

SAN JUAN COLLEGE

2010-2011



# Annual Financial Report

**SAN JUAN COLLEGE  
STATE OF NEW MEXICO  
ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2011**



# INTRODUCTORY SECTION



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*OFFICIAL ROSTER*

**Board of Trustees**

R. Shane Chance ..... Chairman  
 Kenneth W. Hare ..... Vice Chairman  
 Chad King..... Secretary  
 Evelyn B. Benny..... Member  
 Dr. Joseph Pope..... Member  
 John Thompson..... Member  
 Matthew Tso..... Member

**Executive Officers**

Michael Tacha..... Interim President  
 David P. Eppich ..... Vice President for Student Services  
 Dr. Sher Hruska ..... Vice President for Learning  
 Russell M. Litke..... Vice President for Administrative Services  
 Timothy Warren..... Vice President for Technology Services

**Administrative Services Officials**

Russell M. Litke..... Vice President for Administrative Services  
 Dianne Garcia, C.P.A..... Associate Vice President for Administrative Services

**INDEPENDENT AUDITORS' REPORT**





# KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Farmington, NM 87401

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of San Juan College, as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. We also have audited the other postemployment benefits (OPEB) trust fund and budgetary comparison presented as supplemental information in the financial statements as of and for the year ended June 30, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, of the College for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above presents fairly, in all material respects the other postemployment benefits (OPEB) trust fund and 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 31, 2011, on our consideration of San Juan College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

The management's discussion and analysis information on pages V through XI 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 additional schedules listed as other supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 31, 2011



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## ***MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED***

### **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 Fund 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 2011 and 2010 fiscal years.

### ***Statement of Net Assets***

A condensed version of the College's June 30, 2011 Statement of Net Assets is presented below. The Statement of Net Assets is commensurate with a balance sheet in that it presents a snapshot of the organization's financial position on the last day of the fiscal year. Assets and liabilities are regarded as either current or non-current, and the remainder interests are recorded as Net Assets. This is the most notable departure from traditional balance sheet presentations that typically regard such interests as equity, capital, or fund balance. Net Assets are divided into amounts Invested in Capital (e.g. furniture, fixtures, and equipment), Restricted, or Unrestricted.

The June 30, 2011 Statement of Net Assets for San Juan College documents an increase of 0.7% in total assets—from \$105.26 million to \$106.02 million. *Current assets* (e.g., cash, investments, amounts due from students, inventories) increased by \$1.27 million (or 5.5%) during the reporting period. *Capital assets* (e.g. tangible, long-lived assets such as land, buildings, and equipment) declined by 0.84% or \$0.69 million, while the 2010-2011 depreciation expense totaled \$5.53 million. The preponderance of this expense is attributable to the calculated depreciation of infrastructure improvements made to the College campuses over the span of its existence.

**MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED**

SAN JUAN COLLEGE  
CONDENSED STATEMENT OF NET ASSETS  
JUNE 30, 2011 AND 2010

	<u>6/30/2011</u>	<u>6/30/2010</u>
<u>Assets</u>		
Current assets	\$ 24,432,626	\$ 23,158,382
Capital assets	81,056,395	81,741,566
Other Noncurrent assets	527,874	360,000
<b>Total Assets</b>	<b>\$ 106,016,895</b>	<b>\$ 105,259,948</b>
<u>Liabilities</u>		
Post Employment Benefits	\$ 6,434,982	\$ 6,251,720
Other current liabilities	7,567,636	6,983,072
Other noncurrent liabilities	18,106,947	19,820,205
<b>Total Liabilities</b>	<b>32,109,565</b>	<b>33,054,997</b>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	62,430,384	61,243,085
Restricted	2,779,446	2,791,924
Unrestricted	8,697,500	8,169,942
<b>Total Net Assets</b>	<b>73,907,330</b>	<b>72,204,951</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 106,016,895</b>	<b>\$ 105,259,948</b>

The Liabilities subsection of the Condensed Statement of Net Assets reflects three broad categories of liabilities: poste employment benefits, current liabilities and noncurrent liabilities.

- 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, begin accounting for the liability in the audited financial statements. The comprehensive Statement of Net Assets delineates the liability between current (i.e. projected amount to be remitted within one year) and noncurrent. The total of both, as of June 30, 2011, was \$6.43 million.
- Other Current Liabilities.* The College's other current liabilities—that is current liabilities *other* than post employment benefits—amounted to \$7.57 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 for payment of state

## *MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED*

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 \$24.43 million and current liabilities of \$7.57 million (i.e. the current portion of the institutions post employment benefits liability, \$399,933 plus other current liabilities of \$7,567,636), the College's current ratio measured 3.07—that is for every \$1 of current liabilities, the institution had \$3.07 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, do not include the noncurrent portion of the College's post employment benefits liability. The line item does include the noncurrent (i.e. amounts to be remitted within more than one year) of the institution's bonds and notes payable, as well as the noncurrent segment of compensated leave accrued by employees through June 30, 2011. Other noncurrent liabilities decreased from \$19.82 million on June 30, 2010 to \$18.11 million as of June 30, 2011. 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 increased from \$72.20 million at the end of fiscal 2010 to \$73.91 million at the end of fiscal 2011. The matrix below details the elemental components of this change in net assets.

<u>Description</u>	<u>Capital</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Unrestricted Operations			159,977	159,977
Restricted Operations		(13,944)		(13,944)
Auxiliary Operations			116,814	116,814
Endowment Earnings		(5,408)		(5,408)
Property, Plant and Equipment	1,117,970			1,117,970
Plant Operations		76,203	412,752	488,955
GASB Mandates			(161,985)	(161,985)
<b>Total</b>	<b>1,117,970</b>	<b>56,851</b>	<b>527,558</b>	<b>1,702,379</b>

*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 mentioned, the total of depreciation expense for FYE 2011 was \$5.53 million. This decrease in net assets was offset by nearly \$5 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 \$56,851. 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 2011, and debt service obligations due and payable during fiscal 2011.
- *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

## *MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED*

institution's unrestricted operations for fiscal 2011 yielded an increase in net assets of \$527,558. Auxiliary operations—specifically the College Bookstore—resulted in an increase in net assets of \$116,814. And Plant operations of the College (primarily state appropriations earmarked for renewal and replacement of buildings and equipment that were not necessary for expenditure during the fiscal year) reported an increase of \$412,752. These increases in net assets were offset by two accounting treatments mandated by the Governmental Standards Accounting Board. The first is related to the recognition of expense for future compensated leave that was accrued—but unused—by employees as of 06/30/2011. This increased net assets by \$21,277. This was countered by the impact of the GASB-mandated treatment of the College's post employment (i.e. retirement healthcare) plan. Compliance with GASB 44 and 45 resulted in a decrease in the institution's unrestricted net assets by \$183,262.

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

To underscore the financial consequences of a governmental entity's operation for its taxing constituencies, the Governmental Accounting Standards Board (GASB) mandates that revenue and expenditures be distinguished between *operating* and *nonoperating*. Local and state appropriations are regarded as nonoperating revenue in that there is no specific *exchange* of services or goods associated with the revenues. As a result, the College's Statement of Revenues, Expenses, and Changes in Fund Net Assets reports an *operating* loss of \$41.85 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, 2011, San Juan College reported an increase in net assets of \$1.7 million.

Taken together, operating and nonoperating revenues for San Juan College for the year ended June 30, 2011, increased by 13.3% or \$8.71 million.

<u>Revenues</u>	<u>FYE11</u>	<u>FYE10</u>	<u>% Change</u>
Operating	\$ 30,585,406	\$ 25,601,345	19.5%
Nonoperating (net)	43,552,625	39,821,983	9.4%
Total Revenues	<u>\$ 74,138,031</u>	<u>\$ 65,423,328</u>	<u>13.3%</u>

**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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Operating Revenues</u>		
Student tuition and fees	\$ 8,902,903	\$ 7,170,432
Less: Scholarship allowances	(3,131,711)	(2,733,209)
Federal Grants and Contracts	15,552,572	12,046,467
State Grants and Contracts	2,319,130	2,065,876
Nongovernmental grants and contracts	1,508,241	1,560,145
Auxiliary enterprises	4,297,185	4,086,391
Other operating revenues	1,137,086	1,405,243
Total Operating Revenues	30,585,406	25,601,345
<u>Operating Expenses</u>		
Educational and General		
Instruction	26,484,336	25,413,350
Public service	2,166,869	2,660,058
Academic support	3,694,519	3,956,635
Student services	5,941,185	5,412,948
Institutional support	6,620,071	5,946,489
Operations and maintenance of plant	6,809,621	5,950,871
Depreciation expense	5,525,490	5,687,772
Student aid	10,976,925	9,036,933
Auxiliary enterprises	4,075,463	3,837,074
Other operating expenses	141,173	454,467
Total Operating Expenses	72,435,652	68,356,597
<b>Operating Income/(Loss)</b>	<b>\$ (41,850,246)</b>	<b>\$ (42,755,252)</b>
<u>Nonoperating Revenues/(Expenses)</u>		
State appropriations	21,826,889	21,497,122
Local appropriations	15,889,327	16,337,264
Capital appropriations, grants, and gifts	6,248,299	2,703,232
Other nonoperating revenues/(expenses)	(411,890)	(715,635)
Total Nonoperating Revenues/(Expenses)	43,552,625	39,821,983
<b>Increase/(Decrease) in Net Assets</b>	<b>\$ 1,702,379</b>	<b>\$ (2,933,269)</b>
Fund Net Assets, beginning of the year	72,204,951	75,138,220
<b>Fund Net Assets, end of the year</b>	<b>\$ 73,907,330</b>	<b>\$ 72,204,951</b>

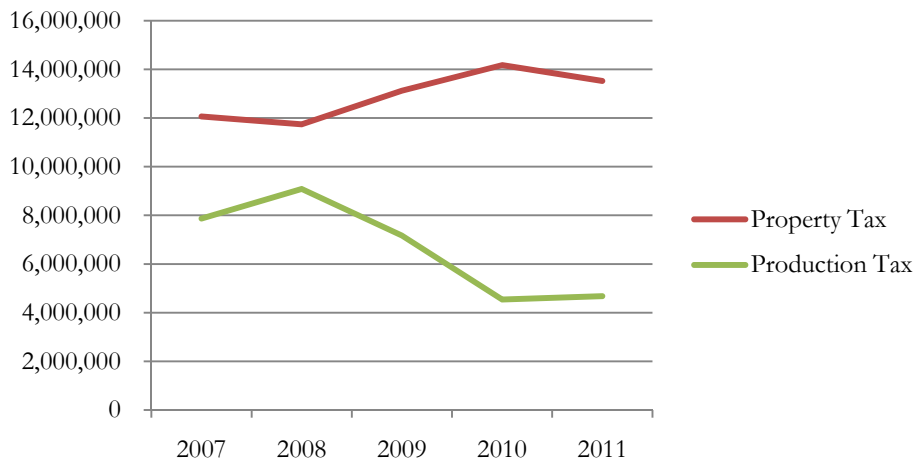


## *MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED*

The College's *operating* revenue increased by 19.5%--from \$25.6 million in fiscal 2010 to \$30.59 million in fiscal 2011.

The trend line in the following graph reflects recent history for local property and production taxes. Property tax registered a decrease in FYE 2011, while production taxes increased. The cumulative effect of both sources was a 2.74% reduction in local appropriations—from \$18.72 million to \$18.20 million.

### Local Taxes



The preponderance of State Appropriations received by the institution is driven by the College's enrollment. State Appropriations for San Juan College increased by 1.7%--from \$21.49 million in fiscal 2010 to \$21.80 million in fiscal 2011.

The uncertainty of appropriations from local taxes and the State of New Mexico is projected to continue beyond the 2010-11 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.

### Budget Variations

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

### Capital Asset and Long-Term Debt Activity

Capital assets for San Juan College decreased by \$685 thousand during the 2010-11 fiscal year. While Note 5 to the Basic Financial Statements presents a more comprehensive detail of the increase in Capital Assets, the next page depicts a concise delineation of activity in this category. As discussed previously in this discourse, the most noteworthy capital asset activity in fiscal 2011 was the recognition of depreciation expense.

## *MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED*

Capital Assets, 06/30/2010	\$	81,741,566
Additions		
Construction-in-Progress (net)		266,643
Land & leasehold improvements		23,806
Infrastructure, Land and leasehold improvements		306,124
Buildings		2,996,345
Equipment, furnishings, and software		1,220,590
Library books		109,376
Retirements (net of accumulated depreciation)		(82,165)
Depreciation		(5,525,890)
Capital Assets, 06/30/2011	\$	81,056,395

### Currently Known Facts, Decisions, or Conditions

- In October 2011, the Secretary for Higher Education forwarded to the Governor of New Mexico the proposed funding formula that will emphasize outcomes. The new formula provides four output incentives; for 1) students to complete their courses, 2) institutions to increase the number of graduates, 3) institutions to increase science, technology, engineering, health, and mathematics degrees and certificates, and 4) to more at-risk students. For fiscal year 2012-2013, the New Mexico Department of Higher Education proposes a stop-loss provision of plus-or-minus 2%. This stop-loss provision will not be used for fiscal year 2013-2014. The College continues to evaluate the effects of this new proposed funding formula.
- In September 2011, San Juan College received assessed valuation totals from the San Juan County Assessor's Office. Total assessed valuations increased by 6.43%: from \$3.75 billion the prior year to \$3.99 billion. As a result of this, the College anticipates increasing its local taxes budget for unrestricted operations slightly for fiscal year 2012-2013.

### San Juan College Foundation

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

# **BASIC FINANCIAL STATEMENTS**



## STATEMENT OF NET ASSETS

### EXHIBIT A

	Primary Institution	Component Unit San Juan College Foundation
<b>ASSETS:</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 14,155,224	\$ 690,142
Investments	5,500,000	9,668,865
Accounts Receivable, net	521,516	-
Due from Other Governments	2,962,525	-
Other Receivables, net	189,612	-
Inventories	916,799	-
Other Assets	186,950	1,501
<b>Total Current Assets</b>	<b>24,432,626</b>	<b>10,360,508</b>
<b>Non-Current Assets:</b>		
Restricted Cash and Cash Equivalents	167,874	-
Restricted Investments	360,000	-
Capital Assets, not being depreciated	2,436,298	1,130,945
Capital Assets, net of accumulated depreciation	78,620,097	2,230,582
Land Held for Investment	-	5,000
Beneficial Interest in Remainder Trusts	-	2,854,506
<b>Total Non-Current Assets</b>	<b>81,584,269</b>	<b>6,221,033</b>
<b>Total Assets</b>	<b>\$ 106,016,895</b>	<b>\$ 16,581,541</b>
<b>LIABILITIES:</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 1,694,625	\$ 79,277
Accrued Compensated Absences	163,738	-
Other Post-Employment Benefits	399,933	-
Other Accrued Liabilities	2,516,294	-
Unearned Revenue	1,208,922	-
Bonds and Note Payable -- Current	1,686,532	-
Deposits and Funds Held for Others	297,525	244,772
<b>Total Current Liabilities</b>	<b>7,967,569</b>	<b>324,049</b>
<b>Non-Current Liabilities</b>		
Accrued Compensated Absences	1,167,468	-
Other Post-Employment Benefits	6,035,049	-
Bonds and Note Payable -- Non-Current	16,939,479	-
<b>Total Non-Current Liabilities</b>	<b>24,141,996</b>	<b>-</b>
<b>Total Liabilities</b>	<b>\$ 32,109,565</b>	<b>\$ 324,049</b>
<b>NET ASSETS:</b>		
Invested in Capital Assets Net of Related Debt	\$ 62,430,384	\$ 3,361,527
Restricted Non-Expendable	360,000	11,318,166
Restricted Expendable	2,419,446	1,227,425
Unrestricted	8,697,500	350,374
<b>Total Net Assets</b>	<b>\$ 73,907,330</b>	<b>\$ 16,257,492</b>

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
<b>REVENUES:</b>		
<b>Operating Revenues:</b>		
Student Tuition and Fees	\$ 8,902,903	\$ -
Less: Scholarship Allowances	(3,131,711)	-
Federal Grants and Contracts	15,552,572	-
State Grants and Contracts	2,319,130	-
Non Governmental Grants and Contracts	1,508,241	1,623,535
Sales and Services	736,717	-
Auxiliary Enterprises	4,297,185	-
Other Operating Revenues	400,369	3,218
<b>Total Operating Revenues</b>	<u>30,585,406</u>	<u>1,626,753</u>
<b>EXPENSES:</b>		
<b>Operating Expenses:</b>		
Education and General		
Instruction	26,484,336	-
Public Service	2,166,869	-
Academic Support	3,694,519	-
Student Services	5,941,185	-
Institutional Support	6,620,071	-
Operations and Maintenance of Plant	6,809,621	-
Depreciation Expense	5,525,490	141,170
Student Aid	10,976,925	-
Auxiliary Enterprises	4,075,463	-
Other Operating Expenses	141,173	1,629,442
<b>Total Operating Expenses</b>	<u>72,435,652</u>	<u>1,770,612</u>
<b>Operating Loss</b>	<u>(41,850,246)</u>	<u>(143,859)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State Appropriations	21,826,889	-
Local Appropriations	15,889,327	-
Investment Income (Loss)	485,539	2,431,951
Interest on Capital Asset-related Debt	(841,279)	-
Gain (Loss) on Disposal of Capital Assets	(16,282)	-
Other Non-Operating Expenditures	(39,868)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>37,304,326</u>	<u>2,431,951</u>
<b>Income (Loss) before Other Revenue (Expenses)</b>	<u>(4,545,920)</u>	<u>2,288,092</u>
Capital Appropriations	6,248,299	-
<b>Increase/(Decrease) in Fund Net Assets</b>	<u>1,702,379</u>	<u>2,288,092</u>
<b>FUND NET ASSETS, beginning of year</b>	<u>72,204,951</u>	<u>13,969,400</u>
<b>FUND NET ASSETS, end of year</b>	<u>\$ 73,907,330</u>	<u>\$ 16,257,492</u>

See accompanying notes to the basic financial statements.

## STATEMENT OF CASH FLOWS

### EXHIBIT C

	Primary Institution
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$ 5,805,229
Grants and Contracts	17,550,256
Sales and Services	770,227
Auxiliary Sales and Services	4,255,339
Payments to Suppliers	(16,128,888)
Payments to Employees	(28,849,078)
Payments for Benefits	(9,197,741)
Payments for Utilities	(1,369,921)
Payments for Scholarships	(9,056,037)
Other Receipts (Payments)	261,882
<b>Net Cash Used in Operating Activities</b>	<u>(35,958,732)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	21,898,222
Local Appropriations	18,064,130
Agency Receipts	9,169,551
Agency Payments	(9,611,645)
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>39,520,258</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Interest Payment on Bonds and Notes	(873,808)
Capital Appropriations	3,376,105
Principal Payments on Bonds and Note	(2,049,354)
Purchase of Capital Assets	(4,323,803)
<b>Net Cash Provided (used) by Capital Financing Activities</b>	<u>(3,870,860)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds for Sale and Maturities of Investments	(1,680,000)
Investment Income	484,260
<b>Net Cash Provided (used) by Investing Activities</b>	<u>(1,195,740)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,505,074)
Cash and Cash Equivalents, beginning of year	15,828,172
Cash and Cash Equivalents, end of year	<u>\$ 14,323,098</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (41,850,246)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided (used) by Operating Activities	
Depreciation Expense	5,525,490
Changes in Assets and Liabilities	
Accounts Receivable	(534,622)
Due from Other Governments and Other Receivables	(376,429)
Inventories	(455,270)
Other Assets	102,602
Accounts Payable	(15,872)
Accrued Expenses and Compensated Absences	700,722
Other Liabilities, current	472,146
Unearned Revenue	472,746
<b>Net Cash Provided (used) by Operating Activities</b>	<u>\$ (35,958,733)</u>

See accompanying notes to the basic financial statements.



**RETIREE HEALTHCARE TRUST**  
**STATEMENT OF FIDUCIARY NET ASSETS AND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**EXHIBIT D**

**Statement of Fiduciary Net Assets**

**ASSETS:**

Money Market Account, at Fair Value	\$	593,860
Accounts Receivable-Employee		26,179
Investments, at Fair Value		174,830
Other Assets		449
<b>Total Assets</b>	<b>\$</b>	<b>795,318</b>

**LIABILITIES:**

Accounts Payable		26,457
<b>Total Liabilities</b>	<b>\$</b>	<b>26,457</b>

**NET ASSETS:**

Net Assets Held in Trust for OPEB		768,861
<b>Total Net Assets</b>	<b>\$</b>	<b>768,861</b>

**Statement of Changes in Fiduciary Net Assets**

**ADDITIONS:**

Payroll Withheld, Plan Participants	\$	61,666
Retiree Contributions		258,730
San Juan College Contributions		1,100,000
Investment Income		308
<b>Total Revenues</b>		<b>1,420,704</b>

**DEDUCTIONS:**

Insurance Premiums		651,075
Administrative Fees		768
<b>Total Expenses</b>		<b>651,843</b>

**INCREASE (DECREASE) IN FUND NET ASSETS** 768,861

<b>FUND NET ASSETS, beginning of year</b>	<b>-</b>
<b>FUND NET ASSETS, end of year</b>	<b>\$ 768,861</b>

See accompanying notes to the basic financial statements.

## **NOTES TO FINANCIAL STATEMENTS**



## *NOTES TO FINANCIAL STATEMENTS*

### **Note 1 – Organization**

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

The College is governed by a Board of Trustees consisting of seven members elected from single member districts within San Juan County. The Board's authority is established by state statute, specifically the 1985 Community College Act as amended. The Board employs a President / 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 San Juan College is to inspire and support life-long learning to achieve personal and community goals by providing quality education, services, and cultural enrichment.

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

### **Note 2 – Summary of Significant Accounting Policies**

#### **Basis of Presentation.**

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

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

San Juan College Foundation, Inc. (Foundation) is a legally separate, tax - exempt component unit of San Juan College (College). The Foundation acts primarily as a fund raising organization to supplement the resources that are available to the College in support of its programs. The thirty member board of the foundation consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income the Foundation holds and invests 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, 2011, the Foundation distributed \$1,185,623 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation Administration Office at 4601 College Boulevard, Farmington, New Mexico 87402.

**NOTES TO FINANCIAL STATEMENTS -- CONTINUED****Measurement Focus and Basis of Accounting.**

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

**Statement of Net Assets.**

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

**Cash and Cash Equivalents.**

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

During fiscal years 2008 and 2009 the College received endowment fund appropriations from the State of New Mexico totaling \$360,000 as a match against existing endowment funds held by the College's Foundation. The endowments funds are invested in certificates of deposit at a financial institution with maturities of less than two years. As promulgated in HB 07-983, the income from the investments shall be used as scholarships for full-time students with a minimum GPA of 2.5. The College realized \$3,817 in revenue from the endowment investments and expended \$9,225 of revenue and fund balance in excess of the endowment appropriation 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.**

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,

**NOTES TO FINANCIAL STATEMENTS -- CONTINUED**

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.

**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.

**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.

**NOTES TO FINANCIAL STATEMENTS -- CONTINUED**

*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 Fund 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.

*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 1<sup>st</sup> 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 10<sup>th</sup> and becomes delinquent on December 11<sup>th</sup>. The second half is due on April 10<sup>th</sup> and becomes delinquent on May 11<sup>th</sup>.

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



***NOTES TO FINANCIAL STATEMENTS -- CONTINUED***

oil and gas production begins on September 1<sup>st</sup> and is collected monthly. Equipment taxes are due on November 30<sup>th</sup> of each year.

**Scholarship Allowances.**

Scholarship allowances are reported as an offset to student tuition and fee revenues are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in 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 operating or non-operating revenue in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, the College has recorded a scholarship allowance as a contra revenue.

**Non-reverting Funds.**

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

**Unearned Revenue.**

Unearned revenue consists primarily of students' tuition received in advance for the summer 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.

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

In 2000 the College entered into a Joint Powers Agreement with the City of Aztec and Aztec Municipal School District to build and operate an educational complex located in Aztec, New Mexico. Together the College and the School District constructed the Educational Phase of the Northeast San Juan County Family Center. The College utilizes the facilities to provide educational opportunities for citizens located in the area at what is deemed San Juan College East. The College and the Aztec School District share operational costs for maintenance and utilities.

**Pension Trust**

The pension trust fund accounts for the activities of the San Juan College Retiree Healthcare Trust which accumulates resources for fully-insured medical, dental and vision benefits to eligible retirees and their dependants. These benefits are considered Other Post Employment Benefits (OPEB) under statements No. 43 and 45 of the Governmental Accounting Standards Board (GASB).

**Other Significant Accounting Policies.**

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

**Note 3 – Cash, Cash Equivalents, and Investments**

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

**Cash.**

The College’s deposits are in demand and time deposit accounts at financial institutions. State statutes require financial institutions to pledge qualifying collateral to the College to cover at least 50% of the uninsured deposits and 102% of overnight deposits. All collateral is held in third party safekeeping in the name of the College. The majority of the total deposits were invested in interest bearing accounts at June 30, 2011.

**Collateralization of Deposits.**

At June 30, 2011, the recorded value of the College’s cash and with financial institutions was \$20,170,982. Petty cash funds at June 30, 2011 totaled \$12,116. The balances per bank statements and overnight investment accounts totaled \$22,014,010 at June 30, 2011. Of the bank balance, \$10,165,681 was covered by federal depository insurance, \$10,126,074 was covered by collateral held at the Federal Reserve in the College’s name, \$222,255 was invested in U.S Government Money Market Funds and \$1,500,000 in Federal National Mortgage Association (FNMA) guaranteed by U.S. Federal Government.

## *NOTES TO FINANCIAL STATEMENTS -- CONTINUED*

### 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	\$ 4,360,000
U.S Gov Securities	<u>1,500,000</u>
Total College investments	<u><u>\$ 5,860,000</u></u>

A summary of the Foundation's investments at June 30, 2011 is as follows:

	Market
Investments held by investment managers:	
Money market accounts	\$ 479,005
Certificate of Deposit	24,000
Equities	7,825,903
Fixed income investments	1,175,718
Alternative	<u>164,239</u>
Total Foundation pooled investments	<u><u>\$ 9,668,865</u></u>

### Interest Rate Risk.

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

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

Investment Type	Fair Value	Not subject to Interest			
		Rate Risk	Less than		
			1 Year	1-5 Years	5+ years
Certificate of Deposit	\$ 24,000	\$ 24,000	\$ -	\$ -	\$ -
Money Market	479,005	479,005	-	-	-
Equities	6,253,898	6,253,898	-	-	-
Mutual Funds - Equity	1,572,005	1,572,005	-	-	-
Alternative Investments	164,239	164,239	-	-	-
Mutual Funds - Fixed Income	<u>1,175,718</u>	<u>1,175,718</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Investments</b>	<b><u><u>\$ 9,668,865</u></u></b>	<b><u><u>\$ 9,668,865</u></u></b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ -</u></u></b>

## *NOTES TO FINANCIAL STATEMENTS -- CONTINUED*

### **Credit Risk.**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. U.S. obligations, investments explicitly guaranteed by the U.S. Government, and non-debt investments are excluded from this requirement. The College 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, 2011, the College's bank balance was not subject to custodial credit risk.

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 each on June 30, 2010. From December 31, 2010 through December 31, 2012, all FDIC insured institution deposits held in noninterest bearing transaction accounts will be fully insured regardless of the amount. FDIC interest bearing accounts are insured up to \$250,000. As of June 30, 2011 and 2010, the Foundation's uninsured cash deposits total was approximately \$17,785 and \$20,468 respectively.

### **Custodial Credit Risk – Investments.**

As of June 30, 2011, 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.

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 \$9,644,865 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, 2011 receivables consisted of the following:

College accounts receivable, net	
Accounts Receivable	\$ 1,457,326
Less: Allowance for doubtful accounts	<u>935,810</u>
Accounts receivable, net	<u><u>\$ 521,516</u></u>

## *NOTES TO FINANCIAL STATEMENTS -- CONTINUED*

### **Due from Other Governments.**

Due from other governments consists of property taxes and unreimbursed federal, state, and local grant expenditures. San Juan County is responsible for levying and billing for property taxes. The College (through the County) has the right to place a lien on the property for unpaid property taxes, and accordingly no provision for doubtful accounts has been established. At June 30, 2011 government receivables consisted of the following:

Billed property taxes	\$	1,209,105
Due from other governments		1,150,445
Due from State for capital projects		<u>602,975</u>
Total due from other governments	\$	<u><u>2,962,525</u></u>

### **Other Receivables.**

At June 30, 2011 other receivables consisted of the following:

Due from others	\$	186,219
Accrued interest receivable		<u>3,393</u>
Total other receivables	\$	<u><u>189,612</u></u>

### **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	\$	8,063,472
Less discounts to net present value		<u>5,208,966</u>
Net beneficial interest in remainder trusts	\$	<u><u>2,854,506</u></u>

## NOTES TO FINANCIAL STATEMENTS -- CONTINUED

### Note 5 – Capital Assets

At June 30, 2011 capital assets held were as follows:

	Balance 6/30/2010	Additions	Transfers/ retirements	Balance 6/30/2011
College capital assets not being depreciated:				
Land	\$ 2,010,641	\$ -	\$ -	\$ 2,010,641
Construction in progress	159,014	266,643	-	425,657
Total nondepreciable capital assets	<u>\$ 2,169,655</u>	<u>\$ 266,643</u>	<u>\$ -</u>	<u>\$ 2,436,298</u>
College depreciable capital assets:				
Land & leasehold improvements	\$ 8,386,533	\$ 23,806	\$ -	\$ 8,410,339
Infrastructure	13,640,457	306,124	-	13,946,581
Buildings	111,275,234	2,996,345	-	114,271,579
Equipment, furnishings, and software	20,227,977	1,220,590	1,066,916	20,381,651
Library books	<u>1,925,576</u>	<u>109,376</u>	<u>162,980</u>	<u>1,871,972</u>
Total depreciable capital assets	155,455,777	4,656,241	1,229,896	158,882,122
Less: Accumulated depreciation				
Land & leasehold improvements	4,231,234	275,781	-	4,507,015
Infrastructure	7,382,201	453,716	-	7,835,917
Buildings	46,588,938	3,419,364	-	50,008,302
Equipment, furnishings, and software	16,210,705	1,193,287	988,350	16,415,642
Library books	<u>1,470,788</u>	<u>183,742</u>	<u>159,381</u>	<u>1,495,149</u>
Total accumulated depreciation	<u>75,883,866</u>	<u>5,525,890</u>	<u>1,147,731</u>	<u>80,262,025</u>
Depreciable capital assets, net	<u>79,571,911</u>	<u>(869,649)</u>	<u>82,165</u>	<u>78,620,097</u>
Capital assets, net	<u>\$ 81,741,566</u>	<u>\$ (603,006)</u>	<u>\$ 82,165</u>	<u>\$ 81,056,395</u>
Foundation capital assets not being depreciated:				
Land	<u>\$ 1,130,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,130,945</u>
Foundation depreciable capital assets:				
Buildings	\$ 3,786,752	\$ -	\$ -	\$ 3,786,752
Less: Accumulated depreciation				
Buildings	<u>1,414,701</u>	<u>141,469</u>	<u>-</u>	<u>1,556,170</u>
Depreciable capital assets, net	<u>2,372,051</u>	<u>(141,469)</u>	<u>-</u>	<u>2,230,582</u>
	<u>\$ 3,502,996</u>	<u>\$ (141,469)</u>	<u>\$ -</u>	<u>\$ 3,361,527</u>

## *NOTES TO FINANCIAL STATEMENTS -- CONTINUED*

### Note 6 – Special or Specific State Appropriations

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

Description	Appropriation Period	Original Appropriation	Expenditures To Date	Unencumbered Balance
School Of Energy Facility	07/01/08-06/30/12	\$ 50,000	\$ 49,840	\$ 160
Health Science Phase II	07/01/08-06/30/12	\$ 5,000,000	\$ 3,846,673	\$ 1,153,327

### Note 7 – Other Accrued Liabilities

At June 30, 2011 other accrued liabilities consisted of the following:

Payroll and Benefits	\$ 2,217,376
Gross Receipts Tax	9,118
Bond Interest Payable	289,800
Total	<u>\$ 2,516,294</u>

### Note 8 – Long Term Liabilities

#### Bonds and Notes Payable.

The following is a summary of bonds payable transactions for the year ended June 30, 2011.

Bonds Payable	Balance 6/30/2010	New Issues	Retirements	Balance 6/30/2011	Due Within One Year
2003 Bonds	\$ 762,537	\$ -	\$ 246,350	\$ 516,187	\$ 253,981
2004 Bonds	5,700,000	-	750,000	4,950,000	700,000
2005 Bonds	10,075,000	-	25,000	10,050,000	25,000
2006 Bonds	3,115,000	-	925,000	2,190,000	600,000
2008 Note	940,582	-	103,003	837,579	107,551
Total	<u>\$ 20,593,119</u>	<u>\$ -</u>	<u>\$ 2,049,353</u>	<u>\$ 18,543,766</u>	<u>\$ 1,686,532</u>



## 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%	\$ 516,187
2004 Bonds; original amount \$7,500,000; maturing 8/15/16	2.15 - 3.875%	4,950,000
2005 Bonds; original amount \$10,700,000; maturing 8/15/21	3.5 - 5%	10,050,000
2006 Bonds; original amount \$5,020,000; maturing 8/15/13	3.5 - 3.7%	2,190,000
2008 Note; original amount \$1,070,000; maturing 1/1/18	6%	837,579
		<u>18,543,766</u>
Less deferred amounts:		
Bond premiums		384,510
On refunding		(302,265)
Less current portion of bonds payable:		<u>(1,686,532)</u>
Long-term bonds payable		<u>\$ 16,939,479</u>

The bonds payable will be paid from taxes levied against property owners living within the College boundaries. The note payable is collateralized by buildings and land. The annual requirements to retire bonds and note payable as of June 30, 2011 are as follows:

Due in Year Ending	Amount	Interest	Payments
June 30, 2012	\$ 1,686,532	\$ 804,545	\$ 2,491,077
June 30, 2013	2,077,378	736,673	2,814,051
June 30, 2014	1,187,282	673,794	1,861,076
June 30, 2015	904,828	633,126	1,537,954
June 20, 2016	1,612,793	595,412	2,208,205
June 30, 2017 - June 30, 2021	11,074,927	1,586,385	12,661,312
Total	<u>\$ 18,543,740</u>	<u>\$ 5,029,935</u>	<u>\$ 23,573,675</u>

### Compensated Absences.

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

Balance 6/30/2010	Additions	Deductions	Balance 6/30/2011	Current Amount
<u>\$ 1,352,483</u>	<u>\$ 171,131</u>	<u>\$ 192,408</u>	<u>\$ 1,331,206</u>	<u>\$ 163,738</u>

## *NOTES TO FINANCIAL STATEMENTS -- CONTINUED*

### 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, 2011, 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 are outstanding 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, 2011 were \$841,798.

*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,	
2012	265,184
2013	257,928
2014	187,612
2015	1,000
Total Lease Obligations	\$ 711,724

## NOTES TO FINANCIAL STATEMENTS -- CONTINUED

*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 – Pension Plan – Public Employees Retirement Association

#### Plan Description.

Substantially all of the College's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That 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](http://www.nmerb.org).

#### Funding Policy.

Effective July 1, 2009 through June 30, 2011, plan members were required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.4% of their gross salary. The College was required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 10.9% of the gross covered salary of employees earning more than \$20,000 annually. Effective July 1, 2011 plan members are required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually are required to contribute 11.15% of their gross salary. The College is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 9.15% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the College are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature.

College contributions to ERB for the fiscal years ending June 30, 2011, 2010 and 2009 were \$2,930,080, \$3,023,758, and \$3,256,365, 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.

**NOTES TO FINANCIAL STATEMENTS -- CONTINUED**

*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 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 – Retiree Healthcare Trust**

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.

*Plan Description.* The post-employment medical, dental and vision benefit plans for the College are fully-insured, single-employer defined benefit healthcare 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.

College retirees are required to contribute a portion of the premium cost for retiree healthcare for themselves and their dependents. College retirees who retired prior to July 1, 2010 contribute 40% and the College contributes 60% to the cost of retiree healthcare premiums. College retirees who retire after June 30, 2010 are required to contribute 50% of the benefit premium and the College contributes the remaining 50%. 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.

Active employees who desire to participate in the College retiree healthcare program upon their retirement must "opt in" to this benefit and agree to have 0.49% of their payroll withheld each pay period. The College Trustees have indexed this rate to the rate imposed by the State of New Mexico for individuals who participate in the state sponsored health care program for retirees. The Trustees have set the College's

## NOTES TO FINANCIAL STATEMENTS -- CONTINUED

withholding rate at 24% less than the withholding rate for the state plan. Based on this formula, the College will use the following rate schedule:

<u>Beginning</u>	<u>Withholding Rate</u>
July 1, 2010	0.49%
July 1, 2011	0.62%
July 1, 2012	0.69%
July 1, 2013	0.75%

*Funding Policy.* Effective July 1, 2010, the College implemented a policy to prefund the benefits utilizing a trust fund established for that purpose. The valuation is based on the College's funding policy of contributing 100% of the Annual Required Contribution (ARC) in future years.

Prior to the establishment of the trust, the College paid a portion of the cost of retiree healthcare for existing retirees and their dependents through the State Risk Management plan. During the fiscal years that ended June 30, 2010, and 2009 the College's defined benefit healthcare plans provided coverage for 91, and 78 retirees respectively, at an expense—net of employee contributions—of \$312,987 and \$269,729 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 43 and 45. The ARC represents a level of funding that 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 a funded scenario.

Net OPEB obligation beginning of year 7/01/2010		\$ 6,251,591
Contributions:		
Employees	\$ (61,666)	
Retirees	(258,730)	
San Juan College	<u>(1,100,000)</u>	(1,420,396)
Interest on net OPEB obligation		341,991
Annual OPEB cost		1,078,534
Adjustment to annual required contribution		<u>183,262</u>
Net OPEB obligation end of year 6/30/11		<u><u>\$ 6,434,982</u></u>

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)	\$ 1,078,534
Percentage of Annual OPEB cost contributed	16.76%
Net OPEB obligation as of 06/30/2011	\$ 6,434,982



## *NOTES TO FINANCIAL STATEMENTS -- CONTINUED*

*Funded Status and Funding Progress.* Prior to July 1, 2010 the post-employment benefit plans were funded on a pay-as-you-go basis. Effective July 1, 2010, the College implemented a policy to prefund the benefits utilizing a trust fund established for that purpose. The College's actuarial accrued liability (AAL) was \$11,431,169. The present value of future active employee contributions was \$320,396 and the actuarial value of the assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of the \$11,110,773.

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.

The actuarial valuation dated July 1, 2010 used the Projected Unit Credit Method. 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. The actuarial assumptions used for the valuation of the College's post-employment benefit plans are indicated below.

1.	Valuation Date	07/01/2010
2.	Investment Return (Discount Rate)	5.00%
3.	Amortization Method	Level Dollar Amount, Open
	Amortization Period for Actuarial Accrued Liability	30 years 0
	Amortization Factor	16.76
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%

## *NOTES TO FINANCIAL STATEMENTS -- CONTINUED*

7.	Mortality Table	RP-2000 with a 2 year setback		
8.	Healthcare Cost Trend Rates			
		Medical	Dental	Vision
		Trend	Trend	Trend
	<u>Year</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
	2011	6.00%	5.00%	3.00%
	2012	5.80%	4.80%	3.00%
	2013	5.60%	4.60%	3.00%
	2014	5.40%	4.40%	3.00%
	2015-2022	5.30%	4.30%	3.00%
	2023-2032	5.20%	4.20%	3.00%
	2033-2052	5.10%	4.10%	3.00%
	2053-2062	5.00%	4.00%	3.00%
	2063-2092	4.90%	3.90%	3.00%
	2093-2101	4.30%	3.30%	3.00%
	2102-2121	4.20%	3.20%	3.00%

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

Rate of Inflation	2.5%
Rate of Growth in Real Income/GDP per capita	1.7%
Income Multiplier for Health Spending	1.00
Extra Trend due to Technology and other factors	1.0%
Health Share of GDP Resistance Point	30.0%
Year for Limiting Cost Growth to GDP Growth	2080

### **Note 12 – Subsequent Events**

On February 28, 2011, the State of New Mexico, General Services Department notified San Juan College that a legal review by Risk Management Division's Legal Bureau states that the Employee Benefits Bureau has no legal authority to insure any public retirees. The review was based on the current RMD Group Benefits Statute NMAC 10-7B. Therefore, the Risk Management Division of the General Services Department decided to separate College retirees from the State Employee Benefits coverage effective June 30, 2012. The College is currently reviewing all available options to provide continued benefits for current and future College retirees and their dependents. A new retiree healthcare provider will be in place effective July 1, 2012.



## **REQUIRED SUPPLEMENTARY INFORMATION**



**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND 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	\$ 13,733,633	\$ 18,198,899	\$ 18,198,899	\$ -
Unrestricted and Restricted Revenues				
State General Fund Appropriations	27,972,009	28,921,917	28,081,469	(840,448)
Federal Revenue Sources	19,141,686	23,817,088	21,539,827	(2,277,261)
Tuition and Fees	8,552,554	8,971,041	8,909,773	(61,268)
Land and Permanent Fund	-	-	-	-
Endowments and Private Gifts	-	-	-	-
Other	28,016,350	27,753,952	27,281,007	(472,945)
Total Unrestricted and Restricted Revenues	<u>83,682,599</u>	<u>89,463,998</u>	<u>85,812,076</u>	<u>(3,651,922)</u>
Expenditures:				
Instruction	26,241,677	27,816,903	26,656,896	1,160,007
Academic Support	4,192,367	4,093,291	3,787,970	305,321
Student Services	5,702,073	6,888,187	5,970,006	918,181
Institutional Support	6,621,135	7,057,919	6,584,746	473,173
Operation and Maintenance of Plant	6,384,665	5,874,653	5,841,416	33,237
Student Social and Cultural Activities	-	-	-	-
Research	-	-	-	-
Public Service	2,477,334	2,553,548	2,192,941	360,607
Internal Services	-	-	-	-
Student Aid, Grants and Stipends	20,715,834	23,092,489	21,670,889	1,421,600
Auxiliary Services	4,188,250	4,156,693	4,074,621	82,072
Intercollegiate Athletics	-	-	-	-
Independent Operations	213,250	180,227	141,173	39,054
Capital Outlay	3,072,608	5,641,760	3,995,561	1,646,199
Renewal and Replacement	1,690,631	2,450,725	1,435,699	1,015,026
Retirement of Indebtedness	2,921,150	2,921,150	2,892,657	28,493
Total Unrestricted and Restricted Expenditures	<u>84,420,974</u>	<u>92,727,545</u>	<u>85,244,575</u>	<u>7,482,970</u>
Net Transfers	-	-	-	-
Change in Fund Balance (Budgetary Basis)	<u>(738,375)</u>	<u>(3,263,547)</u>	<u>567,501</u>	<u>3,831,048</u>
Ending Fund Balance	<u>\$ 12,995,258</u>	<u>\$ 14,935,352</u>	<u>\$ 18,766,400</u>	<u>\$ 3,831,048</u>

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

Change in Fund Balance (Budgetary Basis)	\$ 567,501
Depreciation Expense	(5,525,490)
Investment in Plant	6,818,536
Adjustments to reconcile budgetary basis to GAAP basis:	
Increase in Other Post Employment Benefits	(183,262)
Decrease in Compensated Absences	21,277
Increase in Endowment	3,817
Change in Net Assets (GAAP Basis)	<u>\$ 1,702,379</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary) Basis	Variance with Final Budget favorable (unfavorable)
Beginning Fund Balance	\$ 9,145,967	\$ 11,234,553	\$ 11,234,553	\$ -
Unrestricted Revenues:				
Tuition	7,530,609	7,954,284	7,859,765	(94,519)
Miscellaneous fees	1,021,945	1,016,757	1,050,008	33,251
Federal Government Appropriations	-	-	-	-
State Government Appropriations	22,526,000	21,819,889	21,819,889	-
Local Government Appropriations	16,296,566	15,400,000	15,889,327	489,327
Federal Government Contracts/Grants	-	-	-	-
State Government Contracts/Grants	175,720	318,623	290,805	(27,818)
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Grants	-	1,671	24,527	22,856
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and services	736,299	666,745	635,550	(31,195)
Other	431,905	365,795	474,564	108,769
Total Unrestricted Revenues	<u>48,719,044</u>	<u>47,543,764</u>	<u>48,044,435</u>	<u>500,671</u>
Unrestricted Expenditures:				
Instruction	24,915,676	25,096,685	24,881,943	214,742
Academic Support	4,136,587	4,028,811	3,723,491	305,320
Student Services	3,961,252	4,144,488	3,997,014	147,474
Institutional Support	6,152,840	6,593,731	6,227,182	366,549
Operation and Maintenance of Plant	6,212,114	5,555,801	5,527,792	28,009
Total Unrestricted Expenditures	<u>45,378,469</u>	<u>45,419,516</u>	<u>44,357,422</u>	<u>1,062,094</u>
Net Transfers	(3,340,575)	(3,624,809)	(3,513,662)	111,147
Change in Fund Balance (Budgetary Basis)	<u>-</u>	<u>(1,500,561)</u>	<u>173,351</u>	<u>1,673,912</u>
Ending Fund Balance	<u>\$ 9,145,967</u>	<u>\$ 9,733,992</u>	<u>\$ 11,407,904</u>	<u>\$ 1,673,912</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary) Basis	Variance with Final Budget favorable (unfavorable)
Beginning Fund Balance	\$ -	\$ 13,944	\$ 13,944	\$ -
Restricted Revenues:				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Federal Government Appropriations	-	-	-	-
State Government Appropriations	-	-	-	-
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	1,435,525	4,089,639	2,959,289	(1,130,350)
State Government Contracts/Grants	720,442	561,334	554,026	(7,308)
Local Government Contracts/Grants	-	6,000	-	(6,000)
Private Contracts/Grants	1,091,489	1,640,472	956,353	(684,119)
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and services	-	-	-	-
Other	48	48	-	(48)
Total Restricted Revenues	<u>3,247,504</u>	<u>6,297,493</u>	<u>4,469,668</u>	<u>(1,827,825)</u>
Restricted Expenditures:				
Instruction	1,326,001	2,720,218	1,774,953	945,265
Academic Support	55,780	64,480	64,479	1
Student Services	1,740,821	2,743,699	1,972,992	770,707
Institutional Support	468,295	464,188	357,564	106,624
Operation and Maintenance of Plant	172,551	318,852	313,624	5,228
Total Restricted Expenditures	<u>3,763,448</u>	<u>6,311,437</u>	<u>4,483,612</u>	<u>1,827,825</u>
Net Transfers	-	-	-	-
Change in Fund Balance (Budgetary Basis)	<u>(515,944)</u>	<u>(13,944)</u>	<u>(13,944)</u>	<u>-</u>
Ending Fund Balance	<u><u>\$ (515,944)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

## ***SCHEDULE OF PLEDGED COLLATERAL***

### ***SCHEDULE 4***

**College Pledged Collateral**

	<b>Citizens Bank of Farmington</b>	<b>Wells Wells Fargo</b>	<b>Wells Fargo Repo Account</b>	<b>Wells Fargo Investment</b>	<b>NMFA</b>	<b>Four Corners Community Bank</b>
<b>Bank Deposits</b>						
Demand Deposit accounts	\$ 752,786	\$ 3,072,296	\$ 5,085,487	\$ -	\$ -	\$ 4,787,801
Time deposit accounts		-	-	-	-	-
Debt Retirement	-	2,233,385	-	-	-	-
Mizrahi Tefahot CD	-	-	-	250,000	-	-
Medallion Bank CD	-	-	-	250,000	-	-
Safra Nat'l Bank NY CD	-	-	-	250,000	-	-
Community Bank VA CD	-	-	-	250,000	-	-
Beal Bank Nevada CD	-	-	-	250,000	-	-
Bank of Bridger CD	-	-	-	250,000	-	-
GE Capital Financial CD	-	-	-	250,000	-	-
Ally Bank Midvale Utah CD	-	-	-	250,000	-	-
Wright Express Financial CD	-	-	-	250,000	-	-
FNMA	-	-	-	1,500,000	-	-
BMW Bank Utah CD	-	-	-	180,000	-	-
Washington Trust Co CD	-	-	-	180,000	-	-
Associated Bank WI CD	-	-	-	250,000	-	-
Pacific City Bank LA CD	-	-	-	250,000	-	-
Bank of China NY CD	-	-	-	250,000	-	-
Bank of India NY CD	-	-	-	250,000	-	-
Bank of Baroda NY CD	-	-	-	250,000	-	-
GE Money Bank CD	-	-	-	250,000	-	-
Discover Bank DE CD	-	-	-	250,000	-	-
NMFA	-	-	-	-	222,256	-
Deposits, at June 30, 2011	752,786	5,305,681	5,085,487	5,860,000	222,256	4,787,801
FDIC Insurance	250,000	5,305,681	-	4,360,000	-	250,000
Uninsured amount	502,786	-	5,085,487	1,500,000	222,256	4,537,801
<b>Pledged Collateral Required</b>						
102 percent on overnight	-	-	5,187,197	-	-	-
50 percent on deposits	251,393	-	-	750,000	111,128	2,268,901
Pledged Collateral Required	251,393	-	5,187,197	750,000	111,128	2,268,901
Pledged Collateral at June 30, 2011	713,103	-	5,187,197	1,500,000	222,256	4,586,095
Excess (deficiency)	\$ 461,710	\$ -	\$ -	\$ 750,000	\$ 111,128	\$ 2,317,195

**SCHEDULE OF PLEDGED COLLATERAL**  
**SCHEDULE 4 -- CONTINUED**

	<u>CUSIP#</u>	<u>Maturity</u>	<u>Fair Value</u>
<b>Citizens Bank</b>			
Agency	31393DPV7	8/25/2017	\$ 90,866
Agency	31393FXA9	1/15/2032	63,031
GNMA	36202D2V2	12/20/2033	559,206
Total Citizens Bank Pledged collateral			<u>\$ 713,103</u>
<b>WFB Repurchase</b>			
FNCL			\$ 5,167,044
Accrued Interest			20,153
Total Wells Fargo Bank Pledged Collateral			<u>5,187,197</u>
<b>Four Corners Communtiy Bank</b>			
Bernalillo NM School Dist	085279NU7		\$ 595,045
FHLMC Fixed Rate Note	3134G1Q49		2,003,318
FNMA 4	3136FPKV8	10/8/2025	1,987,732
Total Four Corners Community Bank Pledged Collateral			<u>4,586,095</u>
<b>Bank of Albuquerque Government Securities</b>			<u>\$ 222,256</u>
<b>Wells Fargo Investments</b>			
FNMA Guaranteed by U.S. Federal Government			<u>\$ 1,500,000</u>

College Pledged Collateral of financial institution consists of the following as of June 30, 2011:

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

Reconciliation to Financial Statements

College	Citizens Bank of Farmington		Wells Fargo Repo Account		Four Corners Community Wells Fargo Bank Investment		Total
	Farmington	Wells Fargo	Account	New York	Bank	Investment	
Total per banks	\$ 752,786	\$ 5,305,680	\$ 5,085,487	\$ 222,256	\$ 4,787,801	\$ 5,860,000	\$ 22,014,010
Reconciling items:							
deposits in transit	-	6,707	-	-	-	-	6,707
outstanding check	-	1,849,735	-	-	-	-	1,849,735
	<u>\$ 752,786</u>	<u>\$ 3,462,652</u>	<u>\$ 5,085,487</u>	<u>\$ 222,256</u>	<u>\$ 4,787,801</u>	<u>\$ 5,860,000</u>	<u>\$ 20,170,982</u>
Cash on hand							12,116
Cash and cash equivalents per financial statements							<u>\$ 20,183,098</u>

**SCHEDULE OF PLEDGED COLLATERAL**  
**SCHEDULE 4 -- CONTINUED**

Financial Institution	Account Type	Investment Type	College	Foundation
Citizens Bank	Checking		\$ 752,786	\$ 499,236
Wells Fargo	Checking		3,072,296	1,040
Wells Fargo Repo Account	Sweep		5,085,487	-
Wells Fargo	Checking		2,233,385	1,000
Wells Fargo Bank, N.A.	Checking	Checking	-	20,209
Wells Fargo Bank, N.A.	Savings	Savings	-	225,616
NMFA	Checking		222,256	-
Four Corners Community Bank	Money Market		4,787,801	-
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	180,000	-
Wells Fargo	Investment	Certificate of Deposit	180,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	250,000	-
Wells Fargo	Investment	Certificate of Deposit	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 and Investment Corp	Investment	Money Market	-	52,635
Citizens Trust and Investment Corp.	Investment	Mutual Funds - Equity	-	880,342
Citizens Trust and Investment Corp.	Investment	Mutual Funds - Fixed Income	-	669,918
MorganStanley SmithBarney	Investment	Money Market	-	104,660
MorganStanley SmithBarney	Investment	Equity - Common Stocks	-	2,659,675
Raymond James	Investment	Money Market	-	45,359
Raymond James	Investment	Equity - Common Stocks	-	791,124
Raymond James	Investment	Money Market	-	167,792
Raymond James	Investment	Equity - Common Stocks	-	2,765,397
Raymond James	Investment	Equity - REITs	-	31,529
Raymond James	Investment	Mutual Funds - Equity	-	424,688
Raymond James	Investment	Alternative	-	164,239
Raymond James	Investment	Money Market	-	108,507
Raymond James	Investment	Mutual Funds - Equity	-	266,975
Raymond James	Investment	Mutual Funds - Fixed Income	-	505,800
Wells Fargo Advisors	Investment	Cash	-	52
Wells Fargo Advisors	Investment	Equity - Common Stocks	-	6,173
Outstanding checks			(1,849,735)	(57,061)
Outstanding deposits			6,707	-
Cash on hand			12,116	102
	Totals		<u>\$ 20,183,098</u>	<u>\$ 10,359,007</u>



***RETIREE HEALTHCARE TRUST***  
***SCHEDULE OF FUNDING PROGRESS AND***  
***SCHEDULE OF EMPLOYER CONTRIBUTION***  
***SCHEDULE 5***

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ( b-a /c)
2009	\$ -	\$ 27,727,113	\$ 27,727,113	0%	\$ -	0%
2010	-	37,783,627	34,783,627	0%	-	0%
2011	795,318	11,431,169	11,110,773	7%	14,060,623	76%

**SCHEDULE OF EMPLOYER CONTRIBUTION**

For the Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2009	\$ 3,417,218	8%
2010	4,073,343	8%
2011	1,078,534	132%

## **SINGLE AUDIT SECTION**



## ***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
<b><u>U.S. Department of Interior:</u></b>			
<b>Bureau of Land Management</b>			
BLM Flora Project Update	15.231	GDA08004	<u>\$ 10,673</u>
<b><u>National Science Foundation:</u></b>			
<b>Pass-through New Mexico State University</b>			
NM-INBRE	93.389	Q01349	<u>81,048</u>
<b><u>U.S. Small Business Administration:</u></b>			
<b>Direct</b>			
Small Business Development Center	59.037	San Juan College	<u>40,396</u>
<b><u>U.S. Department of Education:</u></b>			
<b>Direct</b>			
TRIO Student Support Services	84.042A	P042A061242	52,383
TRIO Student Support Services	84.042A	P042A100361	179,735
TRIO Talent Search	84.044A	P044A070230	239,813
		<b>Subtotal</b>	<u>471,931</u>
Launch	84.031X	P031X100005	177,616
Native Amer Serving Nontribal Inst	84.382	P382C080010	343,192
		<b>Subtotal</b>	<u>520,808</u>
<b><u>U.S. Department of Education:</u></b>			
<b>Pass-through NM Public Education Department</b>			
Perkins -RT 10/11	84.048	65 9828	122,678
Perkins - Proj Director 10/11	84.048	65 9828	84,249
Perkins-Nursing 09/10	84.048	66 9828	6,210
Perkins - MLT 09/10	84.048	65 9828	245
Perkins - ST 09/10	84.048	65 9828	3,821
Perkins-RT 10/11	84.048	65 9828	43,952
Perkins-MLT 10/11	84.048	65 9828	36,509
Perkins-Nursing 10/11	84.048	65 9828	63,022
Perkins-RT 09/10	84.048	65 9828	18,251
Perkins-ST 10/11	84.048	65 9828	2,563
		<b>Subtotal</b>	<u>381,500</u>
<b>Pass-through NM Higher Education Department</b>			
Adult Basic Education	84.002	San Juan College	<u>161,418</u>

***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -- CONTINUED***

<b>Federal Grantor/Pass-Through Grantor / Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Education - Federal Student Financial Aid:</u></b>			
<b>Direct</b>			
Stafford Loans - flow through	84.032	San Juan College	49,769
Federal Pell Grant	84.063	P063P061828	12,022,281
Supplemental Education Opportunity Grant	84.007	P007A066227	70,075
Federal Work-Study Program (CWS)	84.033	P033A066227	99,352
Direct Lending Student Loans	84.268	San Juan College	5,937,486
Federal ACG	84.375	P337A081828	31,048
		<b>Subtotal</b>	<b>18,210,011</b>
<b><u>U.S. Department of Education</u></b>			
Child Care Access	84.335A	P335A090177-10	<b>50,242</b>
<b><u>National Writing Project Corporation:</u></b>			
<b>Direct</b>			
Bisti Writing Project	84.928A	05-NM06	<b>35,000</b>
<b><u>U.S. Department Health and Human Services:</u></b>			
<b>Pass-through NM Children Youth and Families Department</b>			
Training & Technical Assistance	93.596	08-690-5417-1	152,532
Childrens Behavioral Health	93.556	San Juan College	78,188
		<b>Subtotal</b>	<b>230,720</b>
<b><u>U.S. Department of Energy:</u></b>			
<b>Pass-through NM Energy, Minerals and Natural Resources Department</b>			
ARRA Fiscal Stabilization	81.041	10-521	885,700
ARRA Fiscal Stabilization EMNRD	81.041	10-521	422,251
		<b>Subtotal</b>	<b>1,307,951</b>
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
<b>Pass-through City of Farmington</b>			
Farmington Daycare Assistance	14.228	11-64024	11,595
Community Development Block Grant	14.228	10-82933	26,533
		<b>Subtotal</b>	<b>38,128</b>
		<b>Grand Total</b>	<b>\$ 21,539,826</b>

**NOTES TO THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



## *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 2011 cash expenditures to ensure coverage of at least 25% (low-risk auditee) of federally granted funds. Actual coverage is approximately ninety percent (91%) of total cash federal award program expenditures.

Major Federal Award Program Description	Fiscal 2011 Expenditures
Cash assistance:	
Federal Student Financial Aid Cluster	\$ 18,210,011
ARRA Fiscal Stabilization Grant	<u>1,307,951</u>
Total	<u>\$ 19,517,962</u>

The College's federal program Student Financial Aid Cluster were considered high-risk type A programs for the 2011 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, 2011. 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 2011.

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



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

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

We have audited the financial statements of the business-type activities and discretely presented component unit of San Juan College, as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 31, 2011. We have also audited the other postemployment benefits (OPEB) trust fund and budget comparisons presented as supplemental information of the San Juan College as of and for the year ended June 30, 2011, and have issued our report thereon dated October 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 will not be prevented, or detected and corrected on a timely basis.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Juan College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 31, 2011

**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**

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## 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, 2011. 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, 2011.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we 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 31, 2011

***SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS***

A. PRIOR YEAR AUDIT FINDINGS

No prior year audit findings to report.

***SCHEDULE OF FINDINGS AND QUESTIONS 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# 84.268, CFDA# 84.375, CFDA# 84.007, CFDA #84.033, and ARRA Fiscal Stabilization Grant CFDA#81.041.
8. The threshold for distinguishing between Types A and B programs was \$646,195.
9. San Juan College was determined to be a low-risk auditee.



***SCHEDULE OF FINDINGS AND QUESTIONS 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 2, 2011, during which the audit was discussed. The exit conference was attended by the following individuals:

#### San Juan College

R. Shane Chance, Board Chairman  
Michael Tacha, Interim President  
Dave Eppich, Vice President for Student Services  
Dr. Sheryl Hruska, Vice President for Learning  
Russell Litke, Vice President for Administrative Services  
Dianne Garcia, Associate Vice President for Administrative Services  
Karen King, Senior Analyst  
MaryAnne Facio, Executive Assistant to the President

#### San Juan College Foundation

Gayle Dean, Executive Director  
Marjorie Black, Board Chairperson  
Len Scalzi, Board Secretary

#### KEYSTONE ACCOUNTING, LLC

Phil Rasband, CPA  
Rachel Compton, Staff Accountant