Annual Financial Report

2012-2013

san juan college

San Juan College
State of New Mexico
Annual Financial Report

Year ended June 30, 2013

THIS PAGE LEFT INTENTIONALLY BLANK

INTRODUCTORY SECTION

THIS PAGE LEFT INTENTIONALLY BLANK

TABLE OF CONTENTS

Introductory Section:

Basic Financial Statements:

Required Supplementary Information:

Supporting Schedules:

Single Audit Section:

Required Disclosures:

OFFICIAL ROSTER

BOARD OF TRUSTEES

EXECUTIVE OFFICERS

Dr. Toni H. Pendergrass	President
David P. Eppich	Vice President for Student Services
Dr. Barbara Ake	Vice President for Learning
Russell M. Litke	Vice President for Administrative Services

BUSINESS OFFICE STAFF

Karen King	Controller
Steve Miller	Assistant Controller

INDEPENDENT AUDITORS' REPORT

THIS PAGE LEFT INTENTIONALLY BLANK

Accounting & Consulting Group, LLP
Certified Public Accountants

Independent Auditors' Report

Hector Balderas
New Mexico State Auditor
The U.S. Office of Management and Budget and
The Board of Trustees
San Juan College
Farmington, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the other postemployment benefits (OPEB) trust of San Juan College (the College) as of and for the year ended June 30, 2013 and the related notes to the financial statements which collectively comprise the basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons presented as supplementary information, as defined by the Government Accounting Standards Board as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, the aggregate discretely presented component units, and the other postemployment benefits (OPEB) trust of the College, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

2700 San Pedro NE Albuquerque NM 87110 | T: 505.883.2727 F: 505.884.6719 | www.acgnm.com

In addition, the budgetary comparisons of the College referred to above present fairly, in all material respects, the respective budgetary basis of accounting as described in the New Mexico Administrative Code, as more fully described in note 2 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages vii-xvi 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 on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the College's financial statements and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 4, 2013

2700 San Pedro NE Albuquerque NM 87110 T: 505.883.2727 F: 505.884.6719 www.acgnm.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS PAGE LEFT INTENTIONALLY BLANK

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 Position; the Statement of Revenues, Expenses, and Changes in Fund Net Position; 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 2013 and 2012 fiscal years.

Statement of Net Position

A condensed version of the College's June 30, 2013 Statement of Net Position is presented below. The Statement of Net Position 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 Position. This is the most notable departure from traditional balance sheet presentations that typically regard such interests as equity, capital, or fund balance. Net Position is grouped as "Invested in Capital" (e.g. furniture, fixtures, and equipment), "Restricted", or "Unrestricted".

The June 30, 2013 Statement of Net Position for San Juan College reports a decrease of 4.3% in total assets—from $102.40 million to $98.01 million. *Current assets* (e.g., cash, investments, amounts due from students, amounts due from other governments, inventories) decreased by $1.2 million (or 5.2%) during the reporting period. *Capital assets* (e.g. tangible, long-lived assets such as land, buildings, and equipment) declined by 6.1% or $4.7 million. The 2012-2013 depreciation expense totaled $5.37 million. The majority of this expense is attributable to the calculated depreciation of buildings, equipment, and furnishings.

CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2013 AND 2012

	6/30/2013	6/30/2012
ASSETS:		
Current Assets	$ 22,247,248	$ 23,459,584
Capital Assets	73,605,917	78,375,315
Other Noncurrent Assets	2,153,705	562,474
Total Assets	98,006,870	102,397,373
LIABILITIES:		
Post Employment Benefits	5,654,073	5,994,812
Other Current Liabilities	6,757,248	7,725,138
Other Noncurrent Liabilities	15,040,817	16,078,811
Total Liabilities	27,452,138	29,798,761
NET POSITION:		
Invested in Capital Assets, Net of Related Debt	58,689,903	61,406,826
Restricted	2,037,031	2,850,884
Unrestricted	9,827,798	8,340,901
Total Net Position	70,554,732	72,598,611
Total Liabilities and Net Position	$ 98,006,870	$ 102,397,372

The Liabilities subsection of the Condensed Statement of Net Position reflects three broad categories of liabilities: Post-Employment Benefits, Current Liabilities and Noncurrent Liabilities.

Post-Employment Benefits. 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 Position 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, 2013, was $5.65 million.

Other Current Liabilities. The College's other current liabilities—that is current liabilities *other* than post-employment benefits—amounted to $6.76 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 pay current liabilities is the *current ratio*. The ratio gauges the amount of *current* or relatively liquid

$22.24 million and current liabilities of $7.1 million (i.e. the current portion of the institution's postemployment benefits liability, $340,739 plus other current liabilities of $6,757,248), the College's current ratio measured 3.13. That is for every $1 of current liabilities, the institution had $3.13 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 Position 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, 2013. Other noncurrent liabilities decreased from $16.08 million on June 30, 2012 to $15.04 million as of June 30, 2013. The reduction resulted from principal payments of long-term indebtedness.

Total net assets decreased from $72.60 million at the end of fiscal 2012 to $70.55 million at the end of fiscal 2013. The matrix below details the elemental components of this change in net assets.

Description	Capital	Restricted	Unrestricted	Total
Unrestricted Operations	$ -	$ -	$ 1,929,877	$ 1,929,877
Restricted Operations	-	(1,559)	-	(1,559)
Auxiliary Operations	-	-	109,812	109,812
Endowment Earnings	-	-	-	-
Property, Plant and Equipment	(2,743,949)	-	-	(2,743,949)
Plant Operations	-	(818,015)	(746,841)	(1,564,856)
GASB Mandates	-	-	226,796	226,796
Total	$ (2,743,949)	$ (819,574)	$ 1,519,644	$ (2,043,879)

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 2013 was $5.37 million.

Restricted Net Assets. This net asset category includes College resources that are subject to restrictions or stipulations by the funding source. Restricted net assets decreased by $819,574. 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 decrease reported in this net asset category resulted from the difference of debt service proceeds received by county taxpayers during fiscal 2013, and debt service obligations due and payable during fiscal 2013.

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 2013 yielded an increase in net assets of $1,519,644. Auxiliary operations—specifically the College Bookstore—resulted in an increase in net assets of $109,812. Plant operations of the College (primarily state appropriations earmarked for renewal and replacement of buildings and equipment) reported a decrease of $746,841. 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 06/30/2013. 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 $226,796.

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

The Statement of Revenues, Expenses, and Changes in Fund Net Position share 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 Position 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 Position 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 *non-operating*. Local and state appropriations are regarded as non-operating 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 Position reports an *operating* loss of $42.32 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 Position. This total includes both local and state appropriations. As previously detailed, for the fiscal year that ended June 30, 2013, San Juan College reported a decrease in net assets of $2.04 million.

Taken together, operating, non-operating, and other revenues for San Juan College for the year ended June 30, 2013, was fairly stable.

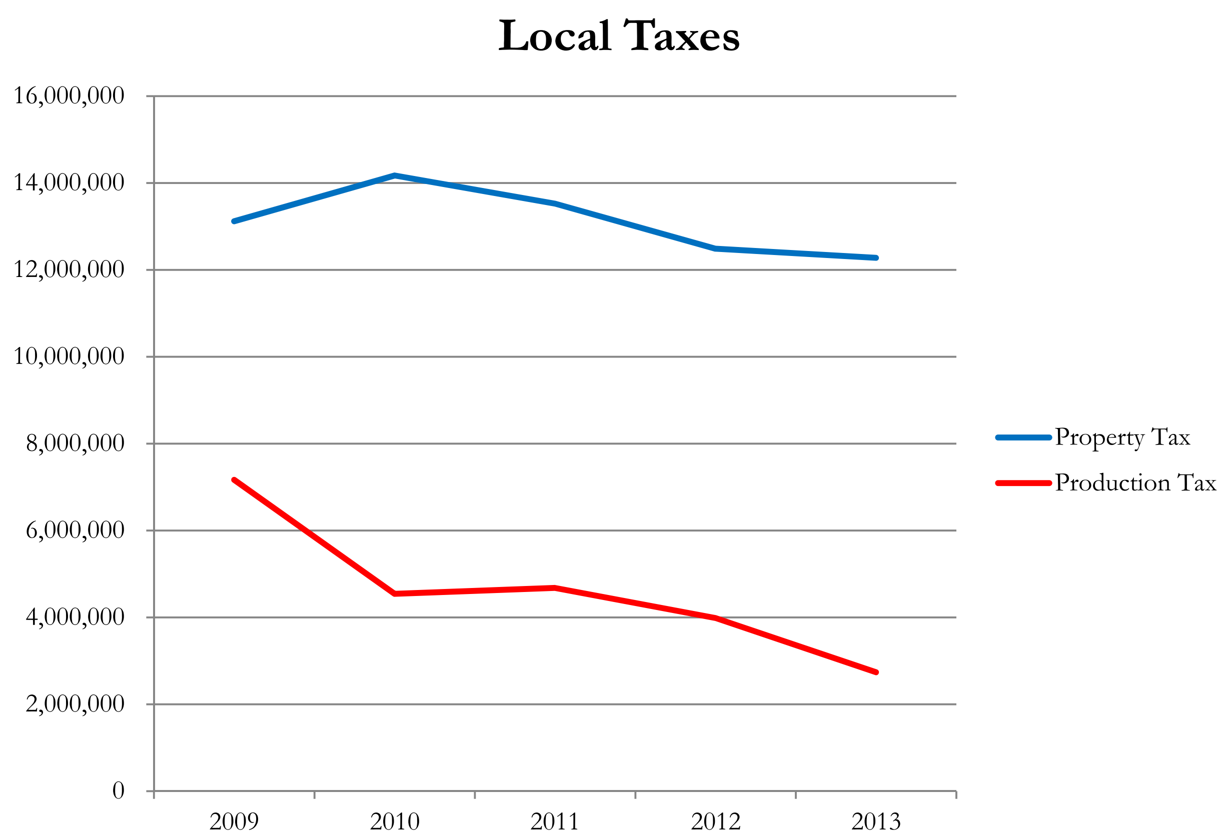
Revenues	FY13	FY12	% Change
Operating	$31,831,997	$30,988,900	2.7%
Nonoperating & Other	41,019,788	41,834,355	-1.9%
Total Revenues	$72,851,785	$72,823,255	0.0%

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
REVENUES:		
Operating Revenues:		
Student Tuition and Fees	$ 10,868,106	$ 10,231,371
Less: Scholarship Allowances	(4,527,681)	(4,442,608)
Federal Grants and Contracts	15,591,409	15,608,951
State Grants and Contracts	2,122,087	2,159,078
Non Governmental Grants and Contracts	1,701,677	1,782,847
Sales and Services	948,608	744,352
Auxiliary Enterprises	4,731,455	4,507,760
Other Operating revenues	396,336	397,140
Total Operating Revenues	31,831,996	30,988,891
EXPENSES:		
Operating Expenses:		
Education and General		
Instruction	28,943,307	27,559,518
Public Service	1,804,537	2,348,456
Academic Support	3,673,814	3,687,037
Student Services	6,856,693	6,648,391
Institutional Support	6,052,703	5,957,289
Operations and Maintenance of Plant	6,160,411	6,466,307
Depreciation Expense	5,371,847	5,473,450
Student Aid	10,723,075	10,683,909
Auxiliary Enterprises	4,433,978	4,308,451
Other Operating Expenses	136,266	157,127
Total Operating Expenses	74,156,631	73,289,935
Operating Loss	(42,324,634)	(42,301,044)
NON-OPERATING REVENUES (EXPENSES):		
State Appropriations	23,200,388	21,828,449
Local Appropriations	16,588,391	16,310,978
Investment Income (Loss)	73,253	69,854
Interest on Capital Asset-related Debt	(732,580)	(784,642)
Gain (Loss) on Disposal of Capital Assets	(6,454)	(2,194)
Other Non-Operating Revenues	343,340	369,982
Other Non-Operating Expenditures	642,639	(55,194)
Total Non-Operating Revenues (Expenses)	40,108,978	37,737,233
Income (Loss) before Other Revenue (Expenses)	(2,215,657)	(4,563,811)
Capital Appropriations	13,840	3,097,155
Capital Contributions	157,937	157,937
Increase/(Decrease) in Fund Net Position	(2,043,880)	(1,308,720)
FUND NET ASSETS, beginning of year	72,598,612	73,907,330
FUND NET ASSETS, end of year	$ 70,554,732	$ 72,598,611

The College's *operating* revenue increased by 2.7%--from $30.99 million in fiscal 2012 to $31.83 million in fiscal 2013.

The trend line in the following graph reflects recent history for local property and production taxes. Property taxes and production taxes both decreased in FYE 2013. The cumulative effect of both sources was an 8.86% decrease in local appropriations—from $16.47 million to $15.01 million.



The majority of State Appropriations received by the institution is driven by the College's enrollment with a change in the funding formula moving towards being performance based. State Appropriations for San Juan College increased slightly in fiscal year 2013 to $23.2 million, an increase of 6.3%.

The uncertainty of appropriations from local taxes and the State of New Mexico is projected to continue beyond the 2012-13 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 $4.7 million during the 2012-13 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 2013 was the recognition of depreciation expense.

Capital Assets, 06/30/2012	$78,375,315
Additions	
Construction-in-Progress (net)	40,567
Land & leasehold improvements	0
Infrastructure	19,573
Buildings	136,826
Equipment, furnishings, and software	317,510
Library books	94,426
Retirements (net of accumulated depreciation)	(6,454)
Depreciation	(5,371,846)
Capital Assets, 06/30/2013	$73,605,917

Currently Known Facts, Decisions, or Conditions

The New Mexico Department of Higher Education is developing 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 2013, San Juan College received assessed valuation totals from the San Juan County Assessor's Office. Total assessed valuations decreased by approximately 10.1% to $3.65 billion. As a result of this, the College anticipates its local taxes budget for unrestricted operations to decrease for fiscal year 2013-2014.

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. The Board of Trustees approved a return for Tax Year 2013 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.

Four Corners Innovations, 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. During this past fiscal year, the name of this entity was changed to Four Corners Innovations, Inc. Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code has been filed with the IRS. Four Corners Innovations, 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 POSITION
EXHIBIT A

	Primary Institution	Component Units
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$ 12,322,506	$ 633,263
Investments	4,750,000	17,455,722
Accounts Receivable, net	887,690	626,854
Due from Other Governments	2,544,153	-
Other Receivables, net	184,978	-
Inventories	1,391,826	-
Other Assets	166,095	5,322
Total Current Assets	22,247,248	18,721,161
Non-Current Assets:		
Restricted Cash and Cash Equivalents	2,153,705	261,107
Promises to Give	-	1,127,437
Beneficial Interest in Remainder Trusts	-	254,526
Capital Assets, not being depreciated	2,051,208	-
Capital Assets, net of accumulated depreciation	71,554,709	3,078,587
Land Held for Investment	-	5,000
Total Non-Current Assets	75,759,622	4,726,657
Total Assets	$ 98,006,870	$ 23,447,818
LIABITILITES:		
Current Liabilities:		
Accounts Payable	1,531,335	1,222
Accrued Compensated Absences	133,427	-
Other Post-Employment Benefits	340,739	-
Other Accrued Liabilities	2,053,072	-
Unearned Revenue	1,649,947	-
Bonds and Note Payable -- Current	1,186,505	-
Deposits and Funds Held for Others	202,962	-
Due to San Juan College	-	220,631
Total Current Liabilities	7,097,987	221,853
Non-Current Liabilities		
Accrued Compensated Absences	1,311,308	-
Other Post-Employment Benefits	5,313,334	-
Bonds and Note Payable -- Non-Current	13,729,509	-
Deposits Held in Trust	-	4,261,500
Total Non-Current Liabilities	20,354,151	4,261,500
Total Liabilities	27,452,138	4,483,353
NET POSITION:		
Net Investment in Capital Assets	58,689,903	3,078,587
Restricted Non-Expendable	360,000	12,161,532
Restricted Expendable	1,677,031	2,431,970
Unrestricted	9,827,798	1,292,376
Total Net Position	70,554,732	18,964,465
Total Liabilities and Net Position	$ 98,006,870	$ 23,447,818

The accompanying notes are an integral part of these financial statements

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
EXHIBIT B

	Primary Institution	Component Units
REVENUES:		
Operating Revenues:		
Student Tuition and Fees	$ 10,868,107	$ -
Less: Scholarship Allowances	(4,527,681)	-
Federal Grants and Contracts	15,591,409	-
State Grants and Contracts	2,122,087	-
Non Governmental Grants and Contracts	1,701,677	4,202,563
Sales and Services	948,608	-
Auxiliary Enterprises	4,731,455	-
Other Operating Revenues	396,336	-
Total Operating Revenues	31,831,998	4,202,563
EXPENSES:		
Operating Expenses:		
Education and General		
Instruction	28,943,307	-
Public Service	1,804,537	-
Academic Support	3,673,814	-
Student Services	6,856,693	-
Institutional Support	6,052,703	-
Operations and Maintenance of Plant	6,160,411	-
Depreciation Expense	5,371,847	141,470
Student Aid	10,723,075	-
Auxiliary Enterprises	4,433,978	-
Other Operating Expenses	136,266	1,657,978
Total Operating Expenses	74,156,631	1,799,448
Operating Income/(Loss)	(42,324,633)	2,403,115
NON-OPERATING REVENUES (EXPENSES)		
State Appropriations	23,200,388	-
Local Appropriations	16,588,391	-
Investment Income (Loss)	73,253	-
Interest on Capital Asset-related Debt	(732,580)	-
Gain (Loss) on Disposal of Capital Assets	(6,454)	-
Other Non-Operating Revenues/Expenditures	985,979	1,490,085
Total Non-Operating Revenues (Expenses)	40,108,977	1,490,085
Income (Loss) before Other Revenue (Expenses)	(2,215,656)	3,893,200
Capital Appropriations	13,840	-
Capital Contributions	157,937	-
Increase/(Decrease) in Fund Net Position	(2,043,879)	3,893,200
NET POSITION, beginning of year	72,598,611	15,071,265
NET POSITION, end of year	$ 70,554,732	$ 18,964,465

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS
EXHIBIT C

	Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$ 6,456,188
Grants and Contracts	19,739,022
Sales and Services	948,608
Auxiliary Sales and Services	4,731,455
Payments to Suppliers	(19,578,102)
Payments to Employees	(28,874,379)
Payments for Benefits	(9,278,617)
Payments for Utilities	(1,243,371)
Payments for Scholarships	(10,398,539)
Other Receipts (Payments)	232,766
Net Cash (Used) by Operating Activities	(37,264,969)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	23,200,388
Local Appropriations	16,588,391
Other Non-Operating Revenue	1,143,916
Net Cash Provided by Non-Capital Financing Activities	40,932,695
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Interest Payment on Bonds and Notes	(732,580)
Capital Appropriations	13,840
Principal Payments on Bonds and Note	(2,061,658)
Total Bond Premium/Loss	9,183
Purchase of Capital Assets	(608,903)
Net Cash Provided (used) by Capital Financing Activities	(3,380,118)
CASH FLOWS FROM INVESTING ACTIVITIES	
Transfer to Cash from Investments	1,110,000
Investment Income	73,253
Net Cash Provided (used) by Investing Activities	1,183,253
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,470,861
Cash and Cash Equivalents, beginning of year	13,005,350
Cash and Cash Equivalents, end of year	$ 14,476,211
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Loss	$ (42,324,634)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	5,371,847
Changes in Assets and Liabilities:	
Accounts Receivable-Students	(281,355)
Due from Other Governments and Other Receivables	400,394
Inventories	(667,172)
Other Assets	530,099
Accounts Payable	(330,576)
Other Liabilities, current	(476,404)
Unearned Revenue	512,832
Net Cash Provided (used) by Operating Activities	$ (37,264,969)

STATEMENT OF FIDUCIARY NET POSITION
EXHIBIT D

Statement of Fiduciary Net Position		
ASSETS:		
Money Market Account, at Fair Value	$	505,994
Accounts Receivable-Employee		34,687
Investments, at Fair Value		1,784,264
Other Assets		1,193
Total Assets		2,326,137
NET POSITION:		
Net Position		2,326,137
Total Net Position	$	2,326,137

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

THIS PAGE LEFT INTENTIONALLY BLANK

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 levy, production tax 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 who is responsible for the management and day-to-day control of the institution including the hiring of executives, 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 affirms the core values of innovation, collaboration, accountability, respect and excellence.

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.

During the year ended June 30, 2013, the College adopted Governmental Accounting Standards Board (GASB) Statement No. 61. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34 modifies certain requirements for inclusion of component units in the financial reporting entity. In evaluating how to define the College for financial reporting purposes, management has considered all potential programs and operations of the College. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing board by the College, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits the College and/or its students and participants, or whether the activity is conducted within the geographic boundaries of the College and is generally available to its students and participants.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the College is able to exercise oversight responsibilities.

The criteria provided in Governmental Accounting Standards Board Statements No. 14, No. 39 and No. 61 have been considered in the determination of 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 Four Corners Innovations, Inc. were selected as component units of the College.

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, San Juan College Foundation and Four Corners Innovations, Inc. This financial report 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 position; revenues, expenses and changes in net position; and cash flows.

During the year ended June 30, 2013, the Foundation distributed $1,197,579 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 Units.

Statement of Net Position.

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

Cash and Cash Equivalents.

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

During fiscal years 2008 and 2009 the College received endowment fund appropriations from the State of New Mexico totaling $360,000 as a match against existing endowment funds held by the College's Foundation. The endowments funds are invested in certificates of deposit at a financial institution with maturities of less than two years. As promulgated in HB 07-983, the income from the investments shall be used as scholarships for full-time students with a minimum GPA of 2.5. The College realized $3,369 in revenue from the endowment investments and expended $0 for student scholarships. The endowment fund is a component of Restricted Cash and Cash Equivalents on the Statement of Net Position.

Investments.

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

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 and leasehold improvements, five years for library books, and 3 to 15 years for equipment, furnishings and software..

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.

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 Position.

The College's net position is classified as follows:

Net investment in capital assets 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 net investment in capital assets.

Restricted net position represents those resources upon which external restrictions have been imposed that limit the purposes for which such resources can be used. Restricted *expendable* net position is resources that the College is legally or contractually obligated to spend in accordance with imposed restrictions by third parties. Restricted *non-expendable* net position consists 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 position 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 Statement of Net Position 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, most federal, state, and local grants and contracts, sales and services of auxiliary enterprises. Operating expenses include salaries, employee benefits, supplies, materials, services, utilities, travel and depreciation.

Non-operating: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as state appropriations, local appropriations (e.g., property, equipment 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 Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on 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). Four Corners Innovations, 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 and exemption under Section 501(c)(3) of the Internal Revenue Code was 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 accounting principles generally accepted in the United States of America 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. Significant estimates for the College are accumulated depreciation, allowance for doubtful accounts, and other postemployment benefits liabilities (OPEB).

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 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 dependents. These benefits are considered Other Post-Employment Benefits (OPEB) under statements No. 43 and 45 of the Governmental Accounting Standards Board (GASB).

Other Significant Accounting Policies.

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

Note 3 – Cash, Cash Equivalents, and Investments

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

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 by each bank's trust department, not in the name of the College. The majority of the total deposits were invested in interest bearing accounts at June 30, 2013.

Collateralization of Deposits.

At June 30, 2013, the recorded value of the College's cash with financial institutions was $19,226,211. Petty cash funds at June 30, 2013 totaled $15,516. The balances per bank statements and overnight investment accounts totaled $20,354,407 at June 30, 2013. Of the bank balance, $5,500,000 was covered by federal depository insurance; $13,453,616 was covered by collateral held by the bank's trust department, not in the College's name.

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation states the types of collateral allowed is limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. All depositories had collateral exceeding the amount required by law.

Investments.

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

Current Assets:	
Investments	$ 4,750,000
Non-Current Assets:	
Restricted Investments	-
Total Investments	$ 4,750,000

A summary of the Foundation's investments at June 30, 2013 is as follows:

	Market
Investments held by investment managers:	
Certificates of Deposit	$ 24,000
Money Market	838,344
Equities	7,118,968
Mutual Funds Equity	3,593,650
Fixed Income - Government and Corporate	4,481,138
Alternative Investment	185,800
Mutual Funds - Fixed Income	1,213,822
Total Foundation pooled investments	$ 17,455,722

Interest Rate Risk.

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, and that the 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:

Investment Type	Fair Value	Not Subject to Interest Rate Risk	Less than 1 Year	1-5 Years	5+ years
Certificates of Deposit	$ 24,000	$ 24,000	$ -	$ -	$ -
Money Market	838,344	838,344	-	-	-
Equities	7,118,968	7,118,968	-	-	-
Mutual Funds Equity	3,593,650	3,593,650	-	-	-
Fixed Income - Government and Co	4,481,138	105,634	439,880	2,516,457	1,419,167
Alternative Investment	185,800	185,800	-	-	-
Mutual Funds - Fixed Income	1,213,822	1,213,822	-	-	-
Total Investments	$ 17,455,722	$ 13,080,218	$ 439,880	$ 2,516,457	$ 1,419,167

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, 2013, the College's bank balance was not subject to custodial credit risk other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63 NMSA 1978).

The Foundation maintains deposits in two financial institutions in Farmington, New Mexico. By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the FDIC. Beginning January 1, 2013, all of the College's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of $250,000. As of June 30, 2013, the Foundation's uninsured cash deposits total was approximately $180,432.

Custodial Credit Risk – Investments.

As of June 30, 2013, 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 $17,431,723 were exposed to custodial credit risk.

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

Accounts Receivable and other receivables are shown net of allowances for doubtful accounts in the accompanying Statement of Net Position. At June 30, 2013 receivables consisted of the following:

College accounts receivable, Net:	
Accounts Receivable	$ 2,073,514
Less: Allowance for Doubtful Accounts	1,185,824
Accounts receivable, Net	$ 887,690

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, 2013 government receivables consisted of the following:

Billed Property Taxes	$	602,883
Due from Other Governments		1,941,270
Total Due from Other Governments	$	2,544,153

Other Receivables.

At June 30, 2013 other receivables consisted of the following:

Due from Others	$	180,357
Accrued Interest Receivable		4,621
Total Other Receivables	$	184,978

Pledges Receivables.

San Juan College Foundation pledges receivable are shown net of discounts on pledges receivable in the accompanying Statement of Net Position. At June 30, 2013 pledges receivable consisted of the following:

Foundation Pledges Receivable Net		
Pledges Receivable	$	1,825,000
Discount on Pledges Receivable		93,101
Pledges Receivable, Net	$	1,731,899

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	$	517,140
Less discounts to net present value		262,614
Net beneficial interest in remainder trusts	$	254,526

Note 5 – Capital Assets
At June 30, 2013 capital assets held were as follows:

	Balance 6/30/2012	Additions	Transfers/ Retirements	Balance 6/30/2013
College capital assets not being depreciated:				
Land	$ 2,010,641	$ -	$ -	$ 2,010,641
Construction in progress	-	40,567	-	40,567
Total nondepreciable capital assets	2,010,641	40,567	-	2,051,208
College depreciable capital assets:				
Land & leasehold improvements	8,493,953	-	-	8,493,953
Infrastructure	14,733,100	19,573	-	14,752,673
Buildings	115,660,005	136,826	-	115,796,831
Equipment, furnishings, and software	20,761,346	317,510	355,218	20,723,638
Library books	1,636,933	94,426	181,359	1,550,000
Total depreciable capital assets	161,285,337	568,335	536,577	161,317,095
Less: Accumulated depreciation				
Land & leasehold improvements	4,781,182	270,589	-	5,051,771
Infrastructure	8,320,110	489,384	-	8,809,494
Buildings	53,430,258	3,446,212	-	56,876,470
Equipment, furnishings, and software	17,070,781	1,025,872	348,764	17,747,889
Library books	1,318,332	139,789	181,359	1,276,762
Total accumulated depreciation	84,920,663	5,371,846	530,123	89,762,386
Depreciable capital assets, net	76,364,674	(4,803,511)	6,454	71,554,709
Capital assets, net	$ 78,375,315	$ (4,762,944)	$ 6,454	$ 73,605,917
Foundation capital assets not being depreciated:				
Land	1,130,945	-	-	1,130,945
Foundation depreciable capital assets:				
Buildings	3,786,752	-	-	3,786,752
Less: Accumulated depreciation				
Buildings	1,697,640	141,470	-	1,839,110
Depreciable capital assets, net	2,089,112	(141,470)	-	1,947,642
Foundation Capital Assets, net	$ 3,220,057	$ (141,470)	$ -	$ 3,078,587

Note 6 – Special or Specific State Appropriations

The Office of the State Auditor requires 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. The College expended no special or severance bond tax appropriations in Fiscal Year 2013.

Note 7 – Other Accrued Liabilities

At June 30, 2013 other accrued liabilities consisted of the following:

Payroll and Benefits	$1,801,902
Gross Receipts Tax	2,526
Bond Interest Payable	248,644
Total	$2,053,072

Note 8 – Long Term Liabilities

Bonds and Notes Payable.

The following is a summary of bonds and note payable transactions for the year ended June 30, 2013.

Bonds Payable	Balance 6/30/2012	New Issues	Retirements	Balance 6/30/2013	Due Within One Year
2003 Bonds	$ 262,206	$ -	$ 262,206	$ -	$ -
2004 Bonds	4,250,000	-	475,000	3,775,000	650,000
2005 Bonds	10,025,000	-	25,000	10,000,000	25,000
2006 Bonds	1,590,000	-	1,200,000	390,000	390,000
2008 Note	731,473	-	117,834	613,639	121,505
Total	$ 16,858,679	$ -	$ 2,080,040	$ 14,778,639	$ 1,186,505

NOTES TO FINANCIAL STATEMENTS

Bonds and Note Payable	Interest Rates	Amount
2003 Bonds; original amount $2,222,223; maturing 6/01/13	2.81%	$ -
2004 Bonds; original amount $7,500,000; maturing 8/15/16	2.15 - 3.875%	3,775,000
2005 Bonds; original amount $10,700,000; maturing 8/15/21	3.5 - 5%	10,000,000
2006 Bonds; original amount $5,020,000; maturing 8/15/13	3.5 - 3.7%	390,000
2008 Note; original amount $1,070,000; maturing 1/1/18	6%	613,639
		14,778,639
Less deferred amounts:		
Bond premiums		311,270
On refunding		(173,895)
Less current portion of bonds payable:		(1,186,505)
Long-term bonds payable		$ 13,729,509

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, 2013 are as follows:

Due in Year Ending June 30	Amount	Interest	Payments
2014	$1,186,505	$674,571	$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	2,203,151	438,293	2,641,444
2019-2022	7,675,000	628,125	8,303,125
Total	$14,778,639	$3,489,464	$18,268,103

Compensated Absences.

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

Balance 6/30/2012	Additions	Deductions	Balance 6/30/2013	Current Amount
$ 1,329,021	$ 236,477	$ 120,763	$ 1,444,735	$ 133,427

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 coverage's have not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2013, 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, 2013 were $15,325,881.

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,	
2014	$ 187,612
2015	1,000
Total Lease Obligations	$ 188,612

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 – Educational Retirement Board

Plan Description.

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

Member Contributions

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

Employer Contributions

In fiscal year 2013, the San Juan College was required to contribute 12.4% of the gross covered salary for employees whose annual salary is $20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than $20,000.

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

The contribution requirements of plan members and San Juan College are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. San Juan College's contributions to ERB for the fiscal years ending June 30, 2013, 2012, and 2011, were $3,069,462, $2,624,628, and $2,930,080, 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 of service and is less than age 60.

Eligibility for Retirement Benefits: Employees hired prior to July 1, 2010, become eligible to receive retirement benefits when 1) the sum of the employee's age and number of years of earned service credit equals 75; 2) if, at age 65, employee has a minimum of five years of earned service credit; or 3) employee has 25 years of earned service credit or a combination of 25 years of earned and allowed service credit.

Requirements for benefited retirement changed for employees hired after July 1, 2010, to 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. 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:

:

Beginning	Withholding Rate
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 No. 43 and No. 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 7/01/2012		$ 5,994,812
Contributions:		
Employees	$ (89,649)	
Retirees	(275,788)	
San Juan College	(1,100,000)	(1,465,437)
Interest on net OPEB obligation		260,176
Annual OPEB cost		1,124,698
Adjustment to annual required contribution		(260,176)
Net OPEB obligation end of year 6/30/13		$ 5,654,073

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)	$ 1,124,698
Percentage of Annual OPEB cost contributed	19.89%
Net OPEB obligation as of 06/30/2013	$ 5,654,073

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, 2012 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	07/01/2012
2.	Investment Return (Discount Rate)	4.00%
3.	Amortization Method	Level Dollar Amount, Open
	Amortization Period for Actuarial	30 years
	Accrued Liability	0
	Amortization Factor	17.984
4.	Percentage of Employees with Covered Spouses Electing Retiree Coverage	90%
5.	Percentage of Employees without Covered Spouses Electing Retiree Coverage	70%
6.	Percentage of Current Spouses Electing Coverage	100%
7.	Mortality Table	RP-2000 with Mortality Improvement Scale BB to 2030

8. Healthcare Cost Trend Rates

Year	Medical Trend Rate	Dental Trend Rate	Vision Trend Rate
2013	8.0%	7.0%	3.0%
2014	7.2%	6.2%	3.0%
2015	6.4%	5.4%	3.0%
2016	5.7%	4.7%	3.0%
2017-2020	4.9%	3.9%	3.0%
2021-2038	4.8%	3.8%	3.0%
2039-2060	4.7%	3.7%	3.0%
2061-2065	4.6%	3.6%	3.0%
2066-2077	4.5%	3.5%	3.0%
2078-2081	4.4%	3.4%	3.0%
2082-2084	4.3%	3.3%	3.0%

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	2.3%
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	0.8%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2080

Note 12 – Impact of Recently Issued Accounting Standards

GASB Statement No. 63: The GASB issued GASB Statement No. 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. During the year ended June 30, 2013, the College adopted GASB Statement No. 63.

Note 13 – Subsequent Events

Subsequent events were evaluated through November 4, 2013 which is the date the financial statements were available to be issued.

Note 14 – Subsequent Accounting Pronouncements

In March 2012, GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities,* Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The College will implement this standard during fiscal year June 30, 2014. At this time, management is evaluating the implications of GASB No 65. and its impact on the financial statements.

In March 2012, GASB Statement No. 66 *Technical Corrections-2012-an amendment of the GASB Statements No. 10 and No. 62,* Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The College will implement this standard during fiscal year June 30, 2014. At this time, management is evaluating the implications of GASB No. 66 and its impact on the financial statements.

In June 2012, GASB Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statements No. 25,* Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The College will implement this standard during fiscal year June 30, 2014. At this time, management is evaluating the implications of GASB No. 67 and its impact on the financial statements.

NOTES TO FINANCIAL STATEMENTS

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27,* Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2016. At this time, management is evaluating the implications of GASB No. 68 and its impact on the financial statements.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. At this time, management is evaluating the implications of GASB No 69. and its impact on the financial statements.

In April 2013, GASB Statement No 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. At this time, management is evaluating the implications of GASB No. 70 and its impact on the financial statements.

THIS PAGE LEFT INTENTIONALLY BLANK

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE LEFT INTENTIONALLY BLANK

RETIREE HEALTHCARE TRUST: STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SCHEDULE 1

ADDITIONS:		
Payroll Withheld, Plan Participants	$	113,235
Retiree Contributions		307,589
San Juan College Contributions		1,100,000
Investment Income		7,203
Total Revenues		1,528,028
DEDUCTIONS:		
Insurance Premiums		764,150
Administrative Fees		8,492
Loss on Investment		5,554
Total Expenses		778,196
INCREASE (DECREASE) IN FUND NET POSITION		749,831
NET POSITION, beginning of year		1,576,306
NET POSITION, end of year	$	2,326,137

The accompanying notes are an integral part of these financial statements

COMBINING STATEMENT OF NET POSITION – DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE 2

	San Juan College Foundation	Four Corners Innovations, Inc.	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	$ 362,133	$ 271,130	$ 633,263
Investments	17,455,722	-	17,455,722
Promises to Give	604,462	22,392	626,854
Other Assets	5,322	-	5,322
Total Current Assets	18,427,639	293,522	18,721,161
Capital Assets:			
Land and Buildings, Net of Accumulated Depreciation	3,078,587	-	3,078,587
Total Property and Equipment	3,078,587	-	3,078,587
Noncurrent Assets:			
Restricted Cash	261,107	-	261,107
Promises to Give - Noncurrent,net	1,127,437	-	1,127,437
Beneficial Interest in Remainder Trusts	254,526	-	254,526
Land Held for Investment	5,000	-	5,000
Total Noncurrent Assets	1,648,070	-	1,648,070
Total Assets	$ 23,154,296	$ 293,522	$ 23,447,818
LIABILITIES:			
Current Liabilities:			
Accounts Payable	1,222	-	1,222
Due to San Juan College	220,631	-	220,631
Total Current Liabilities	221,853	-	221,853
Noncurrent Liabilities:			
Possible Dreams Deposit	261,500	-	261,500
Deposits Held in Trust	4,000,000	-	4,000,000
Total Noncurrent Liabilities	4,261,500	-	4,261,500
Total Liabilities	4,483,353	-	4,483,353
NET POSITION:			
Net Investment in Capital Assets	3,078,587	-	3,078,587
Restricted Non-Expendable	12,161,532	-	12,161,532
Restricted Expendable	2,431,970	-	2,431,970
Unrestricted	998,854	293,522	1,292,376
Total Net Position	18,670,943	293,522	18,964,465
Total Liabilities and Net Position	$ 23,154,296	$ 293,522	$ 23,447,818

The accompanying notes are an integral part of these financial statements

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE 3

	San Juan College Foundation	Four Corners Innovations, Inc.	Total
OPERATING REVENUES:			
Contributuions, Net	$ 3,813,365	$ -	$ 3,813,365
Noncash Contributions	-	349,698	349,698
Collectibles and Assets	37,954	-	37,954
Other	1,546	-	1,546
Total Operating Revenues	3,852,865	349,698	4,202,563
OPERATING EXPENSES:			
Depreciation Expense	141,470	-	141,470
Other Operating Expenses	1,529,003	128,975	1,657,978
Total Operating Expenses	1,670,473	128,975	1,799,448
Operating Income/(Losa)	2,182,392	220,723	2,403,115
NON-OPERATING REVENUE (EXPENSE):			
Investment Income	969,246	-	969,246
Net Unrealized Loss on Investments	366,825	-	366,825
Change in Value of Split-interest Agreements	313,688	-	313,688
Investment Management Fees	(159,674)	-	(159,674)
Total Non-Operating Revenue(Expense)	1,490,085	-	1,490,085
Increase in Net Position	3,672,477	220,723	3,893,200
NET POSITION, beginning of year	14,998,466	72,799	15,071,265
NET POSITION, end of year	$ 18,670,943	$ 293,522	$ 18,964,465

The accompanying notes are an integral part of these financial statements

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BUDGET AND ACTUAL – UNRESTRICTED AND RESTRICTED – ALL OPERATIONS

SCHEDULE 4

	Original Budget	Final Budget	Actual (Budgetary) Basis	Favorable (Unfavorable)
Beginning Fund Balance	$ 16,353,999	$ 9,792,209	$ 18,270,415	$ 8,478,206
Unrestricted and Restricted Revenues				
State General Fund Appropriations	23,198,700	23,198,700	23,200,388	1,688
Federal Revenue Sources	22,099,893	23,160,252	22,111,155	(1,049,097)
Tuition and Fees	11,613,719	11,734,254	10,868,106	(866,148)
Land and Permanent Fund	-	-	-	-
Endowments and Private Gifts	-	-	-	-
Other	30,590,763	30,720,223	28,162,203	(2,558,020)
Total Unrestricted and Restricted Revenues	87,503,075	88,813,429	84,341,852	(4,471,577)
Expenditures:				
Instruction	27,628,131	28,622,280	28,173,267	449,013
Academic Support	4,405,461	4,210,617	3,724,143	486,474
Student Services	6,983,517	8,354,664	6,823,686	1,530,978
Institutional Support	7,801,754	6,413,152	5,918,401	494,751
Operation and Maintenance of Plant	6,090,990	6,061,338	5,214,700	846,638
Student Social and Cultural Activities	-	-	-	-
Research	-	-	-	-
Public Service	2,518,869	2,370,195	1,791,359	578,836
Internal Services	-	-	-	-
Student Aid, Grants and Stipends	23,300,715	23,431,126	22,895,294	535,832
Auxiliary Services	4,217,893	4,615,912	4,447,893	168,019
Intercollegiate Athletics				
Independent Operations	210,477	232,477	136,266	96,211
Capital Outlay	61,740	913,537	110,071	803,466
Renewal and Replacement	1,078,923	3,477,424	1,783,386	1,694,038
Retirement of Indebtedness	-	2,889,242	2,795,982	93,260
Total Unrestricted and Restricted Expenditures	84,298,470	91,591,964	83,814,448	7,777,516
Net Transfers				
Change in Fund Balance (Budgetary Basis)	3,204,605	(2,778,535)	527,404	3,305,939
Ending Fund Balance	$ 19,558,604	$ 7,013,674	$ 18,797,819	$ 11,784,145

Reconciliation of Change in Fund Balance	
Change in Fund Balance (Budgetary Basis)	$ 527,404
Depreciation Expense	(5,371,847)
Investment in Plant-Capital Assets Purchased	608,903
Retirement of Indebtedness - Principal Payments	2,080,040
Adjustments to reconcile budgetary basis to GAAP basis:	
Decrease in Other Post Employment Benefits	340,739
Increase in Compensated Absences	(115,714)
Increase in Endowment	2,831
Net Increase in Other Accounts	(116,236)
Change in Net Position (GAAP Basis)	$ (2,043,880)

The accompanying notes are an integral part of these financial statements

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BUDGET AND ACTUAL – UNRESTRICTED - INSTRUCTIONAL AND GENERAL
SCHEDULE 5

	Original Budget	Final Budget	Actual (Budgetary) Basis	Variance with Final Budget favorable (unfavorable)
Beginning Net Position	$ 9,733,992	$ 8,998,032	$ 11,023,639	$ 2,025,607
Unrestricted Revenues:				
Tuition	8,275,513	8,337,312	7,744,761	(592,551)
Miscellaneous Fees	3,019,232	3,109,819	3,123,344	13,525
Federal Government Appropriations	-	-	-	-
State Government Appropriations	23,198,700	23,198,700	23,200,388	1,688
Local Government Appropriations	15,950,805	14,770,267	15,011,072	240,805
Federal Government Contracts/Grants	-	-	-	-
State Government Contracts/Grants	238,829	131,889	120,499	(11,390)
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Grants	1,629	27,777	35,333	7,556
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and Services	1,039,874	919,297	945,289	25,992
Other	882,970	817,832	258,755	(559,077)
Total Unrestricted Revenues	52,607,552	51,312,893	50,439,441	(873,452)
Unrestricted Expenses:				
Instruction	26,391,530	26,425,257	26,579,854	(154,597)
Academic Support	4,381,461	4,169,292	3,681,846	487,446
Student Services	4,926,328	5,164,637	4,672,215	492,422
Institutional Support	6,621,216	6,413,152	5,916,445	496,707
Operation and Maintenance of Plant	6,090,990	6,061,338	5,213,582	847,756
Total Unrestricted Expenses	48,411,525	48,233,676	46,063,942	2,169,734
Net Transfers	(2,945,489)	(3,139,047)	(3,119,247)	19,800
Change in Net Position (Budgetary Basis)	1,250,538	(59,830)	1,256,252	1,316,082
Ending Net Position	$ 10,984,530	$ 8,938,202	$ 12,279,891	$ 3,341,689

The accompanying notes are an integral part of these financial statements

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BUDGET AND ACTUAL – RESTRICTED – INSTRUCTIONAL AND GENERAL

SCHEDULE 6

	Original Budget	Final Budget	Actual (Budgetary) Basis	Variance with Final Budget favorable (unfavorable)
Beginning Net Position	$ -	$ -	$ -	$ -
Restricted Revenues:				
Tuition	-	-	-	-
Miscellaneous Fees	-	-	-	-
Federal Government Appropriations	-	-	-	-
State Government Appropriations	-	-	-	-
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	1,990,141	2,706,958	2,207,574	499,384
State Government Contracts/Grants	459,816	480,444	461,057	19,387
Local Government Contracts/Grants	-	31,300	-	31,300
Private Contracts/Grants	890,433	1,676,989	1,138,469	538,520
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales and Services	-	-	-	-
Other	50	9,954	-	9,954
Total Restricted Revenues	3,340,440	4,905,645	3,807,100	1,098,545
Restricted Expenses:				
Instruction	1,243,951	2,102,196	1,616,239	485,957
Academic Support	24,000	41,325	41,055	270
Student Services	2,072,489	2,762,124	2,149,806	612,318
Institutional Support	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Total Restricted Expenses	3,340,440	4,905,645	3,807,100	1,098,545
Net Transfers	-	-	-	-
Change in Net Position (Budgetary Basis)	-	-	-	-
Ending Net Position	$ -	$ -	$ -	$ -

Note: The purpose of the budget comparison is to reconcile the change in net position as reported on budgetary basis to the change in net position 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.

SUPPORTING SCHEDULES

THIS PAGE LEFT INTENTIONALLY BLANK

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
SCHEDULE 7

College Pledged Collateral

	Citizens Bank of Farmington	Wells Fargo	Wells Fargo Repo Account	Wells Fargo Investment	Four Corners Community Bank
Bank Deposits					
Demand Deposit accounts	$ 754,038	$ 3,056,047	$ 5,113,510	$ -	$ 4,823,877
Time deposit accounts					
Flex Plan	-	63,227	-	-	-
Debt Retirement	-	1,793,708	-	-	-
Merrick Bank CD	-	-	-	250,000	-
Tristate Cap Bank CD	-	-	-	250,000	-
Enerbank USA CD	-	-	-	250,000	-
SafraNat'l Bank NY CD	-	-	-	250,000	-
Am. Express CD	-	-	-	250,000	-
Capital Bank CD	-	-	-	250,000	-
Liberty Bank CD	-	-	-	250,000	-
Sterling Bank POP BL 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 NY CD	-	-	-	250,000	-
Prudential Bank-The Hartford 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	-
Overnight deposits	-	-	-	-	-
Deposits, at June 30, 2013	754,038	4,912,982	5,113,510	4,750,000	4,823,877
FDIC Insurance	250,000	250,000	-	4,750,000	250,000
Uninsured amount	504,038	4,662,982	5,113,510	-	4,573,877
Pledged Collateral Required					
102 percent on overnight	-	-	5,215,780	-	-
50 percent on deposits	252,019	2,331,491	-	-	2,286,939
Pledged Collateral Required	252,019	2,331,491	5,215,780	-	2,286,939
Pledged Collateral at June 30, 2013	335,729	2,492,587	5,215,780	-	5,409,519
Excess (deficiency)	$ 83,710	$ 161,096	$ -	$ -	$ 3,122,580

See Independent Auditors' Report

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
SCHEDULE 7

Uninsured amount	504,038	4,662,982	5,113,510	-	10,280,529
Pledged collateral	335,729	2,492,587	5,215,781	-	8,044,097
Uninsured and Uncollateralized	$ 168,308	$ 2,170,394	$ -	$ -	$ 2,338,703

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

Citizen's Bank of Farmington	Dallas, TX
Wells Fargo	San Francisco, CA
Four Corners Community Bank	Dallas, TX

See Independent Auditors' Report

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
SCHEDULE 7

	CUSIP#	Maturity	Fair Value
Citizens Bank			
GNMA	36202D2V2	12-20-33	335,729
			$ 335,729
WFB Repurchase			
FNCL	31384D82	7/1/1942	5,215,780
			$ 5,215,780
Four Corners Communtiy Bank			
Bernalillo NM School Dist	085279NU7	8/1/2016	550,000
FNMA Remic Trust	3136A1BN4	11/25/2029	1,609,519
Ruidoso NM Sch Dist #3	781338HU5	8/1/2024	500,000
Ruidoso NM Sch Dist #4	781338HV3	8/1/2025	1,500,000
Belen NM Cons School Dist	077581KW5	8/1/2014	100,000
Alamogordo NM Muni Sch	011464HJ6	8/1/2021	150,000
Artesia Spec Hisp DT NM UTGO	04310KAU6	8/1/2018	1,000,000
			$ 5,409,519
Wells Fargo Investments			
FG A93990	312942NF8	9-01-40	17,335
FN AK1119	3138E5G51	2-01-37	1,460,552
FN AO4637	3138LVEK5	6-01-42	196,631
FN AQ9991	3138MSC56	2-01-43	4,826
FN AR1050	3138NXEY9	1-01-43	38,508
FN AR1196	3138NXKJ5	1-01-43	9,623
FN AR9199	3138W7GH1	3-01-43	131,211
FN AT5895	3138WTRR9	6-01-43	142,218
FN AB6309	31417DAK9	9-01-42	9,156
FN AD6370	31418UCG7	5-01-40	438,565
FN AE0385	31419ANB9	9-01-40	43,961
			$ 2,492,587

See Independent Auditors' Report

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
SCHEDULE 7

*As per NMSA 2.2.2.10 (N) (4), the value of collateral consisting of obligations of the State of New Mexico, its agencies, institutions, counties, municipalities, or other subdivisions shall be par value.

Reconciliation to Financial Statements

College	Citizens Bank of Farmington	Wells Fargo	Wells Fargo Repo Account	Wells Fargo Investment	Four Corners Community Bank	Total
Total per banks	$ 754,038	$ 4,912,982	$ 5,113,510	$ 4,750,000	$ 4,823,877	$ 20,354,407
Reconciling items:						
deposits in transit	-	15,983	-	-	-	15,983
outstanding check	-	(1,131,605)	-	-	-	(1,131,605)
other reconciling items	-	(28,090)	-	-	-	(28,090)
	$ 754,038	$ 3,769,270	$ 5,113,510	$ 4,750,000	$ 4,823,877	$ 19,210,695
Cash on hand						15,516
Cash and cash equivalents per financial statements						$ 19,226,211

See Independent Auditors' Report

SCHEDULE OF DEPOSITS
SCHEDULE 8

Financial Institution	Account Type	Investment Type	College	Foundation
Citizens Bank	Checking		$ 754,038	$ 356,663
Wells Fargo Bank	Checking		3,056,047	47,049
Wells Fargo Repo Account	Repurchase Agreement		5,113,510	-
Wells Fargo Bank	Checking	Checking	1,793,708	-
Wells Fargo Bank	Checking	Checking	63,227	-
Wells Fargo Bank	Bus High Yield Savi	Cash	-	226,486
Wells Fargo Bank	Time Deposit	Certificate of Deposit	-	24,000
Four Corners Community Bank	Money Market		4,823,877	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Wells Fargo Bank	Time Deposit	Certificate of Deposit	250,000	-
Citizens Trust and Investment	Investment	Money Market	-	52,871
Citizens Trust and Investment	Investment	Mutual Funds - Equity	-	1,007,656
Citizens Trust and Investment	Investment	Mutual Funds - Fixed Incom	-	664,406
Citizens Trust and Investment	Investment	Money Market - #2	-	276,081
Citizens Trust and Investment	Investment	Equity - Common Stocks #2	-	703,495
Citizens Trust and Investment	Investment	Mutual Funds - Equity #2	-	399,726
Citizens Trust and Investment	Investment	Alternatives #2	-	79,755
Citizens Trust and Investment	Investment	Fixed Income - Government	-	439,851
Citizens Trust and Investment	Investment	Fixed Income - Corporate #2	-	228,283
Citizens Trust and Investment	Investment	Mutual Funds - Fixed Incom	-	549,417

See Independent Auditors' Report

SCHEDULE OF DEPOSITS
SCHEDULE 8

Financial Institution	Account Type	Investment Type	College	Foundation
MorganStanley SmithBarney	Investment	Cash	-	2,147
MorganStanley SmithBarney	Investment	Money Market	-	30,315
MorganStanley SmithBarney	Investment	Equity - EFT's	-	665,071
MorganStanley SmithBarney	Investment	Mutual Funds - Alternative	-	102,849
MorganStanley SmithBarney	Investment	Money Market #2	-	38,934
MorganStanley SmithBarney	Investment	Fixed Income - Corporate #2	-	387,888
MorganStanley SmithBarney	Investment	Fixed Income - Government	-	557,465
MorganStanley SmithBarney	Investment	Money Market #3	-	67,532
MorganStanley SmithBarney	Investment	Fixed Income - Government	-	1,395,910
MorganStanley SmithBarney	Investment	Money Market #4	-	19,965
MorganStanley SmithBarney	Investment	Fixed Income - Corporate #4	-	837,272
MorganStanley SmithBarney	Investment	Fixed Income - Government	-	634,467
MorganStanley SmithBarney	Investment	Money Market #5	-	40,164
MorganStanley SmithBarney	Investment	Equity - Common Stocks #5	-	1,184,909
MorganStanley SmithBarney	Investment	Money Market #6	-	26,168
MorganStanley SmithBarney	Investment	Equity - EFT's #6	-	506,838
MorganStanley SmithBarney	Investment	Money Market #7	-	15,978
MorganStanley SmithBarney	Investment	Equity - Common Stocks #7	-	184,003
MorganStanley SmithBarney	Investment	Equity - EFT's #7	-	124,603
Raymond James-Wentworth	Investment	Money Market	-	42,060
Raymond James-Wentworth	Investment	Equity - Common Stocks	-	896,070
Raymond James-Unified Manag	Investment	Money Market	-	149,273
Raymond James-Unified Manag	Investment	Equity - Common Stocks	-	2,721,646
Raymond James-Unified Manag	Investment	Equity - REITs	-	43,496
Raymond James-Unified Manag	Investment	Mutual Funds - Equity	-	730,754
Raymond James-Unified Manag	Investment	Alternative	-	172,390
Raymond James	Investment	Money Market	-	76,608
Raymond James	Investment	Mutual Funds - Equity	-	750,657
Raymond James	Investment	Mutual Funds - Fixed Incom	-	602,010
Raymond James	Investment	Alternatives	-	13,410
Wells Fargo Advisors	Investment	Cash	-	250
Wells Fargo Advisors	Investment	Equity - Common Stocks	-	9,080
Outstanding checks			(1,131,605)	-
Other reconciling item			(28,090)	(7,192)
Outstanding deposits			15,983	-
Cash on hand			15,516	234
	Totals		$ 19,226,211	$ 18,078,963

See Independent Auditors' Report

RETIREE HEALTHCARE TRUST
SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTION
SCHEDULE 9

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	-	10,932,861	10,932,861	-	14,060,623	78%
2012	769,133	11,914,372	11,145,239	6.5%	13,902,900	80%
2013	1,574,518	15,305,332	13,730,814	10.3%	13,368,873	103%

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%
2013	1,226,199	124%

See Independent Auditors' Report

THIS PAGE LEFT INTENTIONALLY BLANK

SINGLE AUDIT SECTION

THIS PAGE LEFT INTENTIONALLY BLANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
U.S. Department of Interior:				
Bureau of Land Management				
BLM Flora Project Update	15.231	L08AC13317		$ 11,704
U.S.National Science Foundation:				
Chemistry Instrumentation Lab	47.082	963,485		175,976
STEP	47.076	1,068,342		106,330
			Subtotal	282,306
Pass-through University of New Mexico				
TUES	47.08	3RD83		32,931
U.S. Department of Education:				
TRIO Student Support Services	84.042A	P042A100361		256,009
TRIO Talent Search	84.044A	P044A110814		204,832
			Subtotal	460,841
Launch	84.031X	P031X100005		467,294
Fast Forward	84.382	P382C110007		350,897
Gear Up	84.334	San Juan College		5,801
			Subtotal	823,992
U.S. Department of Education:				
Pass-through NM Public Education Department				
Perkins - RT	84.048	65 9828		45,459
Perkins - MLT	84.048	65 9828		3,675
Perkins - Project Director	84.048	65 9828		263,585
Perkinn - Nursing	84.048	65 9828		33,948
Perkins - ST	84.048	65 9828		3,704
Perkins - Restribution	85.048	66 9828		18,897
			Subtotal	369,268
Pass-through NM Higher Education Department				
Adult Basic Education	84.002	65 9828		$ 141,410

See Independent Auditors' Report

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education - Federal Student Financial Aid:			
Direct			
Federal Pell Grant	84.063	P063P061828	12,990,444
Supplemental Education Opportunity Gr:	84.007	P007A066227	117,398
Federal Work-Study Program (CWS)	84.033	P033A066227	130,576
Federal ACG	84.375	P337A081828	1,025
		Subtotal	13,239,443
U.S. Department of Education:			
Child Care Access	84.335A	P335A090177	46,188
U.S. Department of Health and Human Services:			
Pass-through University of New Mexico			
INBRE	93.859	Q01349	79,660
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	63,006
		Subtotal	344,421
U.S. Small Business Administration:			
Small Business Development Center	59.037	San Juan College	175,138
National Writing Project Corporation:			
Bisti Writing Project	84.928A	05-NM06	31,495
U.S. Department of Housing and Urban Development:			
Farmington Daycare Assistance	14.228	11-64024	10,611
		Grand Total	$ 16,049,408

See Independent Auditors' Report

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THIS PAGE LEFT INTENTIONALLY BLANK

NOTES TO 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, 2013), 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 2013 cash expenditures to ensure coverage of at least 25% (low-risk auditee) of federally granted funds. Actual coverage is approximately eighty-six percent (86%) of total cash federal award program expenditures.

Major Federal Award Program Description	Fiscal 2013 Expenditures
Cash assistance:	
Federal Student Financial Aid Cluster	$ 19,759,189

The College's federal program Student Financial Aid Cluster was considered high-risk type A programs for the 2013 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, 2013. 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 2013.

Student Financial Aid

San Juan College is not a direct participant in federally funded student loan programs where it enables them to track outstanding balances of the loans.

Federal Direct loans (CFDA No. 84.268) advanced to students in fiscal year 2013 totaled $6,519,746.

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

Accounting & Consulting Group, LLP
Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

Hector Balderas
New Mexico State Auditor and
The Board of Trustees
San Juan College
Farmington, New Mexico

We have audited, in accordance with the 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, the financial statements of the business-type activities, the aggregate discretely presented component units, and the other postemployment benefits (OPEB) trust fund of San Juan College (the College), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and the budget comparisons presented for the year ended June 30, 2013, and have issued our report thereon dated November 4, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies identified as item FS 2013-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 2013-001 and FS 2013-002.
.

2700 San Pedro NE Albuquerque NM 87110 T: 505.883.2727 F: 505.884.6719 www.acgnm.com

The College's Response to Findings

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

Purpose of this Report

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 4, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL

THIS PAGE LEFT INTENTIONALLY BLANK

Accounting & Consulting Group, LLP
Certified Public Accountants

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance

Independent Auditor's Report

Hector H. Balderas
New Mexico State Auditor
Office of Management and Budget
The Board of Trustees of
San Juan College
Farmington, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the San Juan College's (the College) 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 the College's major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect of each of its major federal programs for the year ended June 30, 2013.

2700 San Pedro NE Albuquerque NM 87110 T: 505.883.2727 F: 505.884.6719 www.acgnm.com

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 4, 2013

2700 San Pedro NE Albuquerque NM 87110 T: 505.883.2727 F: 505.884.6719 www.acgnm.com

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

THIS PAGE LEFT INTENTIONALLY BLANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. SUMMARY OF AUDIT RESULTS

Financial Statements:

1. Type of auditors' report issued — Unmodified
2. Internal control over financial reporting:
   a. Material weaknesses identified? — No
   b. Significant deficiencies identified not considered to be material weaknesses? — Yes
   c. Noncompliance material to the basic financial statements noted? — No

Federal Awards:

1. Internal control over major programs:
   a. Material weaknesses identified? — No
   b. Significant deficiencies identified not considered to be material weaknesses? — No
2. Type of auditors' report issued on compliance for major programs — Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? — No
4. Identification of major programs:

CFDA Number	Federal Program
84.063, 84.007, 84.033, 84.268, 84.375	Federal Student Financial Aid Cluster

5. Dollar threshold used to distinguish between type A and type B programs: — $481,482
6. Auditee qualified as low-risk auditee? — No

B. Financial Statement Audit Findings

FS 2013-001 – Missing Standard Campaign Contribution Disclosure Forms (Other Matter)

Criteria: Section 13-1-191.1 NMSA 1978, requires prospective contractors to complete a standard campaign contribution disclosure form and file it with the state agency or local public body as part of the competitive sealed proposal.

Condition: In two out of three requests for proposals tested during our procurement test work, the College did not require a standard campaign contribution disclosure form from responsive bidders as required by state statute.

Effect: The College is not in compliance with 13-1-191.1 NMSA 1978, and is at risk to have contracts cancelled or terminated in the event that a prospective contractor had made a campaign contribution that was not disclosed.

Cause: The College does not have controls in place to require prospective contractors to submit the required standard campaign contribution form with their competitive sealed proposals.

Auditors' Recommendations: The College should implement a requirement within each request for proposal that requires prospective contractors to submit a completed standard campaign contribution disclosure form within their sealed competitive proposal. The College can include a blank standard campaign disclosure contribution form within their request for proposal so prospective contractors can complete that form and submit it with their sealed proposal.

Management's Response: The College began instituting the requirement of a completed standard campaign contribution disclosure with every request for proposal upon the hiring of a new purchasing director on September 24, 2012. The two requests for proposal mentioned above which did not require a prospective contractor to disclose campaign contributions occurred during the tenure of a prior purchasing director.

B. Financial Statement Audit Findings (continued)

FS 2013-002 – Certification of Capital Asset Inventory (Other Matter)

Criteria: 2.20.1.16.E NMAC states "The results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency."

Condition: The College performed a physical inventory of capital assets for the year ended June 30, 2013, however, the College failed to obtain a certification from the Board of Trustees as required by state statute.

Effect: The College is not in compliance with 2.20.1.16.E NMAC regarding their annual capital asset certification.

Cause: The College's procedures did not have the capital asset inventory certified by the Board of Trustees, due to management not being aware of this requirement.

Auditors' Recommendations: The College should implement procedures to have the annual capital asset inventory certified by the Board of Trustees. The count reports created during the annual physical inventory should be compiled to be certified by the Board of Trustees.

Management's Response: The College refers to and depends upon the Office of the State Auditor, Audit Rule which dictates the requirements for conducting audits of agencies. The College interpreted; "Audit Rule, 2.2.20 Y. Capital Asset Inventory (2) Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors.", "agency" to mean the College employees conduct an annual physical inventory and a College executive certifies the inventory list at the end of the year. For FY14 and all future fiscal years, the College will implement procedures to ensure the annual capital asset inventory is certified by the Board of Trustees.

B. Financial Statement Audit Findings (continued)

FS 2013-003 Design of Internal Controls (Significant Deficiency)

Criteria: The COSO Internal Control Integrated Framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring. With these elements in place, the College can maximize its potential for safeguarding assets and reduce the risk of misstatements within its financial statements.

Condition: During our process of understanding the College and its environment, we noted instances where elements of the College's internal control framework were deficient or need improvement. The College monitoring element was not documented, sufficiently designed, or implemented as we noted the following:

- Bank reconciliations are reviewed; however the review is not documented.
- Payroll direct deposit files are being prepared and uploaded to the bank by the same person without being reviewed.

Effect: Without all of the five elements of the COSO Internal Control Integrated Framework present, the College is exposing itself to the risk of misappropriation of assets and needs to improve upon its processes in place to maximize the resources of the College to safeguard assets and prevent or detect misstatements.

Cause: The processes of the month end close out and the payroll transaction cycle has not been evaluated for some time and the items above have been noted as potential weaknesses in internal control.

Auditors' Recommendation: We recommend that the College incorporate all five elements of the COSO Internal Control Integrated Framework in their organization. In particular, there should be a mechanism in place to document the monitoring of the internal controls in place and reviews where necessary take place.

Management's Response: The College agrees with the auditor's recommendation and will proceed with immediate implementation of the necessary internal controls for documenting the review of monthly bank reconciliations and an independent review of the uploading of payroll files to the bank.

C. Federal Award Findings

None

D. Prior year Findings

2012 – 1 NO BACKGROUND CHECK ON FILE FOR EMPLOYEES

The College was out of compliance with requirements for 1978 NMSA22-10A-5. This was a Material Weakness in Fiscal year 2012. This finding has been resolved.

REQUIRED DISCLOSURE

The financial statements were prepared by the College.

An exit conference was held November 4, 2013, during which the audit was discussed. The exit conference was attended by the following individuals:

San Juan College

Dr. Joseph Pope, Chairman

Ken Hare, Member

Russell M. Litke, Vice President for Administrative Services

Karen King, Controller

Steve Miller, Assistant Controller

San Juan College Foundation

Gayle Dean, Executive Director

Len Scalzi, Vice President

Four Corners Innovation

Jim Henderson, Chair

Accounting and Consulting Group. Inc.

Ray Roberts, CPA