

State of New Mexico



Santa Fe Community College

Financial Statements *and* Supplemental information

(with Report of Independent Auditors)

June 30, 2011

TABLE OF CONTENTS

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE**

Official Roster 1
Report of Independent Auditors 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 13

SUPPLEMENTAL INFORMATION

Budget Comparison – Unrestricted and Restricted – All Operations 31
Budget Comparison – Unrestricted - Instruction and General..... 32
Budget Comparison – Restricted - Instruction and General..... 33
Reconciliation of Budgetary Basis to Financial Statement Basis-Unrestricted
and Restricted – All Operations 34
Schedule of Deposit and Investment Accounts 35
Schedule of Pledged Collateral 36

TABLE OF CONTENTS

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE**

SUPPLEMENTAL INFORMATION (CONTINUED)

Schedule of Expenditures of Federal Awards..... 37

GOVERNMENTAL AUDITING STANDARDS REPORTS

Report of Independent Auditors 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..... 41

Report of Independent Auditors on Compliance with
Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133 43

SINGLE AUDIT FINDINGS

Summary Schedule of Prior Audit Findings 46

Schedule of Findings and Questioned Costs 47

Exit Conference 53

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE**

Official Roster

June 30, 2011

BOARD OF DIRECTORS

Name	Title	Term Expiration
Linda S. Siegle	Chair	March 31, 2015
Dr. Andrea B. Bermudez	Vice Chair	March 31, 2017
Chris Abeyta	Secretary	March 31, 2015
Carole A. Brito	Member	March 31, 2013
Bruce R. Besser	Member	March 31, 2013
Jason DeLeau	Student Govt. Representative	April 2012

ADMINISTRATIVE OFFICIALS

Sheila Ortego, Ph.D.	President
Meridee Walters	Vice-President for Finance and Administration
Gilda Espinoza	Associate Vice President for Finance and Administration (Retired on June 30, 2011)

Report of Independent Auditors

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, 2011, which collectively comprise the College's basic financial statements, as listed in the table of contents. We have also audited the budget comparisons presented as supplemental information for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion 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 also 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2011, and the respective changes in financial position and cash flows, where applicable 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

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

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011 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 to 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 Deposit and Investment Accounts, and the Schedule of Pledged Collateral 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 as required by U.S. 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.

Mess Adams LLP

Albuquerque, New Mexico
November 14, 2011

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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>2010-11</u>	<u>Fiscal Years</u>	
		<u>2009-10</u>	<u>2008-09</u>
Assets:			
Current Assets	\$ 42,530,782	39,801,371	36,426,472
Capital and Other Assets	78,718,848	68,367,405	56,941,094
Total Assets	<u>121,249,630</u>	<u>108,168,776</u>	<u>93,367,566</u>
Liabilities:			
Current Liabilities	6,686,844	14,947,627	9,379,047
Noncurrent Liabilities	37,386,727	17,124,514	17,850,302
Total Liabilities	<u>44,073,571</u>	<u>32,072,141</u>	<u>27,229,349</u>
Net Assets	<u>\$ 77,176,059</u>	<u>76,096,635</u>	<u>66,138,217</u>

- Assets exceeded liabilities by \$77,176,059 at the close of the fiscal year. Of this amount, \$8,438,916 is unrestricted.
- Cash and Cash Equivalents decreased from \$18,130,887 at the beginning of the year to \$13,014,511 at the end of the fiscal year. However, Investments had a significant increase from \$16,328,457 to \$23,391,799.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

- Net Assets as shown in the previous schedule increased to \$77,176,059 in comparison to \$76,096,635 at the end of fiscal year 2009-10.

Below is a schedule with a three year comparison of revenue, expenses and changes in net assets. The increase in net assets for fiscal year 2010-11 was \$1,079,424 compared to \$9,958,418 for fiscal year 2009-10.

Revenue, Expenses and Changes in Net Assets

	<u>Fiscal Years</u>		
	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Operating Revenue	\$ 22,090,836	19,756,469	16,697,176
Operating Expenses	<u>(55,682,825)</u>	<u>(50,674,303)</u>	<u>(48,010,529)</u>
Deficiency of Operating Revenues Over Expenses	(33,591,989)	(30,917,834)	(31,313,353)
Nonoperating Revenues	<u>34,671,413</u>	<u>40,876,252</u>	<u>36,848,612</u>
Increase in Net Assets	<u>\$ 1,079,424</u>	<u>9,958,418</u>	<u>5,535,259</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 enrollment increases of 29.7% over the last two years, growth in the county tax base and significant increases in government grants and contracts.

The following schedule summarizes the College's operating revenues of \$22,090,836 for fiscal year ending June 30, 2011 in comparison to \$19,756,469 in the prior year. Government grants and contracts increased from \$11,543,384 in fiscal year 2009-10 to \$12,819,871 in fiscal year 2010-11. Operating expenses of \$55,682,825 were higher than the expenses in the prior year due to a \$1,177,055 increase in financial aid disbursements and a \$3,248,726 increase in Instruction expenses.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

<u>Operating Revenues</u>			
	<u>Fiscal Years</u>		
	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Tuition and Fees, net	\$ 4,876,173	4,150,500	3,452,731
Government Grants and Contracts	12,819,871	11,543,384	9,431,362
Private Grants and Contracts	674,395	523,956	519,545
Sales and Services of Educational Departments	1,227,492	1,268,418	1,300,142
Auxiliary Enterprises/Other	<u>2,492,905</u>	<u>2,270,211</u>	<u>1,993,396</u>
Net Operating Revenue	<u>\$22,090,836</u>	<u>19,756,469</u>	<u>16,697,176</u>

<u>Operating Expenses</u>			
	<u>Fiscal Years</u>		
	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Instruction	\$18,173,629	14,924,903	15,318,036
Academic Support	3,964,233	4,569,549	4,571,262
Student Services	2,526,810	3,005,261	2,793,355
Institutional Support	5,035,244	5,275,671	5,725,648
Operation and Maintenance of Plant	3,028,599	2,728,968	2,825,823
Student Activities	94,344	143,235	57,355
Student Aid	6,398,579	5,221,524	2,414,479
Public Services	7,411,914	8,404,283	8,565,549
Auxiliary Enterprises	2,196,876	2,099,224	1,951,141
Independent Operations	-	-	319,032
Internal Services	-	21,294	-
Other Operating	163,485	227,984	-
Capital Outlay	3,574,655	84,369	75,187
Building Renewal and Replacement	127,024	633,318	539,404
Depreciation and Amortization	<u>2,987,433</u>	<u>3,334,720</u>	<u>2,854,258</u>
Total Operating Expenses	<u>\$55,682,825</u>	<u>50,674,303</u>	<u>48,010,529</u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Nonoperating Revenue and Expenses

The following schedule summarizes the College's nonoperating revenues and expenses of \$34,671,413 for fiscal year ended June 30, 2011; a decrease in nonoperating revenue and expenses of \$6,204,839 from the previous year. The decrease is due primarily to reduced state appropriations and General Obligation Bonds.

<u>Nonoperating Revenues and Expenses</u>			
	<u>Fiscal Years</u>		
	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
State Appropriations	\$13,209,476	17,142,678	17,097,080
Local Appropriations – Operating	15,266,308	14,559,901	13,460,020
Local Appropriations - Debt Service	6,494,343	6,404,776	6,053,699
General Obligation Bonds	-	3,087,087	344,541
Investment Income	56,023	40,267	256,827
Interest and Other Related Debt	(642,088)	(684,895)	(788,784)
Other Income/Expenses	287,351	326,438	425,229
	<hr/>	<hr/>	<hr/>
Total Nonoperating Revenue and Expenses	<u>\$34,671,413</u>	<u>40,876,252</u>	<u>36,848,612</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 unrestricted instruction and general and unrestricted non-instruction and general. There were variances in the actual revenue compared to the final revenue budget due to an increase in enrollment resulting in higher tuition and fees revenue and higher sales revenue in Auxiliary Services. On the budget comparison on expenditures, the actual expenses for all operations were below the budgeted amounts due to conservative spending College wide within instruction and general due to the economic conditions. The construction project expenses were not as high as estimated for the end of the fiscal year. Those expenses will be reflected in next fiscal year's budget.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Significant Capital Asset and Long-Term Debt Activity

During 2007, the voters of Santa Fe County approved a \$25 million general obligation bond issue for campus development. On November 27, 2007, \$17 million in general obligation bonds were issued. The remaining \$8 million available was issued on October 26, 2009.

The bond proceeds are being used to finance several projects that are currently underway or were completed in fiscal year 2010-11, including the construction of the Health and Sciences Building, the construction of the Trades and Advanced Technology Building, a remodel of the current kitchen and food services area, the expansion of Culinary Arts instructional space, and the remodel of two science labs.

The Health and Sciences Building is dedicated to labs, classrooms and offices for the offering of health career programs, as well as, for science related instruction. The 48,220 GSF building is fully financed through state funding and local bond proceeds. The building was completed and available for classes by Fall of 2010.

The Trades and Advanced Technology Building consists of classrooms, offices and labs dedicated to providing instruction for traditional trades programs, as well as, career and technical education in emerging technologies. The 45,000 GSF building began construction in November of 2009 and was completed by Fall 2011.

The remodel projects for the kitchen, food services area and the expansion of the Culinary Arts program are scheduled for completion in Fall 2011.

On August 3, 2010, the Santa Fe County voters approved another \$34 million general obligation bond issue for additional main campus development and a higher education learning center or downtown campus. The original bond issue of \$20 million occurred on October 28, 2010 with another issue anticipated during fiscal 2011-12.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Currently Known Facts, Decisions or Conditions Impacting Financial Conditions

The College has experienced a significant impact from the current economic state of the Nation's economy. During Fiscal Year ending June 30, 2011, the College experienced a significant reduction in state funding. The College experienced an increase in property tax collection rate. The budget for local taxes was estimated with a collection rate of 93%. The actual collection rate was approximately 98%. Between FY 08-09 and FY 09-10 credit hour production increased by 21% and average headcount enrollments by term increased on average 8.1%. Summer 10 credit hour production increased 12% over Summer 09 with an 8.4% increase in headcount. As of Fall 10, 10th week, credit hour production had increased 10.5% over 10th week in Fall 09 to 42,957.7, and headcount increased 3.8% to 6,752 over 10th week in Fall 09.

It is unclear how the economy will affect the College's future revenue streams. In response to the uncertainty, the College developed an "Economic Conditions Financing Plan - 2009". The plan provides for a 5% decline in state revenues, an increase in local tax revenues due to a "yield control" mechanism in the local mill levy calculation, and an increase in tuition and fee revenues due to enrollment projections and a 5% increase in tuition cost per credit hour. During fiscal year 2010-11 the College reduced its budget by freezing vacant positions, allowing only essential travel, and reducing non-essential equipment expenditures.

Component Unit

GROW Santa Fe Community College Foundation is included as a component unit on the financial statement. GROW Santa Fe Community College Foundation was established October 2004 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 the College.

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

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
June 30, 2011**

	Primary Institution	Component Unit
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,142,334	1,435,501
Cash and cash equivalents - restricted	6,872,177	-
Investments	23,391,799	4,671,908
Accounts receivable students, net	1,050,834	-
Grants and contracts receivable	2,810,737	-
Mill levy receivable	150,493	-
Other receivables, net	1,110,715	-
Due from component unit	484,492	-
Inventories	434,955	-
Prepaid expenses	82,246	-
Total current assets	<u>42,530,782</u>	<u>6,107,409</u>
Noncurrent Assets		
Assets held in escrow	127,543	-
Capital assets, net	78,591,305	470,311
Total noncurrent assets	<u>78,718,848</u>	<u>470,311</u>
Total assets	<u>\$ 121,249,630</u>	<u>6,577,720</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 2,740,071	-
Accrued liabilities	998,481	-
Accrued interest payable	484,797	-
Deferred revenue	2,071,304	-
Due to primary institution	-	484,492
Accrued compensated absences, current portion	185,189	-
Bonds payable - current portion, net	5,658,939	-
Other liabilities	392,191	-
Total current liabilities	<u>12,530,972</u>	<u>484,492</u>
Noncurrent Liabilities		
Accrued compensated absences	830,477	-
Bonds payable, net	30,712,122	-
Total noncurrent liabilities	<u>31,542,599</u>	<u>-</u>
Total liabilities	<u>44,073,571</u>	<u>484,492</u>
NET ASSETS		
Invested in capital assets, net of related debt	42,220,244	-
Restricted		
Nonexpendable		
Scholarship	-	2,821,279
Expendable		
Scholarship and programs	-	2,230,307
Debt service	6,537,873	-
Capital projects	19,979,026	-
Unrestricted	8,438,916	1,041,642
Total net assets	<u>77,176,059</u>	<u>6,093,228</u>
Total net assets and liabilities	<u>\$ 121,249,630</u>	<u>6,577,720</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, 2011

	Primary Institution	Component Unit
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$1,389,035)	\$ 4,876,173	-
Government grants and contracts	12,819,871	-
Non-government grants and contracts	674,395	-
Sales and services of educational departments	1,227,492	1,049,666
Auxiliary enterprises	2,485,265	-
Gain/Loss on Disposal Assets	7,640	-
Total operating revenues	<u>22,090,836</u>	<u>1,049,666</u>
Operating Expenses		
Instruction	17,394,268	-
Academic support	3,964,233	-
Student services	2,545,204	-
Institutional support	5,513,937	257,917
Operation and maintenance of plant	2,969,886	-
Student activities	94,344	-
Student aid	6,398,579	431,765
Public services	7,529,909	-
Auxiliary enterprises	2,220,157	-
Building renewal and replacements	185,737	-
Capital outlay	3,574,655	-
Depreciation and amortization	2,987,433	-
Other operating	304,483	-
Total operating expenses	<u>55,682,825</u>	<u>689,682</u>
Operating (loss) gain	(33,591,989)	359,984
Nonoperating revenues (expenses)		
State appropriations	13,209,476	-
Local appropriations - operating	15,266,308	-
Local appropriations - debt service	6,494,343	-
Investment income	56,023	426,895
Interest expense and other related debt	(642,088)	-
Other income	293,503	-
Other expense	(6,152)	-
Net nonoperating revenues	<u>34,671,413</u>	<u>426,895</u>
Increase in net assets	1,079,424	786,879
Net assets, beginning of year	<u>76,096,635</u>	<u>5,306,349</u>
Net assets, end of year	<u>\$ 77,176,059</u>	<u>6,093,228</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011**

	Primary Institution
Cash Flows From Operating Activities	
Tuition and fees	\$ 6,666,591
Grants and contracts	19,297,868
Payments for educational activities	(14,943,722)
Auxiliary enterprise charges	1,078,787
Payments to suppliers, employees and others	(43,237,184)
Net cash used by operating activities	<u>(31,137,660)</u>
Cash Flows From Noncapital Financing Activities	
State appropriations	13,209,476
District mill levies	21,701,040
Federal loan receipts	6,933,203
Federal loan disbursements	(6,933,203)
Net cash provided by noncapital financing activities	<u>34,910,516</u>
Cash Flows From Capital Financing Activities	
Purchases of capital assets	(13,331,238)
Bond proceeds	20,000,000
Principal paid on bonds and lease purchase	(8,067,018)
Interest paid on debts	(427,634)
Net cash used by capital financing activities	<u>(1,825,890)</u>
Cash Flows From Investing Activities	
Interest on investment	56,023
Purchase of investments	(7,119,365)
Net cash provided by investing activities	<u>(7,063,342)</u>
Net decrease in cash and cash equivalents	(5,116,376)
Cash and cash equivalents, beginning of year	<u>18,130,887</u>
Cash and cash equivalents, end of year	<u>\$ 13,014,511</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating (Loss)	\$ (33,591,989)
Adjustments to reconcile operating (loss) to net cash used by operating activities	
Depreciation and amortization expense	2,987,433
(Gain)/Loss on sale of assets	(7,640)
Changes in assets and liabilities	
Receivables, net	(801,803)
Inventories	(8,846)
Other assets	437,343
Accounts payable	(1,655,921)
Accrued liabilities	213,645
Deferred revenue	1,178,060
Compensated absences	112,058
Net cash used by operating activities	<u>\$ (31,137,660)</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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. 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 Financial 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.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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.

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.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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 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.

Art 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. Accordingly, art collections are not capitalized by the College.

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 2011 are shown as deferred income.

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.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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

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. The College recognizes property taxes as revenue on an accrual basis in the year in which they are first billed. The College has determined that recognizing revenues when the property taxes are levied is not feasible as the amounts have not been determined at the time the financial statements are prepared.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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

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.

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

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.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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 community 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.

NOTE 2. CASH AND CASH EQUIVALENTS – COLLEGE

Details of the College 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.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. CASH AND CASH EQUIVALENTS – COLLEGE (CONTINUED)

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, 2011, the College’s deposits were exposed to custodial credit risk as follows:

Insured	\$ 6,136,792
Uninsured and collateralized with securities held in the financial institution’s name	4,724,027
Uninsured and uncollateralized – debt service funds (New Mexico Finance Authority as Trustee)	331,686
Uninsured and uncollateralized – all other accounts	<u>2,318,382</u>
Total bank balance	<u>\$ 13,510,887</u>

NOTE 3. CASH AND CASH EQUIVALENTS – COMPONENT UNIT

As of June 30, 2011, GROW’s deposits were exposed to custodial credit risk as follows:

Insured	\$ 1,435,501
Uninsured and collateralized with securities held in the financial institution’s name	-
Uninsured and uncollateralized	-
Total bank balance	<u>\$ 1,435,501</u>

GROW’s policy does not require pledged collateral from its Bank.

A summary of GROW’s bank balances at June 30, 2011 follows:

<u>Description</u>	<u>Bank</u>	<u>Balance per Bank</u>
Operating account – checking	Wells Fargo Bank	\$ 495,992
Restricted account – checking	Wells Fargo Bank	<u>939,509</u>
Total amount deposited in bank		1,435,501
FDIC insurance		<u>(1,435,501)</u>
Total uninsured funds		<u>\$ -</u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4. INVESTMENTS - COLLEGE

All investment decisions are approved by the Board. As of June 30, 2011, the College had unexpended plant funds totaling \$23,391,799. 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. The weighted average maturity of the LGIP was 36 days at June 30, 2011.

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, 2011, 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, 2011, is comprised of \$56,023 of interest and dividends.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 5. INVESTMENTS – COMPONENT UNIT

Foundation Investments. The investments policy allows GROW to invest its portfolio in equities, fixed-income, alternative investments, and other investment strategies to maintain sufficient liquidity to meet projected (or budgeted) distribution requirements. GROW's investment in alternative investments at June 30, 2011 consisted of hedge funds.

A summary of investments at June 30, 2011:

	Cost	Fair Value
Money Market Mutual Funds	\$ 446,603	446,603
Equities Mutual Fund	1,161,809	1,385,983
Bond Mutual Fund	1,625,523	1,741,485
Hedge Funds	<u>1,040,884</u>	<u>1,097,837</u>
	<u>\$ 4,274,819</u>	<u>4,671,908</u>

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, GROW will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

A summary of the Investments held by GROW at June 30, 2011 and GROW's exposure to custodial credit risk is as follows:

Custodial Credit Risk

<u>Investment Type</u>	<u>Custodian</u>	<u>Fair Value</u>
Money Market Mutual Funds	Fidelity Investments	\$ 446,603
Equities Mutual Fund	Pershing Investments	671,857
Equities Mutual Fund	Fidelity Investments	714,126
Bond Mutual Fund	Fidelity Investments	<u>1,741,485</u>
		<u>3,574,071</u>
Hedge Funds	Caledonian	557,275
Hedge Funds	Goldman Sachs	<u>540,562</u>
		<u>1,097,837</u>
		<u>\$ 4,671,908</u>

Concentration of Credit Risk – Investments. Concentration risk is the risk of loss attributed to the magnitude of GROW's investment in a single issuer. Investments in any one issuer that represents 5% or more of total investments are considered to be exposed to concentrated credit risk and are required to be disclosed. Investments issued and explicitly guaranteed by the U.S. government and investments in mutual funds, external investment

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 5. INVESTMENTS – COMPONENT UNIT (CONTINUED)

pools, and other pooled investments are excluded from this requirement. There were no investments in a single issuer that represents 5% or more of total investments at June 30, 2011.

Interest Rate Risk - Investments. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Currently, GROW does not have a policy to limit its exposure to interest rate risk. There were no investments held by GROW exposed to interest rate risk as of June 30, 2011.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GROW does not have a policy on investment credit risk.

NOTE 6. RECEIVABLES

Receivables are shown net of allowance for doubtful accounts in the accompanying statement of net assets. At June 30, 2011, receivables consisted of the following:

Current Assets	
Receivables	\$ 6,416,763
Allowance for doubtful accounts	<u>(809,492)</u>
Net receivables – current	<u>\$ 5,607,271</u>

Included in the net amount above is \$150,493 of mill levy receivable due from Santa Fe County for the 2011 fiscal year, \$2,810,737 of contracts and grants receivable, and \$1,050,834 in net student receivables, \$484,492 due from GROW, and \$1,110,715 in other receivables.

NOTE 7. OTHER RECEIVABLES

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

Dental clinic receivables	\$ 59,848
Unexpended Plant Fund	536,559
Facility / Food receivables	105,511
Book publishers	106,356
Various other receivables	<u>231,041</u>
	<u>\$ 1,110,715</u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 8. CAPITAL ASSETS

Capital assets consisted of the following as of June 30, 2011:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	Ending <u>Balance</u>
College Capital assets not being depreciated					
Land	\$ 4,350,000	\$ -	\$ -	\$ -	\$ 4,350,000
Artwork	93,811	34,710	-	-	128,521
Construction in-progress	5,640,185	10,137,111	-	-	15,777,296
	<u>\$ 10,083,996</u>	<u>\$ 10,171,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,255,817</u>
College depreciable capital assets					
Land improvements	\$ 3,477,914	-	\$ -	\$ -	\$ 3,477,914
Infrastructure	5,885,779	49,859	-	-	5,935,638
Buildings	70,471,943	1,656,471	-	-	72,128,414
Capital equipment	9,549,681	1,480,517	-	(828,241)	10,201,957
Library resources	1,283,062	29,679	-	-	1,312,741
Training Center	392,594	-	-	-	392,594
Total depreciable capital assets	<u>91,060,973</u>	<u>3,216,526</u>	<u>-</u>	<u>(828,241)</u>	<u>93,449,258</u>
Less: accumulated depreciation for					
Land improvements	2,897,781	153,997	-	-	3,051,778
Infrastructure	3,438,049	216,909	-	-	3,654,958
Buildings	18,074,789	1,411,042	-	-	19,485,831
Capital equipment	7,182,826	1,103,783	-	(760,074)	9,046,683
Library resources	1,198,739	49,173	-	-	1,247,912
Training Center	112,923	33,833	-	-	146,756
Total accumulated depreciation	<u>32,905,107</u>	<u>2,968,737</u>	<u>-</u>	<u>(760,074)</u>	<u>36,633,918</u>
College depreciable capital assets, net	<u>\$ 58,155,866</u>	<u>\$ 247,789</u>	<u>\$ -</u>	<u>\$ (68,167)</u>	<u>\$ 58,335,488</u>
Capital asset summary					
College capital assets not being depreciated	\$ 10,083,996	\$ 10,171,821	\$ -	\$ -	\$ 20,255,817
College depreciable capital assets at cost	<u>91,060,973</u>	<u>3,216,526</u>	<u>-</u>	<u>(828,241)</u>	<u>93,449,258</u>
College total cost of capital assets	101,144,969	13,388,347	-	(828,241)	113,705,075
Less: Accumulated depreciation	<u>(32,905,107)</u>	<u>(2,968,737)</u>	<u>-</u>	<u>760,074</u>	<u>(35,113,770)</u>
College capital assets, net	<u>\$ 68,239,862</u>	<u>\$ 10,419,610</u>	<u>\$ -</u>	<u>\$ (68,167)</u>	<u>\$ 78,591,305</u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 9. LONG-TERM LIABILITIES

Outstanding bonds payable are summarized as follows:

Description	Interest Rate	Balance June 30, 2011	Final Payment Maturity
Series 2003A	1.99-3.34%	567,745	6/1/13
Series 2003B	1.99-3.34%	203,316	5/1/13
Series 2007	3.25-3.50%	11,700,000	8/1/13
Series 2009	1.00-2.00%	3,900,000	8/1/15
Series 2010	2.00-3.00%	<u>20,000,000</u>	8/1/20
		<u>\$36,371,061</u>	

Future debt service for the bonds is as follows:

Fiscal Year Ended	Principal Payments	Interest	Total
2012	\$ 5,658,939	608,951	6,267,890
2013	5,627,122	634,103	6,261,225
2014	5,430,000	533,281	5,963,281
2015	2,000,000	436,400	2,436,400
2016	3,340,000	401,525	3,741,525
2017-2020	<u>14,315,000</u>	<u>997,975</u>	<u>15,312,975</u>
Total	<u>\$ 36,371,061</u>	<u>3,612,234</u>	<u>39,983,295</u>

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

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011	Current Portion
Series 2003A	\$ 837,987	-	(270,242)	567,745	279,019
Series 2003B	300,092	-	(96,776)	203,316	99,920
Series 2005	100,000	-	(100,000)	-	-
Series 2007	15,200,000	-	(3,500,000)	11,700,000	3,900,000
Series 2009	8,000,000	-	(4,100,000)	3,900,000	750,000
Series 2010	-	20,000,000	-	20,000,000	630,000
Subtotal	24,438,079	20,000,000	(8,067,018)	36,371,061	5,658,939
Bond discount	(1,465)	-	1,465	-	-
Total Bonds	24,436,614	20,000,000	(8,065,553)	36,371,061	5,658,939
Accrued compensated absences	903,608	-	-	1,015,666	185,189
Total	<u>\$ 25,341,687</u>	<u>20,000,000</u>	<u>(8,065,553)</u>	<u>37,386,727</u>	<u>5,844,128</u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 9. 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 10. ACCRUED LIABILITIES

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

Accrued benefits payable	\$ 675,858
Accrued payroll taxes	<u>322,623</u>
	<u>\$ 998,481</u>

NOTE 11. 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 7.9% of their gross salary. The College is required to contribute 11.65% of the gross covered salary. Effective July 1, 2009, plan members are required to contribute 9.4% of their gross salary and the College is required to contribute 10.9% of the gross covered salary. The contribution requirements of plan members and the College are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The College's contributions to ERB for the fiscal years ending June 30, 2011, 2010, and 2009, were \$2,056,691, \$2,052,421, and \$2,021,947, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 12. 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, 2011, the Santa Fe Community College contributed \$112,525 to TIAA-CREF, and \$4,346 to VALIC.

NOTE 13. 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 14. 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 15. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description. The 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 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.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 15. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

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.

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. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

Fiscal Year Contribution Rate	Employer Contribution Rate	Employee
FY12	1.834%	.917%
FY13	2.00%	1.000%

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 15. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Also, employers joining the program after 1/1/98 are 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 College's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$324,718, \$250,869, and \$247,398, respectively, which equal the required contributions for each year.

NOTE 16. 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).

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 31-33 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.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 17. COMMITMENTS AND CONTINGENCIES

Lease Commitment. The College has several non-cancelable operating leases. The lease terms range from 3 to 5 years with final commitments through fiscal year 2014. Minimum future rental payments under operating leases having remaining terms in excess of one year as of June 30, for each of the remaining three years and in the aggregate are:

2012	\$	185,641
2013		156,654
2014		<u>131,374</u>
Total	\$	<u>473,669</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.

NOTE 18. GENERAL LIABILITY INSURANCE

The College has general liability insurance coverage with Travelers. 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, 2010 to June 30, 2011.*

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
BUDGET COMPARISON - UNRESTRICTED AND RESTRICTED - ALL OPERATIONS
For the Year Ended June 30, 2011**

	Original Budget	Final Budget	Actuals	Final Budget Less Actuals
Unrestricted & Restricted Beginning Fund Balance	\$ 21,319,613	33,594,386	33,594,386	-
Unrestricted and Restricted Revenues:				
State General Fund Appropriations	13,312,100	12,880,200	12,996,700	116,500
Federal Revenue Sources	11,098,099	11,098,099	10,102,314	(995,785)
Tuition and Fees	5,446,000	6,137,375	6,303,649	166,274
Land and Permanent Fund	-	-	-	-
Endowments and Private Gifts	828,592	652,646	128,041	(524,605)
Other	28,382,665	49,298,065	48,560,974	(737,091)
Total Unrestricted & Restricted Revenues	<u>59,067,456</u>	<u>80,066,385</u>	<u>78,091,678</u>	<u>(1,974,707)</u>
Unrestricted and Restricted Expenditures:				
Instruction	15,523,351	16,422,287	17,394,268	(971,981)
Academic Support	5,378,655	5,478,148	3,964,233	1,513,915
Student Services	3,436,863	3,624,702	2,545,204	1,079,498
Institutional Support	5,566,188	5,563,345	5,513,937	49,408
Operation and Maintenance of Plant	3,011,820	3,153,588	2,969,886	183,702
Subtotal - Instruction and General	<u>32,916,877</u>	<u>34,242,070</u>	<u>32,387,528</u>	<u>1,854,542</u>
Student Social & Cultural Activities	118,371	118,906	94,344	24,562
Research	-	-	-	-
Public Services	8,880,117	9,138,074	7,529,909	1,608,165
Internal Services	107,006	107,426	-	107,426
Student Aid, Grants & Stipends	7,884,134	8,038,674	6,398,579	1,640,095
Auxiliary Services	2,186,738	2,447,421	2,220,157	227,264
Capital Outlay	6,318,427	25,703,371	16,725,953	8,977,418
Renewal & Replacement	554,440	509,509	491,819	17,690
Retirement of Indebtedness	8,656,585	8,700,000	8,650,740	49,260
Total Unrestricted & Restricted Expenditures	<u>67,622,695</u>	<u>89,005,451</u>	<u>74,499,029</u>	<u>14,506,422</u>
Net Transfers	-	-	-	-
Change in Net Assets (Budgetary Basis)	<u>(8,555,239)</u>	<u>(8,939,066)</u>	<u>3,592,649</u>	<u>(16,481,129)</u>
Ending Net Assets	<u>\$ 12,764,374</u>	<u>24,655,320</u>	<u>37,187,035</u>	<u>(16,481,129)</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.

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 Report of Independent Auditors.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
BUDGET COMPARISON - UNRESTRICTED - INSTRUCTION AND GENERAL
For the Year Ended June 30, 2011**

	Original Budget	Final Budget	Actuals	Final Budget Less Actuals
Beginning Fund Balance	\$ 1,680,220	3,439,137	3,439,137	-
Unrestricted Revenues:				
Tuition	4,069,550	4,615,125	4,840,809	225,684
Miscellaneous Fees	1,280,450	1,426,250	1,424,399	(1,851)
Federal Government Appropriations	-	-	-	-
State Government Appropriations	8,731,300	8,448,000	8,564,500	116,500
Local Government Appropriations	13,850,000	14,800,000	15,266,308	466,308
Federal Government Contracts/Grants	-	-	-	-
State Government Contracts/Grants	-	-	-	-
Local Government Contracts/Grants	-	-	-	-
Private Contracts/Grants	-	-	-	-
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales & Services	-	-	-	-
Other	139,000	175,000	175,000	-
Total Unrestricted Revenues	<u>28,070,300</u>	<u>29,464,375</u>	<u>30,271,016</u>	<u>806,641</u>
Unrestricted Expenditures:				
Instruction	13,402,741	14,301,677	14,276,050	25,627
Academic Support	2,866,186	2,965,679	2,632,074	333,605
Student Services	2,721,645	2,909,484	2,395,320	514,164
Institutional Support	5,390,242	5,563,345	5,513,937	49,408
Operation & Maintenance of Plant	2,842,868	2,984,636	2,960,506	24,130
Total Unrestricted Expenditures	<u>27,223,682</u>	<u>28,724,821</u>	<u>27,777,887</u>	<u>946,934</u>
Net Transfers	<u>(1,030,820)</u>	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>-</u>
Change in Fund Balance (Budgetary Basis)	<u>(184,202)</u>	<u>(1,060,446)</u>	<u>693,129</u>	<u>(140,293)</u>
Ending Fund Balance	<u>\$ 1,496,018</u>	<u>2,378,691</u>	<u>4,132,266</u>	<u>1,753,575</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 Report of Independent Auditors.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
BUDGET COMPARISON - RESTRICTED - INSTRUCTION AND GENERAL
For the Year Ended June 30, 2011**

	Original Budget	Final Budget	Actuals	Final Budget Less Actuals
Beginning Fund Balance	\$ -	-	-	-
Restricted Revenues:				
Tuition	-	-	-	-
Miscellaneous Fees	-	-	-	-
Federal Government Appropriations	247,200	247,200	-	(247,200)
State Government Appropriations	-	-	-	-
Local Government Appropriations	-	-	-	-
Federal Government Contracts/Grants	2,611,154	2,611,154	2,521,128	(90,026)
State Government Contracts/Grants	2,025,112	2,025,112	1,525,479	(499,633)
Local Government Contracts/Grants	273,213	273,213	110,384	(162,829)
Private Contracts/Grants	536,516	360,570	452,650	92,080
Endowments	-	-	-	-
Land & Permanent Fund	-	-	-	-
Private Gifts	-	-	-	-
Sales & Services	-	-	-	-
Other	-	-	-	-
Total Restricted Revenues	5,693,195	5,517,249	4,609,641	(907,608)
Restricted Expenditures:				
Instruction	2,120,610	2,120,610	3,053,102	(932,492)
Academic support	2,512,469	2,512,469	1,397,275	1,115,194
Student services	715,218	715,218	159,264	555,954
Institutional support	175,946	-	-	-
Operation & Maintenance of Plant	168,952	168,952	-	168,952
Total Restricted Expenditures	5,693,195	5,517,249	4,609,641	2,207,311
Net Transfers	-	-	-	-
Change in Fund Balance (Budgetary Basis)	-	-	-	-
Ending Fund Balance	\$ -	-	-	-

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 Report of Independent Auditors.

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, 2011

Total Unrestricted and Restricted Revenues:

Budgetary Basis	\$ 78,091,678
Reconciling Items:	
Scholarship allowance (not in budgetary basis)	(1,389,035)
Local bond proceeds (not in budgetary basis)	(20,000,000)
Agency funds (not in budgetary basis)	179,461
Other revenue (not in budgetary basis)	528,385
Total reconciling items	<u>(20,681,189)</u>
GAAP Basis	<u>\$ 57,410,489</u>

Basic Financial Statements	
Operating revenues	22,090,836
Non-Operating revenues	<u>35,319,653</u>
Total unrestricted and restricted revenues per Financial Statements	<u>\$ 57,410,489</u>

Total Unrestricted and Restricted Expenditures:

Budgetary Basis	<u>\$ 74,499,029</u>
Reconciling Items:	
Bond Payment (not in financial statements)	(8,067,018)
Scholarship Allowance (not in budgetary basis)	(1,389,035)
Capital Outlay/renewal & replacement (not in financial statements)	(13,388,387)
Other expenses (not in budgetary basis)	1,591,344
Agency funds (not in budgetary basis)	(43,299)
Depreciation expense (not in budgetary basis)	2,987,433
Total reconciling items	<u>(18,308,962)</u>
GAAP Basis	<u>\$ 56,190,067</u>

Basic Financial Statements	
Operating expenditures	55,682,825
Non-operating expenditures	<u>648,240</u>
Total unrestricted and restricted revenues per Financial Statements	<u>\$ 56,331,065</u>

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
Year Ended June 30, 2011

Account Name	Type of Account	Bank Balance	Reconciled Balance
<u>Primary Institution</u>			
Deposit			
Petty Cash	N/A	\$ -	8,925
Wells Fargo	Checking	5,636,792	3,549,803
First National Bank	Money Market	5,209,989	6,791,677
Bank of NY	Money Market	331,686	331,686
Bank of America	Money Market	2,332,420	2,332,420
	Total	\$ 13,510,887	13,014,511
Investment			
NM Treasurer	Local Government Investment Pool	\$ 23,391,799	23,391,799
<u>Component Unit</u>			
Deposit			
Wells Fargo	Deposit	\$ 495,992	495,992
Wells Fargo	Restricted Deposit Account	939,509	939,509
		\$ 1,435,501	1,435,501
Investment			
1st Santa Fe Wealth Advisors	Equities Mutual Fund	\$ 1,385,983	1,385,983
1st Santa Fe Wealth Advisors	Bond Mutual Fund	1,741,485	1,741,485
1st Santa Fe Wealth Advisors	Hedge Funds	1,097,837	1,097,837
1st Santa Fe Wealth Advisors	Money Market Funds	446,603	446,603
	Total	\$ 4,671,908	4,671,908

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2011**

	First National Bank	Wells Fargo Deposit	Bank of America	Total
Bank balance @ 6/30/11	\$ 5,209,989	5,636,792	2,332,420	13,179,201
FDIC Insurance	(250,000)	(5,636,792)	(250,000)	(6,136,792)
Uninsured public funds	4,959,989	-	2,082,420	7,042,409
50% requirement	2,479,995	-	1,041,210	3,521,205
102% requirement	-	-	-	-
Total collateral requirements	2,479,995	-	1,041,210	3,521,205
Collateral pledged by banks	3,123,730	-	1,600,297	4,724,027
Over (under) collateral requirements	\$ 643,736	-	559,087	1,202,823

	Bank of New York
Funds on deposit with no collateral requirements (New Mexico Finance Authority as Trustee) Debt Service Funds	\$ 331,686

Collateral pledged by bank's trust department

Institution	Location	CUSIP No.	Maturity	Market Value
<u>First National Bank</u>				
FGPC	Fifth Third Bank	31294JS82	04/01/13	\$ 7,938
FGPC	Fifth Third Bank	767171FZ9	08/01/14	700,801
FGPC	Fifth Third Bank	31294MA76	10/01/25	2,414,991
				<u>\$ 3,123,730</u>
<u>Bank of America</u>				
FNCL Pool - 995023	Federal Reserve Bank	31416BLC0	08/01/37	\$ 1,600,297

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Subaward Number	Federal Expenditures
United States Department of Education - Direct Awards			
Student Financial Aid Cluster:			
Federal Pell Grant	84.063	N/A	\$ 6,569,595
Federal Supplemental Educational Opportunity Grant	84.007	N/A	58,229
Academic Competitiveness Grant	84.375	N/A	51,430
Federal Work-Study Grant	84.033	N/A	54,469
*Total Student Financial Aid Cluster			<u>6,733,723</u>
 Title V	 84.031	 N/A	 214,899
Vocational Access - Title I - Basic Grant	84.048	N/A	82,037
Vocational Access - Tech Prep	84.243	N/A	320,395
TRIO - Student Support Services	84.042A	N/A	239,251
TESOL - Title III	84.195N	N/A	225,027
United States Department of Education - Direct Awards			<u>7,815,332</u>
United States Department of Education - Pass Through Awards			
State Fiscal Stabilization Fund ARRA Cluster:			
Passed through New Mexico Higher Education Department * ARRA - State Fiscal Stabilization Fund	84.394	SFCC-975-1	539,840
Passed through University of New Mexico * ARRA - State Fiscal Stabilization Fund	84.397	076022-87G6	42,260
*Total State Fiscal Stabilization Fund ARRA Cluster			<u>582,100</u>
Passed through New Mexico Higher Education Department Adult Education	84.002	V002A080031	228,639
Passed through New Mexico Highlands University Gear-up	84.348	Q01328,P0071952	86,315
United States Department of Education - Pass Through Awards			<u>897,054</u>
Total United States Department of Education			<u>8,712,386</u>
United States Department of Agriculture			
USDA Forest Service	10.670	07-PA-110301000-025	6,677
Passed through New Mexico Children Youth & Family Child Care Food Program	10.558	294	42,421
Total United States Department of Agriculture			<u>49,098</u>
United States Department of Defense			
* Procurement Technical Assistance (P.T.A.P.)	12.002	N/A	318,773
United States Department of Health and Human Services			
Passed through New Mexico Children Youth & Family Child Care Development Fund Early Child Care	93.575	10-690-9999-01-006	197,769

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Subaward Number	Federal Expenditures
United States Environmental Protection Agency			
Environmental Protection - H.E.L.P.	66.950	N/A	14,043
Healthy Indoor Environments	66.034	N/A	<u>21,843</u>
Total United States Environmental Protection Agency			<u>35,886</u>
United States Small Business Administration			
* Small Business Administration	59.037	N/A	<u>737,063</u>
National Science Foundation			
Passed through New Mexico State University NM Alliance for Minority Participation	47.076	Q01328,P0071952	<u>900</u>
United States Department of Energy			
ENERGY\$MART Program Training Academy	81.042	DE-EE0004091	<u>49,620</u>
Total Federal Expenditures			<u><u>\$ 10,101,495</u></u>

* Denotes Major Program

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2011**

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, 2011, Federal Direct Student Loans made to students were as follows:

	CFDA No.	Disbursements
Direct Loan Program	84.268	\$ 6,933,203

Direct student loans made during the year are not included in the Schedule of Federal Awards.

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
U.S. Small Business Administration-New Mexico	59.037	
Small Business Subcenters:		
Central NM Community College		21,689
Central NM Community College – South Valley		21,689
Clovis Community College		21,689
Dona Ana Community College		21,689
Eastern New Mexico University – Roswell		21,689
Luna Community College		21,689
Mesalands Community College		21,689
New Mexico Junior College		21,689
Northern NM Community College		21,689
NM State University – Alamogordo		21,689
NM State University – Carlsbad		21,689
NM State University – Grants		21,689
Santa Fe Community College		21,689
San Juan College		21,689
UNM – Gallup		21,689
UNM – Los Alamos		21,689
UNM – Valencia		21,689
Western NM University		<u>21,689</u>
Total		<u>\$ 390,402</u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2011**

Note 4.

There was no non-cash assistance provided by the College for the fiscal year ending June 30, 2011.

Report of Independent Auditors 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*

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

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, 2011, and have issued our report thereon dated November 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Santa Fe Community College
and
Mr. Hector H. Balderas
New Mexico State Auditor

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we considered to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 11-01 and 11-02. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

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 responses and, accordingly, we express no opinion on them.

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.

Mess Adams LLP

Albuquerque, New Mexico
November 14, 2011

**Report of Independent Auditors on Compliance With
Requirements That Could Have a Direct and Material
Effect on Each Major Program
and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of Santa Fe Community College (College) with the types of compliance requirements described in the U.S. 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, 2011. 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.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 11-03.

Internal Control Over Compliance

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 11-03. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the College's responses 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, the cognizant audit agency, other federal audit agencies, and pass through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

Mess Adams LLP

Albuquerque, New Mexico
November 14, 2011

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011**

Finding 2010-01	Segregation of Duties over Accounts Payable	Resolved
Finding 2010-02	Segregation of Duties over P-Card Transaction Limits	Resolved
Finding 2010-03	Component Unit – Bank Reconciliations Not Reviewed	Resolved
Finding 2010-04	Time and Effort Reporting	Resolved

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies(s) identified? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified? yes 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 no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.007, 84.375, 84.033 84.268	Student Financial Aid Cluster
59.037 12.002 84.394/84.397	Small Business Administration Procurement Technical Assistance (P.T.A.P.) State Fiscal Stabilization Fund Cluster - ARRA

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

yes no

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

Section II - Financial Statement Findings

11-01 Bank Reconciliations Not Reviewed (Significant Deficiency)

CONDITION

Monthly bank reconciliations over cash accounts are not being effectively reviewed.

CRITERIA

Proper internal control structure requires an appropriate segregation of duties so as to provide reasonable assurance with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

EFFECT

The lack of bank reconciliation review causes an internal control design flaw which may result in a misstatement of the cash balance.

CAUSE

Procedures in place during the fiscal year did not include an appropriate review of the bank reconciliations.

RECOMMENDATION

We recommend the College implement policies and procedures to ensure at least one level of independent review over the monthly bank reconciliations occurs and is properly documented.

MANAGEMENT RESPONSE

Subsequent to fiscal year-end a new Controller was hired by the College. The bank reconciliation processes are currently being reviewed by the Controller and new processes will be implemented. An independent review of the monthly bank reconciliations will occur and be adequately documented.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

11-02 Local Government Investment Pool Transfers Not Reviewed (Significant Deficiency)

CONDITION

The Assistant Vice President of Finance and Administration is able to effect transfers from the Local Government Investment Pool without oversight.

CRITERIA

Proper internal control structure requires an appropriate segregation of duties over the transfer process.

EFFECT

The lack of oversight over the transfer process leads to the potential for misstatement due to error or fraud.

CAUSE

Procedures in place during the fiscal year did not include appropriate controls to prevent and/or detect inappropriate transfers.

RECOMMENDATION

We recommend the College implement policies and procedures to ensure at least one level of independent review over the transfers. To comply with best practices, we suggest that in addition to implementing an appropriate bank reconciliation process to detect potential misstatement, the College should also implement effective controls to require transfers to be prepared and executed by separate individuals.

MANAGEMENT RESPONSE

Transfers from the Local Government Investment Pool (LGIP) can only be made into the Wells Fargo Operating Account. Subsequent to year-end the College implemented a dual-approval process over transfers from the LGIP. The process requires that transfers be approved and executed by an individual separate from the individual requesting the transfer.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011

Section III - Federal Award Findings and Questioned Costs

11-03 Student Financial Aid – Return to Title IV (Non-Compliance/Significant Deficiency)

Federal program information:

Funding agency: U.S. Department of Education
Title: Student Financial Aid Cluster
CFDA Number: 84.007, 84.033, 84.063, 84.268, 84.375

CONDITION

During testing it was noted that the College did not return funds within the required timeframe for three of the 25 students tested.

CRITERIA

Per 34 CFR section 668.22(c), an institution must determine the withdrawal date for a student who withdraws after providing notice to the institution as 1) the date the student began the withdrawal process or 2) the date that the student otherwise provided notice, orally or in writing, of their intention to withdraw.

Also, per 34 CFR section 668.173(b), returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew.

QUESTIONED COSTS

Unknown

EFFECT

Failure to ensure these funds were returned resulted in a late refund of financial aid funds to the Department of Education resulting in non-compliance with the program requirements.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

11-03 Student Financial Aid – Return to Title IV (Non-Compliance/Significant Deficiency) (Continued)

CAUSE

Of the three students noted, two had officially dropped classes, but changed to audit status. This resulted in the College not identifying them as withdrawn timely. The other student had not given notice and when the unofficial withdraw was determined, their status as withdrawn was not confirmed within the College within the required timeframe and funds were not returned until their status was confirmed.

RECOMMENDATION

We recommend that the College implement training procedures to ensure the employees withdrawing the students are correctly identifying them for financial aid purposes. In addition, we recommend that the College ensure that employees identifying students as withdrawn are aware of the 45 day requirement.

MANAGEMENT RESPONSE

None of the 3 students identified “withdrew” by informing the college of their intent to withdraw. We are currently working on a report to include students who change all of their courses to “audit” in the weekly withdrawal report. By having these students show up on the report, we will be able to run the R2T4 calculation and return any funds well within the 45 day limit.

Grades of “incomplete” will have to be treated in the future as if they were “withdrawals”. They currently show up on our unofficial withdrawal report which runs as soon as final grades are posted each term. We can treat them like all unofficial withdrawals and run the R2T4 calculation and return funds accordingly.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

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

None

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
EXIT CONFERENCE
June 30, 2011**

The contents of this report were discussed in the exit conference held on November 9, 2011, with the following in attendance:

Representing Santa Fe Community College:

Linda Siegle, Board Chair
Dr. Sheila Ortego, President
Meridee Walters, Vice President of Finance and Administration
Betsye Ackerman, Controller

Representing GROW Santa Fe Community College Foundation:

Deborah Boldt, GROW Executive Director

Representing Moss Adams LLP:

Scott Eliason, Partner
Tom Downey, In-Charge Accountant

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