

State of New Mexico



Santa Fe Community College

**Financial Statements *and*
Supplemental information**

(with Independent Auditors' Report)

June 30, 2008

TABLE OF CONTENTS

STATE OF NEW MEXICO SANTA FE COMMUNITY COLLEGE

OFFICIAL ROSTER.....	1
INDEPENDENT AUDITORS' REPORT.....	2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
FINANCIAL STATEMENTS	
Statement of Net Assets.....	10
Statement of Revenues, Expenses and Changes in Net Assets.....	11
Statement of Cash Flows.....	12
Notes to Financial Statements.....	16
SUPPLEMENTAL INFORMATION	
Budget Comparisons - Unrestricted and Restricted - All Operations.....	28
Budget Comparisons - Unrestricted - Non-Instruction and General.....	29
Budget Comparison - Restricted - Non-Instruction and General.....	30
Budget Comparison - Unrestricted - Instruction and General.....	31
Budget Comparison - Restricted Instruction and General.....	32

TABLE OF CONTENTS

STATE OF NEW MEXICO SANTA FE COMMUNITY COLLEGE

SUPPLEMENTAL INFORMATION (CONTINUED)

Reconciliation of Budgetary Basis to Financial Statement Basis Unrestricted and Restricted – All Operations	33
Schedule of Deposit and Investment Accounts	34
Schedule of Pledged Collateral	35
Schedule of Joint Power Agreement	36
Schedule of Expenditures of Federal Awards	37

GOVERNMENTAL AUDITING STANDARDS REPORTS

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	39
Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	41

SINGLE AUDIT FINDINGS

Summary Schedule of Prior Audit Findings	44
Schedule of Findings and Questioned Costs	46
Exit Conference	49

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE

Official Roster

June 30, 2008

Board of Directors

Name	Title	Term Expiration
Linda S. Siegle	Chair	March 31, 2009
Bruce Besser	Vice Chair	March 31, 2013
Carole Brito	Secretary	March 31, 2013
Dr. Elizabeth Gutierrez	Member	March 31, 2009
Heidi Tilton	Member	March 31, 2009
Fidel Zuniga	Student Govt. Representative	Fall, 2008

Administrative Officials

Sheila Ortego, Ph.D.	President
Meridee Walters	Vice-President for Administrative Services
Gilda Espinoza	Associate Vice President for Finance and Administration

Independent Auditors' Report

To the Board of Directors of
Santa Fe Community College
And
Mr. Hector H. Balderas, New Mexico State Auditor

We have audited the accompanying financial statements of the business-type activities of the State of New Mexico Santa Fe Community College (College), and its discretely presented component unit (GROW Foundation) as of and for the year ended June 30, 2008, as listed in the accompanying table of contents. We have also audited the budget comparisons presented as supplemental information for the year ended June 30, 2008 as listed in the accompanying table of contents. These basic financial statements and budget comparisons are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and its discretely presented component unit as of June 30, 2008, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects the budget comparison for the year then ended in conformity with the budgetary basis of accounting prescribed by the New Mexico Administrative Code, and more fully described in the budgetary schedules, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

To the Board of Directors of
Santa Fe Community College
And
Mr. Hector H. Balderas, New Mexico State Auditor

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2008 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4-9 is not a part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budget comparisons. The Schedule of Cash and Investment Accounts, the Schedule of Pledged Collateral by Bank, and the Schedule of Joint Powers Agreement are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by US Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Albuquerque, New Mexico
November 14, 2008

STATE OF NEW MEXICO
 SANTA FE COMMUNITY COLLEGE
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2008

Overview of Financial Statements

For financial reporting purposes, Santa Fe Community College (SFCC) is considered a special-purpose government engaged only in business-type activities. The College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. SFCC has considered potential component units and has chosen to include GROW Santa Fe Community College Foundation as a component unit. These financial statements are based upon Governmental Accounting Standards Board GASB Statement 35. This report consists of a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows.

Condensed Financial Information

	<u>Net Assets</u>		
	<u>2007-08</u>	<u>Fiscal Years</u> <u>2006-07</u>	<u>2005-06</u>
Assets:			
Current Assets	\$ 38,426,511	23,612,464	26,259,335
Noncurrent Assets	55,069,078	53,918,444	54,256,202
Total Assets	<u>93,495,589</u>	<u>77,530,908</u>	<u>80,515,537</u>
Liabilities:			
Current Liabilities	12,877,569	10,037,402	10,118,368
Noncurrent Liabilities	20,015,062	10,595,878	15,694,463
Total Liabilities	<u>32,892,631</u>	<u>20,633,280</u>	<u>25,812,831</u>
Net Assets	<u>\$ 60,602,958</u>	<u>56,897,628</u>	<u>54,702,706</u>

- Assets exceeded liabilities by \$60,602,958 at the close of the fiscal year. Of this amount, \$5,683,634 is unrestricted and may be used for the College's ongoing operations.
- Cash and Cash Equivalents decreased slightly from \$14,832,801 at the beginning of the year to \$13,917,661 at the end of the fiscal year. Investments increased from \$3,888,931 to \$20,398,273. The increase is due to the funds made available through the bond issue that was passed by the voters during fall 2007.

STATE OF NEW MEXICO
 SANTA FE COMMUNITY COLLEGE
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2008

- Net Assets as shown in the previous schedule increased to \$60,602,958 in comparison to \$56,897,628 in fiscal year 2006-07.

Revenue, Expenses and Changes in Net Assets

		<u>Fiscal Years</u>	
	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Operating Revenue	\$ 14,025,986	14,184,056	15,211,935
Operating Expenses	(44,840,392)	(40,165,787)	(39,716,187)
Deficiency of Operating Revenues Over Expenses	(30,814,406)	(25,981,731)	(24,504,252)
Nonoperating Revenues (Expenses)	34,519,736	28,176,653	31,342,457
Increase in Net Assets	<u>\$ 3,705,330</u>	<u>2,194,922</u>	<u>6,838,205</u>

Analysis of Financial Position and Results of Operations

Santa Fe Community College continues to be in sound financial position. Adequate funds exist to fund the College's ongoing operations, repay debt and meet identified capital building improvement needs. Revenue continues to increase due to steady student enrollment, growth in the county tax base and actual expenditures were below the approved budgeted amount submitted to the Higher Education Department resulting in a continued increase in net assets.

The following schedule summarizes the College's operating revenues of \$14,025,986 for fiscal year ending June 30, 2008 in comparison to \$14,184,056 in the prior year. Operating expenses of \$44,840,392 were higher than the expenses in the prior year due to increases in faculty and staff salaries and new program development. Building Renewal and Replacement projects increased from last fiscal year due to various minor capital projects. Capital Outlay expenses increased due to the programming and schematic design of the Health and Science building which is scheduled to start construction on February 2009.

STATE OF NEW MEXICO
 SANTA FE COMMUNITY COLLEGE
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2008

Operating Revenues

		<u>Fiscal Years</u>	
	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Tuition and Fees	\$ 3,269,608	3,054,409	2,661,032
Government Grants and Contracts	6,971,179	7,718,412	8,784,818
Non-Government Grants and Contracts	860,510	661,545	713,597
Sales and Services of Educational Departments	1,058,484	1,039,340	1,375,394
Auxiliary Enterprises	1,866,205	1,710,350	1,677,094
Net Operating Revenue	<u>\$ 14,025,986</u>	<u>14,184,056</u>	<u>15,211,935</u>

Operating Expenses

		<u>Fiscal Years</u>	
	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Instruction	\$ 14,562,153	12,327,383	11,918,511
Academic Support	3,487,522	3,415,634	3,029,729
Student Services	2,835,791	2,518,053	2,174,466
Institutional Support	5,028,923	4,847,756	4,347,377
Operation, Maintenance of Plant and Capital Outlay	3,222,663	2,772,722	2,736,676
Student Activities	103,585	53,208	71,776
Student Aid	1,500,545	1,485,674	1,685,282
Public Services	8,363,825	8,031,090	8,417,046
Auxiliary Enterprises	1,878,164	1,826,724	1,721,454
Independent Operations	199,844	-	44,686
Building Renewal and Replacement	834,899	523,341	708,955
Depreciation and Amortization	2,822,478	2,759,652	2,589,044
Bond Refunding Costs	-	-	271,185
Total Operating Expenses	<u>\$ 44,840,392</u>	<u>40,561,237</u>	<u>39,716,187</u>

STATE OF NEW MEXICO
 SANTA FE COMMUNITY COLLEGE
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2008

Nonoperating Revenue and Expenses

The following schedule summarizes the SFCC's nonoperating revenues and expenses of \$34,519,736 for fiscal year ended June 30, 2008; an increase in nonoperating revenue and expenses of \$5,947,633 from the previous year. The increase is due to increases in state appropriations, including \$500,000 increase for the New Mexico Small Business Development Center, local mill levy and other income.

<u>Nonoperating Revenues and Expenses</u>			
	<u>Fiscal Years</u>		
	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
State Appropriations	\$ 15,756,280	13,869,917	12,950,385
Local Appropriations – Operating	12,495,770	8,357,660	13,252,602
Local Appropriations - Debt Service	5,727,140	5,186,198	4,659,289
General Obligation Bonds	81,990	278,057	662,854
Investment Income	697,494	658,915	433,664
Interest and Other Related Debt	(609,660)	(529,464)	(616,337)
Other Income	370,722	750,820	-0-
Total Nonoperating Revenue and Expenses	<u>\$ 34,519,736</u>	<u>28,572,103</u>	<u>31,342,457</u>

Analysis of Variations between Original and Final Budget and Resulting Actual

During the fiscal year, budget adjustments were submitted to the Higher Education Department and approved to recognize anticipated changes in revenue and expenditures. The actual revenue exceeded the final approved budget for all operations by \$123,170 while final expenditures for all operations were \$2,547,646 under the final approved expenditure budget. The major portion of these variances in revenue from final budget was due a slight increase in tuition and fee revenue and increase in interest revenue and a slight increase in local appropriation due to higher collection of the mill levy from the county due to a higher tax base. The variance in expense in Auxiliary Enterprises is due to an increase in purchases for resale which is offset by an increase in sales revenue. Variances between the final budget and actuals existed in restricted funds due to contracts and grants received in different categories than budgeted.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Significant Capital Asset and Long-Term Debt Activity

The College continues to pay on the funds borrowed from the New Mexico Finance Authority for the swimming pool and for the JASI project. The Joint Administrative Software Initiative (JASI) is a collaborative project that the College joined New Mexico Junior College and Northern New Mexico College to replace 16 year old administrative and student service software, install a new financial package, financial aid package, student records package, and human resources package. The funds borrowed from the New Mexico Finance Authority for the biomass heating project was paid off in full on November 30, 2007.

Infrastructure Assets

The project to convert all the College's administrative software to the SCT Banner product replacing the administrative, student service, financial aid, payroll and human resource was completed. The College continues to improve systems by contracting with a consultant group to assist staff in full utilization of the systems by providing staff training. The College continues to work with the campus signage. The College has begun the programming and schematic design of the new Health and Science building with construction scheduled to start February 2009 and construction completion scheduled for April 2010.

Currently Known Facts, Decisions or Conditions Impacting Financial Position

The College Board has approved a master plan identifying future campus development needs. On September 18, 2007, the voters of the Santa Fe County approved a \$25 million general obligation bond issue for a health science building and other future campus developments. On November 27, 2007, \$17 million general obligation bonds were issued for the purpose of financing the construction of a health science building; the expansion and remodeling of food service facilities and the culinary arts department; the construction of a trades and advanced technology center, the purchase of a biomass boiler and construction of a space to house it and the purchase of information technology equipment.

The College and the Education Foundation of Santa Fe finalized the settlement agreement reached on February 27, 2005 to collaborate and transfer the assets of the Education Foundation to GROW Santa Fe Community College Foundation and provide administrative support for its continued operation. Per the Settlement Agreement, the Education Foundation transferred all its remaining assets to GROW for a total of \$3,734,928.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Component Unit

GROW Santa Fe Community College Foundation (GROW) is included as a component unit on the financial statement. GROW was established October 2004 to encourage, solicit, received, and administer gifts and bequests of real and personal property and funds for scientific, educational, public service, and charitable purposes for the advancement and benefit of the College.

A copy of audited financial statements for GROW can be obtained by writing to GROW Santa Fe Community College Foundation at 6401 Richards Ave., Santa Fe, NM 87508.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
June 30, 2008

	Primary Institution	Component Unit
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7,124,878	564,988
Cash and cash equivalents - restricted	6,792,783	-
Investments	20,398,273	4,059,772
Accounts receivable students, net	749,709	-
Grants and contracts receivable	1,504,329	-
Mill levy receivable	40,252	-
Other receivable, net	545,795	621,503
Due from component unit	458,681	-
Inventories	345,055	-
Prepaid expenses	466,756	-
Total current assets	<u>38,426,511</u>	<u>5,246,263</u>
Noncurrent Assets		
Assets held in escrow	127,543	-
Capital assets, net	54,941,535	470,311
Total noncurrent assets	<u>55,069,078</u>	<u>470,311</u>
Total assets	<u>\$ 93,495,589</u>	<u>5,716,574</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 2,948,539	-
Accrued liabilities	1,356,195	-
Accrued interest payable	425,231	-
Deferred revenue	1,153,312	-
Due to primary institution	-	458,681
Accrued compensated absences	746,905	-
Bonds payable - current portion, net	6,247,387	-
Total current liabilities	<u>12,877,569</u>	<u>458,681</u>
Noncurrent Liabilities		
Accrued compensated absences	137,186	-
Bonds payable, net	19,877,876	-
Total noncurrent liabilities	<u>20,015,062</u>	<u>-</u>
Total liabilities	<u>32,892,631</u>	<u>458,681</u>
NET ASSETS		
Invested in capital assets, net of related debt	28,816,272	-
Restricted		
Nonexpendable		
Scholarship	-	2,643,224
Expendable		
Scholarship and programs	1,956,096	1,785,533
Debt service	6,792,783	-
Capital projects	17,354,173	-
Unrestricted	5,683,634	829,136
Total net assets	<u>60,602,958</u>	<u>5,257,893</u>
Total net assets and liabilities	<u>\$ 93,495,589</u>	<u>5,716,574</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
Year Ended June 30, 2008

	Primary Institution	Component Unit
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$1,142,454)	\$ 3,269,608	-
Government grants and contracts	6,971,179	-
Non-government grants and contracts	860,510	-
Sales and services of educational departments	1,058,484	712,723
Auxiliary enterprises	1,866,205	-
Total operating revenues	<u>14,025,986</u>	<u>712,723</u>
Operating Expenses		
Instruction	14,562,153	-
Academic support	3,487,522	-
Student services	2,835,791	-
Institutional support	5,028,923	451,134
Operation and maintenance of plant	2,821,367	-
Student activities	103,585	-
Student aid	1,500,545	270,400
Public services	8,363,825	-
Auxiliary enterprises	1,878,164	-
Building renewal and replacements	834,899	-
Capital outlay	401,296	-
Independent operations	199,844	-
Depreciation and amortization	2,822,478	-
Total operating expenses	<u>44,840,392</u>	<u>721,534</u>
Operating (loss) income	(30,814,406)	(8,811)
Nonoperating revenues (expenses)		
State appropriations	15,756,280	-
Local appropriations - operating	12,495,770	-
Local appropriations - debt service	5,727,140	-
General obligation bonds	81,990	-
Gift income	-	3,810,067
Investment income	697,494	48,886
Interest expense and other related debt	(609,660)	-
Other income	370,722	-
Net nonoperating revenues	<u>34,519,736</u>	<u>3,858,953</u>
Increase in net assets	3,705,330	3,850,142
Net assets, beginning of year	<u>56,897,628</u>	<u>1,407,751</u>
Net assets, end of year	<u>\$ 60,602,958</u>	<u>5,257,893</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
Year Ended June 30, 2008

	Primary Institution
Cash Flows From Operating Activities	
Tuition and fees	\$ 3,242,104
Grants and contracts	8,766,269
Payments for educational activities	(34,952,641)
Auxiliary enterprise charges	12,936
Payments to suppliers, employees and others	(3,353,818)
Net cash used by operating activities	<u>(26,285,150)</u>
Cash Flows From Noncapital Financing Activities	
State appropriations	15,756,280
State bonds	81,990
District mill levies	18,222,910
Federal loan receipts	1,389,363
Federal loan disbursements	(1,389,363)
Net cash provided by noncapital financing activities	<u>34,061,180</u>
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	(3,968,981)
Proceeds on bonds	17,000,000
Principal paid on bonds and lease purchase	(5,862,256)
Interest paid on debts	(609,660)
Net cash provided by capital and related financing activities	<u>6,559,103</u>
Cash Flows From Investing Activities	
Interest on investments	697,494
Purchases of investments	(15,947,767)
Net cash used by investing activities	<u>(15,250,273)</u>
Net decrease in cash and cash equivalents	(915,140)
Cash, restricted cash, and cash equivalents, beginning of year	<u>14,832,801</u>
Cash, restricted cash, and cash equivalents, end of year	<u>\$ 13,917,661</u>
 RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (30,814,406)
Adjustments to reconcile operating (loss) to net cash used by operating activities	
Depreciation and amortization expense	2,822,478
(Gain)/Loss on disposal of equipment	(3,199)
Changes in assets and liabilities	
Receivables	870,836
Inventories	(12,267)
Other assets	(125,309)
Accounts payable	375,674
Accrued liabilities	451,123
Deferred revenue	45,977
Compensated absences	103,943
Net cash used by operating activities	<u>\$ (26,285,150)</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. On February 2, 1983, the citizens of the Santa Fe Public School District voted in favor of supporting a two-year Junior College through a local tax levy. The Santa Fe Community College (College, Primary Institute) was created under the "Junior College Act", 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.

Component Unit. Component units are legally separate organizations for which the primary organization is financially accountable. Component units can also be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entities financial statements to be misleading or incomplete. In addition, component units can be organizations that raise and hold economic resources for the direct benefit of a primary unit. Because of the closeness of their relationships with the primary organization, some component units are blended as though they are part of the primary organization. However, most component units are discretely presented. The College has one blended and one discretely presented component unit. The College does not have any related organizations, joint ventures or jointly governed organizations.

The following is a blended component unit:

The Santa Fe Community College Training Center Corporation (Corporation) is organized for the purpose of training and related functions, including for the planning, designing, constructing, equipping, furnishing and operating a mobile film production and transmission capability, a film science construction and training facility and training center, a biomass production, distribution and training center in accordance with the needs of the Santa Fe Community College, and for such other training related purposes as the College directs in the future. The Corporation is operated, supervised, or controlled by the Governing Board of the Santa Fe Community College. The Corporation's financial data is included in the College's financial statements.

Following is a discretely presented component unit:

Grow Santa Fe Community College Foundation (GROW) is formed to encourage, solicit, receive, and administer gifts and bequests of real and personal property and funds for scientific, educational, public service, and charitable purposes for the advancement and benefit of Santa Fe Community College and its objectives and, to that end (a) to take and to hold, either absolutely or in trust for any limitations and conditions imposed by law or the instrument under which received; (b) to sell, lease, convey, and dispose of any such property, to invest and re-invest any proceeds and other funds, and to deal with and expend the principal and income for any purpose herein authorized; (c) to act as trustee; and (d) in general, to exercise any, all, and every power, including trust powers, which a nonprofit corporation organized under the laws of New Mexico for the foregoing purposes can be authorized to exercise.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A copy of audited financial statements for GROW can be obtained by writing to GROW Santa Fe Community College Foundation at 6401 Richards Ave., Santa Fe, NM 87508.

Financial Statement Presentation. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Statements and Management's Discussion and Analysis for State and Local Governments*; Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by these statements provides a comprehensive, entity-wide perspective of the College's assets, liabilities, and net assets, revenues, expenses, and changes in net assets, and cash flows, and replaces the fund-group perspective that was previously required.

The impact of adopting the above standards resulted in adding management's discussion and analysis as required supplementary information; adding a direct method statement of cash flows; classifying net assets as invested in capital assets; net of related debt; restricted and unrestricted; classifying the statement of net assets between current and noncurrent assets and liabilities and classifying revenue and expenses as operating and nonoperating.

Basis of Accounting. For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented 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-agency transactions have been eliminated.

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected not to apply FASB pronouncements issued after the applicable date.

Cash and Cash Equivalents. For purposes of the statement of cash flows, the College considers all highly liquid investment with original maturities of ninety days or less to be cash equivalents. Immediate cash needs are met with resources deposited at the College's bank. Cash resources not used are swept nightly and invested overnight. Restricted cash and cash equivalents represent amounts that are externally restricted to make debt service payments.

Investments. Investments are stated at their market value at date of gift, or at cost, if purchased by the College.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Cash resources not needed to meet immediate needs are invested with the New Mexico State Treasurer's Office short-term investment pool. Amounts invested with the State Treasurer are readily available to the College when needed and are recorded at cost which approximates fair value. The College considers cash deposited at the State Treasurer Office to be investments.

Receivables. Receivables consist primarily of amounts due from federal and state governmental entities for grants and contracts, local government entities for unremitted district mill levy collections, and student and third-party payers for student tuition and fees. The allowance for doubtful accounts is maintained at a level which, in the administration's judgment, is sufficient to provide for possible losses in the collection of these accounts.

Private Gifts, Revenue and Pledges. The Foundation records pledges receivable as assets and revenue if the pledges are evidenced by unconditional promises to give those items in the future. The Foundation considers an executed charitable gift or endowment agreement or a signed pledge card from a donor an unconditional promise. Non-cash contributions are valued at estimated fair values at date of donation.

Inventories. Inventories consist primarily of bookstore inventory, food service inventory and consumable supplies and are stated at the lower of cost (first-in, first-out method) or market.

Capital Assets. Capital assets, which include property, plant, equipment, software, and library holdings, are reported in the statement of net assets at historical cost or at fair value at date of donation, less accumulated depreciation. Renovations to buildings, infrastructure, and land improvements are capitalized when they significantly increase the value or extend the useful life of the structure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are not capitalized. For equipment and software, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the asset, generally 50 years for building, 20 years for infrastructure and land improvements, 5 years for library books and 5 to 20 years for equipment, furnishing and software. The College has no internally developed software. Capital assets received by GROW are immediately transferred to the College for capitalization and depreciation.

Collections. Both the College and Foundation maintain works of art and similar assets that are (a) held for public exhibition, and education in furtherance of public service rather than financial gain, (b) protected, kept unencumbered, cared for, and preserved, and (c) subject to an organizational policy that requires the proceeds of items that are sold to be used to acquire other items for collections.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Deferred Revenue and Expenditures. Revenue for each academic session is reported within the fiscal year in which the session is predominantly conducted. Revenues for the summer and fall session of 2008 are shown as deferred income in these financial statements. Expenses not related to current year operations are deferred.

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of bonds payable and compensated absences that will not be paid within the next fiscal year.

Compensated Absences. Accumulated annual leave is reported as a liability. Annual leave is provided to full and part-time employees. Up to thirty days annual leave may be accumulated and carried over after August 31st of each year.

Classification of Net Assets. The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Net Assets – Expendable. Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted Net Assets – Nonexpendable. Nonexpendable restricted net assets consist of endowment funds in which the donors have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted Net Assets. Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, district mill levies, investment income, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for faculty and staff.

State Appropriations. Unexpended state appropriations do not revert to the State of New Mexico at the end of the year.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

District Mill Levies. District mill levies attach as an unsubordinated enforceable lien on property as of January 1 of the assessment year. Current year taxes are levied on November 1 and are due in equal semiannual installments on November 10 and April 10 of the next year. Taxes become delinquent 30 days after the due dates unless the original levy date has been formally extended. The mill levy is collected by the respective County Treasurers and is remitted to the College. The revenue on the mill levy is recognized at the date the mill is levied.

Deferred Revenue. Deferred revenue consists primarily of advances from contracts and grants. Revenue is recognized to the extent expenses are incurred.

Classification of Revenues. The College has classified its revenues as either operating or nonoperating according to the following criteria:

Operating Revenues. Operating revenues include activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) federal, state, and local grants and contracts, and (4) sale of educational services. Revenue on contracts and grants are recognized to the extent that the underlying exchange transaction has occurred.

Nonoperating Revenues. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations, mill levies and investment income. Gifts and contributions are recognized when all applicable eligibility requirements have been met. Appropriations are recognized in the year that they are appropriated, regardless of when actually received. Revenue from both the operational and retirement of debt on the General Obligation mill levy is recognized when earned by the county. Investment income is recognized in the period in which it was earned.

Contract and grant revenues are recognized when the underlying exchange transaction has occurred – that is that all eligibility requirements have been met.

State appropriations are recognized as revenue in the first year for which they are appropriated.

When both restricted and unrestricted resources are available for use, generally it is the institution's policy to use the restricted resources first.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Scholarship Discounts and Allowances. Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by the student and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the institution's financial statements.

Classification of Expenses. Expenses are classified as operating or nonoperating according to the following criteria:

Operating Expenses. Operating expenses include activities that have the characteristics of an exchange transaction, such as (1) employee salaries, benefits, and related expenses; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, supplies and other services; (4) professional fees; and (5) depreciation expenses related to College capital assets. Operating expenses are presented by program functions in the accompanying financial statements.

Nonoperating Expenses. Nonoperating expenses include activities that have the characteristics of nonexchange transactions, such as interest on capital asset and related debt and bond expenses that are defined as nonoperating expenses by GASB Statement No. 9 and GASB Statement No. 34.

Tax Status. As a state two-year junior college, the College's income is exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code to the extent the income is derived from essential governmental functions.

Management's Estimates and Assumptions. 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 amounts could differ from those estimates.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 2. CASH AND CASH EQUIVALENTS

Details of the College's cash balances, custodial credit risk, and pledged collateral are disclosed in the accompanying financial statements on the Schedules of Cash and Investment Accounts, and Pledged Collateral.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposit may not be returned to it. The College does not have a deposit policy for custodial credit risk. As of June 30, 2008 \$13,722,586 of the College's bank balance of \$14,122,586 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,815,127
Collateral held by pledging bank's Trust department not in the College's name	<u>10,907,459</u>
	<u>\$ 13,722,586</u>

NOTE 3. INVESTMENTS

All investment decisions are approved by the Board. As of June 30, 2008, the College had unexpended plant funds totaling \$20,398,273. Through the approval of the Board of Directors for the College, the funds were invested in the New MexiGROW Local Government Investment Pool (LGIP), which is managed by the State Treasurer. These investments are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer New MexiGROW LGIP is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advise and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary.

Interest Rate Risk. According to the State Treasurer's LGIP investment policy, the pool shall be invested in order to maintain a stable net asset value of \$1.00 per share. The weighted average maturity of investments in the pool shall not exceed 75 days. To limit the possibility of loss of principal due to interest rate fluctuations, the State Treasurer will make reasonable efforts to match investments with anticipated cash requirements and give particular emphasis to the following factors: Relative Yield to Maturity, Marketability, and Inter-market yield Analysis. At June 30, 2008, the LGIP had a weighted average maturity of 46 days and the interest yield was 2.4%.

STATE OF NEW MEXICO
 SANTA FE COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE 3. INVESTMENTS (CONTINUED)

Credit Rate Risk. Under Section 59A-9-6, NMSA 1978, an insurer shall not invest in bonds rated below BAA by Moody’s Investment Service, Inc. or BBB by Standard & Poor’s, Inc.; as of June 30, 2008, the State Treasurer LGIP was rated AAAM by Standard & Poor’s, Inc.

Concentration Risk. The College places no limit on the amount the College may invest in any one issuer. At year end, 100% of the College’s investment was held in the New MexiGrow LGIP.

Total investment income for the year ended June 30, 2008 is comprised of \$697,494 of interest and dividends.

NOTE 4. RECEIVABLES

Receivables are shown net of allowance for doubtful accounts in the accompanying statement of net assets. At June 30, 2008, receivables consisted of the following:

Current Assets	
Receivables	\$ 3,800,160
Allowance for doubtful accounts	<u>(501,394)</u>
Net receivables – current	<u>\$ 3,298,766</u>

Included in the net amount above is \$40,252 of mill levy receivable due from Santa Fe County for the 2008 fiscal year, \$1,504,329 of contracts and grants receivable, and \$749,709 in student receivables, \$458,681 due from GROW, and \$545,795 in other receivables.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 5. CAPITAL ASSETS

Capital assets consisted of the following:

Note 6 - Capital Assets

	Beginning Balance	Year Ended June 30, 2008			Ending Balance
		Additions	Transfers	Retirements	
College Capital assets not being depreciated					
Land	\$ 4,350,000	\$ -	\$ -	\$ -	\$ 4,350,000
Artwork	67,111	25,000	-	-	92,111
Construction in-progress	279,405	396,995	(279,405)	-	396,995
	<u>\$ 4,696,516</u>	<u>\$ 421,995</u>	<u>\$ (279,405)</u>	<u>\$ -</u>	<u>\$ 4,839,106</u>
College depreciable capital assets					
Land improvements	\$ 3,477,914	\$ -	\$ -	\$ -	\$ 3,477,914
Infrastructure	4,484,876	1,054,459	-	-	5,539,335
Buildings	57,026,350	1,063,706	279,405	-	58,369,461
Capital equipment	9,769,142	1,373,077	-	(778,965)	10,363,254
Library resources	1,176,109	55,744	-	-	1,231,853
Training Center	395,450	-	-	-	395,450
Total depreciable capital assets	<u>76,329,841</u>	<u>3,546,986</u>	<u>279,405</u>	<u>(778,965)</u>	<u>79,377,267</u>
Less: accumulated depreciation for					
Land improvements	2,434,422	154,453	-	-	2,588,875
Infrastructure	2,668,873	250,618	-	-	2,919,491
Buildings	14,562,383	1,169,334	-	-	15,731,717
Capital equipment	6,564,030	1,068,432	-	(759,474)	6,872,988
Library resources	1,005,061	77,616	-	-	1,082,677
Training Center	-	79,090	-	-	79,090
Total accumulated depreciation	<u>27,234,769</u>	<u>2,799,543</u>	<u>-</u>	<u>(759,474)</u>	<u>29,274,838</u>
College depreciable capital assets, net	<u>\$ 49,095,072</u>	<u>\$ 747,443</u>	<u>\$ 279,405</u>	<u>\$ (19,491)</u>	<u>\$ 50,102,429</u>
Capital asset summary					
College capital assets not being depreciated	\$ 4,696,516	\$ 421,995	\$ (279,405)	\$ -	\$ 4,839,106
College depreciable capital assets at cost	76,329,841	3,546,986	279,405	(778,965)	79,377,267
College total cost of capital assets	81,026,357	3,968,981	-	(778,965)	84,216,373
Less: Accumulated depreciation	(27,234,769)	(2,799,543)	-	759,474	(29,274,838)
College capital assets, net	<u>\$ 53,791,588</u>	<u>\$ 1,169,438</u>	<u>\$ -</u>	<u>\$ (19,491)</u>	<u>\$ 54,941,535</u>
Component units capital assets not being deprec	\$ 459,986	\$ 12,550	\$ (2,225)	\$ -	\$ 470,311
Component units depreciable capital assets at co	-	-	-	-	-
Component units total cost of capital assets	459,986	12,550	(2,225)	-	470,311
Less: Accumulated depreciation	-	-	-	-	-
Component units capital assets, net	<u>\$ 459,986</u>	<u>\$ 12,550</u>	<u>\$ (2,225)</u>	<u>\$ -</u>	<u>\$ 470,311</u>

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 6. LONG-TERM LIABILITIES

Outstanding bonds payable are summarized as follows:

Description	Interest Rate	Balance	
		June 30, 2008	Final Maturity
Series 1998	3.15-4.45%	\$ 3,120,000	8/1/14
Series 2003A	1.99-3.34%	1,356,252	6/1/13
Series 2003B	1.99-3.34%	485,620	5/1/13
Series 2005	3.10-3.15%	4,200,000	8/1/10
Series 2007	3.25-3.50%	17,000,000	8/1/13
		<u>\$ 26,161,872</u>	

Future debt service for the bonds is as follows:

Fiscal Year Ended June 30	Principal Payments	Bond Discount	Interest	Total
2009	\$ 6,247,387	(22,935)	906,847	7,131,299
2010	5,706,406	-	692,140	6,398,546
2011	5,367,018	-	538,886	5,905,904
2012	4,548,939	-	372,286	4,921,225
2013	4,292,122	-	285,847	4,577,969
Total	<u>\$ 26,161,872</u>	<u>(22,935)</u>	<u>2,796,006</u>	<u>28,934,943</u>

Long-term activity for the year ended was as follows:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008	Current Portion
Lease purchase	\$ 140,719	-	(140,719)	-	-
Series 1998	3,320,000	-	(200,000)	3,120,000	1,000,000
Series 2002	1,050,000	-	(1,050,000)	-	-
Series 2003A	1,606,412	-	(250,160)	1,356,252	255,787
Series 2003B	575,258	-	(89,638)	485,620	91,600
Series 2005	7,000,000	-	(2,800,000)	4,200,000	3,100,000
Series 2006	1,472,508	-	(1,472,508)	-	-
Series 2007	-	17,000,000	-	17,000,000	1,800,000
Subtotal	15,024,178	17,000,000	(5,862,306)	26,161,872	6,247,387
Bond discount	(59,544)	-	22,935	(36,609)	(22,935)
Total bond	<u>14,964,634</u>	<u>17,000,000</u>	<u>(5,839,371)</u>	<u>26,125,263</u>	<u>6,224,452</u>
Accrued compensated absences	780,148	162,599	(58,656)	884,091	746,905
Total	<u>\$ 15,885,501</u>	<u>17,162,599</u>	<u>(6,038,746)</u>	<u>27,009,354</u>	<u>6,971,357</u>

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

The bonds constitute general obligation bonds of the district, payable from general ad valorem taxes which shall be levied on all taxable property in the district in an amount sufficient to produce a sum equal to one year's interest on all bonds then outstanding, together with an amount sufficient to pay the principal on all bonds as they mature. This levy shall not exceed 3% of assessed valuation, and the College is currently at less than one percent (1%) of assessed valuation.

NOTE 7. PENSION PLAN – EDUCATION RETIREMENT BOARD

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

Funding Policy. Plan members are required to contribute 7.825% of their gross salary. The College is required to contribute 10.9% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and the (name of employer) are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The College's contributions to ERB for the fiscal years ending June 30, 2008, 2007, and 2006, were \$1,745,168, \$1,473,479, and \$1,322,613, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 8. ALTERNATIVE RETIREMENT PROGRAM

An amendment to the Education Retirement Act permits the establishment of an Alternative Retirement Plan (ARP) for full and part time faculty and other professional staff hired on or after July 1, 1999, with no prior service in the current Educational Retirement Act Plan. Certain employees of the College participate in the two available alternative retirement plans, TIAA-CREF and VALIC. For those employees participating in the ARP, the College contributes 7.75% to the employee's ARP and an additional 3% to ERB. For the year ended June 30, 2008, the Santa Fe Community College contributed \$124,174 to TIAA-CREF, and \$3,927 to VALIC.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 9. PREMIUM CONVERSION PLAN

Effective as of September 1, 1987, Santa Fe Community College adopted the Premium Conversion Plan, a welfare benefits plan, to provide benefits for certain of its employees. The Plan is designed to meet the appropriate requirements of the Internal Revenue Code Sections 105, 106, 125, and any other Applicable Law. It is specifically designated as a Cafeteria Plan under Code Section 125, which allows eligible employees of an employer to choose between receiving a portion of their current compensation in the form of certain welfare benefits provided under the Plan or as taxable cash income. Qualified expenditures for the tax savings plan are medical and dental insurance benefits.

NOTE 10. TAX SHELTERED ANNUITY

Santa Fe Community College submits payments for payroll deductions from individual employees who have enrolled themselves in a tax-sheltered annuity. Santa Fe Community College does not make any contribution to these tax annuity plans. The annuities are tax-sheltered retirement savings account under Section 403 (b) of the Internal Revenue Code.

NOTE 11. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description. Santa Fe Community College contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The RHCA Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are:

- 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement;
- 2) retirees defined by the Act who retired prior to July 1, 1990;
- 3) former legislators who served at least two years; and
- 4) former governing authority members who served at least four years.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 11. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONT'D)

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Santa Fe Community College's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$233,045, \$210,498 and \$198,696, respectively, which equal the required contributions for each year.

NOTE 12. BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets for the College are submitted for approval to the Board of Directors, the New Mexico Higher Education Department (HED) and the State Budget Division of the Department of Finance and Administration (DFA). Similarly, separate legislative budget requests are submitted to the Board of Directors, HED and DFA for inclusion in the State of New Mexico Executive Budget for consideration of appropriations by the state legislature. The budgets are prepared on the fund accounting principles which were applicable prior to GASB Statement No. 34, 35, 37 and 38 (Budgetary Basis). By contrast, the College prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP Basis).

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 12. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Budget revision requests, other than transfers among line items within a category, are subject to joint approval by the HED and DFA.

Procedures for Approval of Operating Budgets:

1. Each institution will submit a governing board approved operating budget to the HED staff by May 1st.
2. The HED meets about the middle of June and acts on the proposed fiscal year operating budgets submitted for review and recommendation.
3. The budgets as approved by the HED are transmitted to the Budget Division of DFA for official and final approval prior to July.

Pages 28-33 of this report present a comparison of actual (budgetary basis) operations to the final revised and approved operating budget. Reconciliations are presented for differences between budgetary basis and GAAP basis.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Lease Commitment. The College has several leases for copiers. The lease terms range from 3 to 5 years. Minimum future rental payments under operating leases having remaining terms in excess of one year as of June 30, for each of the next five years and in the aggregate are:

2009	\$	140,368
2010		140,368
2011		25,116
2012		<u>25,116</u>
Total	\$	<u>330,968</u>

Litigation. The College is liable or contingently liable in connection with certain claims that arise in the normal course of its activities. It is the opinion of management that uninsured losses resulting from these claims would not be material to the College's financial position or operations.

STATE OF NEW MEXICO
 SANTA FE COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE 14. GENERAL LIABILITY INSURANCE

The College has general liability insurance coverage with the Zurich-American Insurance Group. The policy covers property, general liability, inland marine, auto, crime and fidelity. The College also has a \$10,000,000 per occurrence and in aggregate umbrella coverage. The policy was extended to include the Training Center and GROW Foundation. The policy period is from July 1, 2007 to June 30, 2008.

NOTE 15. OTHER RECEIVABLES

At June 30, 2008, other receivables consisted of the following:

Dental clinic receivables	\$ 91,323
Biomass receivable	64,146
Facility / Food receivables	43,328
Book publishing	60,059
Various other receivables	<u>283,939</u>
	<u>\$ 545,795</u>

NOTE 16. ACCRUED LIABILITIES

At June 30, 2008, accrued liabilities consisted of the following:

Accrued benefits payable	\$ 469,606
Accrued payroll taxes	623,141
Other liabilities	<u>263,448</u>
	<u>\$ 1,356,195</u>

NOTE 17. DISCRETE COMPONENT UNITS – FINAL TRANSFER OF ASSETS OF THE EDUCATION FOUNDATION OF SANTA FE INTO THE GROW SANTA FE COMMUNITY COLLEGE FOUNDATION

The Education Foundation of New Mexico (Education Foundation) transferred its remaining assets to the GROW Santa Fe Community College Foundation during the year ended June 30, 2008. The Education Foundation was previously reported as a discrete Component Unit of the College. As a result of the transfer of assets during the year, the Education Foundation no longer qualifies as a discretely presented component unit of the College at June 30, 2008 and is therefore no longer included as part of the reporting entity.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE

Budget comparison - Unrestricted and Restricted - All Operations
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actuals	Final Budget Less Actuals
Unrestricted & Restricted Beginning Net Assets	\$ 12,906,571	\$ 15,022,203	\$ 15,022,203	\$ -
Unrestricted and Restricted Revenues:				
Tuition and Fees	4,214,052	4,274,920	4,311,489	36,569
State Government Appropriations	15,238,900	15,235,176	15,756,280	521,104
Local Government Appropriations	11,925,978	12,450,000	12,495,770	45,770
Federal Government Contracts/Grants	3,579,134	3,631,618	3,033,614	(598,004)
State Government Contracts/Grants	2,300,905	2,400,665	1,874,132	(526,533)
Local Government Contracts/Grants	355,813	-	282,759	282,759
Private Government Contracts/Grants	370,597	120,000	662,798	542,798
Sales and Services	5,882,689	5,493,836	4,724,801	(769,035)
Other	4,803,000	23,481,328	24,069,070	587,742
Total Unrestricted & Restricted Revenues	48,671,068	67,087,543	67,210,713	123,170
Unrestricted and Restricted Expenditures:				
Instruction	14,031,289	14,111,322	14,561,104	(449,782)
Academic Support	3,661,969	4,055,902	3,682,999	372,903
Student Services	3,255,804	3,116,372	2,835,791	280,581
Institutional Support	4,792,205	5,135,590	5,033,400	102,190
Operation and Maintenance of Plant	3,030,274	3,145,308	2,824,860	320,448
Student Social and Cultural	86,100	87,983	68,585	19,398
Public Services	8,887,495	8,354,376	8,190,539	163,837
Internal Services	128,608	177,946	196,358	(18,412)
Student Aid, Grants & Stipends	3,231,645	3,356,620	2,642,999	713,621
Auxiliary Services	1,695,714	1,746,238	1,878,164	(131,926)
Capital Outlay	-	4,241,663	3,323,331	918,332
Renewal & Replacement	1,077,438	1,334,068	1,187,864	146,204
Retirement of Indebtedness	4,450,000	4,909,669	4,799,417	110,252
Other	-	-	-	-
Total Unrestricted & Restricted Expenditures	48,328,541	53,773,057	51,225,411	2,547,646
Net Transfers	-	-	1,667,000	(1,667,000)
Change in Net Assets (Budgetary Basis)	342,527	13,314,486	17,652,302	(4,091,476)
Ending Net Assets	\$ 13,249,098	\$ 28,336,689	\$ 32,674,505	\$ (4,091,476)

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

Under title 5 of the New Mexico Administrative Code, chapter 3, part 4, paragraph 10 - Items of Budgetary Control: The total expenditures in each of the following budgetary functions will be used as the items of budgetary control. Total expenditures or transfers in each items may not exceed the amounts shown in the approved budget. A. Unrestricted expenditures and restricted expenditures. B. Instruction and general. C. Each budget function in current funds other than instruction and general. D. Within the plant funds budget: major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service. E. Each individual item of transfer between funds and/or functions.

See accompanying Independent Auditor's Report.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Budget Comparison - Unrestricted - Non-Instruction and General
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actuals	Final Budget Less Actuals
Unrestricted Beginning Net Assets	\$ 11,459,286	\$ 11,897,418	\$ 11,897,418	\$ -
Unrestricted Revenues:				
Tuition and Fees	-	-	-	-
State Government Appropriations	4,518,000	4,518,000	4,673,400	155,400
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	-	-	-	-
State Government Contracts/Grants	-	-	-	-
Local Government Contracts/Grants	-	-	-	-
Private Government Contracts/Grants	-	-	-	-
Sales and services	2,955,283	3,766,964	2,924,689	(842,275)
Other	4,553,000	23,221,144	23,776,259	555,115
Total Unrestricted Revenues	<u>12,026,283</u>	<u>31,506,108</u>	<u>31,374,348</u>	<u>(131,760)</u>
Unrestricted Expenditures:				
Student Social and Cultural	86,100	87,983	68,585	19,398
Public Service	6,088,697	6,805,450	6,235,074	570,376
Internal Services	-	-	-	-
Student aid, Grants & Stipends	280,284	325,284	213,843	111,441
Auxiliary services	1,695,714	1,746,238	1,878,164	(131,926)
Capital Outlay	-	4,241,663	3,323,331	918,332
Renewal & Replacement	1,077,438	1,334,068	1,187,864	146,204
Retirement of Indebtedness	4,450,000	4,909,669	4,799,417	110,252
Other	-	-	-	-
Total Unrestricted Expenditures	<u>13,678,233</u>	<u>19,450,355</u>	<u>17,706,278</u>	<u>1,744,077</u>
Transfers	1,659,768	1,621,515	3,288,515	(1,667,000)
Change in Net Assets (Budgetary Basis)	<u>7,818</u>	<u>13,677,268</u>	<u>16,956,585</u>	<u>(3,542,837)</u>
Ending Net Assets	<u>\$ 11,467,104</u>	<u>\$ 25,574,686</u>	<u>\$ 28,854,003</u>	<u>\$ (3,542,837)</u>

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

See accompanying Independent Auditor's Report.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE

Budget Comparison - Restricted - Non-Instruction and General
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actuals	Final Budget Less Actuals
Restricted Beginning Net Assets	\$ -	\$ -	\$ -	\$ -
Restricted Revenues:				
Tuition and Fees	-	-	-	-
State Government Appropriations	-	-	-	-
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	2,445,370	2,445,370	1,904,678	(540,692)
State Government Contracts/Grants	395,991	465,966	602,379	136,413
Local Government Contracts/Grants	-	-	-	-
Private Government Contracts/Grants	110,000	120,000	273,810	153,810
Sales and Services	2,927,406	1,726,872	1,800,112	73,240
Other	-	-	-	-
Total Restricted Revenues	<u>5,878,767</u>	<u>4,758,208</u>	<u>4,580,979</u>	<u>(177,229)</u>
Restricted Expenditures:				
Student Social and Cultural	-	-	-	-
Public Services	2,798,798	1,548,926	1,955,465	(406,539)
Internal Services	128,608	177,946	196,358	(18,412)
Student Aid, Grants & Stipends	2,951,361	3,031,336	2,429,156	602,180
Auxiliary Enterprises	-	-	-	-
Capital Outlay	-	-	-	-
Renewal & Replacement	-	-	-	-
Retirement of Indebtedness	-	-	-	-
Total Restricted Expenditures	<u>5,878,767</u>	<u>4,758,208</u>	<u>4,580,979</u>	<u>177,229</u>
Transfers	-	-	-	-
Change in Net Assets (Budgetary Basis)	-	-	-	-
Ending Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

See accompanying Independent Auditor's Report.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE

Budget Comparison - Unrestricted - Instruction and General
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actuals	Final Budget Less Actuals
Unrestricted Beginning Net Assets	\$ 1,447,285	\$ 3,124,785	\$ 3,124,785	\$ -
Unrestricted Revenues:				
Tuition and Fees	\$ 4,214,052	4,274,920	4,311,489	36,569
State Government Appropriations	10,720,900	10,717,176	11,082,880	365,704
Local Government Appropriations	11,925,978	12,450,000	12,495,770	45,770
Federal Government Contracts/Grants	-	-	-	-
State Government Contracts/Grants	-	-	-	-
Local Government Contracts/Grants	-	-	-	-
Private Government Contracts/Grants	-	-	-	-
Sales & Services	-	-	-	-
Other	250,000	260,184	292,811	32,627
Total Unrestricted Revenues	27,110,930	27,702,280	28,182,950	480,670
Unrestricted Expenditures:				
Instruction	12,591,309	13,011,414	13,112,734	(101,320)
Academic Support	2,486,436	2,669,661	2,546,638	123,023
Student Services	2,370,814	2,481,574	2,348,086	133,488
Institutional Support	4,637,620	5,135,590	5,033,400	102,190
Operation & Maintenance	3,030,274	3,145,308	2,824,860	320,448
Total Unrestricted Expenditures	25,116,453	26,443,547	25,865,718	577,829
Transfers	(1,659,768)	(1,621,515)	(1,621,515)	-
Change in Net Assets (Budgetary Basis)	334,709	(362,782)	695,717	1,058,499
Ending Net Assets	\$ 1,781,994	\$ 2,762,003	\$ 3,820,502	\$ 1,058,499

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

See accompanying Independent Auditor's Report.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE

Budget Comparison - Restricted - Instruction and General
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actuals	Final Budget Less Actuals
Restricted Beginning Net Assets	\$ -	\$ -	\$ -	\$ -
Restricted Revenues:				
Tuition and Fees	-	-	-	-
State Government Appropriations	-	-	-	-
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	1,133,764	1,186,248	1,128,936	(57,312)
State Government Contracts/Grants	1,904,914	1,934,699	1,271,753	(662,946)
Local Government Contracts/Grants	355,813	-	282,759	282,759
Private Government Contracts/Grants	260,597	-	388,988	388,988
Sales & Services	-	-	-	-
Other	-	-	-	-
Total Restricted Revenues	3,655,088	3,120,947	3,072,436	(48,511)
Restricted Expenditures:				
Instruction	1,439,980	1,099,908	1,448,370	(348,462)
Academic support	1,175,533	1,386,241	1,136,361	249,880
Student services	884,990	634,798	487,705	147,093
Institutional support	154,585	-	-	-
Operation & Maintenance	-	-	-	-
Total Restricted Expenditures	3,655,088	3,120,947	3,072,436	48,511
Net Transfers	-	-	-	-
Change in Net Assets (Budgetary Basis)	-	-	-	-
Ending Net Assets	\$ -	\$ -	\$ -	\$ -

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

See accompanying Independent Auditor's Report.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE

Reconciliation of Budgetary Basis to Financial Statement Basis
Unrestricted and Restricted - All Operations
For the year ended June 30, 2008

Total Unrestricted and Restricted Revenues:	
Budgetary Basis	\$ 67,210,713
Reconciling Items:	
Bond proceeds (not in financial statements)	(17,000,000)
Scholarship Allowance (not in budget basis)	(1,142,454)
Other fund items (not in budgetary basis)	293,400
Revenue/expenditure classification differences	(206,277)
Total reconciling items	<u>(18,055,331)</u>
Total reconciling unrestricted and restricted revenues per Budgetary Basis	<u>\$ 49,155,382</u>
 Basic Financial Statements	
Operating revenues	14,025,986
Non-Operating revenues	35,129,396
Other revenues	-
Total unrestricted and restricted revenues per Financial Statements	<u>\$ 49,155,382</u>
 Total Unrestricted and Restricted Expenditures:	
Budgetary Basis	\$ 51,225,411
Reconciling Items:	
Bond Payment (not in financial statements)	(4,189,757)
Capital Outlay/renewal & replacement (not in financial statements)	(3,947,183)
Scholarship Allowance (not in budgetary basis)	(1,142,454)
Other fund items (not in budgetary basis)	456,160
Depreciation and amortization expense (not in budgetary basis)	2,822,478
Revenue/expenditure classification differences	31,801
Other	193,596
Total reconciling items	<u>(5,775,359)</u>
Total reconciling unrestricted and restricted expenses per Budgetary Basis	<u>\$ 45,450,052</u>
 Basic Financial Statements	
Operating expenditures	44,840,392
Non-operating expenditures	609,660
Total unrestricted and restricted expenses per Financial Statements	<u>\$ 45,450,052</u>

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

See accompanying Independent Auditors' Report.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF CASH AND INVESTMENT ACCOUNTS
Year Ended June 30, 2008

Account Name	Type of Account	Bank Balance	Reconciled Balance
Primary Institution			
Deposit			
Petty Cash	N/A	\$ -	23,658
Wells Fargo	Checking	4,944,060	4,715,477
First National Bank	Money Market	6,460,767	6,460,767
Bank of Albuquerque	Money Market	397,076	397,076
Bank of America	Money Market	2,320,683	2,320,683
	Total	<u>\$ 14,122,586</u>	<u>13,917,661</u>
Investment			
NM Treasurer	Local Government Investment Pool	<u>\$ 20,938,273</u>	<u>20,938,273</u>
Component Unit			
Deposit			
Wells Fargo	Deposit	\$ 114,999	114,999
Wells Fargo	Repurchase Agreement	449,989	449,989
		<u>\$ 564,988</u>	<u>564,988</u>
Investment			
A G Edwards	Money Market Mutual fund	\$ 3,309,105	3,309,105
A G Edwards	Certificates of Deposit	383,364	383,364
A G Edwards	Bonds	197,367	197,367
Charles Schwab	Money Market Mutual fund	169,936	169,936
	Total	<u>\$ 4,059,772</u>	<u>4,059,772</u>

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF PLEDGED COLLATERAL
Year Ended June 30, 2008

	First National Bank	Wells Fargo	Bank of America	Bank of Albuquerque	Total
Bank balance @ 6/30/08	6,460,767	4,944,060	2,320,683	397,076	14,122,586
FDIC Insurance	(100,000)	(100,000)	(100,000)	(100,000)	(400,000)
Uninsured public funds	6,360,767	4,844,060	2,220,683	297,076	13,722,586
50% requirement	3,230,384	-	1,160,342	-	4,390,725
102% requirement	-	4,940,941	-	303,018 *	5,243,959
Total collateral requirements	3,230,384	4,940,941	1,160,342	303,018	9,634,684
Collateral pledged by banks	4,237,958	6,729,762	1,528,365	303,018	12,799,103
Over (under) collateral requirements	\$ 1,007,575	1,788,821	368,024	-	3,164,419

Collateral pledged by bank's trust department

	Location	CUSIP No.	Maturity	Market Value
First National Bank				
FGPC	Federal Reserve Bank	31294JS82	04/01/13	\$ 1,000,000
SF	Federal Reserve Bank	36202DBJ9	04/20/29	2,237,958
SF	Federal Reserve Bank	36202DMA6	03/20/31	1,000,000
				<u>\$ 4,237,958</u>
Wells Fargo				
FNCL 00897643	Wells Fargo-California	314100UHU9	05/01/37	\$ 6,002,783
FNCL 867437	Wells Fargo-California	31409CV69	05/01/36	162,100
FNCL 879100	Wells Fargo-California	31409UUZ6	05/01/36	171,468
FGUIGIG00895	Wells Fargo-California	3128MS7G9	06/01/37	190,678
FNIONP 880203	Wells Fargo-California	31409V3L5	02/01/36	202,733
				<u>\$ 6,729,762</u>
Bank of America				
FNMA POOL 555743	N/A	31385XLY1	09/01/33	\$ 324,837
FNMA POOL 555424	N/A	31385XAZ0	05/01/33	1,203,528
				<u>\$ 1,528,365</u>

*Cash held at the Bank of Albuquerque is collateralized by a repurchase agreement maintained by the New Mexico Finance Authority. It is the policy of the New Mexico Finance Authority, when utilizing repurchase agreements as pledged collateral, to obtain repurchase agreements at 102% of the uncollateralized amount invested at the Bank. The repurchase agreement is with the American Performance Institutional US Treasury Fund CUSIP 28846848, weighted average maturity is 2-days, located at the Bank of Oklahoma - Oklahoma.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF JOINT POWERS AGREEMENT
Year Ended June 30, 2008

New Mexico Education Services Center

- A. *Participants* - Santa Fe Community College, New Mexico Junior College & Northern New Mexico College.
- B. *Responsible Party for Operation* - Santa Fe Community College.
- C. *Description* - SFCC will provide physical space for, operate and manage the New Mexico Education Services Center (NMESC) for the purpose of providing educational services to students, employees and other authorized beneficiaries of the NMESC to manage the systems and services acquired through the Cooperative Procurement Agreement (CPA). SFCC will be responsible for acting as a fiscal agent for the NMESC and be responsible for the receipt of funds and payment of financial obligations of the NMESC in compliance with the applicable requirements of the Bylaws, the Financial Reporting Manual for Higher Education issued by NMHED, federal statutes and regulations and State statutes regulations.
- D. *Beginning and Ending Dates* - March 6, 2006 through date of written intent to terminate by the Parties involved.
- E. *Total Estimated Amount of Project* – Dependent on State Appropriations.
- F. *Amount contributed by Santa Fe Community College* - None

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
United States Department of Education		
Pell Grant	84-063	\$ 1,747,764
Supplemental Equipment Opportunity Grant	84-007	70,214
Academic Competitive Grant (ACG)	84-375	14,953
College Work-study	84-003	54,403
* Subtotal Student Financial Aid		<u>1,887,334</u>
Adult Education	84-002	208,182
Child Care Access	84-335	11,919
Title V	84-031	606,599
Vocational Access	84-048	110,921
TRIO	84-042	229,022
TESOL - Title III	84-195	172,986
ENLACE - Gear-up	84-348	113,609
Total United States Department of Education		<u>3,340,572</u>
United States Department of Health and Human Services		
Early Child Care	93-575	<u>383,426</u>
United States Small Business Administration		
Small Business Administration	59-037	<u>597,093</u>
United States Department of Agriculture		
USDA Forest Service	10-670	1,600
Child Care Food Program	10-558	38,641
Total United States Department of Agriculture		<u>40,241</u>
United States Environmental Protection Agency		
Environmental Protection - H.E.L.P	66.950	32,336
Total United States Environmental Protection Agency		<u>32,336</u>
Total Federal Expenditures		<u>\$ 4,393,668</u>

* Denotes Major Program

STATE OF NEW MEXICO
 SANTA FE COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 Year Ended June 30, 2008

Note 1.

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Santa Fe Community College and is presented on the accrual basis of accounting.

Note 2.

During the year ended June 30, 2008, various lenders made loans to students as follows:

	CFDA No.	Disbursements
Federal Family Education Loan Program	84-032	\$ 1,204,355

Note 3.

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the College provided federal awards to subrecipients as follows:

Program Title	CFDA No.	Amount Provided to Subrecipient
Title V Co-Op	84-031	\$ 606,589
U.S. Small Business Administration-New Mexico	59-037	
Small Business Subcenters:		
Central NM Community College		7,728
Central NM Community College – South Valley		17,729
Clovis Community College		17,729
Eastern New Mexico University – Roswell		57,028
Luna Community College		17,729
Mesalands Community College		17,729
New Mexico Junior College		17,729
Northern NM Community College		17,729
NM State University – Alamogordo		17,729
NM State University – Carlsbad		17,729
NM State University – Dona Ana		17,729
NM State University – Grants		17,729
Santa Fe Community College		17,729
San Juan College		17,729
UNM – Gallup		17,729
UNM – Los Alamos		17,729
UNM – Valencia		17,729
Western NM University		48,922
	Total	<u>\$ 986,202</u>

Note 4.

There was no non-cash assistance provided by the College for the fiscal year ending June 30, 2008.

**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***

Mr. Hector H. Balderas
New Mexico State Auditor
and
To the Board of Directors of
Santa Fe Community College

We have audited the basic financial statements of Santa Fe Community College (College) and its discretely presented component unit, and the budget comparison presented as supplemental information as of and for the year ended June 30, 2008, and have issued our report thereon dated November 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Mr. Hector H. Balderas
New Mexico State Auditor
and
Board of Directors
Santa Fe Community College
Santa Fe, New Mexico

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's basic 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 audit disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 07-02 and 08-01.

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

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

Moss Adams LLP

Albuquerque, New Mexico
November 14, 2008

**Report on Compliance With
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in
Accordance With OMB Circular A-133**

Mr. Hector H. Balderas
New Mexico State Auditor
and
Board of Directors
Santa Fe Community College
Santa Fe, New Mexico

We have audited the compliance of Santa Fe Community College (College) with the types of compliance requirements described in the US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, 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. Our audit does not provide a legal determination on the College's compliance with those requirements.

Mr. Hector H. Balderas
New Mexico State Auditor
and
Board of Directors
Santa Fe Community College
Santa Fe, New Mexico

In our opinion the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

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

Mr. Hector H. Balderas
New Mexico State Auditor
and
Board of Directors
Santa Fe Community College
Santa Fe, New Mexico

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

This report is intended solely for the information and use of the Board of Directors, management, the College, the Higher Education Department, the State Auditor, the cognizant audit agency and other federal audit agencies and is not intended to be, and should not be used by anyone other than these specified parties.

Moss Adams LLP

Albuquerque, New Mexico
November 14, 2008

STATE OF NEW MEXICO
 SANTA FE COMMUNITY COLLEGE
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 Year Ended June 30, 2008

Finding 2006-01	Cost of Attendance Calculation	Resolved
Finding 2006-04	Return of Title IV – Official/Unofficial Withdrawal Calculations	Resolved
Finding 2006-05	Student Status Change Reporting	Resolved
Finding 2006-08	Vulnerability and Penetration Testing	Resolved
Finding 2006-09	Program Change Management	Resolved
Finding 2006-10	Disaster Recovery/ Restoration Procedures	Resolved
Finding 2007-01	Security Awareness	Resolved
Finding 2007-02	Budget to Actual Expenditures	Revised and Repeated

STATE OF NEW MEXICO
 SANTA FE COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2008

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Non-compliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es) _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

Identification of Major Program

CFDA Number	Name of Federal Program or Cluster
84.063, 84.007, 84.003, 84.375	Student Financial Assistance Programs

Dollar threshold used to distinguish between type A and type B programs \$ 300.000

Auditee qualified as low-risk auditee? X Yes _____ No

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2008

B. FINANCIAL STATEMENT FINDINGS

None.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**D. OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE,
SECTION 12-6-5, NMSA 1978**

2007-02 Budget to Actual Expenditures

CONDITION

During our test work of the budget to actual expenditures, we noted that the College had overspent its budget in the following functions:

Instruction	\$ 449,782
Internal Services	18,412
Auxillary Services	131,926

CRITERIA

The College is not allowed to exceed their budget in expenditures for the instruction and general, student aid, grants, and stipends, auxiliary services, retirement of indebtedness, internal services, public services, and capital outlay per the budget compliance requirements of State Statute 6-3-1 to 6-3-25 NMSA 1978.

EFFECT

As a result of actual expenditures in excess of the College's legal adopted budget, the College was not in compliance with state statutes.

CAUSE

Expenditures in the last quarter of the fiscal year exceeded projections in some areas. The Budget Adjustment Request (BAR) deadline of May 1st does not allow for the College to complete a BAR for areas exceeding budget.

RECOMMENDATION

We recommend that the College ensures that all expenditure functions are not overspent and are in compliance with state statutes.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2008

**D. OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE,
SECTION 12-6-5, NMSA 1978 (CONTINUED)**

2007-02 Budget to Actual Expenditures (Continued)

MANAGEMENT RESPONSE

The final Budget Adjustment Request is due to the Higher Education Department on May 1st. The College creates budgets to be as close to the anticipated expenditure level as possible. Purchases for resale expenditures in Auxiliary Services exceeded the approved expenditure budget to continue meeting the needs of the student, faculty and staff. Restricted budget expenditures occurred due to contracts and grants received but not anticipated at the time the budget was prepared and submitted to HED. The College will strive in the future to submit a final BAR sufficient to cover expenditures.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2008

**D. OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE,
SECTION 12-6-5, NMSA 1978 (CONTINUED)**

2008-01. Bond SEC Disclosure over Financial Filings

CONDITION

The College did not file their Annual Financial Information with the SEC Repository by the deadline of December 31, 2007.

CRITERIA

There is an SEC Disclosure Rule according to the College's Bond Official Statements for Reporting Annual Financial Information and Material Events to a Nationally Recognized Municipal Securities Information Repositories and to a state information repository if one exists.

CAUSE

The College has relied on the bond issuer to file the Financial information.

EFFECT

The College has exposed themselves to the risk of not being in-compliance with the SEC disclosure requirement.

RECOMMENDATION

We recommend management implement a control to track the due date of the disclosure requirement and to ensure such disclosures are made by the deadline.

MANAGEMENT RESPONSE

The College will implement controls to ensure that the Bond SEC disclosure report is prepared and submitted by the required deadline.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
EXIT CONFERENCE
Year Ended June 30, 2008

The contents of this report were discussed in the exit conference held on November 14, 2008, with the following in attendance:

Representing Santa Fe Community College:

Heidi Tilton, Board Member
Dr. Sheila Ortego, President
Meridee Walters, Vice President of Finance and Administration
Gilda Espinoza, Associate Vice President of Finance and Administration

Representing GROW Santa Fe Community College Foundation:

Heidi Tilton, Board Chair
Gilda Espinoza, Associate Vice President of Finance and Administration (College)

Representing Moss Adams LLP:

Scott Eliason, Partner
Therese Sears, Supervisor

The financial statements were prepared with the assistance of Moss Adams LLP from the books and records of Santa Fe Community College.