual benefit is equal to 2.35% of the average of the five highest consecutive years’ salary multiplied by the number of years of service (earned and allowed credit). Benefit may be reduced by election of an option that guarantees continuous income to a surviving beneficiary. The benefit may also be reduced if the member has less than 25 years service and is less than age 60.

Eligibility for Retirement Benefits: Employees become eligible to receive retirement benefits when 1) the sum of the employee’s age and number of years of earned service credit equals 75; 2) if, at age 65, employee has a minimum of five years of earned service credit; or 3) employee has 25 years of earned service credit or a combination of 25 years of earned and allowed service credit.

Allowed Service Credits: Employees may purchase up to five years of allowed service credit if they have been an employee in one of the following: any public educational system in the United States, any U.S. Military Dependent school, accredited private school or Federal Education program in New Mexico. The cost of purchase is 12% of the employee’s current annualized New Mexico salary for each year of credit being purchased. Up to five years of active military service may be purchased if employee’s payment is made within three years of the effective date of coverage under the Educational Retirement Act. The cost of purchase is 10.5% of member’s average annual salary for all years of covered employment for each year purchased.

Note 11 – Other Post Employment Benefits

Eligible employees that are active participants in the College’s medical, dental, and/or vision benefit plans at retirement are eligible for participation in the institution’s retiree healthcare plans. As a phase 2 government—i.e., total annual revenues of \$10 million or more but less than \$100 million—San Juan College implemented GASB Statement No. 45, Accounting, Reporting and Disclosure Requirements for Postemployment Benefits Other Than Pensions, for fiscal year ended June 30, 2009.

Plan Description. The College’s medical, dental, and vision benefit plans are fully-insured, single-employer defined benefit plans administered by various vendors. The medical plans provide medical and prescription drug benefits to eligible retirees and their spouses. Dental and vision coverages are provided through separate, stand-alone plans. The College has the authority to establish and amend benefit provisions of the medical, dental and vision plans.

Participating retirees pay 40% of the benefit premium, and San Juan College pays the remaining 60%. Coverage may continue until terminated by the retiree’s failure to pay premiums or the retiree’s death. Dependent coverage ceases upon death of the retiree. Medical coverage is available past age 65 for retirees, but is secondary to Medicare.

Funding Policy. The San Juan College retiree benefits plans are currently funded on a pay-as-you-go basis. Premiums are paid monthly by the College.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

During the fiscal years that ended June 30, 2009, 2008 and 2007, the College's defined benefit healthcare plans provided coverage for 70, 63 and 58 retirees respectively, at an expense—net of employee contributions—of \$269,729, \$229,689, and \$215,467 respectively.

Annual OPEB Cost and Net OPEB Obligation. The annual Other Postemployment Benefits (OPEB) cost is calculated based on the *annual required contribution (ARC)* of the College—an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The tables that follow show the components of the College's annual OPEB cost under an unfunded scenario.

Annual required contribution	\$ 3,417,218
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	3,417,218
Contributions made	269,729
Increase in net OPEB obligation	3,147,489
Net OPEB obligation beginning of year (07/01/2008)	-
Net OPEB obligation end of year (06/30/2009)	\$ 3,147,489

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the Net OPEB obligation at the end of the year is as follows:

Annual OPEB Cost (expense)	\$ 3,417,218
Percentage of Annual OPEB cost contributed	7.9%
Net OPEB obligation as of 06/30/2009	\$ 3,147,489

Funded Status and Funding Progress. As of July 1, 2008, the initial actuarial valuation date, the plan was not funded. The College's actuarial accrued liability (AAL), the present value of all future expected post-retirement health payments and administrative costs attributable to past service, was \$27,727,113 and the actuarial value of the assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of the full \$27,727,113, or a funded ratio of 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$27,594,252 and the ratio of UAAL to the covered payroll was 100.5%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation the Projected Unit Credit Method was used. According to this method an equal amount of an employee's projected benefit is allocated to each year from the date the employee first enters the plan until the date the employee is first eligible to receive benefits. Actuarial Assumptions are indicated below:

1.	Valuation Date	07/01/2008
2.	Interest Rate (Unfunded)	3.50%
3.	Amortization Method	Level Dollar Amount, Closed
	Amortization Period for Actuarial Accrued Liability	30 years 0
	Amortization Factor (Unfunded)	190.36
4.	Percentage of Employees with Covered Spouses Electing Retiree Coverage	90%
5.	Percentage of Employees without Covered Spouses Electing Retiree Coverage	70%
6.	Percentage of Current Spouses Electing Coverage	100%
7.	Mortality Table	RP-2000 with a 2 year setback

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

8. Healthcare Cost Trend Rates

<u>Year</u>	Medical Trend <u>Rate</u>	Dental Trend <u>Rate</u>	Vision Trend <u>Rate</u>
2008	6.00%	5.00%	3.00%
2009	5.80%	4.80%	3.00%
2010	5.60%	4.60%	3.00%
2011	5.40%	4.40%	3.00%
2012-2019	5.30%	4.30%	3.00%
2020-2029	5.20%	4.20%	3.00%
2030-2049	5.10%	4.10%	3.00%
2050-2059	5.00%	4.00%	3.00%
2060-2089	4.90%	3.90%	3.00%
2090-2098	4.30%	3.30%	3.00%
2099-2118	4.20%	3.20%	3.00%

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The following assumptions were used as input variables into the SOA Long-Run Medical Cost Trend Model:

Rate of Inflation	3.2%
Rate of Growth in Real Income/GDP per capita	1.9%
Income Multiplier for Health Spending	1.40
Extra Trend due to Technology and other factors	1.2%
Health Share of GDP Resistance Point	30.0%
Year for Limiting Cost Growth to GDP Growth	2080

REQUIRED SUPPLEMENTARY INFORMATION



**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS – BUDGET AND ACTUAL
BUDGET COMPARISON – UNRESTRICTED AND RESTRICTED – ALL OPERATIONS
SCHEDULE 1**

	Original Budget	Final Budget	Actual (Budgetary) Basis	Variance with Final Budget favorable (unfavorable)
Beginning Fund Balance	\$ 24,546,626	\$ 23,993,125	\$ 23,993,125	\$ -
Unrestricted and Restricted Revenues				
State General Fund Appropriations	27,310,119	28,273,589	28,439,865	166,276
Federal Revenue Sources	11,637,956	13,727,931	7,301,744	(6,426,187)
Tuition and Fees	5,343,369	5,412,415	5,521,658	109,243
Land and Permanent Fund	-	-	-	-
Endowments and Private Gifts	-	-	-	-
Other	33,097,823	31,101,038	29,612,657	(1,488,381)
Total Unrestricted and Restricted Revenues	<u>77,389,267</u>	<u>78,514,973</u>	<u>70,875,925</u>	<u>(7,639,048)</u>
Expenditures:				
Instruction	26,137,569	26,049,353	24,890,780	1,158,573
Academic Support	4,506,436	4,517,426	4,264,951	252,475
Student Services	5,950,875	5,986,655	5,116,941	869,714
Institutional Support	6,277,251	6,444,708	6,206,832	237,876
Operation and Maintenance of Plant	6,330,132	6,124,892	5,850,257	274,635
Student Social and Cultural Activities	-	-	-	-
Research	-	-	-	-
Public Service	3,774,716	3,527,175	2,804,816	722,359
Internal Services	-	-	-	-
Student Aid, Grants and Stipends	12,851,985	14,302,860	7,535,076	6,767,784
Auxiliary Services	2,521,419	3,708,700	3,660,008	48,692
Intercollegiate Athletics	-	-	-	-
Independent Operations	506,718	556,594	515,178	41,416
Capital Outlay	4,531,784	13,162,987	12,956,217	206,770
Renewal and Replacement	2,117,166	2,582,853	1,987,716	595,137
Retirement of Indebtedness	2,795,000	2,800,000	2,642,882	157,118
Total Unrestricted and Restricted Expenditures	<u>78,301,051</u>	<u>89,764,203</u>	<u>78,431,655</u>	<u>11,332,548</u>
Net Transfers	-	-	-	-
Change in Fund Balance (Budgetary Basis)	<u>(911,784)</u>	<u>(11,249,230)</u>	<u>(7,555,730)</u>	<u>3,693,500</u>
Ending Fund Balance	<u>\$ 23,634,842</u>	<u>\$ 12,743,895</u>	<u>\$ 16,437,396</u>	<u>\$ 3,693,500</u>

Reconciliation of Change in Fund Balance (Budgetary Basis) to Change in Net Assets (GAAP Basis)

Change in Fund Balance (Budgetary Basis)	\$ (7,555,730)
Depreciation Expense	(5,803,465)
Investment in Plant	14,925,107
Adjustments to reconcile budgetary basis to GAAP basis:	
Increase in Other Post Employment Benefits	(3,147,489)
Increase in Compensated Absences	(92,586)
Increase in Endowment	60,000
Change in Net Assets (GAAP Basis)	<u>\$ (1,614,163)</u>

Note: The purpose of the budget comparison is to reconcile the change in net assets as reported on a budgetary basis to the change in net assets as reported using generally accepted accounting principles. The reporting of actual (budgetary basis) is a non-GAAP accounting method that excludes depreciation expense and includes the cost of capital equipment purchases. The budgetary basis approximates the fund basis of accounting.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS – BUDGET AND ACTUAL
BUDGET COMPARISON – UNRESTRICTED – NON INSTRUCTIONAL AND GENERAL
SCHEDULE 2**

	Original Budget	Final Budget	Actual (Budgetary) Basis	Variance with Final Budget favorable (unfavorable)
Beginning Fund Balance	\$ 12,541,348	\$ 12,813,453	\$ 12,813,453	\$ -
Unrestricted Revenues:				
Tuition	-	-	-	-
Miscellaneous fees	5,860	-	-	-
Federal Government Appropriations	-	-	-	-
State Government Appropriations	1,715,000	3,605,261	4,179,615	574,354
Local Government Appropriations	2,700,000	2,421,947	2,529,462	107,515
Federal Government Contracts/Grants	-	-	-	-
State Government Contracts/Grants	-	233,807	58,160	(175,647)
Local Government Contracts/Grants	-	21,776	21,776	-
Private Contracts/Grants	1,900,000	1,900,000	1,900,000	-
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and services	3,006,494	3,823,617	3,732,420	(91,197)
Other	598,753	600,492	615,406	14,914
Total Unrestricted Revenues	<u>9,926,107</u>	<u>12,606,900</u>	<u>13,036,839</u>	<u>429,939</u>
Unrestricted Expenditures:				
Student Social and Cultural Activities	-	-	-	-
Research	-	-	-	-
Public Service	1,916,885	2,148,611	1,761,410	387,201
Internal Services	-	-	-	-
Student Aid, Grants and Stipends	273,051	292,307	268,516	23,791
Auxiliary Services	2,521,419	3,708,700	3,660,008	48,692
Intercollegiate Athletics	-	-	-	-
Independent Operations	506,718	556,594	515,178	41,416
Capital Outlay	4,531,784	13,162,987	12,956,217	206,770
Renewal and Replacement	2,117,166	2,582,853	1,987,716	595,137
Retirement of Indebtedness	2,795,000	2,800,000	2,642,882	157,118
Total Unrestricted Expenditures	<u>14,662,023</u>	<u>25,252,052</u>	<u>23,791,928</u>	<u>1,460,124</u>
Net Transfers	3,824,132	4,451,053	4,076,498	374,555
Change in Fund Balance (Budgetary Basis)	<u>(911,784)</u>	<u>(8,194,099)</u>	<u>(6,678,591)</u>	<u>1,515,508</u>
Ending Fund Balance	<u>\$ (911,784)</u>	<u>\$ (8,194,099)</u>	<u>\$ (6,678,591)</u>	<u>\$ 1,515,508</u>

Note: The purpose of the budget comparison is to reconcile the change in net assets as reported on budgetary basis to the change in net assets as reported using generally accepted accounting principles. The reporting of actual (budgetary basis) in a non-GAAP accounting method that excludes depreciation expense and includes the costs of capital equipment purchases. The budgetary basis approximates the fund basis of accounting.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS – BUDGET AND ACTUAL
BUDGET COMPARISON – RESTRICTED – NON INSTRUCTIONAL AND GENERAL
SCHEDULE 3**

	Original Budget	Final Budget	Actual (Budgetary) Basis	Variance with Final Budget favorable (unfavorable)
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
Restricted Revenues:				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Federal Government Appropriations	-	-	-	-
State Government Appropriations	-	-	8,000	8,000
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	10,140,999	11,854,748	6,070,613	(5,784,135)
State Government Contracts/Grants	1,632,168	1,511,319	1,472,912	(38,407)
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Grants	2,661,048	2,018,417	743,446	(1,274,971)
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and services	-	-	104	104
Other	2,550	4,633	14,891	10,258
Total Restricted Revenues	<u>14,436,765</u>	<u>15,389,117</u>	<u>8,309,965</u>	<u>(7,079,152)</u>
Restricted Expenditures:				
Student Social and Cultural Activities	-	-	-	-
Research	-	-	-	-
Public Service	1,857,831	1,378,564	1,043,405	335,159
Internal Services	-	-	-	-
Student Aid, Grants and Stipends	12,578,934	14,010,553	7,266,560	6,743,993
Auxiliary Services	-	-	-	-
Intercollegiate Athletics	-	-	-	-
Independent Operations	-	-	-	-
Capital Outlay	-	-	-	-
Renewal and Replacement	-	-	-	-
Retirement of Indebtedness	-	-	-	-
Total Restricted Expenditures	<u>14,436,765</u>	<u>15,389,117</u>	<u>8,309,965</u>	<u>7,079,152</u>
Net Transfers	-	-	-	-
Change in Fund Balance (Budgetary Basis)	-	-	-	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: The purpose of the budget comparison is to reconcile the change in net assets as reported on budgetary basis to the change in net assets as reported using generally accepted accounting principles. The reporting of actual (budgetary basis) in a non-GAAP accounting method that excludes depreciation expense and includes the costs of capital equipment purchases. The budgetary basis approximates the fund basis of accounting.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS – BUDGET AND ACTUAL
BUDGET COMPARISON – UNRESTRICTED – INSTRUCTIONAL AND GENERAL
SCHEDULE 4**

	Original Budget	Final Budget	Actual (Budgetary) Basis	Variance with Final Budget favorable (unfavorable)
Beginning Fund Balance	\$ 12,005,278	\$ 11,179,672	\$ 11,179,672	\$ -
Unrestricted Revenues:				
Tuition	4,280,028	4,455,256	4,579,395	124,139
Miscellaneous fees	1,057,481	957,159	942,264	(14,895)
Federal Government Appropriations	-	-	-	-
State Government Appropriations	22,847,500	22,176,413	22,016,613	(159,800)
Local Government Appropriations	19,350,000	17,090,000	17,759,407	669,407
Federal Government Contracts/Grants	-	-	-	-
State Government Contracts/Grants	-	248,698	237,390	(11,308)
Local Government Contracts/Grants	-	60,520	180	(60,340)
Private Contracts/Grants	-	2,941	2,941	-
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and services	644,889	623,748	608,049	(15,699)
Other	490,850	513,460	491,612	(21,848)
Total Unrestricted Revenues	<u>48,670,748</u>	<u>46,128,195</u>	<u>46,637,850</u>	<u>509,655</u>
Unrestricted Expenditures:				
Instruction	23,905,999	23,791,115	23,459,781	331,334
Academic Support	4,264,386	4,414,426	4,197,061	217,365
Student Services	4,068,848	3,957,132	3,759,855	197,277
Institutional Support	6,277,251	6,444,708	6,206,832	237,876
Operation and Maintenance of Plant	6,330,132	6,124,892	5,850,257	274,635
Total Unrestricted Expenditures	<u>44,846,616</u>	<u>44,732,273</u>	<u>43,473,786</u>	<u>1,258,487</u>
Net Transfers	(3,824,132)	(4,451,053)	(4,076,498)	374,555
Change in Fund Balance (Budgetary Basis)	-	(3,055,131)	(912,434)	2,142,697
Ending Fund Balance	<u>\$ 12,005,278</u>	<u>\$ 8,124,541</u>	<u>\$ 10,267,238</u>	<u>\$ 2,142,697</u>

Note: The purpose of the budget comparison is to reconcile the change in net assets as reported on budgetary basis to the change in net assets as reported using generally accepted accounting principles. The reporting of actual (budgetary basis) in a non-GAAP accounting method that excludes depreciation expense and includes the costs of capital equipment purchases. The budgetary basis approximates the fund basis of accounting.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS – BUDGET AND ACTUAL
BUDGET COMPARISON – RESTRICTED – INSTRUCTIONAL AND GENERAL
SCHEDULE 5**

	Original Budget	Final Budget	Actual (Budgetary) Basis	Variance with Final Budget favorable (unfavorable)
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
Restricted Revenues:				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Federal Government Appropriations	-	-	-	-
State Government Appropriations	-	-	-	-
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	1,496,957	1,873,183	1,231,131	(642,052)
State Government Contracts/Grants	1,115,451	498,091	467,176	(30,915)
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Grants	1,743,239	2,019,412	1,157,196	(862,216)
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and services	-	-	35,769	35,769
Other	-	75	-	(75)
Total Restricted Revenues	<u>4,355,647</u>	<u>4,390,761</u>	<u>2,891,271</u>	<u>(1,499,490)</u>
Restricted Expenditures:				
Instruction	2,231,570	2,258,238	1,430,999	827,239
Academic Support	242,050	103,000	67,891	35,109
Student Services	1,882,027	2,029,523	1,357,086	672,437
Institutional Support	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Total Restricted Expenditures	<u>4,355,647</u>	<u>4,390,761</u>	<u>2,855,976</u>	<u>1,534,785</u>
Retirement of Indebtedness	-	-	-	-
Net Transfers	-	-	-	-
Change in Fund Balance (Budgetary Basis)	<u>-</u>	<u>-</u>	<u>35,295</u>	<u>35,295</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,295</u>	<u>\$ 35,295</u>

Note: The purpose of the budget comparison is to reconcile the change in net assets as reported on budgetary basis to the change in net assets as reported using generally accepted accounting principles. The reporting of actual (budgetary basis) in a non-GAAP accounting method that excludes depreciation expense and includes the costs of capital equipment purchases. The budgetary basis approximates the fund basis of accounting.

SCHEDULE OF PLEDGED COLLATERAL
SCHEDULE 6

College Pledged Collateral

	Citizens Bank of Farmington		Wells Fargo Repo Account		Wells Fargo Investment	Bank of Albuquerque	State of New Mexico
Bank Deposits							
Demand Deposit accounts	\$ 24,228	\$ 2,542,560	\$ 6,603,526	\$ -	\$ -	\$ -	-
Time deposit accounts	2,332,953	-	-	-	-	-	-
Debt Retirement	-	2,305,450	-	-	-	-	-
Peoples Bank	-	-	-	250,000	-	-	-
1st Southern Bank	-	-	-	250,000	-	-	-
Community Bank Nevada Las Vegas	-	-	-	250,000	-	-	-
GMAC Bank Midvale UT	-	-	-	250,000	-	-	-
Capital One Bank USA National VA	-	-	-	250,000	-	-	-
Colonial Bank Montgomery Alabama	-	-	-	250,000	-	-	-
1st Federal Bank Tuscaloosa AL	-	-	-	250,000	-	-	-
Pulaski Bank Coeur MO	-	-	-	250,000	-	-	-
Bank of America Chalotte NC	-	-	-	250,000	-	-	-
Carolona 1st Bk Greenville SC	-	-	-	250,000	-	-	-
American Express Centuron Bk UT	-	-	-	95,000	-	-	-
American Express Bk SLC UT	-	-	-	85,000	-	-	-
Capmark Bank Midvale UT	-	-	-	180,000	-	-	-
GE Capital Finance SLC UT	-	-	-	250,000	-	-	-
Capital One National Mclean VA	-	-	-	250,000	-	-	-
Discover Bank Greenwood Delaware	-	-	-	250,000	-	-	-
Labor Board Relations	73	-	-	-	-	-	-
Bank of Albu Reserve	-	-	-	-	222,342	-	-
NM Finance Authority	-	-	-	-	-	-	29
Overnight deposits	-	-	-	-	-	-	-
Deposits, at June 30, 2009	<u>2,357,254</u>	<u>4,848,010</u>	<u>6,603,526</u>	<u>3,610,000</u>	<u>222,342</u>		<u>29</u>
FDIC Insurance	<u>274,302</u>	<u>250,000</u>	<u>-</u>	<u>3,610,000</u>	<u>-</u>		<u>-</u>
Uninsured amount	2,082,952	4,598,010	6,603,526	-	222,342		29
Pledged Collateral Required							
102 percent on overnight	-	-	6,735,597	-	-		-
50 percent on deposits	<u>1,041,476</u>	<u>2,299,005</u>	<u>-</u>	<u>-</u>	<u>111,171</u>		<u>14</u>
Pledged Collateral Required	1,041,476	2,299,005	6,735,597	-	111,171		14
Pledged Collateral at June 30, 2008	<u>1,365,330</u>	<u>3,206,187</u>	<u>6,735,597</u>	<u>-</u>	<u>222,342</u>		<u>15</u>
Excess (deficiency)	<u>\$ 323,854</u>	<u>\$ 907,182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,171</u>		<u>\$ 1</u>

SCHEDULE OF PLEDGED COLLATERAL
SCHEDULE 6 -- CONTINUED

Pledged Collateral of financial institution consists of the following as of June 30, 2009:

	CUSIP#	Maturity	Fair Value
Citizens Bank			
FNMA	31392F7K7	3/25/2016	\$ 100,726
FNMA	31393DPV7	8/25/2017	282,265
FHR	31393FXA9	1/15/2032	174,797
GNMA	36202DZV2	12/20/2033	<u>807,542</u>
Total Citizens Bank Pledged collateral			<u>\$ 1,365,330</u>
Wells Fargo Bank			
FNCL	31408HZH1	1/1/2036	\$ 2,607,532
FNCL	31410SP92	6/1/2036	<u>598,655</u>
Total Wells Fargo Bank Pledged collateral			<u>\$ 3,206,187</u>
Repurchase			
FNCL	31411APX7	11/1/2036	1,482,154
FNCL	31411APX7	11/1/2036	7,075
FNCL	31385HXE7	11/1/2031	5,221,622
FNCL	31385HXE7	11/1/2031	<u>24,746</u>
			<u>\$ 6,735,597</u>
Bank of Albuquerque Government Securities			<u>\$ 222,342</u>

Pledged collateral in the College's name is located as follows:

Citizen's Bank of Farmington
Wells Fargo
Bank of Albuquerque
State of New Mexico

Dallas, TX
Minneapolis, MN
Albuquerque, NM

Detail of pledged collateral specific to the College is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds.

Reconciliation to Financial Statements

College	Citizens Bank of Farmington		Wells Fargo Repo Account		Bank of Albuquerque	State of New Mexico	Wells Fargo Investment	Total
Total per banks	\$ 2,357,254	\$ 4,848,010	\$ 6,603,526	\$ 222,342	\$ 29	\$ 3,610,000	\$ 17,641,161	
Reconciling items:								
deposits in transit	-	23,573	-	-	-	-	23,573	
outstanding check	-	(501,683)	-	-	-	-	(501,683)	
	<u>\$ 2,357,254</u>	<u>\$ 4,369,900</u>	<u>\$ 6,603,526</u>	<u>\$ 222,342</u>	<u>\$ 29</u>	<u>\$ 3,610,000</u>	<u>\$ 17,163,051</u>	
Cash on hand							12,255	
Cash and cash equivalents per financial statements							<u>\$ 17,175,306</u>	

SCHEDULE OF PLEDGED COLLATERAL
SCHEDULE 6 -- CONTINUED

Financial Institution	Account Type	Investment Type	College	Foundation
Citizens Bank	Checking		\$ 24,302	\$ 29,912
Citizens Bank	Sweep	Money Market	-	229,541
Citizens Bank	Certificate of Deposit	Certificate of Deposit	2,332,953	-
Citizens Bank	Checking		-	63
Wells Fargo	Checking		2,542,560	29,953
Wells Fargo Repo Account	Sweep		6,603,526	-
Wells Fargo	Checking		2,305,450	2,000
Bank of Albuquerque	Checking		222,342	-
State of New Mexico			29	-
Wells Fargo	Investment	Certificate of Deposit	250,000	24,000
Wells Fargo	Investment	Certificate of Deposit	250,000	223,006
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	95,000	-
Wells Fargo	Investment	Certificate of Deposit	85,000	-
Wells Fargo	Investment	Certificate of Deposit	85,000	-
Wells Fargo	Investment	Certificate of Deposit	95,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Citizens Trust and Inv Corp.	Equity	Mutual Funds - Equity	-	670,344
Citizens Trust and Inv Corp.	Equity	Mutual Funds - Equity	-	439,287
Citizens Trust and Inv Corp.	Investment	Money Market	-	114,700
Morgan Stanley	Investment	Certificate of Deposit	-	30,258
Morgan Stanley	Investment	Certificate of Deposit	-	30,927
Morgan Stanley	Investment	Certificate of Deposit	-	31,000
Morgan Stanley	Equity	Equity	-	554,366
Morgan Stanley	Equity	Mutual Funds - Equity	-	1,157,254
Morgan Stanley	Equity	Mutual Funds - Equity	-	51,998
Morgan Stanley	Fixed Income	Corporate Bond	-	75,834
Morgan Stanley	Fixed Income	Corporate Bond	-	39,928
Morgan Stanley	Investment	Money Market	-	88,751
Morgan Stanley	Investment	Money Market	-	30,451
Raymond James	Fixed Income	Asset-Backed Securities	-	248
Raymond James	Fixed Income	Asset-Backed Securities	-	31,010
Raymond James	Fixed Income	Asset-Backed Securities	-	29,606
Raymond James	Fixed Income	Asset-Backed Securities	-	806

SCHEDULE OF PLEDGED COLLATERAL
SCHEDULE 6 -- CONTINUED

Financial Institution	Account Type	Investment Type	College	Foundation
Raymond James	Fixed Income	Asset-Backed Securities	-	37,619
Raymond James	Fixed Income	Corporate Bond	-	50,329
Raymond James	Fixed Income	Corporate Bond	-	45,227
Raymond James	Fixed Income	Corporate Bond	-	30,905
Raymond James	Fixed Income	Corporate Bond	-	44,878
Raymond James	Fixed Income	Corporate Bond	-	35,930
Raymond James	Fixed Income	Corporate Bond	-	30,040
Raymond James	Fixed Income	Corporate Bond	-	31,235
Raymond James	Fixed Income	Corporate Bond	-	26,712
Raymond James	Fixed Income	Corporate Bond	-	27,557
Raymond James	Fixed Income	Corporate Bond	-	27,277
Raymond James	Fixed Income	Corporate Bond	-	25,651
Raymond James	Fixed Income	Corporate Bond	-	24,276
Raymond James	Fixed Income	Corporate Bond	-	41,612
Raymond James	Fixed Income	Treasury and Agency	-	78,544
Raymond James	Fixed Income	Treasury and Agency	-	20,722
Raymond James	Fixed Income	Treasury and Agency	-	50,273
Raymond James	Fixed Income	Treasury and Agency	-	16,073
Raymond James	Fixed Income	Treasury and Agency	-	111,305
Raymond James	Fixed Income	Treasury and Agency	-	55,000
Raymond James	Fixed Income	Treasury and Agency	-	10,844
Raymond James	Fixed Income	Treasury and Agency	-	8,972
Raymond James	Fixed Income	Treasury and Agency	-	15,909
Raymond James	Investment	Money Market	-	31,245
Raymond James	Equity	Equity	-	459,495
Raymond James	Investment	Money Market	-	12,320
Raymond James	Equity	Equity	-	492,458
Raymond James	Investment	Money Market	-	10,991
Raymond James	Equity	Equity	-	415,303
Raymond James	Investment	Money Market	-	19,448
Raymond James	Equity	Mutual Funds - Equity	-	644,177
Raymond James	Investment	Money Market	-	17,812
Raymond James	Equity	Equity	-	111,285
Raymond James	Investment	Money Market	-	1,523
Raymond James	Equity	Equity	-	439,044
Raymond James	Equity	Mutual Funds - Equity	-	11,191
Raymond James	Investment	Money Market	-	32,170
Wells Fargo	Equity	Equity	-	5,337
Wells Fargo	Investment	Money Market	-	671
Outstanding checks			(501,683)	(33,213)
Outstanding deposits			23,572	-
Cash on hand			12,255	90
Totals			<u>\$ 17,175,306</u>	<u>\$ 7,433,480</u>

SINGLE AUDIT SECTION



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Federal Grantor/Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Interior:</u>			
Bureau of Land Management			
BLM Flora Project Update	15.231	GDA08004	<u>\$ 15,701</u>
<u>National Science Foundation:</u>			
Direct			
REAL GIS	47.076	DUE-0501972	37,399
Pass-through New Mexico State University			
NM-INBRE	93.389	Q01349	20,112
		Total	<u>57,511</u>
<u>U.S. Small Business Administration:</u>			
Direct			
Small Business Development Center	59.037	San Juan College	<u>13,886</u>
<u>U.S. Department of Education:</u>			
Direct			
TRIO Student Support Services	84.042A	P042A061242	225,818
TRIO Talent Search	84.044A	P044A070230	174,690
		Subtotal	400,508
Native Amer Serving Nontribal Inst	84.382	P382C080010	264,262
		Total	<u>664,770</u>
<u>U.S. Department of Education:</u>			
Pass-through NM Public Education Department			
Perkins Redistribution 08	84.048	24,179	82,341
Perkins - EMS 07/08	84.048	65 9828	9,553
Perkins - Nursing 07/08	84.048	65 9828	23,865
Perkins - Nursing 08/09	84.048	65 9828	106,862
Perkins - MLT 08/09	84.048	65 9828	49,591
Perkins - Proj Director 08/09	84.048	65 9828	991
Perkins - ST 08/09	84.048	65 9828	56,697
		Subtotal	329,900
Pass-through NM Higher Education Department			
Adult Basic Education	84.002	San Juan College	124,570
		Total	<u>454,470</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -- CONTINUED

Federal Grantor/Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Federal Student Financial Aid:</u>			
Direct			
Stafford Loans - flow through	84.032	San Juan College	\$ 6,289,116
Federal Work-Study Program (CWS)	84.033	P033A066227	94,588
Federal ACG I Grant	84.375	P337A081828	6,525
Supplemental Education Opportunity Grant	84.007	P007A066227	62,159
Federal Pell Grant	84.063	P063P061828	5,559,030
		Total	<u>12,011,418</u>
<u>National Writing Project Corporation:</u>			
Direct			
Bisti Writing Project	84.928A	05-NM06	<u>43,315</u>
<u>U.S. Department Health and Human Services:</u>			
Direct			
Pass-through NM Children Youth and Families Department			
Training & Technical Assistance	93.596	08-690-5417-1	177,891
Childrens Behavioral Health	93.556	San Juan College San Juan County 218- 560-470-47716	99,102
Adolescent Health Care	93.111	Amend 1	18,000
		Total	<u>294,993</u>
<u>Corporation for National and Community Service:</u>			
Pass-through NM Aging & Long-Term Services			
Senior Companion Program	94.016	08SCWNNM015	<u>23,730</u>
<u>U.S. Department of Transportation:</u>			
Direct			
Federal Motor Carrier Safety Administration	20.235	DT-07-35-16-G-0000	<u>2,865</u>
		Grand Total	<u>\$ 13,582,659</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Scope of audit pursuant to OMB Circular A-133

All federal grant operations of San Juan College (the "College") are included in the scope of the Office of management and Budget ("OMB") Circular A-133 audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement (Revised May, 2009, i.e., the "Compliance Supplement"). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for all the grants programs noted below. These programs represent all federal award programs and other grants with fiscal 2009 cash and noncash expenditures to ensure coverage of at least 25% (low-risk auditee) of federally granted funds. Actual coverage is approximately ninety-one percent (91%) of total cash and noncash federal award program expenditures.

Major Federal Award Program Description	Fiscal 2009 Expenditures
Cash assistance:	
Perkins	\$ 329,900
Federal Student Financial Aid Cluster	<u>12,011,418</u>
Total	<u>\$ 12,341,318</u>

The College's federal programs Perkins and the Student Financial Aid Cluster were considered high-risk type A programs for the 2009 audit.

The U.S Department of Education is the College's oversight agency for single audit.

Summary of Significant Policies

Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards includes all federal grants to the College that had activity during the fiscal year ended June 30, 2009. This schedule has been prepared on the accrual basis except depreciation costs have been deducted and any costs incurred to purchase fixed assets have been added to the balances. Grant revenues are recorded for financial reporting when the College has met the qualifications for the respective grant.

Accrued and deferred reimbursements

Various reimbursement procedures are used for Federal awards received by the College. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year end represent an excess of reimbursable expenditures over receipts to date. Deferred balances at year-end represent an excess of cash receipts over reimbursable expenditures to date. Generally, accrued or deferred balances covered by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period.

Audits performed by other entities

There were no audits performed by other organizations of the College's federal grant programs in 2009.

**INDEPENDENT AUDITORS' 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**

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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, State Auditor, and
The Board of Trustees of
San Juan College

We have audited the financial statements of the business-type activities and discretely presented component unit of San Juan College, as of and for the year ended June 30, 2009, which collectively comprise the College's basic financial statements and have issued our report thereon dated November 11, 2009. We have also audited the budget comparisons presented as required supplemental information in the financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Juan College's internal control over financial reporting as a basis for designing our auditing procedures for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Juan College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of San Juan College's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects San Juan College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the San Juan College's financial statements that is more than inconsequential will not be prevented or detected by San Juan College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by San Juan College's internal control.

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

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Hector H. Balderas, State Auditor, and
The Board of Trustees of
San Juan College

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Juan College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance 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 item 2009-1.

The agency's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the New Mexico State Auditor, New Mexico State Legislature, Higher Education Department, Board of Trustees, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Keystone Accounting, LLC

November 11, 2009

**INDEPENDENT AUDITORS' REPORT
OF COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector H. Balderas, State Auditor, and
The Board of Trustees of
San Juan College

Compliance

We have audited the compliance of San Juan College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* (Revised May, 2009) that are applicable to each of its major federal programs for the year ended June 30, 2009. San Juan College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of San Juan College's management. Our responsibility is to express an opinion on San Juan College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards (GAS)*, 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 San Juan College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Juan College's compliance with those requirements.

In our opinion, San Juan College. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of San Juan College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered San Juan College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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Hector H. Balderas, State Auditor, and
The Board of Trustees of
San Juan College

A *control deficiency* in San Juan College's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the College's internal control.

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

This report is intended solely for the information and use of the New Mexico State Auditor, New Mexico State Legislature, Higher Education Department, Board of Trustees, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Keystone Accounting, LLC

November 11, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. PRIOR YEAR AUDIT FINDINGS

2008-1 THE COLLEGE DID NOT TAKE A CAPITAL ASSET INVENTORY OF EQUIPMENT

Condition: The College did not take a capital asset inventory of equipment for the year ending June 30, 2008.

Current Status: Resolved. Not repeated in the current year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CONTINUED

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of San Juan College.
2. There was one significant deficiency disclosed during the audit of the financial statements in the 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.
3. There was no instance of noncompliance material to the financial statements of San Juan College disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal awards programs in the Report on Compliance with Requirements Applicable to Each Major Program on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for San Juan College expresses an unqualified opinion.
6. There were no audit findings relative to the major federal awards program for San Juan College that is required to be reported in accordance with OMB Circular A-133 510(a).
7. The programs treated as major programs include: Federal Student Financial Aid Cluster CFDA #84.063, CFDA# 84.032, CFDA# 84.375, CFDA# 84.007 and CFDA #84.033 and Perkins CFDA #84.048.
8. The threshold for distinguishing between Types A and B programs was \$407,480.
9. San Juan College was determined to be a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CONTINUED

B. FINDINGS—FINANCIAL STATEMENTS AUDIT

2009 - 1 LATE AUDIT REPORT

Condition: The New Mexico State Auditor required the audit to be completed and submitted to his office by November 15, 2009. The filing date of the completed annual audit is subsequent to the required due date.

Criteria: According to the State of New Mexico, Office of the State Auditor publication 2 NMAC 2.2 Requirements for Contracting and Conducting Audits of Agencies, Section 9.1, the filing date for audit reports for Schools is November 15th following the end of the fiscal year.

Effect of condition: The College is not in compliance with NMAC 2.2.2.9A(I), the effect is that the State is not getting timely information for budgeting information.

Cause: The State Auditor rejected the audit report in order to have some errors corrected.

Recommendation: The audit should be completed by the required due date.

Response: The College submitted the audit report by the required due date, however, it was rejected by the State Auditors Office on December 8, 2009. The College will ensure future audit reports are submitted early enough to respond to questions from the SAO.

C. AUDIT FINDINGS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

No audit findings to report.

EXIT CONFERENCE

REQUIRED DISCLOSURE

The financial statements were prepared by the College.

An exit conference was held November 11, 2009, during which the audit was discussed. The exit conference was attended by the following individuals:

San Juan College

Dr. Carol J. Spencer, President
J. Pernell Jones, Vice President for Business Services
Dianne Garcia, Associate Vice President for Business Services
R. Shane Chance, Chairman

San Juan College Foundation

Gayle Dean, Executive Director
Majorie Black, President

KEYSTONE ACCOUNTING, LLC

Phil Rasband, CPA