SAN JUAN COLLEGE

2009-2010

Annual Financial Report

San Juan College
State of New Mexico
Annual Financial report

Year Ended June 30, 2010

THIS PAGE LEFT INTENTIONALLY BLANK

INTRODUCTORY SECTION

THIS PAGE LEFT INTENTIONALLY BLANK

TABLE OF CONTENTS

Introductory Section:

Basic Financial Statements:

Required Supplementary Information:

Single Audit Section:

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

John Thompson .... 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

Dr. Sher Hruska .... 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

INDEPENDENT AUDITORS' REPORT

THIS PAGE LEFT INTENTIONALLY BLANK

KEYSTONE ACCOUNTING, LLC
CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401
keystone@keystoneacct.com
Telephone (505) 566-1900
Fax (505) 566-1911

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, 2010, 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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, of the College for the year then ended inconformity 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.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2010, 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.

KEYSTONE ACCOUNTING, LLC
CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

Telephone (505) 566-1900
Fax (505) 566-1911

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

October 26, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS PAGE LEFT INTENTIONALLY BLANK

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

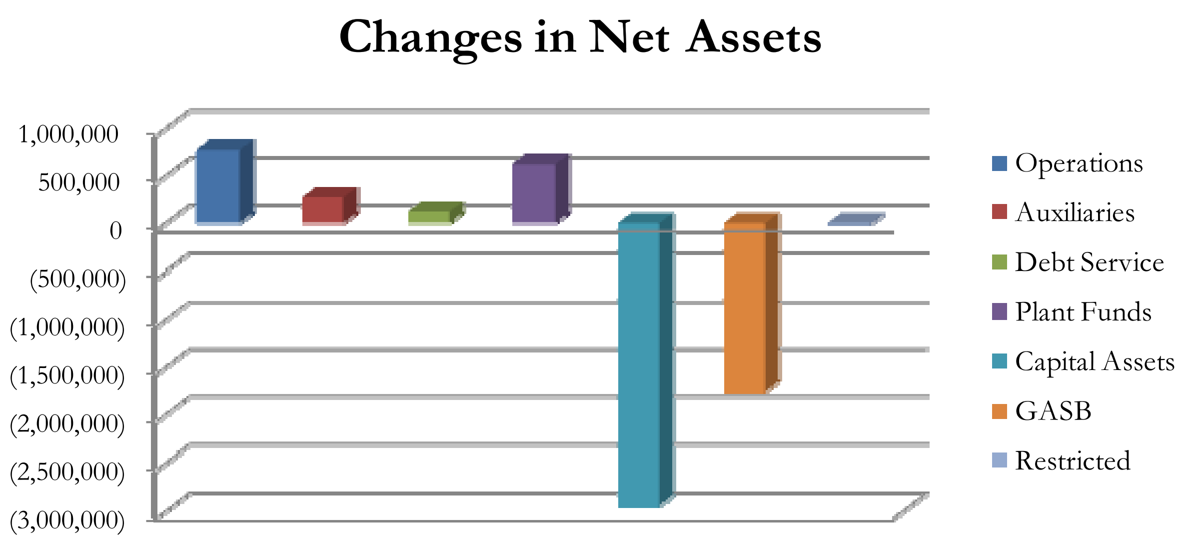
The basic financial statements include Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows. These statements are presented in a manner consistent with Governmental Accounting Standards Board (GASB) Statement 34. While San Juan College—like 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 2010 and 2009 fiscal years.

Overview

An analysis recently concluded by Moody's Analytics and MSNBC.com documented that New Mexico is one of seven states still in recession in the United States. This assessment is evidenced in the financial statements of San Juan College for the fiscal year ended 06/30/2010. FYE10 marked the second consecutive year that the College's appropriations from the State of New Mexico were subjected to a mid-year reduction, and local appropriations from property and production taxes declined 8.0%--compounding the 6.2% decline experienced during the prior fiscal year. (Both trends persist in 2010-11.) The effect of these losses were countered by strategic rate increases in tuition and fees, robust enrollment, and effective cost containment by College staff.

Fiscally, 2009-10 was a relatively effective year for San Juan College. Total Net Assets represent the cumulative impact of revenues and expenditures over the span of an institution's existence. As the illustration on the following page depicts, Net Assets associated with the College's Unrestricted, Auxiliaries, Debt Service and Plant Fund operations increased for the year ended June 30, 2010. These gains, however, were offset by reductions in net assets associated with GASB-mandated recognition of depreciation expense and actuarial accrued liability associated with the institution's retiree healthcare plan. The bottom line for San Juan College, 2009-2010, was a decline in total net assets of $2,933,269.



Statement of Net Assets

A condensed version of the College's June 30, 2010 Statement of Net Assets is presented on the following page. 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, Restricted, or Unrestricted.

The June 30, 2010 Statement of Net Assets for San Juan College documents a 2.6% reduction in total assets—from $108.03 million to $105.26 million. *Current assets* (e.g., cash, investments, amounts due from students, inventories) increased by nearly $2 million (or 9.3%) during the reporting period—primarily resulting from the success of the College's Unrestricted, Auxiliaries, Debt Service, and Plant Fund operations. *Capital assets* (i.e. tangible, long-lived assets such as land, buildings, and equipment) declined by 5.4% or $4.63 million—largely a result of the recognition of depreciation expense. The net book value of the College's Capital assets amounted to $86.4 million at the beginning of the year. The 2009-2010 depreciation expense totaled $5.69 million. The preponderance of this expense is attributable to the calculated depreciation of infrastructure improvements made to the College's campuses over the span of its existence.

The Liabilities subsection of the Condensed Statement of Net Assets reflects three broad categories of liabilities: current liabilities and noncurrent liabilities which are routinely presented in financial statements of this type, and post employment benefits.

- *Post Employment Benefits.* Unlike most institutions of higher education in New Mexico, San Juan College sponsors a defined benefits healthcare plan for its retired employees. GASB Statement No. 45, Accounting, Reporting and Disclosure Requirements for Postemployment Benefits Other Than Pension requires entities such as San Juan College to biennially engage an actuarial firm, identify the actuarial accrued liability associated with the institution's pledge of benefits to retired employees and, beginning in fiscal 2009, account for the liability in the audited financial statements. The June 30, 2010 total of both current (i.e. amounts projected for remittance within one year) and noncurrent liability for post employment benefits was $6.25 million.

SAN JUAN COLLEGE
CONDENSED STATEMENT OF NET ASSETS
JUNE 30, 2010 AND 2009

	6/30/2010	6/30/2009
Assets		
Current assets	$23,158,382	$21,185,384
Capital assets	81,741,566	86,371,398
Other Noncurrent assets	360,000	471,976
Total Assets	**$105,259,948**	**$108,028,758**
Liabilities		
Post Employment Benefits	$6,251,720	$3,147,489
Other current liabilities	6,983,072	6,625,448
Other noncurrent liabilities	19,820,205	23,117,601
Total Liabilities	$33,054,997	$32,890,538
Net Assets		
Invested in capital assets, net of related debt	$61,303,323	$64,300,205
Restricted	2,731,686	2,571,935
Unrestricted	8,169,942	8,266,080
Total Net Assets	$72,204,951	$75,138,220
Total Liabilities and Net Assets	**$105,259,948**	**$108,028,758**

- *Other Current Liabilities.* The College's other current liabilities—that is current liabilities *other* than post employment benefits—amounted to $6.98 million. Current liabilities are obligations of the institution expected to be remitted within the next twelve months. Examples include amounts due to vendors for supplies or services, amounts withheld from employees' payroll and employer's portion of payment of state or federal taxes and insurance premiums, and the portion of the institution's long term debt scheduled to be serviced during the next fiscal year. One gauge of the reasonableness of current liabilities is the *current ratio.* The ratio gauges the amount of *current* or relatively liquid assets available to the institution for the resolution of its current liabilities. With current assets of $23.16 million and current liabilities of $7.04 million (i.e. the current portion of the institutions post employment benefits liability, $419,400 plus other current liabilities of $6,625,448), the College's current ratio measured 3.29—that is for every $1 of current liabilities, the institution had $3.29 of current assets available for resolution of liabilities. This is a favorable ratio.

- *Other Noncurrent Liabilities.* Other noncurrent liabilities, as presented in the condensed Statement of Net Assets contained herein does not include the noncurrent portion of the College's post employment benefits liability. The line item does include the noncurrent segment of the institution's bonds and notes payable, as well as the noncurrent segment of compensated leave accrued by employees through June 30, 2010. Other noncurrent liabilities decreased from $23.12 million on June 30, 2009 to $19.82 million as of June 30, 2010. The reduction resulted from principal payment of long-term indebtedness as well as a reduction in the compensated leave benefits projected for payments to employees.

Total net assets declined from $75.14 million at the end of fiscal 2009 to $72.20 million at the end of fiscal 2010. The matrix below details the elemental components of this change in net assets.

Description	Capital	Restricted	Unrestricted	Total
Unrestricted Operations			774,362	774,362
Restricted Operations		(21,351)		(21,351)
Auxiliary Operations			265,660	265,660
Endowment Earnings		7,170		7,170
Property, Plant and Equipment	(2,996,882)			(2,996,882)
Plant Operations		173,932	621,720	795,652
GASB Mandates			(1,757,880)	(1,757,880)
Total	**(2,996,882)**	**159,751**	**(96,138)**	**(2,933,269)**

- *Invested in Capital Assets, net of related debt.* This net asset category documents the remainder interest (i.e. asset value less any related liabilities or debt) of the College's investment in long-lived, tangible assets such as land, buildings, and equipment. As previously discussed, the decline in this asset category is attributable to the College's recognition of depreciation expense. The total of this expense for FYE 2010 was $5.69 million. This decrease in net assets was offset by nearly $3 million in additions and improvements to the College's buildings and/or equipment.

- *Restricted Net Assets.* This net asset category includes College resources that are subject to restrictions or stipulations by the funding source. Restricted net assets increased by nearly $160,000—preponderantly related to debt service activity. San Juan College receives local appropriations from residents and businesses in the county by way of property and production taxes. The preponderance of these receipts is allocated for the unrestricted operations of the College; however, a specific allotment of these levies is earmarked to service the long-term debt held by the College. The increase reported in this net asset category resulted from the difference of debt service proceeds received by county taxpayers during fiscal 2010, and debt service obligations due and payable during fiscal 2010. The excess amount will remain restricted for debt service requirements in future periods.

- *Unrestricted Net Assets.* This net asset category accounts for those College resources available for use by the institution's governing body and administration for the general operations of the College. The institution's unrestricted operations for fiscal 2010 yielded an increase in net assets of $774,362. Auxiliary operations—specifically the College Bookstore—resulted in an increase in net assets of $265,660. And Plant operations of the College (primarily state appropriations earmarked for renewal

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

and replacement of buildings and equipment that were not necessary for expenditure during the fiscal year) reported an increase of $621,720. These increases in net assets were substantively offset by (the net of) two accounting treatments mandated by the Governmental Standards Accounting Board. The first of these treatments is related to the recognition of expense for future compensated leave that was accrued—but unused—by employees as of 06/30/2010. Typically, this treatment decreases unrestricted net assets each year; however, for fiscal 2010 it yielded an increase. During the year, the College's Board of Trustees enacted changes to the College's sick leave policy that mitigated the institution's long-term liability associated with this benefit. The implementation of this change in fiscal 2010 yielded a favorable effect (i.e., an increase in net assets) of $1.36 million. This result was countered by the impact of the GASB-mandated treatment of the College's post employment (i.e. retiree healthcare) plan. Compliance with GASB 45 resulted in a decrease in the institution's unrestricted net assets of $3.10 million. July 1, 2010, the College's governing board implemented affirmative action to manage the liability exposure associated with the institution's post-employment benefits plan. The discussion of 'Currently Known Facts, Decisions, or Conditions' at the end of this discourse details those actions.

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

The Statement of Revenues, Expenses, and Changes in Fund 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 Fund Net Assets is a cumulative summary of the organization's financial activities for the reported fiscal year. A condensed version of this statement is presented on the following page.

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 delineated 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 Fund Net Assets reports an *operating* loss of $42.76 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, 2010, San Juan College reported a decrease in net assets of $2.93 million—ostensibly related to the recognition of depreciation and liability related to the institution's retiree healthcare plan.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

SAN JUAN COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

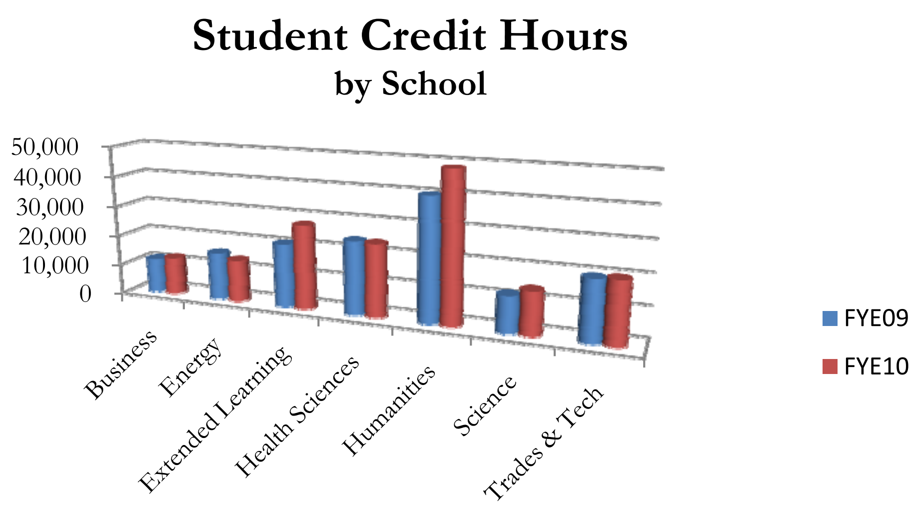
	2010	2009
Operating Revenues		
Student tuition and fees	$7,170,432	$5,475,203
Less: Scholarship allowances	(2,733,209)	(2,126,884)
Federal Grants and Contracts	12,046,467	7,301,744
State Grants and Contracts	2,065,876	2,235,637
Nongovernmental grants and contracts	1,560,145	1,833,920
Auxiliary enterprises	4,086,391	3,424,439
Other operating revenues	1,405,243	1,414,012
Total Operating Revenues	$25,601,345	$19,558,071
Operating Expenses		
Educational and General		
Instruction	$25,413,350	$27,047,620
Public service	2,660,058	2,903,656
Academic support	3,956,635	4,551,458
Student services	5,412,948	5,451,145
Institutional support	5,946,489	6,545,668
Operations and maintenance of plant	5,950,871	7,576,848
Depreciation expense	5,687,772	5,803,465
Student aid	9,036,933	5,329,110
Auxiliary enterprises	3,837,074	3,696,201
Other operating expenses	454,467	516,030
Total Operating Expenses	$68,356,597	$69,421,201
Operating Income/(Loss)	**($42,755,252)**	**($49,863,130)**
Nonoperating Revenues/(Expenses)		
State appropriations	$21,497,122	$22,262,313
Local appropriations	16,337,264	17,759,407
Capital appropriations, grants, and gifts	2,703,232	8,453,153
Other nonoperating revenues/(expenses)	(715,635)	(225,906)
Total Nonoperating Revenues/(Expenses)	$39,821,983	$48,248,967
Increase/(Decrease) in Net Assets	**($2,933,269)**	**($1,614,163)**
Fund Net Assets, beginning of the year	75,138,220	76,752,383
Fund Net Assets, end of the year	**$72,204,951**	**$75,138,220**

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

Taken together, operating and nonoperating revenues for San Juan College for the year ended June 30, 2010, decreased by 3.5% or $2.38 million.

Revenues	FYE10	FYE09	% Change
Operating	$25,601,345	$19,558,071	30.9%
Nonoperating (net)	39,821,983	48,248,967	-17.5%
Total Revenues	$65,423,328	$67,807,038	-3.5%

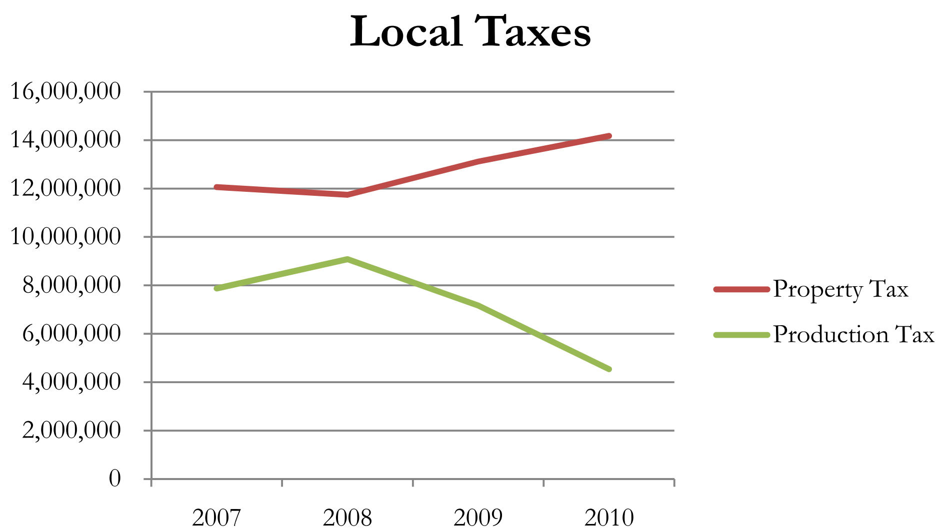
The College's ***operating*** revenue increased by nearly 31%--from $19.56 million in fiscal 2009 to $25.60 million in fiscal 2010. This increase in revenue is fully correlated with the enrollment increases experienced in fiscal 2010, and the College's strategic effort to offset declines in state and local appropriations through a more competitive tuition and fee structure.



The above chart depicts, by School, enrollment changes during the 2009-10 fiscal year. Total student credit hours increased by nearly 11.5%. This increase—when coupled with increases in the institution's tuition structure (resident tuition increased from $30 per credit hour to $32 per credit hour; non-resident tuition increased from $40 per credit hour to $71 per credit hour) yielded nearly $1.70 million in additional operating revenue.

The increased enrollment—along with increases to the total Pell funding that students were eligible to receive—resulted in a significant increase in the total reported for Federal Grants and Contracts. This revenue increased from $7.30 million in fiscal 2009 to $12.05 million in fiscal 2010. Of the $4.75 million increase in Federal Grants and Contracts, the increase in Pell comprised $4.15 million of that total.

The trend line atop the following page reflects recent history for local property and production taxes. While property tax registered an increase in FYE 2010, production taxes continued to decline. The cumulative effect of both sources was an 8.0% reduction in local appropriations—from $17.76 million to $16.34 million.



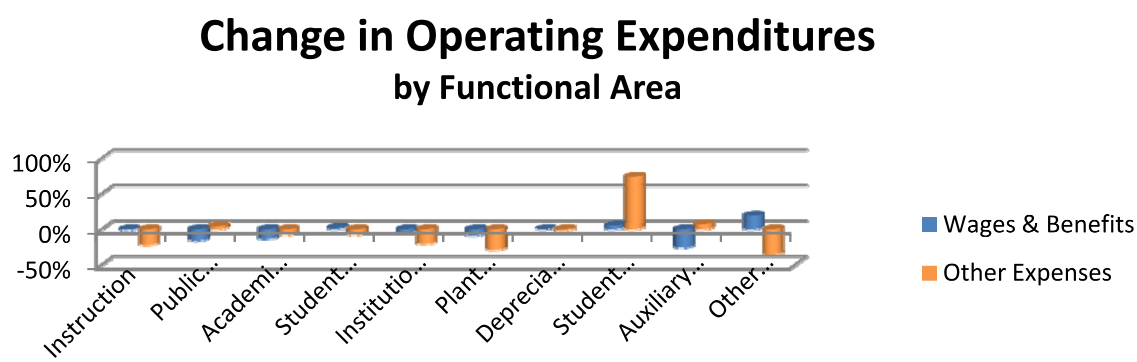
The preponderance of State Appropriations received by the institution is driven by the College's enrollment. Although the College's enrollment has grown significantly during the last two years, the recession-related challenges faced by the State of New Mexico have left the state without the wherewithal to fully fund enrollment gains. For the second consecutive year, the State imposed mid-year reductions to its appropriations. Accordingly, State Appropriations for San Juan College declined by 3.4%--from $22.26 million in fiscal 2009 to $21.50 million in fiscal 2010.

The uncertainty of appropriations from local taxes and the State of New Mexico is projected to continue beyond the 2009-10 fiscal year. This sustained uncertainty underscores the importance of the College's efforts to stabilize its revenue base through strategic increases to its tuition and fee rate structures.

As the chart on the following page depicts, a necessary component of the College's budget strategy has been continued containment of expenditures. San Juan College was successful in managing costs, in essentially every function—in terms of personnel costs and other operating expenditures.

The one notable exception was Student Aid expenditures. That total increased by 69.6%--from $5.33 million in fiscal 2009 to $9.04 million in fiscal 2010 in correlation with the increase in Pell revenue described in a prior subsection. Pell funds disbursed from the federal government to San Juan College, on behalf of its Pell-eligible students are recorded as revenue. The disbursement of these funds to the students' business office accounts is recorded as expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED



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 2010 follows.

SAN JUAN COLLEGE
CONDENSED STATEMENT OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Sources/(Uses)		
Operating Activities, net	($34,265,616)	($38,845,310)
Noncapital Financing Activities, net	39,924,480	40,427,562
Capital Financing Activities, net	(3,419,645)	(9,863,026)
Investing Activities, net	(3,406,353)	14,018,525
Increase/(Decrease) in Cash and Cash Equivalents	**($1,167,134)**	**$5,737,751**
Cash and Cash Equivalents, beginning of the year	17,175,306	11,437,555
Cash and Cash Equivalents, end of the year	$16,008,172	$17,175,306

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. During the year, the College submitted budget adjustments to the State to recognize the reduction in State Appropriations, the increase in Tuition and Fees, and changes in salaries, other expenditure categories, and transfers.

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 decreased by $4.63 million during the 2009-10 fiscal year. While Note 5 to the Basic Financial Statements presents a more comprehensive detail of the increase in Capital Assets, below is a concise delineation of activity in this category.

As discussed previously, the most noteworthy capital asset activity in fiscal 2010 was the recognition of depreciation expense. This transaction accounts for the reduction in total capital assets. As documented by the schedule below, nearly $3 million matriculated from Construction-in-Progress to Buildings. This relates to the elements of the Outdoor Learning Center that was completed and placed into service during the fiscal year. As of June 30, 2010, the only building project in progress was Phase II of the Health Sciences Center. While Phase I of the project was funded fully by local general obligation bonds, the second phase is fully funded by *state* general obligation bonds.

Capital Assets, 06/30/2009	$86,371,397
Additions	
Construction-in-Progress (net)	(2,965,026)
Infrastructure, Land and leasehold improvements	328,541
Buildings	2,951,460
Equipment, furnishings, and software	611,677
Library books	151,988
Retirements (net of accumulated depreciation)	(20,699)
Depreciation	(5,687,772)
Capital Assets, 06/30/2010	$81,741,566

Currently Known Facts, Decisions, or Conditions

- In July 2010, revised consensus revenue information compiled by the state lowered the state revenue forecast for fiscal 2011. As a result of the lowered forecast, language included in the 2010 General Appropriations Act triggered an automatic reduction in State Appropriations of approximately 3.244%. For the College's unrestricted operating budget, this resulted in a $730,900 reduction.
- In September 2010, San Juan College received assessed valuation totals from the County Assessor's office. Total assessed valuations declined by nearly 22%: from $4.81 billion the prior year to $3.75 billion for the current year. As a result of this, plus continued volatility in the natural gas markets, the College anticipates lowering its Local Taxes budget for unrestricted operations by $1 million.
- In January 2010, the College Board of Trustees took substantive action to manage the long term liability associated with the institution's retiree healthcare plan. The changes—effective July 1, 2010—included increasing the retirement eligibility requirements; increasing (from 40% to 50%) the premium costs paid by individuals who retire on or after 07/01/10; requiring active employees to elect future participation in the retiree healthcare benefit and consent to have a contributing amount withheld from their payroll while actively employed by the College. The withholding rate in effect for fiscal 2011 is .49%. Additionally, Trustees made provision in its approved operating budget for 2010-11 to begin prospectively funding this obligation through a voluntary employee beneficiary association trust. San Juan College has established this trust with U.S. Bank, and has commenced depositing resources into the trust. As a result of these actions, the annual required cost of the College's post employment benefit plan has decreased from more than $3 million annually to slightly more than $1.0 million annually.

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.

THIS PAGE LEFT INTENTIONALLY BLANK

BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT INTENTIONALLY BLANK

STATEMENT OF NET ASSETS
EXHIBIT A

	Primary Institution	Component Unit San Juan College Foundation
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$ 15,648,172	$ 477,170
Investments	4,000,000	7,717,890
Accounts Receivable, net	553,386	-
Due from Other Governments	2,007,062	-
Other Receivables, net	198,681	150,000
Inventories	461,529	-
Other Assets	289,552	259
Total Current Assets	23,158,382	8,345,319
Non-Current Assets:		
Restricted Cash and Cash Equivalents	360,000	-
Capital Assets, not being depreciated	2,169,655	1,130,946
Capital Assets, net of accumulated depreciation	79,571,911	2,372,051
Land Held for Investment	-	5,000
Beneficial Interest in Remainder Trusts	-	2,503,983
Total Non-Current Assets	82,101,566	6,011,980
Total Assets	$ 105,259,948	$ 14,357,299
LIABITILITES:		
Current Liabilities:		
Accounts Payable	$ 1,166,344	$ 144,645
Accrued Compensated Absences	131,529	-
Other Post-Employment Benefits	419,400	-
Other Accrued Liabilities	1,995,212	-
Unearned Revenue	1,150,878	-
Bonds and Note Payable -- Current	2,048,549	-
Deposits and Funds Held for Others	490,560	243,254
Total Current Liabilities	7,402,472	387,899
Non-Current Liabilities		
Accrued Compensated Absences	1,220,954	-
Other Post-Employment Benefits	5,832,320	-
Bonds and Note Payable -- Non-Current	18,599,251	-
Total Non-Current Liabilities	25,652,525	-
Total Liabilities	$ 33,054,997	$ 387,899
NET ASSETS:		
Invested in Capital Assets Net of Related Debt	61,303,323	3,502,997
Restricted Non-Expendable	360,000	5,914,187
Restricted Expendable	2,371,686	3,770,453
Unrestricted	8,169,942	781,763
Total Net Assets	$ 72,204,951	$ 13,969,400

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	$ 7,170,432	$ -
Less: Scholarship Allowances	(2,733,209)	-
Federal Grants and Contracts	12,046,467	-
State Grants and Contracts	2,065,876	-
Non Governmental Grants and Contracts	1,560,145	1,271,396
Sales and Services	969,159	-
Auxiliary Enterprises	4,086,391	-
Other Operating Revenues	436,084	2,495
Total Operating Revenues	25,601,345	1,273,891
EXPENSES:		
Operating Expenses:		
Education and General		
Instruction	25,413,350	-
Public Service	2,660,058	-
Academic Support	3,956,635	-
Student Services	5,412,948	-
Institutional Support	5,946,489	-
Operations and Maintenance of Plant	5,950,871	-
Depreciation Expense	5,687,772	141,171
Student Aid	9,036,933	-
Auxiliary Enterprises	3,837,074	-
Other Operating Expenses	454,467	1,516,023
Total Operating Expenses	68,356,597	1,657,194
Operating Loss	(42,755,252)	(383,303)
NON-OPERATING REVENUES (EXPENSES)		
State Appropriations	21,497,122	-
Local Appropriations	16,337,264	-
Investment Income (Loss)	582,607	863,391
Interest on Capital Asset-related Debt	(914,947)	-
Gain (Loss) on Disposal of Capital Assets	(214,875)	-
Other Non-Operating Expenditures	(168,420)	-
Total Non-Operating Revenues (Expenses)	37,118,751	863,391
Income (Loss) before Other Revenue (Expenses)	(5,636,501)	480,088
Capital Appropriations	2,567,026	-
Capital Grants and Gifts	136,206	-
Additions to Permanent Endowments	-	-
Total Other Revenue	2,703,232	-
Increase/(Decrease) in Fund Net Assets	(2,933,269)	480,088
FUND NET ASSETS, beginning of year	75,138,220	13,489,312
FUND NET ASSETS, end of year	$ 72,204,951	$ 13,969,400

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS

EXHIBIT C

		Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$	4,327,241
Grants and Contracts		14,625,744
Sales and Services		964,493
Auxiliary Sales and Services		4,096,208
Payments to Suppliers		(12,803,186)
Payments to Employees		(28,936,545)
Payments for Benefits		(8,491,276)
Payments for Utilities		(1,343,365)
Payments for Scholarships		(7,062,555)
Other Receipts (Payments)		357,625
Net Cash Used in Operating Activities		(34,265,616)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State Appropriations		21,522,601
Local Appropriations		18,446,257
Agency Receipts		8,626,083
Agency Payments		(8,670,461)
Net Cash Provided by Non-Capital Financing Activities		39,924,480
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Interest Payment on Bonds and Notes		(936,080)
Capital Appropriations		720,445
Principal Payments on Bonds and Note		(1,685,769)
Purchase of Capital Assets		(1,518,241)
Net Cash Provided (used) by Capital Financing Activities		(3,419,645)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds for Sale and Maturities of Investments		(4,000,000)
Investment Income		593,647
Net Cash Provided (used) by Investing Activities		(3,406,353)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,167,134)
Cash and Cash Equivalents, beginning of year		17,175,306
Cash and Cash Equivalents, end of year	$	16,008,172
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	$	(42,755,252)
Adjustments to Reconcile Operating Loss to Net Cash Provided (used) by Operating Activities		
Depreciation Expense		5,687,772
Changes in Assets and Liabilities		
Accounts Receivable		13,453
Due from Other Governments and Other Receivables		223,956
Inventories		54,051
Other Assets		30,425
Accounts Payable		431,726
Accrued Expenses and Compensated Absences		1,729,126
Other Liabilities, current		47,010
Unearned Revenue		272,117
Net Cash Provided (used) by Operating Activities	$	(34,265,616)

See accompanying notes to the basic financial statements.

THIS PAGE LEFT INTENTIONALLY BLANK

Notes to Financial Statements

THIS PAGE LEFT INTENTIONALLY BLANK

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 are generally 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 twenty-eight member board of the foundation consists of graduates and supporters 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 is 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.

During the year ended June 30, 2010, the Foundation distributed $1,272,062 to the College for both restricted and unrestricted purpose. Complete financial statements for the Foundation can be obtained from the San Juan College 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 endowment 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 realized $9,470 in revenue from the endowment investments and expended $2,300 of the revenue for student scholarships. 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 Fund 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.

Inventories.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

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.

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 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.

At the meeting of the Board of Trustees on January 5, 2010 College Trustees approved a policy revision that eliminated payout of unused accrued sick time to employees retiring from the College. Previously retirees were eligible for remuneration of up to sixty (60) days of unused sick leave upon retirement. This change was effective for all retirement applications submitted to the New Mexico Educational Retirement Board after March 1, 2010. Accrued compensated absences was adjusted to reflect this change in 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 in the Statement of Revenues, Expenses and Changes in Fund 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 revenues 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 and fall terms 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).

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. This agreement expires December 31, 2010.

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, 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, 2010.

Collateralization of Deposits.
At June 30, 2010, the recorded value of the College's cash with financial institutions was $19,995,956. Petty cash funds at June 30, 2010 totaled $12,216. The balances per bank statements and overnight investment accounts totaled $20,560,080 at June 30, 2010. Of the bank balance, $3,430,000 was covered by federal depository insurance, $14,841,608 was covered by collateral held at the Federal Reserve in the College's name, $222,607 was invested in U.S Government Money Market Funds, $1,500,000 was invested in Freddie Mac SRNT guaranteed by U.S, Federal Government and $565,865 was uncollateralized.

Investments.
In accordance with Article 10, NMSA, 1978 Compilation, the College's non-endowed investable funds are held in U.S Treasury Securities and time deposits as follows:

Certificates of Deposit	$ 2,500,000
Freddie Mac SRNT guaranteed by U.S. Government	1,500,000
Total College investments	$ 4,000,000

A summary of the Foundation's investments at June 30, 2010 is as follows:

	Market
Investments held by investment managers:	
Certificates of Deposit	$ 24,000
Money market accounts	372,261
Equities	6,623,007
Fixed income investments	558,623
Alternative	139,999
Total Foundation pooled investments	$ 7,717,890

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 fixed income mutual funds. Maturities for the Foundations fixed income mutual funds have been averaged for purposes of reporting. Maturity rates for Foundation investments are as follows:

		Investment Maturities			
Investment Type	Fair Value	Not subject to Interest Rate Risk	Less than 1 Year	1-5 Years	5 + Years
Money Market	$ 372,261	$ 372,261	$ -	$ -	$ -
Equities	4,714,964	4,714,964	-	-	-
Mutual Funds - Equity	1,908,043	1,908,043	-	-	-
Certificate of Deposit	24,000	-	24,000	-	-
Mutual Funds - Fixed Income	558,623	-	-	320,465	238,158
Alternative	139,999	139,999	-	-	-
Total Investments	$ 7,717,890	$ 7,135,267	$ 24,000	$ 320,465	$ 238,158

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 investments are in time deposits or investments guaranteed by the U.S government and therefore excluded from this requirement.

The Foundation investments are currently held in non-debt investments and thus not subject to credit risk.

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, 2010, $565,865 of the College's bank balance of $20,560,080 was exposed to custodial credit risk.

Uninsured and Uncollateralized	
Wells Fargo	$ 565,865

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, 2010, the Foundation's uninsured cash deposits total was approximately $20,468.

Custodial Credit Risk – Investments.
As of June 30, 2010, the College's deposits are in certificates of deposit of $250,000 or less, or U.S. Government securities or securities secured by the U.S. Federal Government. Therefore the College is not subject to custodial credit risk for investments.

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 $7,717,890 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, 2010 receivables consisted of the following:

College accounts receivable, net	
Accounts Receivable	$ 1,396,172
Less: Allowance for doubtful accounts	842,786
Accounts receivable, net	$ 553,386

The College has $771,930 of receivables more than one year old.

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; accordingly, no provision for doubtful accounts has been established. At June 30, 2010 government receivables consisted of the following:

Billed property taxes	$	1,071,060
Due from other governments		759,801
Due from State for capital projects		176,201
Total due from other goverments	$	2,007,062

Other Receivables.

At June 30, 2010 other receivables of the College consisted of the following:

Due from others	$	185,086
Accrued interest receivable		13,595
Total other receivables	$	198,681

Other receivables of San Juan College Foundation consist of unconditional promises to give. These pledges receivable are regarded as fully collectible based on historical collections. Unconditional promises to give are as follows:

Receivables, less than one year	$	150,000

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 trusts' 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	$	6,040,224
Less discounts to net present value		3,536,241
Net beneficial interest in remainder trusts	$	2,503,983

Note 5 – Capital Assets

At June 30, 2010 capital assets held were as follows:

	Balance 6/30/09	Additions	Transfers/ retirements	Balance 6/30/10
College capital assets not being depreciated:				
Land	$ 2,010,641	$ -	$ -	$ 2,010,641
Construction in progress	3,124,040	159,014	3,124,040	159,014
Total nondepreciable capital assets	$ 5,134,681	$ 159,014	$ 3,124,040	$ 2,169,655
College depreciable capital assets:				
Land & leasehold improvements	$ 8,057,992	$ 328,541	$ -	$ 8,386,533
Infrastructure	13,640,457	-	-	13,640,457
Buildings	108,323,774	2,951,460	-	111,275,234
Equipment, furnishings, and software	19,810,476	611,677	194,176	20,227,977
Library books	1,926,987	151,988	153,399	1,925,576
Total depreciable capital assets	151,759,686	4,043,666	347,575	155,455,777
Less: Accumulated depreciation				
Land & leasehold improvements	3,959,588	271,646	-	4,231,234
Infrastructure	6,922,654	459,547	-	7,382,201
Buildings	43,196,589	3,392,349	-	46,588,938
Equipment, furnishings, and software	15,025,438	1,358,745	173,478	16,210,705
Library books	1,418,701	205,485	153,398	1,470,788
Total accumulated depreciation	70,522,970	5,687,772	326,876	75,883,866
Depreciable capital assets, net	81,236,716	(1,644,106)	20,699	79,571,911
Capital assets, net	$ 86,371,397	$ (1,485,092)	$ 3,144,739	$ 81,741,566
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	1,273,231	141,470	-	1,414,701
Depreciable capital assets, net	2,513,521	(141,470)	-	2,372,051
	$ 3,644,467	$ (141,470)	$ -	$ 3,502,997

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.

Appropriation Period	Original Appropriation	Expenditures To Date	Unencumbered Balance
07/01/08-06/30/12	$ 50,000	$ -	$ 50,000
07/01/06-06/30/10	$ 1,200,000	$ 1,200,000	$ -
07/01/08-06/30/12	$ 5,000,000	$ 403,570	$ 4,596,430

Note 7 – Other Accrued Liabilities

At June 30, 2010 other accrued liabilities consisted of the following:

Payroll and Benefits	$ 1,678,827
Gross Receipts Tax	5,171
Bond Interest Payable	311,214
Total	$ 1,995,212

Note 8 – Long Term Liabilities

Bonds and Notes Payable.

The following is a summary of bonds payable transactions for the year ended June 30, 2010.

Bonds Payable	Balance 6/30/2009	New Issues	Retirements	Balance 6/30/2010	Due Within One Year
2003 Bonds	$ 1,001,974	$ -	$ 239,437	$ 762,537	$ 246,350
2004 Bonds	6,300,000	-	600,000	5,700,000	750,000
2005 Bonds	10,100,000	-	25,000	10,075,000	25,000
2006 Bonds	3,840,000	-	725,000	3,115,000	925,000
2008 Note	1,036,914	-	96,332	940,582	102,199
Total	$ 22,278,888	$ -	$ 1,685,769	$ 20,593,119	$ 2,048,549

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

Bonds and Note Payable	Interest Rates	Amount
2003 Bonds; original amount $2,222,223; maturing 6/01/13	0.62% - 3.11%	$ 762,537
2004 Bonds; original amount $7,500,000; maturing 8/15/16	2.15% - 3.875%	5,700,000
2005 Bonds; original amount $10,700,000; maturing 8/15/21	3.5% - 5%	10,075,000
2006 Bonds; original amount $5,020,000; maturing 8/15/13	3.5% - 3.7%	3,115,000
2008 Note; original amount $1,070,000; maturing 1/1/18	6%	940,582
		20,593,119
Less deferred amounts:		
Bond premiums		421,130
On refunding		(366,449)
Less current portion of bonds and note payable		(2,048,549)
Long-term bonds and note payable		$ 18,599,251

Primarily the bonds payable will be paid from taxes levied against property owners living within the College boundaries. The 2003 bond issue and the 2008 note, however, are paid from tuition and fees or other institutional resources. The note payable is collateralized by buildings and land. The annual requirements to retire bonds and note payable as of June 30, 2010 are as follows:

Due in Year Ending	Amount	Interest	Payments
June 30, 2011	$ 2,048,549	$ 872,590	$ 2,921,139
June 30, 2012	1,687,355	803,721	2,491,076
June 30, 2013	2,077,379	736,672	2,814,051
June 30, 2014	1,187,283	673,793	1,861,076
June 20, 2015	904,830	633,125	1,537,955
June 30, 2016 - June 30, 2020	9,662,723	2,089,917	11,752,640
June 30, 2021 - June 30, 2025	3,025,000	91,875	3,116,875
Total	$ 20,593,119	$ 5,901,693	$ 26,494,812

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

Balance 6/30/2009	Adjustment	Deductions	Balance 6/30/2010	Current Amount
$ 2,711,500	$ (944,506)	$ (414,511)	$ 1,352,483	$ 131,529

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, 2010, 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, 2010 were $183,048.

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.

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

Year Ending June 30	
2011	272,881
2012	264,184
2013	256,928
2014	186,611
Total Lease Obligations	$ 980,604

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 for 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 2010, plan members were required to contribute 9.4 % of their gross salary. The College was required to contribute 10.9% of the gross covered salary. The employer contribution is slated to increase .75% each year until July 1, 2013 when the employer contribution would be 13.9%. Effective July 1, 2009, plan members were 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, 2010, 2009 and 2008, were $3,023,758, $3,256,365 and $2,953,740, respectively, which equal the amount of the required contributions for each fiscal year.

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 hired prior to July 1, 2010, 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.

Requirements for benefited retirement changed for employees hired after July 1, 2010, to t 1) the sum of the employee's age and number of years of earned service credit equals 80; 2) if at age 67, employee has a minimum of five years of earned service credit; or 3) employee has 30 years of earned service credit or a combination of 30 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 based on an actuarial cost that reflects the employee's length of service and current earnings. Up to five years of active military service may be purchased after five years of employment by an ERB covered entity. The cost of purchase is the combined employee and employer contribution at the current rates.

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.

During the fiscal years that ended June 30, 2010, 2009 and 2008, the College's defined benefit healthcare plans provided coverage for 78, 70 and 63 retirees respectively, at an expense—net of employee contributions—of $312,987, $269,729 and $229,689 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	312,987
Increase in net OPEB obligation	3,104,231
Net OPEB obligation beginning of year (07/01/2009)	3,147,360
Net OPEB obligation end of year (06/30/2010)	$ 6,251,591

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		9.2%
Net OPEB obligation as of 06/30/2010	$	6,251,591

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.

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	30 years
	Accrued Liability	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
8.	Healthcare Cost Trend Rates	

Year	Medical Trend Rate	Dental Trend Rate	Vision Trend Rate
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:

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

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

Note 12 – Subsequent Events

In July 2010 San Juan College established a Retiree Health Care Trust with U.S. Bank. Establishment of the Trust coincides with other substantive changes effected by College Trustees to manage the long term liability for retiree healthcare. The changes were effective July 1, 2010 and included increasing the retirement eligibility requirements; increasing (from 40% to 50%) the premium costs paid by individuals who retire on or after 07/01/10; requiring active employees to elect future participation in the retiree healthcare benefit, including an agreement to have a contributing amount withheld from their payroll while actively employed by the College. The withholding rate in effect for fiscal 2011 is .49%. Additionally, Trustees made provision in its approved operating budget for 2010-11 to begin prospectively funding this obligation through a voluntary employee beneficiary association trust. As a result of these actions, the annual required cost of the College's post employment benefit plan has decreased from more than $3 million annually to slightly more than $1 million annually.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE LEFT INTENTIONALLY BLANK

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	$ 12,743,895	$ 16,437,407	$ 16,437,396	$ (11)
Unrestricted and Restricted Revenues				
State General Fund Appropriations	24,521,688	25,776,943	23,752,079	(2,024,864)
Federal Revenue Sources	19,527,931	20,139,748	18,734,360	(1,405,388)
Tuition and Fees	6,893,853	7,084,170	7,227,580	143,410
Land and Permanent Fund	-	-	-	-
Endowments and Private Gifts	-	-	-	-
Other	29,031,569	28,064,444	28,022,763	(41,681)
Total Unrestricted and Restricted Revenues	79,975,041	81,065,305	77,736,782	(3,328,523)
Expenditures:				
Instruction	26,284,430	25,541,477	24,868,165	673,312
Academic Support	4,208,901	4,242,017	4,002,068	239,949
Student Services	5,725,461	6,183,919	5,340,622	843,297
Institutional Support	5,915,196	6,378,667	5,834,140	544,527
Operation and Maintenance of Plant	6,245,697	6,042,198	5,611,511	430,687
Student Social and Cultural Activities	-	-	-	-
Research	-	-	-	-
Public Service	3,016,736	2,836,152	2,655,048	181,104
Internal Services	-	-	-	-
Student Aid, Grants and Stipends	21,074,553	20,551,348	20,112,459	438,889
Auxiliary Services	3,280,004	4,500,085	3,820,730	679,355
Intercollegiate Athletics	-	-	-	-
Independent Operations	479,324	500,722	435,595	65,127
Capital Outlay	111,495	2,469,535	377,141	2,092,394
Renewal and Replacement	965,250	1,822,959	260,701	1,562,258
Retirement of Indebtedness	2,618,301	2,700,000	2,657,098	42,902
Total Unrestricted and Restricted Expenditures	79,925,348	83,769,079	75,975,278	7,793,801
Net Transfers	-	-	-	-
Change in Fund Balance (Budgetary Basis)	49,693	(2,703,774)	1,761,504	4,465,278
Ending Fund Balance	$ 12,793,588	$ 13,733,633	$ 18,198,900	$ 4,465,267

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

Change in Fund Balance (Budgetary Basis)	$ 1,761,504
Depreciation Expense	(5,687,772)
Investment in Plant	2,731,044
Adjustments to reconcile budgetary basis to GAAP basis:	
Increase in Other Post Employment Benefits	(3,104,231)
Decrease in Compensated Absences	1,359,017
Increase in Endowment	7,169
Change in Net Assets (GAAP Basis)	$ (2,933,269)

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	$ 4,619,354	$ 6,134,862	$ 6,134,863	$ 1
Unrestricted Revenues:				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Federal Government Appropriations	-	-	-	-
State Government Appropriations	49,500	1,879,165	189,081	(1,690,084)
Local Government Appropriations	2,283,852	2,259,328	2,377,945	118,617
Federal Government Contracts/Grants	-	-	-	-
State Government Contracts/Grants	122,780	69,480	-	(69,480)
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Grants	-	-	-	-
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and services	3,838,593	4,888,814	4,345,430	(543,384)
Other	612,296	533,170	591,556	58,386
Total Unrestricted Revenues	6,907,021	9,629,957	7,504,012	(2,125,945)
Unrestricted Expenditures:				
Student Social and Cultural Activities	-	-	-	-
Research	-	-	-	-
Public Service	1,638,172	1,682,545	1,675,904	6,641
Internal Services	-	-	-	-
Student Aid, Grants and Stipends	279,000	307,397	267,370	40,027
Auxiliary Services	3,280,004	4,500,085	3,820,730	679,355
Intercollegiate Athletics	-	-	-	-
Independent Operations	479,324	500,722	435,595	65,127
Capital Outlay	111,495	2,469,535	377,141	2,092,394
Renewal and Replacement	965,250	1,822,959	260,701	1,562,258
Retirement of Indebtedness	2,618,301	2,700,000	2,657,098	42,902
Total Unrestricted Expenditures	9,371,546	13,983,243	9,494,539	4,488,704
Net Transfers	2,514,218	2,806,090	2,806,067	23
Change in Fund Balance (Budgetary Basis)	49,693	(1,547,196)	815,540	2,362,736
Ending Fund Balance	$ 4,669,047	$ 4,587,666	$ 6,950,403	$ 2,362,737

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	-	200	200	-
Federal Government Appropriations	-	-	-	-
State Government Appropriations	-	7,000	-	(7,000)
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	17,654,748	17,329,063	17,129,728	(199,335)
State Government Contracts/Grants	1,511,319	1,476,348	1,438,603	(37,745)
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Grants	3,003,417	2,568,514	2,249,161	(319,353)
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and services	-	12,832	2,941	(9,891)
Other	4,633	3,601	3,601	-
Total Restricted Revenues	22,174,117	21,397,558	20,824,234	(573,324)
Restricted Expenditures:				
Student Social and Cultural Activities	-	-	-	-
Research	-	-	-	-
Public Service	1,378,564	1,153,607	979,144	174,463
Internal Services	-	-	-	-
Student Aid, Grants and Stipends	20,795,553	20,243,951	19,845,089	398,862
Auxiliary Services	-	-	-	-
Intercollegiate Athletics	-	-	-	-
Independent Operations	-	-	-	-
Capital Outlay	-	-	-	-
Renewal and Replacement	-	-	-	-
Retirement of Indebtedness	-	-	-	-
Total Restricted Expenditures	22,174,117	21,397,558	20,824,233	573,325
Net Transfers	-	-	-	-
Change in Fund Balance (Budgetary Basis)	-	-	1	1
Ending Fund Balance	$ -	$ -	$ 1	$ 1

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	$ 8,124,541	$ 10,267,250	$ 10,267,238	$ (12)
Unrestricted Revenues:				
Tuition	5,688,044	6,065,025	6,153,665	88,640
Miscellaneous fees	1,205,809	1,018,945	1,073,715	54,770
Federal Government Appropriations	-	-	-	-
State Government Appropriations	22,091,300	21,497,122	21,497,122	-
Local Government Appropriations	16,090,000	15,425,000	16,337,264	912,264
Federal Government Contracts/Grants	-	-	-	-
State Government Contracts/Grants	248,698	339,302	163,560	(175,742)
Local Government Contracts/Grants	60,520	-	-	-
Private Contracts/Grants	1,420	-	-	-
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and services	632,992	657,165	700,542	43,377
Other	484,359	495,047	536,849	41,802
Total Unrestricted Revenues	46,503,142	45,497,606	46,462,717	965,111
Unrestricted Expenditures:				
Instruction	24,026,192	23,769,342	23,602,259	167,083
Academic Support	4,105,901	4,183,238	3,968,067	215,171
Student Services	3,695,938	3,809,292	3,689,057	120,235
Institutional Support	5,915,196	6,041,668	5,834,140	207,528
Operation and Maintenance of Plant	6,245,697	6,009,258	5,595,812	413,446
Total Unrestricted Expenditures	43,988,924	43,812,798	42,689,335	1,123,463
Net Transfers	(2,514,218)	(2,806,090)	(2,806,067)	23
Change in Fund Balance (Budgetary Basis)	-	(1,121,282)	967,315	2,088,597
Ending Fund Balance	$ 8,124,541	$ 9,145,968	$ 11,234,553	$ 2,088,585

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	$ -	$ 35,295	$ 35,295	$ -
Restricted Revenues:				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Federal Government Appropriations	-	-	-	-
State Government Appropriations	-	-	-	-
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	1,873,183	2,810,685	1,604,632	(1,206,053)
State Government Contracts/Grants	498,091	508,526	463,713	(44,813)
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Grants	2,019,412	1,220,898	877,474	(343,424)
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and services	-	-	-	-
Other	75	75	-	(75)
Total Restricted Revenues	4,390,761	4,540,184	2,945,819	(1,594,365)
Restricted Expenditures:				
Instruction	2,258,238	1,772,135	1,265,906	506,229
Academic Support	103,000	58,779	34,001	24,778
Student Services	2,029,523	2,374,627	1,651,565	723,062
Institutional Support	-	336,999	-	336,999
Operation and Maintenance of Plant	-	32,940	15,699	17,241
Total Restricted Expenditures	4,390,761	4,575,480	2,967,171	1,608,309
Net Transfers	-	-	-	-
Change in Fund Balance (Budgetary Basis)	-	(35,296)	(21,352)	13,944
Ending Fund Balance	$ -	$ (1)	$ 13,943	$ 13,944

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	Wells Fargo Repo Account	Wells Fargo Investment	Bank of New York	Four Corners Community Bank
Bank Deposits						
Demand Deposit accounts	$ 751,390	$ 3,005,016	$ 6,194,614	$ -	$ -	$ 3,757,932
Time deposit accounts		-	-	-	-	-
Debt Retirement	-	2,448,521	-	-	-	-
Bank of China CD	-	-	-	250,000	-	-
Enerbank USA CD	-	-	-	250,000	-	-
Goldman Sachs Bank USA NY CD	-	-	-	250,000	-	-
First Security Bank CD	-	-	-	250,000	-	-
Freddie Mac SRNT	-	-	-	1,500,000	-	-
American Express Bank FSB CDBCRP	-	-	-	85,000	-	-
CapMark Bank CDBCRP	-	-	-	95,000	-	-
Bank of Barboda NY CD	-	-	-	250,000	-	-
Discover Bank Greenwood CD	-	-	-	250,000	-	-
GE Money Bank CD	-	-	-	250,000	-	-
First State Bank of Blakely, GA CD	-	-	-	250,000	-	-
Bank Amer NA Charlotte, NC CD	-	-	-	250,000	-	-
Associated Bank WI CD	-	-	-	250,000	-	-
NMFA	-	-	-	-	222,607	-
Overnight deposits	-	-	-	-	-	-
Deposits, at June 30, 2010	751,390	5,453,537	6,194,614	4,180,000	222,607	3,757,932
FDIC Insurance	250,000	250,000	-	2,680,000	-	250,000
Uninsured amount	501,390	5,203,537	6,194,614	1,500,000	222,607	3,507,932
Pledged Collateral Required						
102 percent on overnight	-	-	6,318,506	-	-	-
50 percent on deposits	250,695	2,601,769	-	750,000	111,305	1,753,966
Pledged Collateral Required	250,695	2,601,769	6,318,506	750,000	111,305	1,753,966
Pledged Collateral at June 30, 2010	981,375	4,637,672	6,318,506	1,500,000	222,607	3,578,954
Excess (deficiency)	$ 730,680	$ 2,035,904	$ -	$ 750,000	$ 111,303	$ 1,824,988

SCHEDULE OF PLEDGED COLLATERAL
SCHEDULE 6 -- CONTINUED

	CUSIP#	Maturity	Fair Value
Citizens Bank			
FNMA	31393DPV7	8/25/2017	$ 193,503
FHR	31393FXA9	1/15/2032	115,889
GNMA	36202DZV2	12/20/2033	671,983
Total Citizens Bank Pledged collateral			$ 981,375
Wells Fargo Bank			
FNMS	31408HZH1	1/1/2036	$ 2,301,318
FNMS	31409UVR3	6/1/2036	612,019
FNMS	31410MRW2	6/1/2036	531,360
FNMS	31010SP92	6/1/2036	332,539
FNMS	31415RGM0	7/1/2038	860,436
Total Wells Fargo Bank Pledged collateral			$ 4,637,672
WFB Repurchase			
FNCL	00831571	7/1/2036	$ 2,520,189
FNCL	00872795	6/1/2036	3,798,317
Total Wells Fargo Bank Repurchase Pledged collateral			$ 6,318,506
Four Corners Community Bank			
Bernalillo NM School Dist	085279NU7		$ 559,043
FHLMC Fixed Rate Note	3128X93P3		1,001,872
FHLMC Fixed Rate Note	3134G1AJ3		2,018,039
Total Four Corners Community Bank Pledged collateral			$ 3,578,954
Bank of New York Government Securities			$ 222,607
Wells Fargo Investments			
Freddie Mac SRNT Guaranteed by U.S. Federal Government			$ 1,500,000

College Pledged Collateral of financial institution consists of the following as of June 30, 2010:

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

Citizen's Bank of Farmington	Dallas, TX
Wells Fargo	Minneapolis, MN
Bank of New York	Albuquerque, NM
Four Corners Community Bank	Dallas, TX

SCHEDULE OF PLEDGED COLLATERAL
SCHEDULE 6 -- CONTINUED

Reconciliation to Financial Statements

College	Citizens Bank of Farmington	Wells Fargo	Wells Fargo Repo Account	Bank of New York	Four Corners Community Bank	Wells Fargo Investment	Total
Total per banks	$ 751,390	$ 5,453,537	$ 6,194,614	$ 222,607	$ 3,757,932	$ 4,180,000	$ 20,560,080
Reconciling items:							
deposits in transit	-	8,981	-	-	-	-	8,981
outstanding check	-	(573,105)	-	-	-	-	(573,105)
	$ 751,390	$ 4,889,413	$ 6,194,614	$ 222,607	$ 3,757,932	$ 4,180,000	$ 19,995,956
Cash on hand							12,216
Cash and cash equivalents and investments per financial statements							$ 20,008,172

SCHEDULE OF PLEDGED COLLATERAL
SCHEDULE 6 -- CONTINUED

Financial Institution	Account Type	Investment Type	College	Foundation
Citizens Bank	Checking		$ 751,390	$ 231,863
Wells Fargo	Checking		3,005,016	68
Wells Fargo Repo Account	Sweep		6,194,614	-
Wells Fargo	Checking		2,448,521	2,000
Wells Fargo Bank N.A.	Checking	Checking	-	19,597
Wells Fargo Bank N.A.	Savings	Savings	-	224,803
Bank of New York	Checking		222,607	-
Four Corners Community Bank	Money Market		3,757,932	-
Wells Fargo	Investment	Certificate of Deposit	250,000	24,000
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	U.S. Govt Security	1,500,000	-
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	-
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 & Investment Corp	Investment	Money Market		58,884
Citizens Trust & Investment Corp	Investment	Mutual Funds - Equity		742,937
Citizens Trust & Investment Corp	Investment	Mutual Funds - Fixed Income		558,623
MorganStanley SmithBarney	Investment	Equity - Common Stocks		1,989,154
MorganStanley SmithBarney	Investment	Money Market		5,387
MorganStanley SmithBarney	Investment	Money Market		134,147
MorganStanley SmithBarney	Investment	Mutual Funds - Equity		158,308
Wells Fargo	Investment	Cash		553
Wells Fargo	Investment	Equity - Common Stocks		5,632
Wells Fargo	Investment	Money Market		112
Raymond James	Investment	Money Market		28,987
Raymond James	Investment	Mutual Funds - Equity		677,061
Raymond James	Investment	Money Market		7,182
Raymond James	Investment	Money Market		16
Raymond James	Investment	Alternative		139,999
Raymond James	Investment	Equity - Common Stocks		2,137,950
Raymond James	Investment	Money Market		122,649
Raymond James	Investment	Mutual Funds - Equity		329,737
Raymond James	Investment	Money Market		14,345
Raymond James	Investment	Equity - Common Stocks		582,227
Outstanding checks			(573,105)	(2,799)
Outstanding deposits			8,981	1,626
Cash on hand			12,216	12
	Totals		$ 20,008,172	$ 8,195,060

THIS PAGE LEFT INTENTIONALLY BLANK

SINGLE AUDIT SECTION

THIS PAGE LEFT INTENTIONALLY BLANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Interior:			
Bureau of Land Management			
BLM Flora Project Update	15.231	GDA08004	**$ 13,921**
National Science Foundation:			
Pass-through New Mexico State University			
NM-INBRE	93.389	Q01349	83,452
		Total	**83,452**
U.S. Small Business Administration:			
Direct			
Small Business Development Center	59.037	San Juan College	**19,574**
U.S. Department of Education:			
Direct			
TRIO Student Support Services	84.042A	P042A061242	232,964
TRIO Talent Search	84.044A	P044A070230	198,477
		Subtotal	431,441
Native Amer Serving Nontribal Inst	84.382	P382C080010	513,016
		Total	**944,457**
U.S. Department of Education:			
Pass-through NM Public Education Department			
Perkins Redistribution	84.048	65 9828	32,886
Perkins - EMS 07/08	84.048	65 9828	-
Perkins - Nursing 07/08	84.048	65 9828	88,227
Perkins - Nursing 08/09	84.048	65 9828	786
Perkins - MLT 08/09	84.048	65 9828	9,501
Perkins - MLT 09/10	84.048	65 9828	22,014
Perkins - Proj Director 08/09	84.048	65 9828	130
Perkins - ST 08/09	84.048	65 9828	5,471
Perkins - ST 09/10	84.048	65 9828	18,609
		Subtotal	177,624
Pass-through NM Higher Education Department			
Adult Basic Education	84.002	San Juan College	145,578
		Total	**323,202**

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.S. Department of Education - Federal Student Financial Aid:			
Direct			
Stafford Loans - flow through	84.032	San Juan College	6,668,789
Federal Work-Study Program (CWS)	84.033	P033A066227	132,879
Federal ACG	84.375	P337A081828	42,959
Supplemental Education Opportunity Grant	84.007	P007A066227	69,396
Federal Pell Grant	84.063	P063P061828	9,710,547
		Total	**16,624,570**
National Writing Project Corporation:			
Direct			
Bisti Writing Project	84.928A	05-NM06	**55,260**
U.S. Department Health and Human Services:			
Direct			
Pass-through NM Children Youth and Families Department			
Training & Technical Assistance	93.596	08-690-5417-1	220,251
Childrens Behavioral Health	93.556	San Juan College	98,660
Adolescent Health Care	93.111	470-47716 Amend 1	18,000
		Total	**336,911**
Corporation for National and Community Service:			
Pass-through NM Aging & Long-Term Services			
Senior Companion Program	94.016	08SCWNM015	**17,826**
U.S. Department of Energy:			
Pass-through NM Energy, Minerals and Natural Resources Department			
ARRA -American Recovery and Reinvest Act	81.041	DE-EE0000108	**39,140**
U.S. Department of Transportation:			
Direct			
Federal Motor Carrier Safety Administration	20.235	DT-09-35-34-G-0000	**58,065**
National Aeronautics and Space Adiminstration:			
Pass-through New Mexico State University			
Minority Scholarship Program	43.001	Q01370	**2,000**
		Grand Total	**$ 18,518,378**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THIS PAGE LEFT INTENTIONALLY BLANK

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, 2010), the "Compliance Supplement"). Compliance testing of all requirements, are 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 2010 cash expenditures to ensure coverage of at least 25% (low-risk auditee) of federally granted funds. Actual coverage is approximately ninety percent (90%) of total cash federal award program expenditures.

Major Federal Award Program Description	Fiscal 2010 Expenditures
Cash assistance:	
Federal Student Financial Aid Cluster	$ 16,624,570

The College's federal program Student Financial Aid Cluster were considered high-risk type A programs for the 2010 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, 2010. 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 2010.

THIS PAGE LEFT INTENTIONALLY BLANK

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

THIS PAGE LEFT INTENTIONALLY BLANK

KEYSTONE ACCOUNTING, LLC
CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101 keystone@keystoneacct.com Telephone (505) 566-1900
Farmington, NM 87401 Fax (505) 566-1911

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, 2010, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 26, 2010. We have also audited the budget comparisons presented as supplemental information of the San Juan College as of and for the year ended June 30, 2010, and have issued our report there on dated October 26, 2010.. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

Telephone (505) 566-1900
Fax (505) 566-1911

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

October 26, 2010

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

THIS PAGE LEFT INTENTIONALLY BLANK

KEYSTONE ACCOUNTING, LLC
CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101 keystone@keystoneacct.com Telephone (505) 566-1900
Farmington, NM 87401 Fax (505) 566-1911

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 San Juan College's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of San Juan College's major federal programs for the year ended June 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

KEYSTONE ACCOUNTING, LLC
CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

Telephone (505) 566-1900
Fax (505) 566-1911

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

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

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

October 26, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

THIS PAGE LEFT INTENTIONALLY BLANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. PRIOR YEAR AUDIT FINDINGS

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.

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 were no significant deficiencies 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. No instances of noncompliance material to the financial statements of San Juan College were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal awards programs in the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and 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.
8. The threshold for distinguishing between Types A and B programs was $555,551.
9. San Juan College was determined to be a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CONTINUED

B. FINDINGS—FINANCIAL STATEMENTS AUDIT

No audit findings to report.

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 1, 2010, 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
Richard I. Ledbetter, Past President

KEYSTONE ACCOUNTING, LLC

Phil Rasband, CPA

THIS PAGE LEFT INTENTIONALLY BLANK