

SANTA FE COMMUNITY COLLEGE

FINANCIAL STATEMENTS
With
REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS

Year Ended June 30, 2013



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SANTA FE COMMUNITY COLLEGE
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JUNE 30, 2013

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**SANTA FE COMMUNITY COLLEGE
OFFICIAL ROSTER
JUNE 30, 2013**

Name		Title
BOARD MEMBERS		
Chris Abeyta		Chair
Linda Siegle		Vice Chair
Dr. Andrea B. Bermudez		Secretary
Dr. Martha Romero		Member
Kathy Keith		Member
ADMINISTRATIVE OFFICIALS		
Dr. Ana "Cha" Guzman		President
Dr. Brian Ziemer, CPA		Chief Financial Officer
Dr. Christopher Dela Rosa		Chief Information Officer
Dr. Carmen Gonzales		Vice President for Student Success
Randy Grissom		Vice President of Academic Affairs
Janet Wise		Executive Director of Marketing and Public Relations
SFCC FOUNDATION		
Deborah Boldt		Director of Development/Executive Director of GROW SFCC Foundation
Name		Title
BOARD MEMBERS		
Richard Abeles		President
Rosemary Palazzi Mulcahy		Vice President
Randy Grissom		Secretary
Dr. Jeff Case		Treasurer



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
The U.S. Office of Management and Budget and
Board of Directors
Santa Fe Community College
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Santa Fe Community College (the College) as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the College's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance 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 respective budgetary basis of accounting as prescribed in the New Mexico Administrative Code, as more fully described in Note 2 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 5, 2013

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

Management's Discussion and Analysis

Overview of Financial Statements

For financial reporting purposes, Santa Fe Community College (the College) 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. The College has considered potential component units and has chosen to include GROW Santa Fe Community College Foundation (GROW) as a component unit. These financial statements are based upon Governmental Accounting Standards Board GASB Statement 35. This MD&A focuses on the College and not on GROW. This report consists of a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

Condensed Financial Information

Assets	2013	2012	2011
Current assets	\$ 29,932,521	\$ 29,084,797	\$ 42,530,782
Capital and other assets	96,645,701	90,556,873	78,718,848
Total Assets	<u>126,578,222</u>	<u>119,641,670</u>	<u>121,249,630</u>
 Liabilities			
Current liabilities	12,998,700	13,167,482	6,686,844
Noncurrent liabilities	34,402,029	25,281,108	37,386,727
Total Liabilities	<u>47,400,729</u>	<u>38,448,590</u>	<u>44,073,571</u>
 Net Position			
Net investment in capital assets	47,423,349	58,502,544	42,220,244
Restricted	7,981,754	12,377,337	26,516,899
Unrestricted	23,772,390	10,313,199	8,438,916
Total Net Position	<u>\$ 79,177,493</u>	<u>\$ 81,193,080</u>	<u>\$ 77,176,059</u>

- Assets exceeded liabilities by \$79,177,493 at the close of the fiscal year. Of this amount, \$23,772,390 is unrestricted.
- Cash and cash equivalents increased from \$12,114,595 at the beginning of the year to \$21,948,302 at the end of the fiscal year. Investments also had a significant decrease from \$9,544,890 to \$0.
- Net Position as shown in the previous schedule increased to \$79,177,493 in comparison to \$81,193,080 at the end of fiscal year 2012. This change included a prior period adjustment of \$475,381, of which substantially all related to errors in the accounting for grants. Management is unable to determine which years the adjustments relate to. See Note 20 for details.

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

Management's Discussion and Analysis

Revenues, Expenses and Changes in Net Position

Below is a schedule with a three year comparison of revenue, expenses and changes in Net Position. The decrease in Net Position for fiscal year 2013 was \$(1,540,206) compared to an increase of \$1,814,937 for fiscal year 2012.

	2013	2012	2011
Operating Revenues	\$ 16,225,182	\$ 14,952,965	\$ 15,521,241
Operating Expenses	<u>(58,780,801)</u>	<u>(57,330,447)</u>	<u>(55,682,825)</u>
Operating Loss	(42,555,619)	(42,377,482)	(40,161,584)
Non-Operating Revenues (Expenses)	<u>41,015,413</u>	<u>44,192,419</u>	<u>41,241,008</u>
Change in Net Position	<u>\$ (1,540,206)</u>	<u>\$ 1,814,937</u>	<u>\$ 1,079,424</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. Enrollment growth is expected to stabilize or decrease slightly. During the next fiscal year, the College will be working to reallocate existing funds to increase full-time faculty. Increases in expenses will be planned depending on the results of the FY13 funding formula changes.

The following schedule summarizes the College's operating loss of \$(1,540,206) for fiscal year ending June 30, 2013 in comparison to \$1,814,937 in the prior year. Government grants and contracts decreased from \$6,776,591 in fiscal year 2012 to \$5,188,104 in fiscal year 2013. Tuition and fees, net is \$446,214 more than the prior year. This is largely due to a change in estimate of the scholarship allowance. Gross tuition and fees, increased by \$563,497 or 7.85%. Sales and services for educational departments decrease by \$144,826. The College discontinued its Dental Clinic. The change in revenues resulting from this discontinued operation was \$203,419 in the prior year. Operating expenses of \$58,780,801 were higher than the expenses in the prior year in the amount of \$1,450,354 or 2.46%. Instruction and general expenditures increased by \$1,028,652 or 5.64%.

Operating Revenues

	2013	2012	2011
Tuition and fees, net	\$ 4,073,695	\$ 3,627,481	\$ 4,876,173
Government grants and contracts	5,188,104	6,776,591	6,250,276
State and other grants and contracts	2,253,814	-	-
Non-government grants and contracts	993,207	1,007,130	674,395
Sales and services of educational activities	683,203	828,029	1,227,492
Auxiliary enterprises	3,033,159	2,713,734	2,492,905
Operating Revenues	<u>\$ 16,225,182</u>	<u>\$ 14,952,965</u>	<u>\$ 15,521,241</u>

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Management's Discussion and Analysis

Operating Expenses

	2013	2012	2011
Instruction	\$ 18,243,875	\$ 17,215,223	\$ 18,173,629
Academic support	3,888,303	4,019,937	3,964,233
Student services	3,691,669	3,282,687	2,526,810
Institutional support	6,070,438	5,959,902	5,035,244
Operation and maintenance of plant	4,407,291	3,019,983	3,028,599
Student activities	91,200	108,650	94,344
Student aid	6,232,338	6,219,074	6,398,579
Public services	7,320,049	7,865,839	7,411,914
Auxiliary enterprises	3,043,365	2,753,916	2,196,876
Building renewal and replacements	963,129	807,479	127,024
Capital outlay	1,078,652	2,339,221	3,574,655
Depreciation and amortization	3,392,858	3,476,468	2,987,433
Other operating	346,363	251,648	163,485
Internal services	11,271	10,420	-
Operating Expenses	\$ 58,780,801	\$ 57,330,447	\$ 55,682,825

The following schedule summarizes the College's nonoperating revenues and expenses of \$41,015,413 for fiscal year ended June 30, 2013; showing an decrease in nonoperating revenue and expenses of \$3,177,006 from the previous year. Although state appropriations increased in the amount of \$264,967, local tax revenue decreased by \$3,122,074, which was primarily due to a change in estimate to include assessed property taxes of which \$1,214,663 were not included in prior years, and federal pell grants decreased by \$116,825.

Non-Operating Revenues and Expenses

	2013	2012	2011
Federal pell grant	\$ 7,694,963	\$ 7,811,788	\$ 6,569,595
State appropriations	12,589,395	12,324,428	13,209,476
Local appropriations - operating	15,609,803	17,364,014	15,266,308
Local appropriations - debt service	5,771,387	7,139,250	6,494,343
Investment gain (loss)	15,883	(7,401)	56,023
Interest expense and other related debt	(793,005)	(759,032)	(642,088)
Other income	144,095	345,993	287,351
Loss on disposal assets	(17,108)	(26,621)	-
Non-Operating Revenues and Expenses	\$ 41,015,413	\$ 44,192,419	\$ 41,241,008

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Management's Discussion and Analysis**

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. Actual unrestricted instruction and general expenses were less than budgeted. Capital expenditures exceeded projection when projects moved faster than originally expected. The budget variance in the Plant Fund was one of timing as capital projects expenditures were sufficiently covered.

Significant Capital Asset and Long-Term Debt Activity

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.

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 2012-13 in the amount of \$15,000,000.

Currently Known Facts, Decisions or Conditions Impacting Financial Conditions

Over the last few years, the State of New Mexico has been working to move the funding formula from a production based system to a production-performance based system. For example, where the formula in prior years reimburses credit hour production on a pre-determined census date, the current formula reimburses credit hours based on completion.

Generally, enrollment trends for community colleges are impacted by economic conditions. They experience significant increases in enrollments during economic recessions. Adversely, during times of economic growth, enrollments level off and decline. In order to effectively address these cyclical issues, the College deploys adjunct faculty and temporary help. This allows direct costs to move with enrollment changes.

Component Unit

GROW Santa Fe Community College Foundation is included as a component unit on the financial statement. GROW 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 Santa Fe Community College and its objectives.

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.

SANTA FE COMMUNITY COLLEGE

STATEMENT OF NET POSITION

JUNE 30, 2013

ASSETS	<u>Primary Government</u>	<u>Component Unit</u>
Current assets:		
Cash and cash equivalents	\$ 21,948,302	\$ 1,123,911
Short-term investments	1,552,447	5,141,180
Accounts receivable, net	5,009,826	-
Due from component unit	631,972	-
Inventory	422,713	-
Prepaid expenses	367,261	-
Total current assets	<u>29,932,521</u>	<u>6,265,091</u>
Non-current assets:		
Restricted cash and cash equivalents	7,981,754	-
Capital assets, net	88,663,947	470,311
Total non-current assets	<u>96,645,701</u>	<u>470,311</u>
Total assets	<u>\$ 126,578,222</u>	<u>\$ 6,735,402</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 2,510,338	\$ -
Accrued expenses	1,280,590	-
Annuity payable, current portion	-	3,650
Interest payable	320,786	-
Deferred revenue	974,037	-
Deposits held in trust	5,868	-
Due to primary institution	-	631,972
Compensated absences	877,081	-
Current maturity of bonds payable	7,030,000	-
Total current liabilities	<u>12,998,700</u>	<u>635,622</u>
Non-current liabilities:		
Annuity payable, less current portion	-	20,772
Compensated absences	191,431	-
Leases payable	8,950	-
Bond premium	1,146,648	-
Bonds payable	33,055,000	-
Total non-current liabilities	<u>34,402,029</u>	<u>20,772</u>
Total liabilities	<u>47,400,729</u>	<u>656,394</u>
Net position:		
Net investment in capital assets	47,423,349	-
Restricted for:		
Nonexpendable scholarship and programs	-	2,998,794
Expendable scholarship and programs	-	2,210,207
Expendable future debt service requirements	7,981,754	-
Unrestricted	23,772,390	870,007
Total net position	<u>79,177,493</u>	<u>6,079,008</u>
Total liabilities and net position	<u>\$ 126,578,222</u>	<u>\$ 6,735,402</u>

The accompanying notes are an integral part of these financial statements

SANTA FE COMMUNITY COLLEGE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	Primary Government	Component Unit
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$3,108,299)	\$ 4,073,695	\$ -
Federal grants and contracts	5,188,104	-
State and other grants and contracts	2,253,814	-
Nongovernment grants and contracts	993,207	-
Auxiliary enterprises	3,033,159	-
Gifts, bequests and endowments	-	720,652
Sales and services of educational activities	683,203	-
Total operating revenues	16,225,182	720,652
Operating expenses:		
Instruction	18,243,875	-
Academic support	3,888,303	-
Student services	3,691,669	-
Institutional support	6,070,438	603,644
Operations and maintenance	4,407,291	-
Student activities	91,200	-
Student aid	6,232,338	280,483
Public services	7,320,049	-
Auxiliary enterprise expenses	3,043,365	-
Building renewal and replacement	963,129	-
Capital outlay	1,078,652	-
Depreciation	3,392,858	-
Other	346,363	-
Internal services	11,271	-
Total operating expenses	58,780,801	884,127
Operating (loss)	(42,555,619)	(163,475)
Non-operating revenues (expenses):		
Federal pell grants	7,694,963	-
State appropriations, non-capital	12,589,395	-
Mill levy - operations	15,609,803	-
Mill levy - debt service	5,771,387	-
Investment income (loss)	15,883	501,930
Interest on capital related debt	(793,005)	-
Loss on disposal of capital assets	(17,108)	-
Other income (expense)	144,095	157
Net non-operating revenues (expenses):	41,015,413	502,087
Income (loss) before contributions to Permanent Endowments	(1,540,206)	338,612
Contributions to Permanent Endowments	-	65,964
Change in net position	(1,540,206)	404,576
Net position, beginning of year	81,193,080	5,674,432
Net position, restatement	(475,381)	-
Net position, beginning as restated	80,717,699	5,674,432
Net position, end of year	\$ 79,177,493	\$ 6,079,008

The accompanying notes are an integral part of these financial statements

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SANTA FE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	Primary Government
Cash flows from operating activities:	
Tuition and fees	\$ 3,060,200
Grants and contracts	9,164,991
Auxiliary enterprise charges	3,025,555
Sales and services of educational activities	683,203
Payments to employees and for employee benefits	(24,296,832)
Payments to suppliers	(31,220,956)
Net cash (used) by operating activities	(39,583,839)
Cash flows from noncapital financing activities:	
State appropriations	12,589,395
Federal pell grants	7,694,963
Mill levies	22,038,188
Other receipts or (disbursements)	144,095
Net cash provided by noncapital financing activities	42,466,641
Cash flows from capital financing activities:	
Principal payments on long term debt	(5,627,122)
Proceeds from the issuance of debt	16,146,648
Interest paid	(737,238)
Net cash provided by capital financing activities	9,782,288
Cash flows from investing activities:	
Proceeds from the sale of capital assets	17,151
Proceeds from sale of LGIP	7,992,443
Purchase of capital assets	(2,875,106)
Interest received	15,883
Net cash provided by investing activities	5,150,371
Net increase in cash and cash equivalents	17,815,461
Cash and cash equivalents - beginning of year	12,114,595
Cash and cash equivalents - end of year	\$ 29,930,056
Operating Loss	\$ (42,555,619)
Reconciliation of operating loss to net cash used by operating activities:	
Depreciation expense	3,392,858
Changes in assets and liabilities:	
Accounts receivable, net	1,538,763
Inventory	44,373
Prepaid expenses and other assets	95,614
Accounts payable	(597,388)
Accrued liabilities	289,272
Deferred revenue	(1,829,996)
Compensated absences	33,099
Other liabilities	5,185
Net cash (used) by operating activities	\$ (39,583,839)

The accompanying notes are an integral part of these financial statements

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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.

2. 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. There was no activity during fiscal year 2013 for the Corporation.

The 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 reinvest 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. The College provides office space, personnel, utilities, and general operating expenses to GROW. 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.

3. Financial Statement Presentation

The accounting and reporting policies of the College reflected in the accompanying financial statements conform to accounting principles generally acceptable in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and*

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Financial Reporting Standards. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

As a public institution, the College is considered a special purpose government under the provisions of GASB Statement No. 35. The College records revenue in part from fees and other charges for services to external users and, accordingly, has chosen to present its financial statements using the reporting model for special-purpose governments engaged in business-type activities. This model allows all financial information for the College to be reported in a single column in each of the financial statements, accompanied by the financial information for the Foundation. The effect of internal activity between funds or groups has been eliminated from these financial statements.

Universities; 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 position, revenues, expenses, and changes in net position, 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 position as net investment in capital assets, restricted and unrestricted; classifying the Statement of Net Position between current and noncurrent assets and liabilities and classifying revenue and expenses as operating and nonoperating.

4. 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.

During the year ended June 30, 2013, the College adopted GASB Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The College does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

5. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the College considers all highly liquid investments 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. Restricted cash and cash equivalents represent amounts that are externally restricted to make debt service payments.

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

6. 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 an amount which approximates fair value. The College considers cash deposited at the State Treasurer's Office to be investments.

7. 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.

8. Private Gifts, Revenue and Pledges

GROW records pledges receivable as assets and revenue if the pledges are evidenced by unconditional promises to give those items in the future. GROW considers an executed charitable gift or endowment agreement or a signed pledge card from a donor an unconditional promise. Noncash contributions are valued at estimated fair values at date of donation.

9. 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.

10. 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 buildings, 20 years for infrastructure and leasehold improvements, 5 years for library books and 5 to 20 years for equipment, furnishings and software. The College has no internally developed software. Capital assets received by GROW are immediately transferred to the College for capitalization and depreciation.

11. Art Collections

Both the College and GROW 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 capitalized but not depreciated by the College or GROW.

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

12. Deferred Revenue and Expenses

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 2013 are shown as deferred income as well as certain contracts and grants paid in advance.

13. Noncurrent Liabilities

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

14. Compensated Absences

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

15. Classification of Net Position

The College's net position is classified as follows:

Net Investment in Capital Assets. This represents the College's total investment in capital assets, net of accumulated depreciation, amortization and 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 net investment in capital assets.

Restricted Net Position – Expendable. Restricted expendable net position 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 Position – Nonexpendable. Nonexpendable restricted net position 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. All amounts that are restricted in the statement of net position are considered restricted by enabling legislation.

Unrestricted Net Position. Unrestricted net position 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.

16. Revenue

State Appropriations. Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year. State appropriations are recognized as revenue in the first year for which they are appropriated.

17. Revenue Recognition for Derived Tax Revenues

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

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

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. Based on historical collections, no allowance for uncollectible accounts has been recorded. Revenue from the operational mill levy is recorded in the period for which the lien is levied. A separate mill levy for the retirement of debt is collected and remitted to the College. Following the symmetrical recognition concept of GASB Statements No. 33 and 36, the College recorded an estimated receivable of \$2,218,678 as of June 30, 2013 based on levied tax information received from the respective county Treasurer's office.

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

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

Non-Operating 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, pell grant and investment income. Gifts and contributions are recognized when all applicable eligibility requirements have been met. 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 position. 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.

19. 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.

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Non-Operating 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.

20. 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. GROW is a nonprofit organization described as a public charity under Section 509(a)(3) of the Internal Revenue Code and is exempt from federal and state income taxes under Section 501(c)(3). GROW had no material unrelated business income during fiscal year 2013, therefore, no provision for income taxes is included in the financial statements.

21. 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. The most significant estimates affecting the College's financial statements are the allowance for uncollectible accounts and the current portion of accrued compensated absences.

22. Reclassification

Certain prior year amounts have been reclassified in order to be consistent with current year presentation.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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 Statements 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.

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, (continued)

Budgetary Information (continued)

Pages 34 through 37 of this report present a comparison of actual (budgetary basis) operations to the final revised and approved operating budget. Reconciliations are presented for differences between budgetary basis and GAAP basis.

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes authorize the investment of funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts and United States Government obligations. Management of the College is not aware of any investments that did not properly follow State investment requirements as of June 30, 2013.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the College. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the FDIC. Beginning January 1, 2013, all of the College's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

Custodial Credit Risk – Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2013, \$30,327,995 of the College's bank balance of \$30,827,995 was exposed to custodial credit risk. \$17,361,611 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the College's name and \$12,966,384 was uninsured and uncollateralized.

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3 – DEPOSITS AND INVESTMENTS, (continued)

	Primary Government		Total
	Wells Fargo Bank	First National Bank	
Amount of deposits	\$ 22,593,958	\$ 8,234,037	\$ 30,827,995
FDIC coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	<u>22,343,958</u>	<u>7,984,037</u>	<u>30,327,995</u>
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the College's name	12,740,664	4,620,947	17,361,611
Uninsured and uncollateralized	<u>\$ 9,603,294</u>	<u>\$ 3,363,090</u>	<u>\$ 12,966,384</u>
Collateral requirement (50%)	\$ 11,171,979	\$ 3,992,019	\$ 15,163,998
Pledged securities	12,740,664	4,620,947	17,361,611
Over (under) collateralization	<u>\$ 1,568,685</u>	<u>\$ 628,928</u>	<u>\$ 2,197,613</u>

The collateral pledged is listed on Schedule II of this report. The types of collateral are limited to direct obligations of the United States Government and all bonds issued by any agency, district, or political subdivision of the State of New Mexico.

Investments

The College does not have a formal investment policy; however, the College's investment decisions are approved by the College's Governing Board. As of June 30, 2013, with board approval, the College has invested \$1,552,447 with 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 advice 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

The State Treasurer manages its exposure for the New MexiGROW Local Government Investment Pool (LGIP) for declines in fair values by limiting the weighted average maturity (WAM) of its investment portfolio for 59 days or less. At June 30, 2013, the WAM-R was 59 days and WAM-F was 90 days.

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3 – DEPOSITS AND INVESTMENTS, (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investment in a single issuer. The College does not have a formal policy to address concentration of credit risk. The College did not have any investments at June 30, 2013, other than the investments in the State Treasurer's New MexiGROW LGIP.

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. The following table provides information on Standard & Poor's credit rating associated with the College's investments at June 30, 2013:

	<u>Rating</u>	<u>Fair Value</u>
New MexiGROW LGIP	AAAm	\$ 1,552,447

Beginning Cash and Cash Equivalents – Statement of Cash Flows

The College considers all instruments with an original maturity of 90 days or less to be cash equivalents for the purpose of presenting the statement of cash flows. Accordingly, beginning cash and cash equivalents as presented on the statement of cash flows has been adjusted to reflect the investment with the *New MexiGROW* LGIP as cash equivalents.

Reconciliation of Deposits and Investments to the Statement of Net Position

Deposits	\$ 30,827,995
New MexiGROW LGIP	<u>1,552,447</u>
Total deposits and investments	32,380,442
Petty cash	13,301
Subtract reconciling items	<u>(911,240)</u>
Total net deposits and investments	<u><u>\$ 31,482,503</u></u>
Statement of Net Position	
Cash and cash equivalents	\$ 21,948,302
Short-term investments	1,552,447
Restricted cash and cash equivalents	<u>7,981,754</u>
Cash and cash equivalents and Investments, end of year per statement of net position	<u><u>\$ 31,482,503</u></u>

Restricted cash and cash equivalents represent amounts held by the trustee for the System Revenue Bonds Series for the bond project and debt service reserve funds.

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 – ACCOUNTS RECEIVABLE

The College's accounts receivable at June 30, 2013 represent revenues earned from student tuition and fees, loans, advances to students, local tax levy, federal government grants and contracts, and State of New Mexico agencies that include pass through federal and state grants. All amounts, except for student receivables, are expected to be collected within sixty days after year-end. An allowance for uncollectible accounts has been established for student accounts judged to be uncollectible due to the age of the receivables. Also, there is an allowance set up for other miscellaneous receivables that are deemed uncollectible. A schedule of receivables and allowance for uncollectible accounts is as follows:

Accounts receivable students	\$	1,448,357
Grants and contracts		1,342,791
Mill levy		2,218,678
Other		519,802
Due from GROW Foundation		631,972
		<u>6,161,600</u>
Less allowance for uncollectible accounts		<u>(519,802)</u>
Net total accounts receivable	\$	<u>5,641,798</u>

NOTE 5 – ACCRUED EXPENSES

The College's accrued expenses at June 30, 2013 are as follows:

Accrued benefits payable	\$	882,196
Accrued payroll taxes		394,885
Gross receipts tax		<u>3,509</u>
Total accrued expenses	\$	<u>1,280,590</u>

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 – CAPITAL ASSETS

The following table summarizes the changes in capital assets during the fiscal year ended June 30, 2013:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets, not depreciated:				
Construction in Progress	\$ 197,975	\$ 401,831	\$ (193,514)	\$ 406,292
Artwork	128,521	-	-	128,521
Land	5,868,799	-	-	5,868,799
Total capital assets, not depreciated	<u>6,195,295</u>	<u>401,831</u>	<u>(193,514)</u>	<u>6,403,612</u>
Capital assets, depreciated:				
Land and Leasehold Improvements	3,477,914	366,242	-	3,844,156
Buildings	93,584,354	1,324,552	-	94,908,906
Infrastructure	9,344,779	398,696	-	9,743,475
Library books	1,308,566	-	(6,729)	1,301,837
Training Center	392,594	-	(29,495)	363,099
Equipment, Furnishings, and Software	10,941,062	577,299	(781,291)	10,737,070
Total capital assets, depreciated	<u>119,049,269</u>	<u>2,666,789</u>	<u>(817,515)</u>	<u>120,898,543</u>
			-	
Accumulated depreciation:				
Land and Leasehold Improvements	3,118,511	111,100	-	3,229,611
Buildings	20,661,857	1,879,926	-	22,541,783
Infrastructure	3,871,236	383,900	-	4,255,136
Library books	1,231,844	21,779	-	1,253,623
Training Center	234,178	31,939	(19,459)	246,658
Equipment, Furnishings, and Software	6,912,272	962,923	(763,798)	7,111,397
Total accumulated depreciation	<u>36,029,898</u>	<u>3,391,567</u>	<u>(783,257)</u>	<u>38,638,208</u>
Net book value	<u>\$ 89,214,666</u>	<u>\$ (322,947)</u>	<u>\$ (227,772)</u>	<u>\$ 88,663,947</u>

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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

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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

Santa Fe Community College's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$431,612, \$392,381, and \$324,718, respectively, which equal the required contributions for each year.

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 8 – PENSION PLAN– EDUCATIONAL RETIREMENT BOARD

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

Funding Policy.

Member Contributions

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

Employer Contributions

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

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

The contribution requirements of plan members and 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 ended June 30, 2013, 2012, and 2011 were \$2,326,154, \$1,959,999, and \$2,056,691, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 9 – ALTERNATIVE RETIREMENT PROGRAM

An amendment to the Educational Retirement Act permits the establishment of an Alternative Retirement Plan (ARP) for Santa Fe Community College staff after October 1, 1999, who are eligible to participate in the Educational Retirement Act Plan. Certain employees of the College elected to participate in the two available alternative retirement plans, TIAA-CREF and Fidelity. For those employees participating in the ARP, the College contributed 9.4% of the gross covered salary for employees earning \$20,000 or less, and 6.15% of the gross covered salary of employees earning more than \$20,000 annually. In addition, the College is required to contribute 3% of the gross covered salary to the Educational Retirement Board pension plan (See Note 8). For the year ended June 30, 2013, the Santa Fe Community College contributed \$82,319 to TIAA-CREF.

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10 – GROUP INSURANCE PROGRAM

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. The policy period is from July 1, 2012 to June 30, 2013.

NOTE 11 – RISK MANAGEMENT

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.

The College currently is party to various litigation and other claims in the ordinary course of business. The College has property and liability insurance coverage with Coregis Insurance Company and workers compensation insurance coverage with Mountain States Mutual. The College believes that the outcome of all pending and threatened litigation will not have a material adverse effect on the financial position or operations of the College.

Federal grants received by the College are subject to audit by the grantors. In the event of noncompliance with funding requirements, grants may be required to be refunded to the grantor. College management estimates that such refunds, if any, will not be significant. There are no amounts expected to be paid in excess of insurance coverage as of June 30, 2013.

NOTE 12 – CONSTRUCTION COMMITMENTS

At June 30, 2013, the College has various outstanding capital commitments to contractors and architects. The total commitments as of June 30, 2013 totaled \$4,494,498. The Solar Array project and the Higher Education Center construction accounts for \$3,443,929 and \$635,010, respectively, of the total outstanding commitments at year end. The remainder of the commitments are various ongoing projects that expected to be completed during fiscal year 2014.

NOTE 13 – COMPENSATED ABSENCES

Accumulated unpaid vacation is accrued when incurred. Employees entitled to earn vacation pay earn it at various rates based on length of employment. Up to 240 hours of vacation may be accrued and paid out upon termination. Sick leave is not paid out upon termination; accordingly, no liability for sick leave is recorded by the College.

The College had a liability for accrued vacations as of June 30, 2013 as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Current
Accrued compensated absences	\$ 1,042,869	\$ 902,724	\$ (877,081)	\$ 1,068,512	\$ 877,081

SANTA FE COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 14 – BONDS PAYABLE

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.

	Series 2003A	Series 2003B	Series 2007	Series 2009
Original Issue:	\$ 485,670	\$ 1,356,202	\$ 17,000,000	\$ 15,000,000
Principal:	May 1	May 1	August 1	August 1
Interest:	November 1	November 1	February 1	February 1
	May 1	May 1	August 1	August 1
Interest Rates:	1.99%-3.34%	1.99%-3.34%	3.25%-3.50%	1.00%-2.00%
Maturity Date:	6/1/2013	5/1/2013	8/1/2013	8/1/2015

	Series 2010	Series 2013
Original Issue:	\$ 20,000,000	\$ 15,000,000
Principal:	August 1	August 1
Interest:	February 1	February 1
	August 1	August 1
Interest Rates:	2.00%-3.00%	1.99%-3.34%
Maturity Date:	8/1/2020	8/1/2024

Long-term liability for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due within One Year
General obligation bonds					
Series 2003A	\$ 288,726	\$ -	\$ 288,726	\$ -	\$ -
Series 2003B	103,396	-	103,396	-	-
Series 2007	7,800,000	-	3,900,000	3,900,000	3,900,000
Series 2009	3,150,000	-	1,000,000	2,150,000	750,000
Series 2010	19,370,000	-	335,000	19,035,000	780,000
Series 2013	-	15,000,000	-	15,000,000	1,600,000
Total Long-Term Debt	\$ 30,712,122	\$ 15,000,000	\$ 5,627,122	\$ 40,085,000	\$ 7,030,000

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 14 – BONDS PAYABLE, (continued)

The annual debt service requirements to maturity, including principal and interest for Bonds Series 2007, 2009, 2010, and 2013 long-term debt as of June 30, 2013 are as follows:

Bond Series 2007 Year Ending June 30,	<u>Principal Payments</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 3,900,000	\$ 68,250	\$ 3,968,250
Totals	<u>\$ 3,900,000</u>	<u>\$ 68,250</u>	<u>\$ 3,968,250</u>

Bond Series 2009 Year Ending June 30,	<u>Principal Payments</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 750,000	\$ 30,906	\$ 780,906
2015	900,000	17,875	917,875
2016	500,000	5,000	505,000
Totals	<u>\$ 2,150,000</u>	<u>\$ 53,781</u>	<u>\$ 2,203,781</u>

Bond Series 2010 Year Ending June 30,	<u>Principal Payments</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 780,000	\$ 426,326	\$ 1,206,326
2015	1,100,000	407,526	1,507,526
2016	2,840,000	368,126	3,208,126
2017	3,900,000	300,726	4,200,726
2018	3,580,000	221,451	3,801,451
2019 - 2021	6,835,000	305,938	7,140,938
Totals	<u>\$ 19,035,000</u>	<u>\$ 2,030,093</u>	<u>\$ 21,065,093</u>

Bond Series 2013 Year Ending June 30,	<u>Principal Payments</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 1,600,000	\$ 353,333	\$ 1,953,333
2015	3,300,000	414,000	3,714,000
2016	1,300,000	322,000	1,622,000
2017	1,000,000	276,000	1,276,000
2018	1,000,000	236,000	1,236,000
2019 - 2023	5,000,000	590,000	5,590,000
2024 - 2025	1,800,000	36,000	1,836,000
Totals	<u>\$ 15,000,000</u>	<u>\$ 2,227,333</u>	<u>\$ 17,227,333</u>

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 16 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure of certain information including:

- A. Deficit equity . The College does not maintain a deficit equity position.
- B. Excess of expenditures over appropriations. The College overspent its budget authority in the following functions:

Internal services	\$	11,271
Building renewal and replacements		50,257
Retirement of indebtedness		16,798

- C. Designated cash appropriation in excess of available cash balances. The College is not aware of any designated cash appropriations in excess of available balances.

NOTE 17 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2013, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 5, 2013, which is the date on which the financial statements were available to be issued.

NOTE 18 – SUBSEQUENT PRONOUNCEMENTS

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

In March 2012, GASB Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statement No. 10 and No. 62*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The College will implement this standard during the fiscal year ended June 30, 2014.

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

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The College will implement this standard during the fiscal year ended June 30, 2014.

SANTA FE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 18 – SUBSEQUENT PRONOUNCEMENTS, (continued)

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The provisions of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The College is still evaluating how this standard will affect the College.

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

NOTE 19 – CONCENTRATIONS

The College depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the College is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

NOTE 20 – RESTATEMENT

The College has restated net position, beginning of year in the amount \$475,381. This is a result of adjustments related to deferred revenue and residual balances in grants during prior years.

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SUPPLEMENTAL INFORMATION

SANTA FE COMMUNITY COLLEGE

**BUDGET COMPARISON - UNRESTRICTED AND RESTRICTED - ALL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Modified Accrual)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Tuition	\$ 5,211,300	\$ 5,213,300	\$ 5,458,672	\$ 245,372
Miscellaneous fees	1,383,700	1,483,700	1,723,322	239,622
Federal government appropriations	-	-	-	-
State government appropriations	12,501,000	12,501,000	12,589,395	88,395
Local government appropriations	15,300,000	15,500,000	21,381,190	5,881,190
Federal government contracts and grants	21,392,450	17,383,195	21,092,968	3,709,773
State government contracts and grants	3,683,398	7,810,097	2,253,814	(5,556,283)
Local government contracts and grants	204,104	204,104	119,565	(84,539)
Private gifts, grants, and contracts	831,360	831,360	873,642	42,282
Sales and services	3,921,049	3,804,305	3,716,362	(87,943)
Other	175,000	375,000	142,870	(232,130)
<i>Total revenues</i>	<u>64,603,361</u>	<u>65,106,061</u>	<u>69,351,800</u>	<u>4,245,739</u>
<i>Expenditures:</i>				
Instruction	17,313,018	18,103,782	18,243,875	(140,093)
Academic support	4,983,374	4,169,081	3,888,303	280,778
Student services	4,775,016	5,068,558	3,691,669	1,376,889
Institutional support	6,127,426	6,238,868	6,070,438	168,430
Operation and maintenance of plant	3,235,474	3,666,902	4,407,291	(740,389)
Student social and cultural activities	100,000	111,710	91,200	20,510
Public services	7,758,449	7,782,178	7,320,049	462,129
Internal services	-	-	11,271	(11,271)
Student aid, grants, stipends and independent operations	17,222,092	17,732,933	17,550,538	182,395
Auxiliary enterprises	3,003,017	3,110,779	3,043,365	67,414
Capital outlay	14,000,000	7,241,902	1,078,652	6,163,250
Building renewal and replacements	800,000	912,872	963,129	(50,257)
Retirement of indebtedness	6,324,759	6,324,759	6,341,557	(16,798)
<i>Total expenditures</i>	<u>85,642,625</u>	<u>80,464,324</u>	<u>72,701,337</u>	<u>7,762,987</u>
<i>Net transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in Net Position</i>	(21,039,264)	(15,358,263)	(3,349,537)	12,008,726
<i>Beginning, Net Position</i>	<u>14,012,810</u>	<u>23,491,805</u>	<u>23,169,452</u>	<u>-</u>
<i>Ending, Net Position</i>	<u>\$ (7,026,454)</u>	<u>\$ 8,133,542</u>	<u>\$ 19,819,915</u>	<u>\$ 12,008,726</u>

See accompanying independent auditors' report

SANTA FE COMMUNITY COLLEGE

**BUDGET COMPARISON - RESTRICTED - INSTRUCTION AND GENERAL
 FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Modified Accrual)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Tuition	\$ -	\$ -	\$ -	\$ -
Miscellaneous fees	-	-	-	-
Federal government appropriations	-	-	-	-
State government appropriations	-	-	-	-
Local government appropriations	-	-	-	-
Federal government contracts and grants	4,413,427	5,697,725	3,725,220	1,972,505
State government contracts and grants	1,615,149	109,550	888,527	(778,977)
Local government contracts and grants	109,550	606,360	-	606,360
Private gifts, grants, and contracts	606,360	-	676,636	(676,636)
Sales and services	-	-	-	-
Other	-	-	-	-
<i>Total revenues</i>	<u>6,744,486</u>	<u>6,413,635</u>	<u>5,290,383</u>	<u>1,123,252</u>
<i>Expenditures:</i>				
Instruction	3,395,512	3,395,512	3,864,400	(468,888)
Academic support	1,720,832	1,389,981	1,188,973	201,008
Student services	1,621,465	1,621,465	237,010	1,384,455
Institutional support	-	-	-	-
Operation and maintenance of plant	6,677	6,677	-	6,677
Student social and cultural activities	-	-	-	-
Public services	-	-	-	-
Internal services	-	-	-	-
Student aid, grants, stipends and independent operations	-	-	-	-
Auxiliary enterprises	-	-	-	-
Capital outlay	-	-	-	-
Building renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
<i>Total expenditures</i>	<u>6,744,486</u>	<u>6,413,635</u>	<u>5,290,383</u>	<u>1,123,252</u>
<i>Net transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in Net Position</i>	-	-	-	-
<i>Beginning, Net Position</i>	-	-	-	-
<i>Ending, Net Position</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report

SANTA FE COMMUNITY COLLEGE

**BUDGET COMPARISON - UNRESTRICTED - INSTRUCTION AND GENERAL
 FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Modified Accrual)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Tuition	\$ 5,111,300	\$ 5,111,300	\$ 5,458,672	\$ 347,372
Miscellaneous fees	1,383,700	1,483,700	1,625,324	141,624
Federal government appropriations	-	-	-	-
State government appropriations	8,533,600	8,533,600	8,541,104	7,504
Local government appropriations	15,300,000	15,500,000	15,609,803	109,803
Federal government contracts and grants	-	-	-	-
State government contracts and grants	-	-	-	-
Local government contracts and grants	-	-	-	-
Private gifts, grants, and contracts	-	-	-	-
Land and permanent fund	-	-	-	-
Sales and services	-	-	27,302	27,302
Other	175,000	375,000	141,410	(233,590)
<i>Total revenues</i>	<u>30,503,600</u>	<u>31,003,600</u>	<u>31,403,615</u>	<u>400,015</u>
<i>Expenditures:</i>				
Instruction	13,917,506	14,708,270	14,379,174	329,096
Academic support	3,262,542	2,779,100	2,699,330	79,770
Student services	3,153,551	3,447,093	3,454,659	(7,566)
Institutional support	6,127,426	6,238,868	6,070,438	168,430
Operation and maintenance of plant	3,228,797	3,660,225	4,407,291	(747,066)
Student social and cultural activities	-	-	-	-
Public services	-	-	-	-
Internal services	-	-	-	-
Student aid, grants stipends and independent operations	-	-	-	-
Auxiliary enterprises	-	-	-	-
Capital Outlay	-	-	-	-
Building renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
<i>Total expenditures</i>	<u>29,689,822</u>	<u>30,833,556</u>	<u>31,010,892</u>	<u>(177,336)</u>
<i>Net transfers</i>	<u>(1,814,970)</u>	<u>(5,500,000)</u>	<u>(5,500,000)</u>	<u>-</u>
<i>Change in Net Position</i>	(1,001,192)	(5,329,956)	(5,107,277)	222,679
<i>Beginning, Net Position</i>	<u>2,558,879</u>	<u>7,663,228</u>	<u>7,663,228</u>	<u>-</u>
<i>Ending, Net Position</i>	<u>\$ 1,557,687</u>	<u>\$ 2,333,272</u>	<u>\$ 2,555,951</u>	<u>\$ 222,679</u>

See accompanying independent auditors' report

SANTA FE COMMUNITY COLLEGE

RECONCILIATION OF BUDGETARY BASIS TO FINANCIAL STATEMENT BASIS

UNRESTRICTED AND RESTRICTED

ALL OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2013

Total Unrestricted and Restricted Revenues:	
Budgetary Basis	\$ 69,351,800
Reconciling Items:	
Scholarship allowance (not in budgetary basis)	(3,108,299)
Direct loans (not in budgetary basis)	(8,209,901)
Total reconciling items	<u>(11,318,200)</u>
GAAP Basis	<u>\$ 58,033,600</u>
Basic Financial Statements	
Operating revenues	\$ 16,225,182
Non-operating revenues	<u>41,808,418</u>
Total Unrestricted and Restricted Revenues per Financial Statements	<u>\$ 58,033,600</u>
Total Unrestricted and Restricted Expenditures:	
Budgetary Basis	\$ 72,701,337
Reconciling Items:	
Bond Payment (not in financial statements)	(5,627,122)
Scholarship allowance (not in budgetary basis)	(3,108,299)
Capital outlay (not in financial statements)	(2,875,106)
Other expenses (not in budgetary basis)	(10,536,984)
Depreciation expense (not in budgetary basis)	<u>3,392,858</u>
Total reconciling items	<u>(13,127,531)</u>
GAAP Basis	<u>\$ 59,573,806</u>
Basic Financial Statements	
Operating expenditures	\$ 58,780,801
Non-operating expenditures	<u>793,005</u>
Total Unrestricted and Restricted Expenditures per Financial Statements	<u>\$ 59,573,806</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 of these items of budgetary control may not exceed the amount shown in the approved budget. A) Unrestricted expenditures and restricted expenditures. B) Instruction and general. C) Each budget function in current funds other than instruction and general. D) Within the plant funds budget: major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service. E) Each individual item of transfer between funds and/or functions.

See accompanying independent auditors' report

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SUPPORTING SCHEDULES

SANTA FE COMMUNITY COLLEGE
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2013

Account Name	Type	Local Government Investment Pool	LGIP 2007 Election Fund	Bond Retirement First National Bank of Santa Fe
Operating Cash Account	Checking	\$ -	\$ -	\$ -
Payroll Cash Account	Payroll	-	-	-
FNB-Operating Account	Checking	-	-	-
FNB- Bond Retirement	Bond Proceeds	-	-	7,981,754
LGIP Fund	Investment	1,240,718	-	-
LGIP 2007 Election Fund	Investment	-	311,729	-
GROW - Temporary Restricted	Checking	-	-	-
GROW - Operating Account	Checking	-	-	-
Money Market Mutual Funds	Investment	-	-	-
Corporate Stocks	Investment	-	-	-
Mutual Funds - Equities	Investment	-	-	-
Mutual Funds - Bonds	Investment	-	-	-
Amounts on deposit		<u>1,240,718</u>	<u>311,729</u>	<u>7,981,754</u>
Outstanding items		<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 1,240,718</u>	<u>\$ 311,729</u>	<u>\$ 7,981,754</u>

See accompanying independent auditors' report

Operational First National Bank of Santa Fe	Payroll Wells Fargo Bank	Operational Wells Fargo Bank	Total	Component Unit		
				Wells Fargo Bank	Fidelity	Total
\$ -	\$ -	\$ 21,867,170	\$ 21,867,170	\$ -	\$ -	\$ -
-	726,788	-	726,789	-	-	-
252,283	-	-	252,283	-	-	-
-	-	-	7,981,754	-	-	-
-	-	-	1,240,718	-	-	-
-	-	-	311,729	-	-	-
-	-	-	-	1,027,923	-	1,027,923
-	-	-	-	95,988	-	95,988
-	-	-	-	-	265,319	265,319
-	-	-	-	-	686,624	686,624
-	-	-	-	-	2,802,525	2,802,525
-	-	-	-	-	1,386,712	1,386,712
252,283	726,788	21,867,170	32,380,443	1,123,911	5,141,180	6,265,091
-	(362,322)	(548,918)	(911,240)	-	-	-
<u>\$ 252,283</u>	<u>\$ 364,466</u>	<u>\$ 21,318,252</u>	31,469,203	<u>\$ 1,123,911</u>	<u>\$ 5,141,180</u>	6,265,091
		Petty cash	13,300			-
			<u>\$ 31,482,503</u>			<u>\$ 6,265,091</u>
Reconciliation to the Statement of Net Position:						
		Cash and cash equivalents	21,948,302			1,123,911
		Restricted cash and cash equivalents	7,981,754			-
		Short-term investment	1,552,447			5,141,180
		Total deposits and investments	<u>\$ 31,482,503</u>			<u>\$ 6,265,091</u>

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SANTA FE COMMUNITY COLLEGE

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY

Schedule II

JUNE 30, 2013

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value June 30, 2013</u>
First National Bank of Santa Fe				
	FHLMC Fixed Rate Note	1/23/2017	3134G3JU5	\$ 1,518,096
	FHLMC - Pool #J20129	8/1/2027	31306XEA7	881,090
	Huffman, Tx Ind Sch Dist	2/15/2018	444348NW2	386,224
	FFCB Fixed Rate Note	4/25/2014	31331XWW8	1,040,647
	Taylor Tex	8/15/2016	877294NT1	794,890
	Total First National Bank of Santa Fe			<u>4,620,947</u>
Name and location of safekeeper for above pledged collateral: First National Bank of Santa Fe, Santa Fe, NM				
Wells Fargo Bank, N.A.				
	FN AT5895	6/1/2043	3138WTRR9	2,540,316
	FN AR3856	2/1/2043	3138WIJA6	454,726
	FN AR0953	1/1/2043	3138NXBX4	7,262,230
	FN AE0215	12/1/2039	31419AGZ4	462,831
	FN AQ0452	10/1/2042	3138MFQE0	2,020,561
	Total Wells Fargo Bank, N.A.			<u>12,740,664</u>
Name and location of safekeeper for above pledged collateral: Wells Fargo Bank, N.A., Albuquerque, NM				
	Total Pledged Collateral			<u>\$ 17,361,611</u>

See accompanying independent auditors' report

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
Board of Directors
Santa Fe Community College
Santa Fe, New Mexico

We have audited 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, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC, the financial statements of the business-type activities and the discretely presented component unit of Santa Fe Community College (College), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and the budgetary comparisons presented as supplemental information for the year ended June 30, 2013, and have issued our report thereon dated November 5, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item FS 12-02 to be a material weakness.

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. We consider the deficiencies described as FS 11-01, FS 12-11, and FS 2013-002 in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 12-02, FS 12-15, FS 12-17, FS 2013-001, FS 2013-002, FS 2013-003, FS 2013-004 and FS 2013-005.

College's Response to Findings

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

Purpose of this Report

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

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 5, 2013



Accounting & Consulting Group, LLP
Certified Public Accountants

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
Board of Directors
Santa Fe Community College
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Santa Fe Community College's (the College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 5, 2013

SANTA FE COMMUNITY COLLEGE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

		<u>Federal CFDA Number</u>	<u>Program or Grantor Number</u>	<u>Federal Expenditures</u>
US Department of Education				
Direct programs:				
Student financial assistance cluster:				
Federal Pell Grant program	(1)*	84.063	421200	\$ 7,751,132
Federal SEOG program	(1)*	84.007	421400	61,875
Federal work study program	(1)*	84.033	425100	80,391
TRIO cluster:				
TRIO-Student support services		84.042A	411205	234,807
Passed through New Mexico				
Public Education Department:				
Carl Perkins vocational support services	(2)	84.048	411052	61,623
Carl Perkins vocational technical education	(2)	84.048	411053	20,968
Adult Basic Education - Basic Grants to States		84.002	411010	222,037
TESOL - Title II		84.195	411030	108,996
Vocational Access		84.243	411050	148,486
ENLACE- GEAR UP 2		84.334A	411012	3,107
Higher Educational-Inst. Aid - Title V	(3)	84.031	411021	673,147
Higher Educational-Inst. Aid - NRGSC	(3)	84.031C	411310	228,663
Total US Department of Education				<u>9,595,232</u>
US Department of Defense				
Procurement Technical Assistance	(4)	12.002	411117	159,955
Procurement Technical Assistance	(4)	12.002	411118	185,567
Total US Department of Defense				<u>345,522</u>
US Small Business Administration				
Passed through New Mexico				
Public Education Department:				
Small Business Development Center:				
NMSBDC - SBA	(6)	59.037	411109	238,699
NMSBDC - SBA	(6)	59.037	411112	346,885
US Small Business Administration	(6)	59.037	411111	150,536
Total US Small Business Administration				<u>736,120</u>
US Department of Agriculture				
Passed through New Mexico				
Child Care Food Program		10.558	411094	39,263
Total US Department of Agriculture				<u>39,263</u>
US Environment Department				
Passed through New Mexico				
EPA- Environmental Workforce Development		66.815	411410	205,613
Total US Environment Department				<u>205,613</u>

See independent auditors' report
See accompanying notes to schedule of expenditures of federal awards

	<u>Federal CFDA Number</u>	<u>Program or Grantor Number</u>	<u>Federal Expenditures</u>
US Department of Labor			
Passed through New Mexico			
Environmental: EE GB Centers of Excellence	(5)*	17.275	411078 113,138
Green Building and Energy Efficiency Centers of Excellence	(5)*	17.275	411330 278,649
Biofuels Centers of Excellence	(5)*	17.275	411390 225,207
DOL/ETA/Youthbuild		17.274	411077 180,616
DOL - TAACCCT*	*	17.282	411076 850,144
NM Alliance for Minority Participation		47.076	411302 4,108
Total US Department of Labor			<u>1,651,862</u>
US Department of Energy			
Passed through New Mexico			
ENERGY\$MART Program		81.042	411353 166,624
Regional Development Corp. - DOE		81.104	411355 720
Regional Development Corp. - Accelerate		81.104	411360 30,783
Total US Department of Energy			<u>198,127</u>
US Department of Health and Human Services			
Passed through New Mexico			
Child Care and Development Block		93.575	93.575 52,242
Total US Department of Health and Human Services			<u>52,242</u>
Total expenditures of federal awards			<u>\$ 12,823,981</u>

* Tested as major program

() Denotes cluster

SANTA FE COMMUNITY COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2013

Note 1

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as unearned revenues until earned.

Note 2

The period of availability for federal funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provision in Section H-Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement.

Note 3

This schedule was prepared on the accrual basis of accounting.

Note 4

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

Note 5

Federal Direct loans (CFDA No. 84.268) advanced to students in fiscal year 2013 totaled \$8,209,901.

SANTA FE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? x Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es): x Yes No

Noncompliance material to financial statements noted? x Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes x No

Significant deficiency(ies) identified that are not considered to be material weakness(es): Yes x No

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063	Student Financial Aid Cluster Federal PELL Grant Program Federal SEOG Program Federal Work Study Program Federal Direct Student Loans
84.007	
84.033	
84.268	
17.275	
17.282	Trade Adjustment Assistance Community College and Career Training

Dollar threshold used to distinguish between type A and type B programs: \$ 384,719

Auditee qualified as low-risk auditee under the requirements set forth by OMB Circular A-133 section 530? Yes x No

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

B. FINDINGS—FINANCIAL STATEMENT AUDIT

FS 11-01 –Timely Reconciliation of Bank Reconciliations (Significant Deficiency) (Repeated and Modified from Material Weakness)

Condition: The June 2013 Wells Fargo operational and Wells Fargo payroll bank account reconciliations were not completed or reviewed until September 2013.

Criteria: Appropriate internal controls over cash require timely reconciliation of all bank accounts to the general ledger in order to ensure adequate control over cash receipts and disbursements.

Cause: Those responsible for monthly Wells Fargo operational and payroll bank reconciliations were behind and trying to catch up with the changes in the finance area.

Effect: There is an increased risk of error or fraud in the financial records that may not be detected on a timely basis.

Auditors' Recommendations: We suggest that the College ensure that existing internal controls requiring timely bank reconciliations to the general ledger be implemented on a monthly basis.

Management's Response: In response to the FY2012 audit, bank reconciliation procedures were enacted that required all bank reconciliations to be completed within 60 days of each monthly closing. Upon review, the Chief Financial Officer has deemed 60 days to be less than timely, and has therefore modified the procedure to require all bank reconciliations to be completed within 30 days of monthly closing. Management has also hired additional qualified staff for the express purpose of completing bank reconciliations on a consistent and timely basis. Conduct and timely completion of bank reconciliations will be continuously monitored and reviewed by the Chief Financial Officer to ensure compliance with stipulated procedures.

FS 12-02 –Procurement Procedures (Material Weakness/Noncompliance) (Repeated)

Condition: During our test work over procurement, we noted the following:

- 1 out of 21 checks written did not have a purchase order or purchase requisition. It was marked as “Direct Pay” meaning that the employee made a purchase without going through the formal approval process. The employee would then submit the invoice to get the purchase reimbursed. The total amount of this transaction is \$26,403.94.
- 1 out of 21 checks was not signed off by the appropriate personnel. The Purchasing department processed the transaction and sent to the transaction to Accounts Payable. The transaction was in the amount of \$33,924.90
- There were two instances in which vendors were paid for goods in excess of the small purchases amount without going through the proper procurement procedures and bidding process. The total amount of the purchases was \$60,782.38

Criteria: According to the College's Administrative Services Policy 1-6, the College shall attempt to procure materials and services for the greatest value to the College and shall do so in accordance with the Procurement Code. 13-1- 129 NMSA 1978 (Procurement under existing contracts) allows the purchasing agent to contract for services without the use of competitive sealed bids as follows: (1) at a price equal to or less than the contractor's current federal supply contract price (GSA), providing the contractor has indicated in writing a willingness to extend such contractor pricing, terms and conditions to the state agency or local public body and the purchase order adequately relied upon, and (2) the central purchasing office shall retain for public inspection and for the use of auditors a copy of each federal supply contractor state purchasing agent price agreement relied upon to make purchases without seeking competitive bids or proposals.

Cause: The College did not monitor internal controls over purchases to ensure all purchases requiring a bid, did go through the bidding process and were supported by the required documentation.

Effect: The College was not in compliance with the Procurement Code which increases the risk of fraud and misstatement in the financial records. The College is also at risk of not acquiring the best materials and the greatest value.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

FINDINGS—FINANCIAL STATEMENT AUDIT (continued)

Auditors' Recommendations: We suggest the College ensure that existing procurement policies and procedures are followed.

Management's Response: The College has been in a continuous process of improving internal controls throughout the procurement process. The Assistant Vice President for Business Services and Purchasing has added approval levels to the procurement process designed to separate approval functions and ensure that multiple approvals are obtained prior to purchase completion and payment, and reviewed College procurement policies to ensure alignment with Procurement Code. The Assistant Vice President for Business Services and Purchasing is working with the Chief Financial Officer to develop more robust monitoring of all phases of the procurement, payment, and purchase documentation process to ensure compliance with all internal and external requirements.

FS 12-11 Adjusting Journal Entry Approval (Significant Deficiency) (Repeated)

Condition: Based on our walkthrough of the process of non-standard journal entries, we noted that entries during the first half of the fiscal year were not properly reviewed and approved.

Criteria: Proper internal control structure requires an appropriate level of monitoring over the adjusting journal entry process.

Cause: It wasn't until the prior year audit findings that the College implemented internal controls to ensure journal entries are reviewed by someone other than the individual who proposes and posts the journal entries.

Effect: The lack of journal entry review may increase the risk of management override and the increase the risk of errors to go undetected.

Auditors' Recommendations: We recommend that the College continue to ensure that policies and procedures outlining proper journal entry approval are followed going forward.

Management's Response: The College has been in a continuous process of improving internal controls throughout the journal entry process. The Chief Financial Officer has added approval levels to the journal entry process designed to separate approval functions; encourage collaborative review of journal entries; and ensure that multiple approvals are obtained prior to journal entry completion in order to ensure accurate accounting and full policy compliance. Accounting Department personnel have also received additional training regarding specific journal entry considerations within the Banner software system.

FS 12-15 – Human Resources – I-9s (Other Matter) (Repeated)

Condition: During our follow up of the prior year finding, we noted one instance in which an employee I-9 could not be located.

Criteria: The College has established policies and procedures that require the information within the files be complete and accurate.

Cause: Those responsible for I-9 preparation did not comply with existing internal controls in place requiring the proper completion of Form I-9.

Effect: The College was not in compliance with their payroll policies and procedures and government requirements.

Auditors' Recommendations: We recommend that the College review all employee personnel files to ensure all required documents are maintained. Also, the hiring process should be evaluated and adjusted in order to obtain and maintain a complete personnel file for each employee.

Management's Response: Human Resources personnel reviewed all relevant documentation to ensure that all forms were properly completed and filed, but their internal review was not complete until July 2013. Going forward, Management will ensure that all Human Resources policies and procedures are followed precisely in order to ensure full compliance.

SANTA FE COMMUNITY COLLEGE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

FINDINGS—FINANCIAL STATEMENT AUDIT (continued)

FS 12-17 – Budgetary Comparisons (Other Matter) (Repeated/Modified)

Condition: At June 30, 2013, we noted that the College overspent its approved expenditures budget in the following categories:

Internal services	\$	11,271
Building renewal and replacements		50,257
Retirement of indebtedness		16,798

Criteria: Per statute 5.3.4.10 NMAC, total expenditures may not exceed amounts shown in the approved budgets. Adequate internal controls to minimize budget overspending should ensure that budgets are not exceeded by any amount. The point in the disbursement cycle in which the transaction should be cancelled if budget is not available is at the beginning with the purchase request.

Cause: The College did not submit budget adjustment requests to the Higher Education Department and therefore did not receive proper approvals sufficient to cover expenditures.

Effect: The College has not complied with budgetary compliance requirements as set out in the New Mexico Administrative Code. This may impact future funding.

Auditors' Recommendations: We recommend that College budget controls and processes be strengthened to ensure that budgeted amounts are not overspent and budget adjustment requests are completed on a timely basis.

Management's Response: The College has been in a continuous process of improving internal controls throughout the budget entry and adjustment process. The Chief Financial Officer has convened a formal Budget Committee comprised of senior academic administrators and operational managers that meets weekly to ensure robust oversight of the budget development process and complete discussion of all budget adjustments. The College has also designated an experienced accountant as Budget Director to ensure daily management of all detailed budget processes. The College's overall effort has been to add approval levels to the budget entry process designed to separate approval functions; encourage collaborative review of budget adjustments; and ensure that multiple approvals are obtained prior to budget entry or adjustment in order to ensure accurate budgetary accounting and full policy compliance. Accounting Department personnel have also received additional training regarding specific budget entry considerations within the Banner software system.

FS 2013-001 – Stale Dated Checks – (Other Matter)

Condition: The College maintained 7 checks totaling \$468 in the outstanding checks listing of Wells Fargo Operational bank reconciliation that were dated over one year old at June 30, 2013.

Criteria: Chapter 7 Article 8A, NMSA 1978, and related regulations require that the College provide information about the payees and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year.

Effect: The College is in violation of state statutes regarding stale-dated checks. Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Cause: The College did not implement a process to account for stale dated outstanding checks and did not void these checks on a timely basis.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

FINDINGS—FINANCIAL STATEMENT AUDIT (continued)

Auditors' Recommendations: We recommend the College implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old we recommend they be voided, replaced or submitted to the Property Division of New Mexico Taxation and Revenue Department as required.

Management's Response: The Chief Financial Officer has implemented a monthly procedure designed to ensure robust review of all outstanding check listings to identify and track stale-dated checks as part of monthly bank reconciliation procedures. Although this finding was in part a result of a check register report weakness within the Banner software system that did not clearly identify stale-dated checks, Accounting Department personnel have received additional training to ensure proper identification and treatment of stale-dated checks as part of monthly bank reconciliation procedures.

FS 2013-002 – Purchasing Cards – (Significant Deficiency/Noncompliance)

Condition: During our walkthrough and testwork of procurement compliance of Purchasing Cards, we noted the following deficiencies:

- There is inconsistency with the process to raise the spending limit for the P-cards. The policy states that a cardholder must have their supervisor (the one in charge of maintaining the budget) submit a request by email to the Purchasing Department to increase the spending limit. However, it appears that there is an informal request by phone that often occurs (leaving no paper trail) and their request is approved. There is no way to verify the process to raise the spending limit was followed and this may be a method to circumvent the normal purchasing and procurement process.
- When an employee makes a charge, they must fill out a report in Bank of America Works Program. This is where they choose which account and budget in which to allocate the expense. The employees are trusted to select the correct accounts and budgets but there is no approval or review process as to the proper account distribution.
- During our testwork, we noted 16 out of 30 purchases with P-Cards that appeared should have gone through the “normal” procurement process and exceeded the \$999 limit set forth in the P-Card policy.

Criteria: The College must comply with Sections 13-1-1 to 13-1-199 NMSA 1978 regarding the procurement code.

Effect: Without proper internal controls over P-Cards, the College may be exposed to procurement violations and ultimately lead to inappropriate or unauthorized purchases. It also appears that the prior management group utilized the P-Card process to procure goods and services that should have been subjected to the traditional procurement process.

Cause: The College has an outdated P-Card policy and a process that does not adhere to the current policy. It also appears that there is the lack of internal controls with regards to P-Card use during the year.

Auditors' Recommendations: We recommend the College revisit the P-Card policy and implement internal controls over purchasing to ensure the newly formed policy is adhered to. We also recommend that the policy address exceptions or emergencies and circumstances that would permit an increase of the agreed upon limitations. The policy should address limitations to P-Card use and the process for approving exceptions or purchases above the allowed limit.

Management's Response: The College has been in a continuous process of improving internal controls throughout the purchasing card usage process. The Assistant Vice President for Business Services and Purchasing has added approval levels to the purchasing card process designed to separate approval functions and ensure that appropriate approvals are obtained prior to purchase card usage and payment, and reviewed College procurement policies to ensure alignment with Procurement Code. The Assistant Vice President for Business Services and Purchasing is working with the Chief Financial Officer to develop more robust monitoring of all phases of purchase card usage, payment, and purchase documentation process to ensure full compliance with all internal and external requirements, including procedural changes that will limit employee access to purchase cards.

SANTA FE COMMUNITY COLLEGE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

FINDINGS—FINANCIAL STATEMENT AUDIT (continued)

FS 2013-003 – Travel and Per Diem (Other Matter)

Condition: During our testwork over compliance of Travel and Per Diem, we noted the following issues:

- 1 instance out of 10, where a reimbursement was made which contained no detailed receipts. In this particular instance certain days during the travel exceeded the daily meal limit of \$45 for out of state travel. All receipts for alcohol purchases were found to have been clearly marked as excluded from the expense reimbursement with the exception of one receipt in the amount of \$4.75 that was not clearly marked as being excluded. The total amount reimbursed was \$783.90 for the entire trip.

Criteria: Per Diem and Mileage Act 10-8-1 to 10-8-8 NMSA 1978 and the College's policy provides for the reimbursement of meals and travel expenses.

Effect: The College is at risk of being fined and/or otherwise penalized for not complying with government regulation and the College is reimbursing more travel expense than is allowed.

Cause: Employees may not have been aware of the meal limits and what is considered a prohibited item to purchase. Also, supervisors may have overlooked receipts before signing employee vouchers.

Auditors' Recommendations: We recommend the College implement a procedure to review the travel and per diem expenditures prior to payment and ensure all reimbursements are compliant with State Statute and the College's policy.

Management's Response: The College has been in a continuous process of improving internal controls throughout the travel expense reimbursement process. The Assistant Vice President for Business Services and Purchasing is working with the Chief Financial Officer to develop more robust monitoring of all phases of travel expense reimbursement, payment, and documentation to ensure full compliance with all internal and external requirements, including detailed review of all pertinent travel expense reimbursement policies and procedures.

FS 2013-004 – Capital Assets Inventory (Other Matter)

Condition: During our testwork over capital assets, we noted several items on the capital asset inventory that were added to the list after July 17, 2005 that were less than the capitalization threshold of \$5,000.

Criteria: Per 2.2.2.10(Y) NMAC, the Audit Act (Section 12-6-10 NMSA 1978) requires agencies to capitalize only chattels and equipment that cost over \$5,000. All agencies are required to update their capitalization policy and implement it in accordance with the law. This change in capitalization threshold should be accounted for prospectively as a change in estimate per GASB 62.69. Older capital assets that were capitalized under previous lower capitalization thresholds should not be removed from the capital assets list during the implementation of this latest capitalization threshold amount. Any new items received after June 17, 2005 should be added to the inventory list only if they meet the new capitalization threshold.

Effect: The College is not compliant with state statute and the capital asset balances and related accumulated depreciation may be overstated.

Cause: The College is in the process of cleaning up the capital asset inventory and removing the items less than \$5,000 which is considered immaterial.

Auditors' Recommendations: We recommend that the College review its capital asset inventory and remove all items from the depreciation schedule that were added after the date stated above that are less than \$5,000.

SANTA FE COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

FINDINGS—FINANCIAL STATEMENT AUDIT (continued)

Management's Response: The College has been in a continuous process of improving internal controls throughout the capital asset inventory management process. The Directors of Accounting and Capital Accounts are working with the Chief Financial Officer to develop more robust monitoring of all phases of capital asset inventory management to ensure full compliance with all internal and external requirements, including detailed review of all pertinent capital asset depreciation policies and procedures.

FS 2013-005 – IPA Recommendation Form and Contract (Other Matter)

Condition: The College submitted the IPA recommendation form and the signed contract to the Office of the State Auditor (OSA) subsequent to the May 1, 2013 regulatory due date.

Criteria: Pursuant to 2.2.2.8(G)(6)(c)(ii) NMAC, the College is required to submit the IPA recommendation and signed audit contract to OSA by May 1st.

Effect: The College is not in compliance with the New Mexico Administration Code.

Cause: The College was unable to approve their IPA recommendation form and contract during the spring due to turnover in management level positions. This resulted in the procurement process of obtaining an auditor being delayed, and in addition, the College subsequently re-bid the audit further delaying the process.

Auditors' Recommendation: The College should ensure they prepare the IPA recommendation form and contract with sufficient time to have the approval of all required parties and submit the information to OSA by the required deadline.

Management Response: Due to significant Accounting Department management personnel changes during April and May 2013, Management elected to delay signing the FY13 IPA contract until it could be reviewed by the incoming Chief Financial Officer upon their arrival on August 1, 2013. The FY13 IPA contract was thenceforth reviewed and signed on August 2, 2013. Management acknowledges the finding noting the delay was deemed necessary in the circumstances, and will maintain full compliance with the New Mexico Administration Code going forward.

FINDINGS—FEDERAL AWARDS

None

SANTA FE COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

B. PRIOR YEAR FINDINGS

- 11-01 Timely Reconciliation of Bank Reconciliations (Material Weakness) – Repeated and Modified as Significant Deficiency
- 12-01 Capital Lease – Resolved
- 12-02 Procurement Procedures - Repeated and Modified
- 12-03 Financial Close and Reporting - Resolved
- 12-04 Individual Fund Trial Balances - Resolved
- 12-05 Recording Prior Period Adjustments and Fund Reconciliations - Resolved
- 12-06 Payroll Direct Deposit Reconciliations - Resolved
- 12-07 General Obligation Bond Continuing Disclosure - Resolved
- 12-08 Automatic Adjusting Journal Offset by Fund - Resolved
- 12-09 Plant Capital Fund Accounting - Resolved
- 12-10 Grant Module Automatic Journal Entry Monitoring – Resolved
- 12-11 Adjusting Journal Entry Approval – Repeated and Modified as a Significant Deficiency
- 12-01F Grow: Realized and Unrealized Gains and Losses - Resolved
- 12-12 Pell Grant Calculation - Resolved
- 12-13 Allowable Costs – Account Miscode – Resolved
- 12-14 Participant Files - Resolved
- 12-15 Human Resources – I-9's - Repeated
- 12-16 Disposition of Property Inclusion in Governing Board Minutes - Resolved
- 12-17 Budgetary Comparisons – Repeated/Modified
- 12-18 Late Audit Report - Resolved
- 12-02F Grow: Late Audit Report – Resolved

SANTA FE COMMUNITY COLLEGE

OTHER DISCLOSURES

JUNE 30, 2013

FINANCIAL STATEMENT PREPARATION

The financial statements were prepared from the original books and records and with the assistance of the management of Santa Fe Community College as of June 30, 2013 by Accounting and Consulting Group, LLP. The responsibility of these financial statements remains with the College.

EXIT CONFERENCE

The contents of this report and its schedules related to the component unit were discussed on November 11, 2013. This meeting was held in closed session. The following persons were in attendance:

Foundation Officials

Deborah Boldt, Executive Director
Diane McElligatt, Accountant

Auditor

Ray Roberts, Partner

College Officials

Dr. Ana “Cha” Guzmán, President
Mr. Chris Abeyta, Board Chair
Ms. Linda Siegle, Board Vice Chair
Dr. Andrea Bermúdez, Board Secretary
Dr. Martha Romero, Board Member
Ms. Kathy Keith, Board Member
Dr. Brian Ziemer, CPA, Chief Financial Officer
Dr. Chris Dela Rosa, Chief Information Officer
Mr. Henry Mignardot, Director of Facilities
Mr. Randy Grissom, Vice President of Academic Affairs
Dr. Carmen Gonzales, Vice President of Student Success