

SAN JUAN COLLEGE

2011-2012



Annual Financial Report

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

YEAR ENDED JUNE 30, 2012



THIS PAGE LEFT INTENTIONALLY BLANK



INTRODUCTORY SECTION



THIS PAGE LEFT INTENTIONALLY BLANK



TABLE OF CONTENTS

Introductory Section:

Table of Contents i
 Official Roster ii
 Independent Auditors’ Report..... iii
 Management’s Discussion and Analysis..... v

Basic Financial Statements:

Exhibit A: Statement of Net Assets..... 1
 Exhibit B: Statement of Revenue, Expenses and Changes in Fund Net Assets 2
 Exhibit C: Statement of Cash Flows 3
 Exhibit D: San Juan College Retiree Healthcare Trust:
 Statement of Fiduciary Net Assets..... 4
 Statement of Changes in Fiduciary Net Assets 4
 Notes to the Financial Statements 7

Required Supplementary Information:

Schedule 1: Combining Statement of Net Assets – Discretely Presented Component Units 29
 Schedule 2: Combining Statement of Revenues, Expenses, and Changes in Net Assets – Discretely Presented
 Component Units 30
 Schedule of Revenues, Expenditures, and Changes in Net Assets – Budget and Actual (Budget Comparison):
 Schedule 3: Unrestricted and Restricted – All Operations..... 31
 Schedule 4: Unrestricted – Instructional and General..... 32
 Schedule 5: Restricted – Instructional and General 33
 Schedule 6: Schedule of Pledged Collateral 34
 Schedule 7: San Juan College Retiree Healthcare Trust:
 Schedule of Funding Progress 37
 Schedule of Employer Contribution..... 37

Single Audit Section:

Schedule of Expenditures of Federal Awards..... 41
 Notes to the Schedule of Expenditures of Federal Awards 45
 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..... 49
 Independent Auditors’ Report of 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 53
 Schedule of Findings and Questions Costs:
 Summary of Schedule of Prior Year Audit Findings 57
 Schedule of Findings and Questions Costs 58
 Required Disclosure 60

OFFICIAL ROSTER

Board of Trustees

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

Executive Officers

Toni H. Pendergrass..... President
 David P. Eppich Vice President for Student Services
 Lisa Wilson..... Interim Vice President for Learning
 Russell M. Litke..... Vice President for Administrative Services

Business Office Staff

Gary Goold..... Interim Controller
 Karen King..... Assistant Controller
 Frank Cole..... Assistant Controller

INDEPENDENT AUDITORS' REPORT



THIS PAGE LEFT INTENTIONALLY BLANK



KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of San Juan College, as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. We 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, 2012, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 aggregate discretely presented component units, of San Juan College as of June 30, 2012, 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 25, 2012, on our consideration of San Juan College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages V through XII be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance of the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the budgetary comparisons. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Keystone Accounting, Inc.

October 25, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS



THIS PAGE LEFT INTENTIONALLY BLANK



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. 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 that information.

Basic Financial Statements

The basic financial statements include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the 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 2012 and 2011 fiscal years.

Statement of Net Assets

A condensed version of the College's June 30, 2012 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 grouped as "Invested in Capital" (e.g. furniture, fixtures, and equipment), "Restricted", or "Unrestricted".

The June 30, 2012 Statement of Net Assets for San Juan College reports a decrease of 3.4% in total assets—from \$106.02 million to \$102.40 million. *Current assets* (e.g., cash, investments, amounts due from students, inventories) decreased by \$0.97 million (or 4.0%) during the reporting period. *Capital assets* (e.g. tangible, long-lived assets such as land, buildings, and equipment) declined by 3.30% or \$2.68 million, while the 2011-2012 depreciation expense totaled \$5.47 million. The majority of this expense is attributable to the calculated depreciation of buildings, equipment, and furnishings.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

CONDENSED STATEMENT OF NET ASSETS JUNE 30, 2012 AND 2011

	<u>6/30/2012</u>	<u>6/30/2011</u>
<u>Assets</u>		
Current Assets	\$ 23,459,583	\$ 24,432,626
Capital Assets	78,375,315	81,056,395
Other Noncurrent Assets	562,474	527,874
Total Assets	\$ 102,397,372	\$ 106,016,895
<u>Liabilities</u>		
Post Employment Benefits	\$ 5,994,812	\$ 6,434,982
Other Current Liabilities	7,725,138	7,567,636
Other Noncurrent Liabilities	16,078,811	18,106,947
Total Liabilities	29,798,761	32,109,565
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	61,406,826	62,430,384
Restricted	2,850,884	2,779,446
Unrestricted	8,340,901	8,697,500
Total Net Assets	72,598,611	73,907,330
Total Liabilities and Net Assets	\$ 102,397,372	\$ 106,016,895

The Liabilities subsection of the Condensed Statement of Net Assets reflects three broad categories of liabilities: Post 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 year 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, 2012, was \$5.99 million.
- *Other Current Liabilities.* The College's other current liabilities—that is current liabilities *other* than post employment benefits—amounted to \$7.73 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 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. An indicator of an institution's ability to timely

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

pay current liabilities is the *current ratio*. The ratio gauges the amount of *current* or relatively liquid assets available to the institution for the payment of its current liabilities. With current assets of \$23.46 million and current liabilities of \$8.15 million (i.e. the current portion of the institution's post employment benefits liability, \$428,525 plus other current liabilities of \$7,725,138), the College's current ratio measured 2.88. That is for every \$1 of current liabilities, the institution had \$2.88 of current assets available for payment of those 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, 2012. Other noncurrent liabilities decreased from \$18.11 million on June 30, 2011 to \$16.08 million as of June 30, 2012. The reduction resulted from principal payments of long-term indebtedness.

Total net assets decreased from \$73.91 million at the end of fiscal 2011 to \$72.60 million at the end of fiscal 2012. 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	\$ -	\$ -	\$ 344,908	\$ 344,908
Restricted Operations	-	-	-	-
Auxiliary Operations	-	-	130,662	130,662
Endowment Earnings	-	591	-	591
Property, Plant and Equipment	(1,023,558)	-	-	(1,023,558)
Plant Operations	-	70,847	(1,274,524)	(1,203,677)
GASB Mandates	-	-	442,355	442,355
Total	<u>\$ (1,023,558)</u>	<u>\$ 71,438</u>	<u>\$ (356,599)</u>	<u>\$ (1,308,719)</u>

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 2012 was \$5.47 million. This decrease in net assets was offset by nearly \$3 million in additions and improvements to the College's buildings and/or equipment.

Restricted Net Assets. This net asset category includes College resources that are subject to restrictions or stipulations by the funding source. Restricted net assets increased by \$71,438. San Juan College receives local appropriations from residents and businesses in the county by way of property and production taxes. The majority 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 2012, and debt service obligations due and payable during fiscal 2012.

Unrestricted Net Assets. This net asset category accounts for those College resources available for use by the institution's governing body and administration for the general operations of the College. The institution's unrestricted operations for fiscal 2012 yielded a decrease in net assets of \$356,599. Auxiliary operations—

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

specifically the College Bookstore—resulted in an increase in net assets of \$130,662. Plant operations of the College (primarily state appropriations earmarked for renewal and replacement of buildings and equipment) reported a decrease of \$1,274,524. These changes 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 06/30/2012. The second is the GASB-mandated treatment of the College's post employment (i.e. retirement healthcare) plan. These resulted in a combined increase in the institution's unrestricted net assets of \$442,355.

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 \$42.30 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, 2012, San Juan College reported a decrease in net assets of \$1.3 million.

Taken together, operating, non-operating, and other revenues for San Juan College for the year ended June 30, 2012, decreased by 2.0% or \$1.51 million.

<u>Revenues</u>	<u>FYE12</u>	<u>FYE11</u>	<u>% Change</u>
Operating	\$30,988,891	\$29,882,147	3.7%
Nonoperating & Other	41,834,355	44,450,054	-5.9%
Total Revenues	<u>\$72,823,246</u>	<u>\$74,332,201</u>	<u>-2.0%</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, 2012 AND 2011		
	<u>2012</u>	<u>2011</u>
<u>Operating Revenues</u>		
Student tuition and fees	\$ 10,231,371	\$ 8,902,903
Less: Scholarship allowances	(4,442,608)	(3,834,970)
Federal Grants and Contracts	15,608,951	15,552,572
State Grants and Contracts	2,159,078	2,319,130
Nongovernmental grants and contracts	1,782,847	1,508,241
Auxiliary enterprises	4,507,760	4,297,185
Other operating revenues	1,141,492	1,137,086
Total Operating Revenues	<u>30,988,891</u>	<u>29,882,147</u>
<u>Operating Expenses</u>		
Educational and General		
Instruction	27,559,518	26,484,336
Public service	2,348,456	2,166,869
Academic support	3,687,037	3,694,519
Student services	6,648,391	5,941,185
Institutional support	5,957,289	6,620,071
Operations and maintenance of plant	6,466,307	6,809,621
Depreciation expense	5,473,450	5,525,490
Student aid	10,683,909	10,273,666
Auxiliary enterprises	4,308,451	4,075,463
Other operating expenses	157,127	141,173
Total Operating Expenses	<u>73,289,935</u>	<u>71,732,393</u>
Operating Income/(Loss)	<u>(42,301,044)</u>	<u>(41,850,246)</u>
<u>Nonoperating Revenues/(Expenses)</u>		
State appropriations	21,828,449	21,826,889
Local appropriations	16,310,978	15,889,327
Capital appropriations, grants, and gifts	3,255,092	6,248,299
Other nonoperating revenues/(expenses)	(402,194)	(411,890)
Total Nonoperating Revenues/(Expenses)	<u>40,992,325</u>	<u>43,552,625</u>
Increase/(Decrease) in Net Assets	(1,308,719)	1,702,379
Fund Net Assets, beginning of the year	<u>73,907,330</u>	<u>72,204,951</u>
Fund Net Assets, end of the year	<u>\$ 72,598,611</u>	<u>\$ 73,907,330</u>

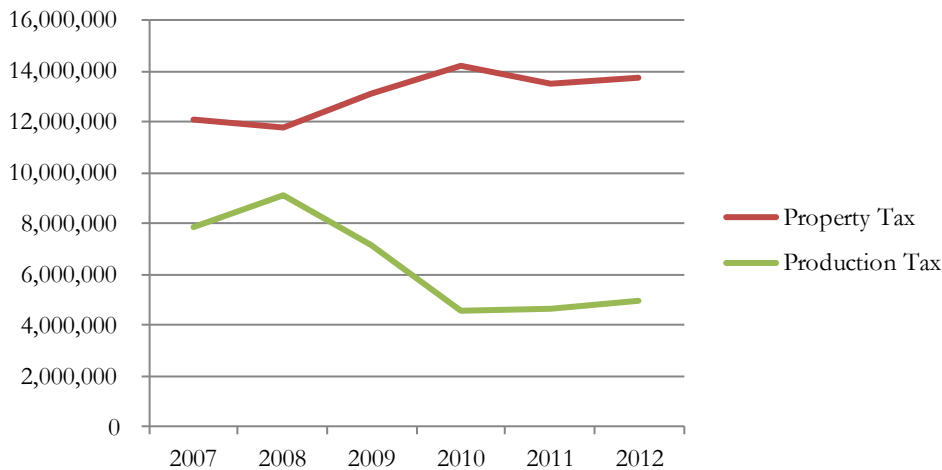
Reclassifications: Certain amounts in year 2011 have been reclassified in order to be consistent with the year 2012 presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

The College's *operating* revenue increased by 3.7%--from \$29.88 million in fiscal 2011 to \$30.99 million in fiscal 2012.

The trend line in the following graph reflects recent history for local property and production taxes. Property taxes and production taxes both increased in FYE 2012. The cumulative effect of both sources was a 2.80% increase in local appropriations—from \$18.20 million to \$18.71 million.

Local Taxes



The majority of State Appropriations received by the institution is driven by the College's enrollment. State Appropriations for San Juan College remained stable in fiscal year 2012 at \$21.83 million.

The uncertainty of appropriations from local taxes and the State of New Mexico is projected to continue beyond the 2011-12 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, along with searching for new forms of revenue streams.

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 \$2.68 million during the 2011-12 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 2012 was the recognition of depreciation expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

Capital Assets, 06/30/2011	\$81,056,395
Additions	
Construction-in-Progress (net)	(425,657)
Land & leasehold improvements	83,614
Infrastructure	786,519
Buildings	1,388,426
Equipment, furnishings, and software	865,168
Library books	104,434
Retirements (net of accumulated depreciation)	(10,134)
Depreciation	(5,473,450)
Capital Assets, 06/30/2012	\$78,375,315

Currently Known Facts, Decisions, or Conditions

- The New Mexico Department of Higher Education has developed a new 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 earned, and 4) institutions to enroll and graduate more at-risk students. For fiscal year 2012-2013, the New Mexico Legislature approved a budget that increased the amount funded to San Juan College. The College continues to evaluate the effects of this new proposed funding formula.
- In September 2012, San Juan College received assessed valuation totals from the San Juan County Assessor's Office. Total assessed valuations increased slightly by approximately 1.85% to \$4.06 billion. As a result of this, the College anticipates its local taxes budget for unrestricted operations to slightly increase for fiscal year 2012-2013.
- The New Mexico Department of Higher Education requested that the College reduce its debt service mil levy rate from .600 to .420 for Tax Year 2012. This reduction was approved by the Board of Trustees. However, the College views this as a temporary reduction and will reevaluate, annually, the appropriate rate necessary to service the bonds currently approved by the voters.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED**San Juan Education Extension Program, Inc.**

The San Juan Education Extension Program, Inc. was established March 30, 2012 through the New Mexico Public Regulation Commission approving its Articles of Incorporation pursuant to the provisions of the Nonprofit Corporation Act. The certified public accountant for the corporation feels that non-profit status will be granted by the IRS. However, the Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code has not yet be filed. Form 1023 is required to be submitted within 15 months from the end of the month after the organization was created to request recognition of tax-exempt status. San Juan Education Extension Program, Inc. is operating under the assumption that it will be granted non-profit status by the IRS and that there will not be any income tax consequences of the activity within the corporation.

BASIC FINANCIAL STATEMENTS



THIS PAGE LEFT INTENTIONALLY BLANK



STATEMENT OF NET ASSETS

EXHIBIT A

	Primary Institution	Component Units
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 12,802,876	\$ 431,063
Investments	5,500,000	9,034,968
Accounts Receivable, net	606,335	31,469
Due from Other Governments	2,868,002	-
Other Receivables, net	261,523	-
Inventories	724,654	-
Other Assets	696,193	1,883
Total Current Assets	23,459,583	9,499,383
Non-Current Assets:		
Restricted Cash and Cash Equivalents	202,474	-
Restricted Investments	360,000	-
Capital Assets, not being depreciated	2,010,641	1,130,945
Capital Assets, net of accumulated depreciation	76,364,674	2,089,112
Land Held for Investment	-	5,000
Beneficial Interest in Remainder Trusts	-	2,679,328
Total Non-Current Assets	78,937,789	5,904,385
Total Assets	\$ 102,397,372	\$ 15,403,768
LIABILITIES:		
Current Liabilities:		
Accounts Payable	\$ 1,861,911	\$ 72,650
Accrued Compensated Absences	139,759	-
Other Post-Employment Benefits	428,525	-
Other Accrued Liabilities	2,188,737	-
Unearned Revenue	1,265,560	-
Bonds and Note Payable -- Current	2,078,940	-
Deposits and Funds Held for Others	190,231	259,853
Total Current Liabilities	8,153,663	332,503
Non-Current Liabilities		
Accrued Compensated Absences	1,189,262	-
Other Post-Employment Benefits	5,566,287	-
Bonds and Note Payable -- Non-Current	14,889,549	-
Total Non-Current Liabilities	21,645,098	-
Total Liabilities	\$ 29,798,761	\$ 332,503
NET ASSETS:		
Invested in Capital Assets Net of Related Debt	61,406,826	3,220,057
Restricted Non-Expendable	360,000	10,463,269
Restricted Expendable	2,490,884	844,408
Unrestricted	8,340,901	543,531
Total Net Assets	\$ 72,598,611	\$ 15,071,265

See accompanying notes to the basic financial statements.

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

	Primary Institution	Component Units
REVENUES:		
Operating Revenues:		
Student Tuition and Fees	\$ 10,231,371	\$ -
Less: Scholarship Allowances	(4,442,608)	-
Federal Grants and Contracts	15,608,951	-
State Grants and Contracts	2,159,078	-
Non Governmental Grants and Contracts	1,782,847	1,307,373
Sales and Services	744,361	-
Auxiliary Enterprises	4,507,760	-
Other Operating Revenues	397,131	79,606
Total Operating Revenues	<u>30,988,891</u>	<u>1,386,979</u>
EXPENSES:		
Operating Expenses:		
Education and General		
Instruction	27,559,518	-
Public Service	2,348,456	-
Academic Support	3,687,037	-
Student Services	6,648,391	-
Institutional Support	5,957,289	-
Operations and Maintenance of Plant	6,466,307	-
Depreciation Expense	5,473,450	141,470
Student Aid	10,683,909	-
Auxiliary Enterprises	4,308,451	-
Other Operating Expenses	157,127	1,757,254
Total Operating Expenses	<u>73,289,935</u>	<u>1,898,724</u>
Operating Loss	<u>(42,301,044)</u>	<u>(511,745)</u>
NON-OPERATING REVENUES (EXPENSES)		
State Appropriations	21,828,449	-
Local Appropriations	16,310,978	-
Investment Income (Loss)	69,854	(674,482)
Interest on Capital Asset-related Debt	(784,642)	-
Gain (Loss) on Disposal of Capital Assets	(2,194)	-
Other Non-Operating Revenues	369,982	-
Other Non-Operating Expenditures	(55,194)	-
Total Non-Operating Revenues (Expenses)	<u>37,737,233</u>	<u>(674,482)</u>
Income (Loss) before Other Revenue (Expenses)	<u>(4,563,811)</u>	<u>(1,186,227)</u>
Capital Appropriations	3,097,155	-
Capital Contributions	157,937	-
Increase/(Decrease) in Fund Net Assets	<u>(1,308,719)</u>	<u>(1,186,227)</u>
FUND NET ASSETS, beginning of year	<u>73,907,330</u>	<u>16,257,492</u>
FUND NET ASSETS, end of year	<u>\$ 72,598,611</u>	<u>\$ 15,071,265</u>

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS

EXHIBIT C

	Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$ 5,673,031
Grants and Contracts	19,184,144
Sales and Services	744,340
Auxiliary Sales and Services	4,489,631
Payments to Suppliers	(17,453,559)
Payments to Employees	(30,180,733)
Payments for Benefits	(9,314,372)
Payments for Utilities	(1,294,239)
Payments for Scholarships	(10,344,758)
Other Receipts (Payments)	173,339
Net Cash (Used) in Operating Activities	(38,323,176)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	21,796,903
Local Appropriations	18,942,365
Agency Receipts	7,138,237
Agency Payments	(7,695,693)
Other Non-Operating Revenue	369,981
Net Cash Provided by Non-Capital Financing Activities	40,551,793
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Interest Payment on Bonds and Notes	(808,363)
Capital Appropriations	1,299,956
Principal Payments on Bonds and Note	(1,685,086)
Purchase of Capital Assets	(2,431,891)
Net Cash Provided (used) by Capital Financing Activities	(3,625,384)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	79,019
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,317,748)
Cash and Cash Equivalents, beginning of year	14,323,098
Cash and Cash Equivalents, end of year	\$ 13,005,350
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Loss	\$ (42,301,044)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation Expense	5,473,450
Changes in Assets and Liabilities:	
Accounts Receivable	(225,193)
Due from Other Governments and Other Receivables	(231,316)
Inventories	192,145
Other Assets	(534,517)
Accounts Payable	(26,987)
Accrued Expenses and Compensated Absences	(635,898)
Other Liabilities, current	68,442
Unearned Revenue	(102,258)
Net Cash Provided (used) by Operating Activities	\$ (38,323,176)

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	\$ 385,393
Accounts Receivable-Employee	27,518
Investments, at Fair Value	1,186,646
Other Assets	2,479
Total Assets	<u>1,602,036</u>

LIABILITIES:

Accounts Payable	<u>25,730</u>
Total Liabilities	<u>\$ 25,730</u>

NET ASSETS:

Net Assets Held in Trust for OPEB	<u>1,576,306</u>
Total Net Assets	<u>\$ 1,576,306</u>

Statement of Changes in Fiduciary Net Assets

ADDITIONS:

Payroll Withheld, Plan Participants	\$ 75,381
Retiree Contributions	247,427
San Juan College Contributions	1,100,000
Investment Income	7,215
Total Revenues	<u>1,430,023</u>

DEDUCTIONS:

Insurance Premiums	617,290
Administrative Fees	5,288
Total Expenses	<u>622,578</u>

INCREASE (DECREASE) IN FUND NET ASSETS 807,445

FUND NET ASSETS, beginning of year	<u>768,861</u>
FUND NET ASSETS, end of year	<u>\$ 1,576,306</u>

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS



THIS PAGE LEFT INTENTIONALLY BLANK



NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization

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

The College is governed by a Board of Trustees consisting of seven members elected from single member districts within San Juan County. The Board's authority is established by state statute, specifically the 1985 Community College Act as amended. The Board employs a President / 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.

The College adopted GASB Statement 62, *Codification of Accounting and Financial Reporting Contained in Pre-November 30, 1989 and AICPA Pronouncements*, upon its issuance on December 30, 2010, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The adoption of GASB Statement 62 had no impact on the College's accounting policies, as the College had previously elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, and applicable FASB pronouncements issued on or before November 30, 1989 have now been incorporated into the GASB pronouncements.

The College is part of the primary government of the State of New Mexico, and its financial data is included with the financial data in the State of New Mexico's Comprehensive Annual Financial Report. These financial statements present financial information that is attributable to the College and does not purport to present the financial position of the State of New Mexico.

The College and certain component units present their financial statements in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). The statement presentation required by GASB Statement 35 provides a comprehensive entity-wide perspective of the College's assets, liabilities, and net assets; revenues, expenses and changes in net assets; and cash flows.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

The College has adopted GASB Statement 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement 14* (GASB Statement 39). GASB Statement 39 provides additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as discretely presented component units based on the nature and significance of their relationship with the College. San Juan College Foundation and San Juan Education Extension Program, Inc. were selected for inclusion based on criteria as set forth in GASB Statements 14 and 39.

During the year ended June 30, 2012, the Foundation distributed \$1,291,101 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.

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 \$1,091 in revenue from the endowment investments and expended \$500 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.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

Marketable securities are carried by the Foundation at fair market 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 market 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, 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 market 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 3 to 15 years for equipment.

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 5 to 7 years for equipment.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED**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.

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 Units.

Operating and Non-Operating Transactions.

The College has classified its revenues and expenses as either operating or non-operating, 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, and local grants and contracts, federal appropriations and interest on institutional student loans. Operating expenses include salaries, employee benefits, supplies, materials, services, utilities and depreciation.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

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

Property Taxes.

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

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

Scholarship Allowances.

Scholarship allowances are reported as an offset to student tuition and fee revenues, which 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 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 for services the College will render after year-end.

Tax Status.

As an instrumentality of the State of New Mexico, the income generated by the College in the exercise of its essential governmental functions is excluded from federal income tax under Internal Revenue Code (IRC) section 115. However, income generated from activities unrelated to the exempt purpose of the College would be subject to tax under IRC section 511(a)(2)(B).

The San Juan College Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The San Juan College Education Extension Program, Inc. was established in March, 2012 through the New Mexico Public Corporation Commission approving its Articles of Incorporation pursuant to the provisions of the Non-Profit Corporation Act. The Federal Form 1023 application for recognition

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

and exemption under Section 501(c)(3) of the Internal Revenue Code has not yet been filed. Management is of the opinion that the tax exempt status will be approved.

Budgetary Process.

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

Use of Estimates.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities—and disclosure of contingent assets and liabilities—at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Long Term Debt Obligations.

Bond premiums and discounts, as well as issuance 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.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

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, 2012.

Collateralization of Deposits.

At June 30, 2012, the recorded value of the College’s cash with financial institutions was \$18,853,335. Petty cash funds at June 30, 2012 totaled \$12,015. The balances per bank statements and overnight investment accounts totaled \$20,026,250 at June 30, 2012. Of the bank balance, \$11,742,352 was covered by federal depository insurance, \$8,049,587 was covered by collateral held at the Federal Reserve in the College’s name, and \$223,208 was invested in U.S Government Money Market Funds.

Investments.

The College’s investments are held in certificates of deposits as follows:

Current Assets:	
Investments	\$ 5,500,000
Non-Current Assets:	
Restricted Investments	360,000
Total Investments	<u>\$ 5,860,000</u>

A summary of the Foundation’s investments at June 30, 2012 is as follows:

	Market
Investments held by investment managers:	
Money market accounts	\$ 758,499
Certificate of Deposit	24,000
Equities	6,887,670
Fixed income investments	1,189,997
Asset back securities	26,430
Alternative Investments	148,372
Total Foundation pooled investments	<u>\$ 9,034,968</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 market 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:

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

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	758,499	758,499	-	-	-
Equities	5,151,331	5,151,331	-	-	-
Mutual Funds - Equity	1,736,339	1,736,339	-	-	-
Alternative Investments	148,372	148,372	-	-	-
Asset Back Securities	26,430	26,430	-	-	-
Mutual Funds - Fixed Income	1,189,997	1,189,997	-	-	-
Total Investments	\$ 9,034,968	\$ 9,034,968	\$ -	\$ -	\$ -

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 are 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, 2012, 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 \$36,980 and \$17,785 respectively.

Custodial Credit Risk – Investments.

As of June 30, 2012, 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 market 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 \$9,010,968 were exposed to custodial credit risk.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

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, 2012 receivables consisted of the following:

College accounts receivable, Net:	
Accounts Receivable	\$ 1,654,456
Less: Allowance for Doubtful Accounts	<u>1,048,121</u>
Accounts receivable, Net	<u><u>\$ 606,335</u></u>

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, 2012 government receivables consisted of the following:

Billed Property Taxes	\$ 975,492
Due from Other Governments	<u>1,892,510</u>
Total Due from Other Governments	<u><u>\$ 2,868,002</u></u>

Other Receivables.

At June 30, 2012 other receivables consisted of the following:

Due from Others	\$ 255,814
Accrued Interest Receivable	<u>5,709</u>
Total Other Receivables	<u><u>\$ 261,523</u></u>

Beneficial Interest in Remainder Trust, San Juan College Foundation.

Certain individuals have 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	\$ 7,094,829
Less discounts to net present value	<u>4,415,501</u>
Net beneficial interest in remainder trusts	<u><u>\$ 2,679,328</u></u>

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

At June 30, 2012 capital assets held were as follows:

	Balance 6/30/2011	Additions	Transfers/ Retirements	Balance 6/30/2012
College capital assets not being depreciated:				
Land	\$ 2,010,641	\$ -	\$ -	\$ 2,010,641
Construction in progress	<u>425,657</u>	<u>-</u>	<u>425,657</u>	<u>-</u>
Total nondepreciable capital assets	<u>\$ 2,436,298</u>	<u>\$ -</u>	<u>\$ 425,657</u>	<u>\$ 2,010,641</u>
College depreciable capital assets:				
Land & leasehold improvements	\$ 8,410,339	\$ 83,614	\$ -	\$ 8,493,953
Infrastructure	13,946,581	786,519	-	14,733,100
Buildings	114,271,579	1,388,426	-	115,660,005
Equipment, furnishings, and software	20,381,651	865,168	485,473	20,761,346
Library books	<u>1,871,972</u>	<u>104,434</u>	<u>339,473</u>	<u>1,636,933</u>
Total depreciable capital assets	158,882,122	3,228,161	824,946	161,285,337
Less: Accumulated depreciation				
Land & leasehold improvements	4,507,015	274,167	-	4,781,182
Infrastructure	7,835,917	484,193	-	8,320,110
Buildings	50,008,302	3,421,956	-	53,430,258
Equipment, furnishings, and software	16,415,642	1,130,477	475,338	17,070,781
Library books	<u>1,495,149</u>	<u>162,656</u>	<u>339,473</u>	<u>1,318,332</u>
Total accumulated depreciation	<u>80,262,025</u>	<u>5,473,449</u>	<u>814,811</u>	<u>84,920,663</u>
Depreciable capital assets, net	<u>78,620,097</u>	<u>(2,245,288)</u>	<u>10,135</u>	<u>76,364,674</u>
Capital assets, net	<u>\$ 81,056,395</u>	<u>\$ (2,245,288)</u>	<u>\$ 435,792</u>	<u>\$ 78,375,315</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>1,556,170</u>	<u>141,470</u>	<u>-</u>	<u>1,697,640</u>
Depreciable capital assets, net	<u>2,230,582</u>	<u>(141,470)</u>	<u>-</u>	<u>2,089,112</u>
Foundation Capital Assets, net	<u>\$ 3,361,527</u>	<u>\$ (141,470)</u>	<u>\$ -</u>	<u>\$ 3,220,057</u>

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

Note 6 – Special or Specific State Appropriations

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

Description	Appropriation Period	Original Appropriation	Expenditures To Date	Unencumbered Balance
School Of Energy Facility	07/01/08-06/30/12	\$ 50,000	\$ 50,000	\$ -
Health Science Phase II	07/01/08-06/30/12	\$ 5,000,000	\$ 5,000,000	\$ -

Note 7 – Other Accrued Liabilities

At June 30, 2012 other accrued liabilities consisted of the following:

Payroll and Benefits	\$ 1,917,011
Gross Receipts Tax	3,274
Bond Interest Payable	<u>268,452</u>
Total	<u>\$2,188,737</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, 2012.

Bonds Payable	Balance 6/30/2011	New Issues	Retirements	Balance 6/30/2012	Due Within One Year
2003 Bonds	\$ 516,187	\$ -	\$ 253,981	\$ 262,206	\$ 262,206
2004 Bonds	4,950,000	-	700,000	4,250,000	475,000
2005 Bonds	10,050,000	-	25,000	10,025,000	25,000
2006 Bonds	2,190,000	-	600,000	1,590,000	1,200,000
2008 Note	<u>837,579</u>	-	<u>106,106</u>	<u>731,473</u>	<u>116,734</u>
Total	<u>\$ 18,543,766</u>	<u>\$ -</u>	<u>\$ 1,685,087</u>	<u>\$ 16,858,679</u>	<u>\$ 2,078,940</u>

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

Bonds and Note Payable	Interest Rates	Amount
2003 Bonds; original amount \$2,222,223; maturing 6/01/13	2.81%	\$ 262,206
2004 Bonds; original amount \$7,500,000; maturing 8/15/16	2.15 - 3.875%	4,250,000
2005 Bonds; original amount \$10,700,000; maturing 8/15/21	3.5 - 5%	10,025,000
2006 Bonds; original amount \$5,020,000; maturing 8/15/13	3.5 - 3.7%	1,590,000
2008 Note; original amount \$1,070,000; maturing 1/1/18	6%	731,473
		<u>16,858,679</u>
Less deferred amounts:		
Bond premiums		347,890
On refunding		(238,080)
Less current portion of bonds payable:		(2,078,940)
Long-term bonds payable		<u>\$ 14,889,549</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, 2012 are as follows:

Due in Year Ending June 30	Amount	Interest	Payments
2013	\$ 2,078,940	\$ 735,111	\$ 2,814,051
2014	1,187,289	673,787	1,861,076
2015	904,836	633,118	1,537,954
2016	1,612,801	595,404	2,208,205
2017	1,196,346	519,953	1,716,299
2018-2020	9,878,467	1,066,417	10,944,884
Total	<u>\$ 16,858,679</u>	<u>\$ 4,223,790</u>	<u>\$ 21,082,469</u>

Compensated Absences.

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

Balance 6/30/2011	Additions	Deductions	Balance 6/30/2012	Current Amount
<u>\$ 1,331,206</u>	<u>\$ 98,664</u>	<u>\$ 100,849</u>	<u>\$ 1,329,021</u>	<u>\$ 139,759</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, 2012, 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's outstanding commitments for construction and renovation of various facilities as of June 30, 2012 were \$208,393.

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,	
2013	\$ 262,930
2014	187,612
2015	<u>1,000</u>
Total Lease Obligations	<u><u>\$ 451,542</u></u>

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.

Funding Policy.

Plan members earning \$20,000 or less annually are required by statute to contribute 7.9% of their gross salary. Plan members earning over \$20,000 annually were required to contribute 11.15% of their gross salary in fiscal year 2012 and will be required to contribute 9.40% of their gross salary in fiscal year 2013. The College has been and is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less in fiscal years 2012 and 2013. In fiscal year 2012 the College contributed 9.15% of gross covered salary of employees earning more than \$20,000 annually. In fiscal year 2013 the College will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the College are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The College's contributions to ERB for the fiscal years ending June 30, 2012, 2011, and 2010, were \$2,624,628, \$2,930,080, and \$3,023,758 respectively, which equal the amount of the required contributions for each fiscal year.

Post-Employment Benefits.

Vesting of 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' salaries multiplied by the number of years of service (earned and allowed credit). Benefit may be reduced by election of an option that guarantees continuous income to a surviving beneficiary. The benefit may also be reduced if the member has less than 25 years service and is less than age 60.

Eligibility for Retirement Benefits: Employees hired prior to July 1, 2010, become eligible to receive retirement benefits when 1) the sum of the employee's age and number of years of earned service credit equals 75; 2) if,

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

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.

Alternative Retirement Plan: Certain eligible employees may choose to participate in the Alternative Retirement Plan (ARP), a defined contribution plan, in lieu of the Educational Retirement Act. The benefit received upon retirement is based on the amount contributed by the employee during their career, subject to any investment gains or losses. Employees are 100% vested in both the employee and employer contribution upon enrollment in the ARP program. Employees can make an annual election to switch ARP providers. After seven years of participation in the ARP plan, employees can make a one-time switch to the ERA defined benefit plan.

Upon termination of employment with San Juan College, the employee may roll over the ARP account balance to another qualified retirement plan or withdraw the balance.

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—the 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 Blue Cross Blue Shield. The medical plans provide medical and prescription drug benefits to eligible retirees and their spouses. Dental and vision coverage 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.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

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 a certain percent 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 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, 2011, 2010, and 2009, the College’s defined benefit healthcare plans provided coverage for 94, 91, and 78 retirees respectively, at an expense, net of employee contributions, of \$331,447, \$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 Statements 43 and 45. The ARC represents a level of funding that is projected to cover normal costs 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 7/01/2011		\$	6,434,982
Contributions:			
Employees	\$		(80,501)
Retirees			(268,486)
San Juan College	<u>(1,100,000)</u>		(1,448,987)
Interest on net OPEB obligation			321,749
Annual OPEB cost			1,088,112
Adjustment to annual required contribution			<u>(401,044)</u>
Net OPEB obligation end of year 6/30/12		<u>\$</u>	<u>5,994,812</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)		\$	1,088,112
Percentage of Annual OPEB cost contributed			18.15%
Net OPEB obligation as of 06/30/2012		\$	5,994,812

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 \$12,377,271. The present value of future active employee contributions was \$462,899 and the actuarial value of the assets was \$769,133, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,145,239.

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 – Reclassifications

Certain amounts in year 2011 have been reclassified in order to be consistent with the year 2012 presentation.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED**Note 13 – Impact of Recently Issued Accounting Standards**

GASB Statement 63: The GASB issued GASB Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also identifies “Net Position” as the residual of all other elements presented in a statement of financial position. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. GASB Statement 63 is effective for periods beginning after December 15, 2011, and earlier application is encouraged. The College is currently evaluating the impact GASB Statement 63 will have on the financial statements.

GASB Statement 68: In June 2012 the Governmental Accounting Standards Board (GASB) issued Statement No. 68 Accounting and Financial Reporting for Pensions, effective for annual reporting periods beginning after June 15, 2014. Statement No. 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. At this time, management is evaluating the implications of GASB No. 68 and its impact on the financial statements.

Note 14 – Subsequent Events

Subsequent events were evaluated through October 25, 2012 which is the date the financial statements were available to be issued.

THIS PAGE LEFT INTENTIONALLY BLANK



REQUIRED SUPPLEMENTARY INFORMATION



THIS PAGE LEFT INTENTIONALLY BLANK



**COMBINING STATEMENT OF NET ASSETS –
DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE 1**

	San Juan College Foundation	Education Extension Program, Inc.	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 389,733	\$ 41,330	\$ 431,063
Investments	9,034,968	-	9,034,968
Accounts Receivable, Net	-	31,469	31,469
Other Assets	1,883	-	1,883
Total Current Assets	<u>9,426,584</u>	<u>72,799</u>	<u>9,499,383</u>
Non-Current Assets:			
Capital Assets, Not Being Depreciated	1,130,945	-	1,130,945
Capital Assets, Net of Accumulated Depreciation	2,089,112	-	2,089,112
Land Held for Investment	5,000	-	5,000
Beneficial Interest in Remainder Trusts	2,679,328	-	2,679,328
Total Non-Current Assets	<u>5,904,385</u>	<u>-</u>	<u>5,904,385</u>
Total Assets	<u>\$ 15,330,969</u>	<u>\$ 72,799</u>	<u>\$ 15,403,768</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 72,650	\$ -	\$ 72,650
Deposits and Funds Held for Others	259,853	-	259,853
Total Current Liabilities	<u>\$ 332,503</u>	<u>\$ -</u>	<u>\$ 332,503</u>
NET ASSETS:			
Invested in Capital Assets Net of Related Debt	\$ 3,220,057	\$ -	\$ 3,220,057
Restricted Non-Expendable	10,463,269	-	10,463,269
Restricted Expendable	844,408	-	844,408
Unrestricted	470,732	72,799	543,531
Total Net Assets	<u>\$ 14,998,466</u>	<u>\$ 72,799</u>	<u>\$ 15,071,265</u>

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
- DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE 2

	San Juan College Foundation	San Juan Education Extension Program, Inc.	Total
REVENUES:			
Operating Revenues:			
Non Governmental Grants and Contracts	\$ 1,307,373	\$ -	\$ 1,307,373
Other Operating Revenues	1,392	78,214	79,606
Total Operating Revenues	<u>1,308,765</u>	<u>78,214</u>	<u>1,386,979</u>
EXPENSES:			
Operating Expenses:			
Depreciation Expense	141,470	-	141,470
Other Operating Expenses	1,751,839	5,415	1,757,254
Total Operating Expenses	<u>1,893,309</u>	<u>5,415</u>	<u>1,898,724</u>
Operating Loss	(584,544)	72,799	(511,745)
NON-OPERATING REVENUES (EXPENSES)			
Investment Income (Loss)	(674,482)	-	(674,482)
Increase/(Decrease) in Fund Net Assets	<u>(1,259,026)</u>	<u>72,799</u>	<u>(1,186,227)</u>
FUND NET ASSETS, beginning of year	16,257,492	-	16,257,492
FUND NET ASSETS, end of year	<u>\$ 14,998,466</u>	<u>\$ 72,799</u>	<u>\$ 15,071,265</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS – BUDGET AND ACTUAL
BUDGET COMPARISON – UNRESTRICTED AND RESTRICTED – ALL OPERATIONS
SCHEDULE 3**

	Original Budget	Final Budget	Actual (Budgetary) Basis	Variance with Final Budget favorable (unfavorable)
Beginning Fund Balance	\$12,995,258	\$14,935,352	\$18,766,400	\$3,831,048
Unrestricted and Restricted Revenues				
State General Fund Appropriations	21,807,000	21,810,000	21,828,449	18,449
Federal Revenue Sources	20,481,903	22,905,307	21,971,350	(933,958)
Tuition and Fees	10,312,212	10,537,455	10,231,371	(306,084)
Land and Permanent Fund	-	-	-	-
Endowments and Private Gifts	-	-	-	-
Other	29,534,214	31,643,086	30,546,776	(1,096,310)
Total Unrestricted and Restricted Revenues	<u>82,135,329</u>	<u>86,895,848</u>	<u>84,577,946</u>	<u>(2,317,903)</u>
Expenditures:				
Instruction	26,349,779	28,435,076	26,818,761	1,616,315
Academic Support	4,062,430	4,230,612	3,804,625	425,987
Student Services	6,087,927	7,316,695	6,725,087	591,608
Institutional Support	6,153,031	6,490,984	5,961,932	529,052
Operation and Maintenance of Plant	6,062,871	6,146,175	5,344,117	802,058
Student Social and Cultural Activities	-	-	-	-
Research	-	-	-	-
Public Service	2,259,858	2,609,234	2,387,606	221,629
Internal Services	-	-	-	-
Student Aid, Grants and Stipends	22,249,200	23,443,322	22,634,989	808,333
Auxiliary Services	4,200,352	4,400,352	4,311,008	89,344
Intercollegiate Athletics	-	-	-	-
Independent Operations	210,477	235,477	157,127	78,350
Capital Outlay	61,740	2,603,498	1,867,960	735,538
Renewal and Replacement	1,078,923	3,535,566	2,588,618	946,948
Retirement of Indebtedness	-	2,592,000	2,472,102	119,898
Total Unrestricted and Restricted Expenditures	<u>78,776,588</u>	<u>92,038,991</u>	<u>85,073,931</u>	<u>6,965,061</u>
Net Transfers				
Change in Fund Balance (Budgetary Basis)	3,358,741	(5,143,143)	(495,985)	4,647,158
Ending Fund Balance	<u>\$16,353,999</u>	<u>\$9,792,209</u>	<u>\$18,270,415</u>	<u>\$8,478,206</u>

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

Change in Fund Balance (Budgetary Basis)	\$ (495,985)
Depreciation Expense	(5,473,450)
Investment in Plant-Capital Assets Purchased	2,532,184
Retirement of Indebtedness - Principal Payments	1,685,086
Adjustments to Reconcile Budgetary Basis to GAAP basis:	
Decrease in Other Post Employment Benefits	440,170
Decrease in Compensated Absences	2,185
Increase in Endowment	1,091
Change in Net Assets (GAAP Basis)	<u>\$(1,308,719)</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 4**

	Original Budget	Final Budget	Actual (Budgetary) Basis	Variance with Final Budget favorable (unfavorable)
Beginning Fund Balance	\$ 9,733,992	\$ 11,410,983	\$ 11,407,904	\$ (3,079)
Unrestricted Revenues:				
Tuition	7,688,596	7,776,816	7,929,188	152,372
Miscellaneous fees	2,296,593	2,322,945	2,302,183	(20,762)
Federal Government Appropriations	-	-	-	-
State Government Appropriations	21,801,000	21,801,000	21,819,449	18,449
Local Government Appropriations	15,479,115	15,479,115	16,310,978	831,863
Federal Government Contracts/Grants	-	-	-	-
State Government Contracts/Grants	244,953	375,749	220,308	(155,441)
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Grants	1,671	25,000	12,779	(12,221)
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and services	1,069,153	1,139,447	726,599	(412,848)
Other	414,020	441,443	233,895	(207,548)
Total Unrestricted Revenues	48,995,101	49,361,515	49,555,380	193,865
Unrestricted Expenditures:				
Instruction	25,502,408	25,895,853	25,625,234	270,619
Academic Support	4,026,768	4,188,412	3,786,513	401,899
Student Services	4,472,031	4,676,158	4,611,149	65,009
Institutional Support	6,085,424	6,481,538	5,961,932	519,606
Operation and Maintenance of Plant	6,071,281	6,102,475	5,333,417	769,058
Total Unrestricted Expenditures	46,157,912	47,344,436	45,318,243	2,026,193
Net Transfers	(2,837,189)	(4,430,030)	(4,621,401)	(191,371)
Change in Fund Balance (Budgetary Basis)	-	(2,412,951)	(384,265)	(2,028,686)
Ending Fund Balance	\$ 9,733,992	\$ 8,998,032	\$ 11,023,639	\$ (2,025,607)

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 5**

	Original Budget	Final Budget	Actual (Budgetary) Basis	Variance with Final Budget favorable (unfavorable)
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
Restricted Revenues:				
Tuition	-	-	-	-
Miscellaneous Fees	-	-	-	-
Federal Government Appropriations	-	-	-	-
State Government Appropriations	-	-	-	-
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	1,419,791	2,919,357	1,951,256	968,101
State Government Contracts/Grants	456,278	428,403	493,748	(65,345)
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Grants	689,605	1,661,232	1,249,477	411,755
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and Services	-	-	-	-
Other	50	50	-	50
Total Restricted Revenues	<u>2,565,724</u>	<u>5,009,042</u>	<u>3,694,482</u>	<u>1,314,560</u>
Restricted Expenditures:				
Instruction	910,860	2,363,758	1,551,730	812,028
Academic Support	33,700	42,200	18,113	24,087
Student Services	1,621,164	2,592,384	2,113,938	478,446
Institutional Support	-	-	-	-
Operation and Maintenance of Plant	-	10,700	10,700	-
Total Restricted Expenditures	<u>2,565,724</u>	<u>5,009,042</u>	<u>3,694,482</u>	<u>1,314,561</u>
Net Transfers	-	-	-	-
Change in Fund Balance (Budgetary Basis)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SCHEDULE OF PLEDGED COLLATERAL
SCHEDULE 6

College Pledged Collateral

	Citizens Bank of Farmington		Wells Fargo Repo Account	Wells Fargo Investment	NMFA	Four Corners Community Bank
Bank Deposits						
Demand Deposit accounts	\$ 753,598	\$ 3,007,748	\$ 2,999,474	\$ -	\$ -	\$ 4,807,618
Debt Retirement	-	2,374,604	-	-	-	-
Cardinal Bank CD	-	-	-	250,000	-	-
Wright Express CD	-	-	-	250,000	-	-
Merrick Bank CD	-	-	-	250,000	-	-
Tristate Cap Bank CD	-	-	-	250,000	-	-
Enerbank USA CD	-	-	-	250,000	-	-
SafraNat'l Bank CD	-	-	-	250,000	-	-
Am. Express CD	-	-	-	250,000	-	-
Capital Bank CD	-	-	-	250,000	-	-
Liberty Bank CD	-	-	-	250,000	-	-
Sterling Bank CD	-	-	-	250,000	-	-
Great Plains Bank CD	-	-	-	250,000	-	-
Sterling Savings Bank CD	-	-	-	250,000	-	-
Ally Bank UT CD	-	-	-	250,000	-	-
GE Capital Financial CD	-	-	-	250,000	-	-
CIT Bank CD	-	-	-	250,000	-	-
Goldman Sachs BK CD	-	-	-	250,000	-	-
BMW Bank Utah CD	-	-	-	180,000	-	-
Washington Trust CD	-	-	-	180,000	-	-
Discover Bank DE CD	-	-	-	250,000	-	-
Prudential Bank CD	-	-	-	250,000	-	-
Bank of China NY CD	-	-	-	250,000	-	-
GE Capital Retail CD	-	-	-	250,000	-	-
Sallie Mae Bank CD	-	-	-	250,000	-	-
Barclays Bank CD	-	-	-	250,000	-	-
NMFA	-	-	-	-	223,208	-
Deposits, at June 30, 2012	753,598	5,382,352	2,999,474	5,860,000	223,208	4,807,618
FDIC Insurance	250,000	5,382,352	-	5,860,000	-	250,000
Uninsured Amount	503,598	-	2,999,474	-	223,208	4,557,618
Pledged Collateral Required						
102 percent on Overnight	-	-	3,059,463	-	-	-
50 percent on Deposits	251,799	-	-	-	111,604	2,278,809
Pledged Collateral Required	251,799	-	3,059,463	-	111,604	2,278,809
Pledged Collateral at June 30, 2012	492,495	-	3,059,463	-	223,208	4,747,885
Excess (deficiency)	\$ 240,696	\$ -	\$ -	\$ -	\$ 111,604	\$ 2,469,076

SCHEDULE OF PLEDGED COLLATERAL
SCHEDULE 6 -- CONTINUED

	<u>CUSIP#</u>	<u>Maturity</u>	<u>Fair Value</u>
Citizens Bank			
Agency	31393FXA9	1/15/2032	\$ 31,735
GNMA	36202D2V2	12/20/2033	460,760
Total Citizens Bank Pledged collateral			<u>\$ 492,495</u>
 WFB Repurchase			
FNCL			\$ 3,051,341
Accrued Interest			8,122
			<u>\$ 3,059,463</u>
 Four Corners Communtiy Bank			
Bernalillo NM School Dist	085279NU7		\$ 611,402
FHLMC Fixed Rate Note	3134G3HE3		2,037,173
FNMA MSU 2.0-6.5%	3136G0EA5		1,999,080
Belen NM Cons School Dist	077581KW5		100,230
			<u>\$ 4,747,885</u>
 Bank of Albuquerque Government Securities			 <u>\$ 223,208</u>

College Pledged Collateral of financial institution consists of the following as of June 30, 2012:

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

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

Reconciliation to Financial Statements

College	Citizens Bank of Farmington	Wells Fargo	Wells Fargo Repo Account	Wells Fargo Investment	NMFA	Four Corners Community Bank	Total
Total per Banks	\$ 753,598	\$ 5,382,352	\$ 2,999,474	\$ 5,860,000	\$ 223,208	\$ 4,807,618	\$ 20,026,250
Reconciling Items:							
Deposits in Transit	-	8,776	-	-	-	-	8,776
Outstanding Checks	-	(1,099,995)	-	-	-	-	(1,099,995)
Other Reconciling Items	-	(81,696)	-	-	-	-	(81,696)
	<u>\$ 753,598</u>	<u>\$ 4,209,437</u>	<u>\$ 2,999,474</u>	<u>\$ 5,860,000</u>	<u>\$ 223,208</u>	<u>\$ 4,807,618</u>	18,853,335
Cash on Hand							12,015
Cash and Cash Equivalents per Financial Statements							<u>\$ 18,865,350</u>

SCHEDULE OF PLEDGED COLLATERAL
SCHEDULE 6 -- CONTINUED

Financial Institution	Account Type	Investment Type	College	Foundations
Citizens Bank	Checking		\$ 753,598	\$ 114,334
Citizens Bank	Checking		-	41,330
Wells Fargo	Checking		3,007,748	1,717
Wells Fargo Repo Account	Repurchase Agreement		2,999,474	-
Wells Fargo	Checking	Checking	2,374,604	1,000
Wells Fargo	Checking	Checking	-	36,867
Wells Fargo Bank, N.A.	Savings	Savings	-	226,112
NMFA	Checking		223,208	-
Four Corners Community Bank	Money Market		4,807,618	-
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	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	-
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	-	62,639
Citizens Trust and Investment Corp.	Investment	Mutual Funds - Equity	-	886,301
Citizens Trust and Investment Corp.	Investment	Mutual Funds - Fixed Income	-	648,277
MorganStanley SmithBarney	Investment	Cash	-	1,212
MorganStanley SmithBarney	Investment	Money Market	-	458,728
MorganStanley SmithBarney	Investment	Equity - Common Stocks	-	2,061,955
Raymond James	Investment	Money Market	-	8,181
Raymond James	Investment	Equity - Common Stocks	-	715,919
Raymond James	Investment	Money Market	-	119,946
Raymond James	Investment	Equity - Common Stocks	-	2,366,100
Raymond James	Investment	Equity - REITs	-	26,430
Raymond James	Investment	Mutual Funds - Equity	-	618,798
Raymond James	Investment	Alternative	-	148,372
Raymond James	Investment	Money Market	-	107,676
Raymond James	Investment	Mutual Funds - Equity	-	266,740
Raymond James	Investment	Mutual Funds - Fixed Income	-	506,220
Wells Fargo Advisors	Investment	Cash	-	117
Wells Fargo Advisors	Investment	Equity - Common Stocks	-	7,357
Outstanding checks			(1,099,995)	(1,360)
Other reconciling item			(81,696)	-
Outstanding deposits			8,776	10,774
Cash on hand			12,015	289
	Totals		<u>\$ 18,865,350</u>	<u>\$ 9,466,031</u>

RETIREE HEALTHCARE TRUST
SCHEDULE OF FUNDING PROGRESS AND
SCHEDULE OF EMPLOYER CONTRIBUTION
SCHEDULE 7

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 ©	UAAL as a Percentage of Covered Payroll ([b-a]/c)
2009	-	27,727,113	27,727,113	-	-	-
2010	-	37,783,627	34,783,627	-	-	-
2011	795,318	11,431,169	11,110,773	7%	14,060,623	76%
2012	1,602,036	12,377,291	10,775,255	13%	13,902,900	78%

Schedule of Employer Contributions

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%
2012	1,088,112	131%

THIS PAGE LEFT INTENTIONALLY BLANK



SINGLE AUDIT SECTION



THIS PAGE LEFT INTENTIONALLY BLANK



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Interior:</u>			
Bureau of Land Management			
BLM Flora Project Update	15.231	GDA08004	\$ 15,878
<u>National Science Foundation:</u>			
Pass-through New Mexico State University			
NM-INBRE	93.389	Q01349	88,720
Chemistry Instrumentation Lab	47.082		74,022
NSF Step	47.076		80,470
		Subtotal	<u>243,212</u>
<u>U.S. Small Business Administration:</u>			
Small Business Development Center	59.037	San Juan College	<u>157,952</u>
<u>U.S. Department of Education:</u>			
Direct			
TRIO Student Support Services	84.042A	P042A100361	221,720
TRIO Talent Search	84.044A	P044A070230	266,177
		Subtotal	<u>487,897</u>
Launch	84.031X	P031X100005	405,698
Native Amer Serving Nontribal Inst	84.382	P382C080010	129,709
Fast Forward	84.0131X		175,753
		Subtotal	<u>1,199,057</u>
<u>U.S. Department of Education:</u>			
Pass-through NM Public Education Department			
Perkins -RT 10/11	84.048	65 9828	89,969
Perkins - Proj Director 10/11	84.048	65 9828	111,386
Perkins-RT 10/11	84.048	65 9828	94,410
Perkins-MLT 10/11	84.048	65 9828	5,449
Perkins-Nursing 10/11	84.048	65 9828	29,669
		Subtotal	<u>330,883</u>
Pass-through NM Higher Education Department			
Adult Basic Education	84.002	San Juan College	<u>\$ 146,345</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -- CONTINUED

Federal Grantor/Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Federal Student Financial Aid:</u>			
Direct			
Federal Pell Grant	84.063	P063P061828	\$ 13,112,152
Supplemental Education Opportunity Grant	84.007	P007A066227	87,686
Federal Work-Study Program (CWS)	84.033	P033A066227	127,474
Direct Lending Student Loans	84.268	San Juan College	6,362,399
Federal ACG	84.375	P337A081828	3,000
		Subtotal	<u>19,692,711</u>
<u>U.S. Department of Education</u>			
Child Care Access	84.335A	P335A090177-10	<u>49,484</u>
<u>National Writing Project Corporation:</u>			
Bisti Writing Project	84.928A	05-NM06	<u>38,395</u>
<u>U.S. Department Health and Human Services:</u>			
Pass-through NM Children Youth and Families Department			
Training & Technical Assistance	93.596	08-690-5417-1	201,755
Childrens Behavioral Health	93.556	San Juan College	60,265
		Subtotal	<u>262,020</u>
<u>U.S. Department of Energy:</u>			
Pass-through NM Energy, Minerals and Natural Resources Department			
EMNRD	81.041.001	10-521	<u>13,608</u>
<u>U.S. Department of Housing and Urban Development:</u>			
Farmington Daycare Assistance	14.228	11-64024	18,150
Community Development Block	14.228	10-82933	4,516
		Subtotal	<u>22,666</u>
		Grand Total	<u><u>\$ 22,172,211</u></u>

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



THIS PAGE LEFT INTENTIONALLY BLANK



NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Scope of audit pursuant to OMB Circular A-133

All federal grant operations of San Juan College (the "College") are included in the scope of the Office of Management and Budget ("OMB") Circular A-133 audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement (Revised May, 2012), the "Compliance Supplement". Compliance testing of all requirements was performed for all the grant programs noted below. These programs represent all federal award programs and other grants with fiscal 2012 cash expenditures to ensure coverage of at least 25% (low-risk auditee) of federally granted funds. Actual coverage is approximately eighty-nine percent (89%) of total cash federal award program expenditures.

Major Federal Award Program Description	Fiscal 2012 Expenditures
Cash assistance:	
Federal Student Financial Aid Cluster	<u>\$ 19,692,711</u>

The College's federal program Student Financial Aid Cluster was considered high-risk type A programs for the 2012 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, 2012. 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 2012.

THIS PAGE LEFT INTENTIONALLY BLANK



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



THIS PAGE LEFT INTENTIONALLY BLANK



KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

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

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

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

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of San Juan College, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 25, 2012. 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, 2012, and have issued our report there on dated October 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of San Juan College is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 San Juan College's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2012-1)

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Juan College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2012-1.

We also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding 2012-1.


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

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

Keystone Accounting, LLC

October 25, 2012

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



THIS PAGE LEFT INTENTIONALLY BLANK



KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

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

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

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

Compliance

We have audited San Juan College's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of San Juan College's major federal programs for the year ended June 30, 2012. 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, 2012.

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.

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be 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 25, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS



THIS PAGE LEFT INTENTIONALLY BLANK



SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

A. PRIOR YEAR AUDIT FINDINGS

No prior year audit findings to report.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of San Juan College.
2. There was one significant deficiency disclosed during the audit of the financial statements in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. We considered the significant deficiency to be a material weakness.
3. One instance of noncompliance material to the financial statements of San Juan College was 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 program treated as major program was: Federal Student Financial Aid Cluster CFDA #84.063, CFDA# 84.268, CFDA# 84.375, CFDA# 84.007, and CFDA #84.033.
8. The threshold for distinguishing between Types A and B programs was \$665,166.
9. San Juan College was determined to be a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

B. FINDINGS—FINANCIAL STATEMENTS AUDIT

2012 – 1 NO BACKGROUND CHECK ON FILE FOR EMPLOYEES

	<u>Significant Deficiency?</u>	<u>Material Weakness?</u>	
	No	Yes	
<u>Internal Control?</u>		<u>Compliance?</u>	<u>Other Matter?</u>
Yes		Yes	Yes

Condition: Twelve out of thirty payroll items tested were missing background checks.

Criteria: In accordance with federal and state law all employees who have access to children are required to have a background check completed and approved.

Effect of condition: The College is out of compliance with requirements for 1978 NMSA 22-10A-5.

Cause: The College allowed the employees to work without having a background check on file.

Recommendation: The College should be diligent in making sure a background check is maintained for all employee files under the requirements of 1978 NMSA 22-10A-5.

Management's Response: The Human Resource Department went through some personnel changes that had the effect of some back ground checks being overlooked. Management has reviewed the situation and has recommitted the HR Department to ensure that all appropriate background checks be completed and renewed timely. Procedures will be put in place, with corresponding cross training, so that all background checks will be requested and tracked properly. The process to request background checks on those found to be deficient has already begun.

C. AUDIT FINDINGS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

No audit findings to report.

REQUIRED DISCLOSURE

REQUIRED DISCLOSURE

The financial statements were prepared by the College.

An exit conference was held October 25, 2012, during which the audit was discussed. The exit conference was attended by the following individuals:

San Juan College

R. Shane Chance, Chairman

Joseph Pope, Vice Chair

Toni H. Pendergrass, President

Dave Eppich, Vice President for Student Services

Lisa Wilson, Interim Vice President for Learning

Russell M. Litke, Vice President for Administrative Services

Gary Goold, Interim Controller

Scott Berkley, Controller

Karen King, Assistant Controller

San Juan College Foundation

Gayle Dean, Executive Director

Beverly Taylor, President

KEYSTONE ACCOUNTING, LLC

Phil Rasband, CPA

Rachel Compton, Staff Accountant