

LUNA COMMUNITY COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2008



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

February 4, 2009

SAO Ref. No. 977

Pete Campos, President
Luna Community College
366 Luna Drive
Las Vegas, NM 87701-9838

SUBJECT: Audit Report—Luna Community College—2007-2008 Fiscal Year—Prepared by Kardas, Abeyta & Weiner, PC

The audit report for your agency was received by the Office of the State Auditor (Office) on November 13, 2008. The State Auditor's review of the audit report required by Section 12-6-14 (D) NMSA 1978 and 2.2.2.13 NMAC has been completed. This letter is your authorization to make the final payment to the independent public accountant (IPA) who contracted to perform your agency's financial and compliance audit. In accordance with Section 2 of the audit contract, the IPA will deliver the specified number of copies of the audit to the agency.

As per your written request, this office is waiving the ten (10) day waiting period and is making the report public record immediately. The audit report will be:

- released by the Office of the State Auditor to the Legislative Finance Committee, the Department of Finance and Administration, and the State Treasurer; and
- presented by the agency to a quorum of the agency's governing authority at a public meeting, for approval, per Section 2.2.2.10.J.(3)(d) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies*.

The independent public accountant's findings and comments are included in the audit report on pages 48 - 54. **It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments.**

HECTOR H. BALDERAS
STATE AUDITOR

cc: Legislative Finance Committee
Department of Finance and Administration-
Financial Control Division & Budget Division
Office of the State Treasurer
New Mexico Higher Education Department
Kardas, Abeyta & Weiner, PC

CONTENTS

Listing of Principal Officials..... 1

Independent Auditors' Report..... 2

Management's Discussion and Analysis..... 4

Financial Statements:

 Statement of Net Assets..... 12

 Statement of Revenues, Expenses and Changes in Net Assets..... 14

 Statement of Cash Flows..... 15

Notes to Financial Statements..... 17

Supplemental Information:

 Combined Revenues and Expenditures Budget Comparisons
 Unrestricted and Restricted - All Operations..... 28

 Unrestricted Current Funds - Revenues and Expenditures
 Budget Comparisons..... 29

 Unrestricted Current Funds - Summary of Instruction and
 General Revenues And Expenditures Budget Comparisons..... 30

 Restricted Current Funds - Revenues and Expenditures
 Budget Comparisons..... 31

 Restricted Current Funds - Summary of Instruction and
 General Revenues and Expenditures Budget Comparisons..... 32

Schedules:

 Schedule of Cash and Cash Equivalents..... 33

 Schedule of Pledged Collateral..... 34

 Schedule of Expenditures of Federal Awards..... 35

RECEIVED

NOV 13 2008

STATE AUDITOR

RECEIVED

JAN 29 2009

STATE AUDITOR

CONTENTS

Schedules: (continued)

Notes to Schedule of Expenditures of Federal Awards..... 37

Schedule of Expenditures of State Awards..... 38

Schedules of Expenditures of Private Assistance..... 40

Single Audit Section:

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*..... 41

Report on Compliance With Requirements Applicable to Each Major
Program and Internal Control Over Compliance in Accordance
With OMB Circular A-133..... 43

Summary Schedule of Prior-Year Audit Findings..... 45

Schedule of Findings and Questioned Costs..... 46

Exit Conference..... 55

BOARD OF TRUSTEES

Name	Title
Ambrose M. Castellano	Chairman
Thomas Jerry Maestas	Secretary
Tony Valdez	Vice Chairman
Kenneth Flores	Member
Abelino Montoya Jr.	Member
Don L. Shaw	Member
Levi Alcon Jr.	Member

ADMINISTRATIVE OFFICIALS

Name	Title
Pete Campos	President
Donna Flores-Medina	Vice President for Finance & Administration



KARDAS · ABEYTA · WEINER P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Luna Community College
Las Vegas, New Mexico

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the College as of June 30, 2008, and the respective changes in financial position and cash flows of the College for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly in all material respects, the budgetary comparisons of the College for the year ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 11, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the College's basic financial statements and budgetary comparisons presented as supplementary information. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. The Schedule of Cash and Cash Equivalents and the Schedule of Pledged Collateral are presented for purposes of additional analysis and are not a required part of the College's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kardas, Abeyta & Weiner, P.C.

October 24, 2008

INTRODUCTION

The management of Luna Community College (College or LCC) herewith presents its financial statements and required supplementary information for the year ended June 30, 2008. The following discussion and analysis provides an overview of the financial position and activities of Luna Community College and is intended to be user-friendly information for all readers.

This report is prepared as required to conform with the Governmental accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis (MD&A)* – for State and Local Governments.

THE BASIC FINANCIAL STATEMENTS

Required under GASB 34/35 is the presentation of all of the College's year-end assets, liabilities and net assets in one column, as is the presentation of its expense, revenues and the resulting change in net assets, and its sources and uses of cash, in a one-column format. The purpose of these three reports is to show the College's financial position and annual activities in summary format, as if the College was a corporation, whereby all funds and cost centers are combined.

The three entity-wide reports, the **Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows**, are followed by the notes to the financial statements, including a comparison of the final budget to the original budget and of actual results to the final budget.

The **Statement of Net Assets** presents the assets, liabilities and net assets for the College as of the end of the fiscal year. The **Statement of Net Assets** is a point-in-time financial statement which gives the readers a fiscal snapshot of the College presenting end of year data about assets (current and non-current), liabilities (current and non-current), and net assets (assets minus liabilities).

Changes in total net assets are based on the activity in the **Statement of Revenues, Expenses, and Changes in Net Assets** namely the revenues received by the College, both operating and non-operating, and any other revenue, and the expense incurred by the College.

The third financial statement is the **Statement of Cash Flows** that represents the inflows and outflows of cash from operating, capital, financial and investing activities. The statement is prepared using the direct method.

REPORTING ENTITY

This financial report presents the basic financial statements of the College and any component units deemed material. The College's foundation was considered material and was presented as a component unit. The College has no other units to consider for inclusion in this report.

Luna Community College
Condensed Summary of Net Assets
June 30, 2008

	<u>07-08</u>	<u>06-07</u>
ASSETS		
Current assets	\$ 4,249,558	\$ 4,648,727
Capital assets, net	15,315,076	15,964,691
Total Assets	<u>\$ 19,564,634</u>	<u>\$ 20,613,418</u>
LIABILITIES		
Current liabilities	\$ 1,089,781	\$ 1,159,511
Noncurrent liabilities	94,382	86,084
Total Liabilities	<u>\$ 1,184,163</u>	<u>\$ 1,245,595</u>
Net Assets		
Invested in capital assets net	\$ 15,315,076	\$ 15,964,691
Restricted	626,350	675,293
Unrestricted	2,439,045	2,727,839
Total Net Assets	<u>\$ 18,380,471</u>	<u>\$ 19,367,823</u>

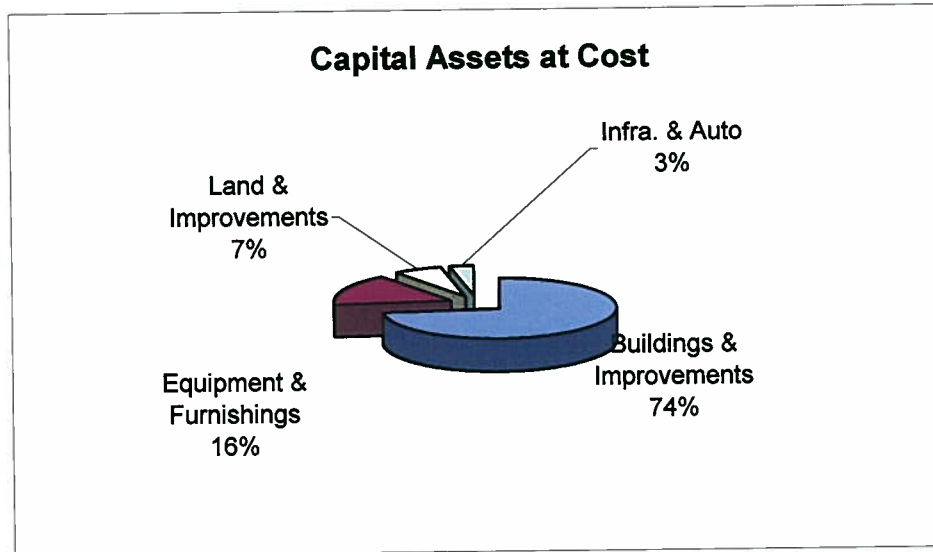
The College's current assets consist primarily of cash and other assets deemed to be consumed or convertible to cash within one year in the amount of \$4,249,558.

Current liabilities are amounts due within one year and included accounts payable of \$1,089,781 and non-current liabilities, accrued compensated absences of \$94,382.

At June 30, 2008, the College's current ratio was 4:1 comparing the amount of current assets, \$4,249,558 available to cover current liabilities, \$1,089,781. The largest category of non-current assets is capital assets, net of accumulated depreciation of \$15,315,076.

Significant change between 06-07 and 07-08 in Current Assets is due to increased expenditure levels.

REPORTING ENTITY (Continued)



Luna Community College
Condensed Summary of Revenue, Expenses and Changes in Net Assets
June 30, 2008

	<u>07-08</u>	<u>06-07</u>
OPERATING REVENUES BY MAJOR SOURCE		
Tuition	\$ 292,023	\$ 322,136
Contracts and Grants	2,877,892	3,433,743
Sales and Services of Auxiliary Enterprises	558,264	433,274
Local Government	1,358,379	1,203,510
Other	989,044	662,177
	<u>6,075,602</u>	<u>6,054,840</u>
OPERATING EXPENSE BY MAJOR FUNCTION		
Instruction	6,083,104	4,893,448
Public Service	484,732	467,540
Academic Support	1,203,342	863,350
Student services	1,799,950	1,730,238
Institutional support	2,269,432	1,860,658
Operation of Plant	1,643,059	2,249,213
Student Aid	1,037,871	932,356
Auxiliaries	595,349	499,524
	<u>15,116,839</u>	<u>13,496,327</u>

REPORTING ENTITY (Continued)

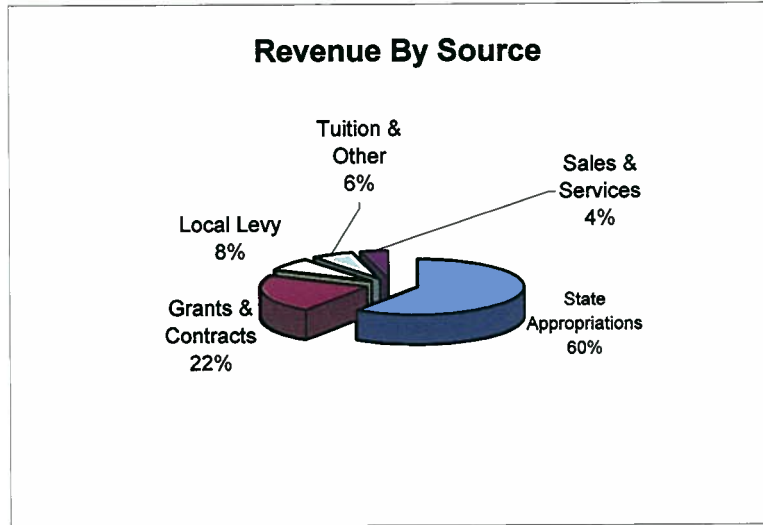
NONOPERATING REVENUE (EXPENSE)	<u>07-08</u>	<u>06-07</u>
Appropriations	9,753,875	9,331,437
Other	136,214	210,576
Depreciation	<u>(1,186,589)</u>	<u>(1,151,859)</u>
	<u>8,703,500</u>	<u>8,390,154</u>
Income (loss) before other revenues and expenses	(337,737)	948,667
Capital gifts, grants and appropriations	<u>(649,615)</u>	<u>-</u>
Total increase in net assets	(987,352)	948,667
Net assets-beginning of year	<u>19,367,823</u>	<u>18,419,156</u>
Net assets-end of year	<u><u>\$ 18,380,471</u></u>	<u><u>\$ 19,367,823</u></u>

Revenues in this reporting model are shown by source of funding. Operating revenues are generally defined as exchange transactions produced in conducting the primary business operations of the College, including instruction and public service. Non-operating revenues are generally defined as non-exchange revenues and include appropriations, gifts and investment income.

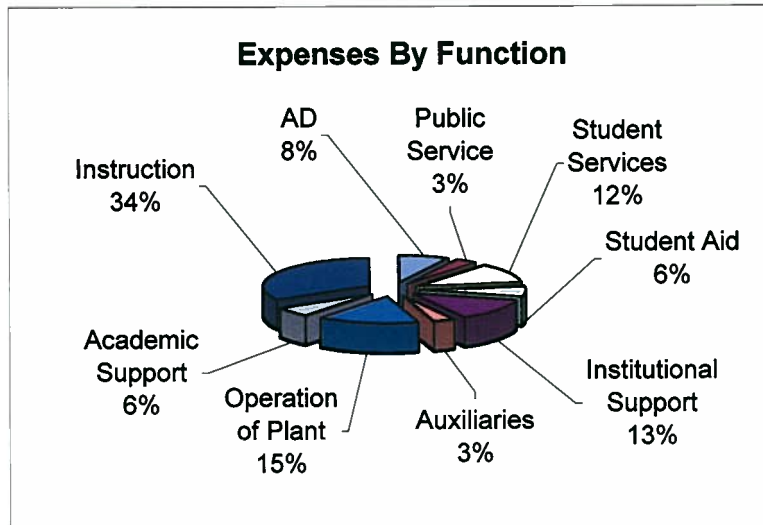
Significant changes are increases in contract revenue, and non-operating revenue more specifically appropriations and other flow through funding.

REPORTING ENTITY (Continued)

Although State of New Mexico appropriations are considered non-operating revenues, the College uses these funds to support key operations. The following chart displays revenues by source (some categories are combined).



Luna Community College elected to present expense on the Statement of Revenue, Expenses and Changes in Net Assets by major functions of the College. The chart below shows the distribution of operating expense by functional category with minor categories combined.



The College's change in net assets showed a decrease of \$987,352 for 2008.

REPORTING ENTITY (Continued)

Total net assets are classified by the College's ability to use these assets to meet operating needs. Net assets are restricted to their use by sponsoring agencies, donors or other non-LCC entities are classified as "non-expendable" and "expendable". The restricted net assets are further classified in general terms as to the function for which they must be used. Unrestricted net assets may be used to meet all operating needs of the College. The chart below shows the change in net assets by category.

Prior Year Comparison of Changes in Net Assets	07-08	06-07	Change
Change in Net Assets	\$ (987,352)	\$ 948,667	\$ (1,936,019)
Restricted Expendable	626,350	675,293	(48,943)
Capital Net	15,315,076	15,964,691	(649,615)
Unrestricted	2,439,045	2,727,847	(288,802)

An analysis of financial position shows a healthy balance in unrestricted net assets, after realizing a decrease of \$987,352. For 06-07, PPE change was \$1,351,482; 07-08 PPE change was (649,615) for a total difference of \$2,001,097 which accounts for 97% of the \$1,936,019 difference.

Luna Community College
Condensed Summary of Cash Flows
June 30, 2008

	07-08	06-07
Cash Flows Used By Operating Activities	\$ (9,192,996)	\$ (7,884,974)
Cash Flows Provided From Noncapital Financing Activities	9,753,875	9,331,437
Cash Flows Provided From Investment Activities	136,214	210,576
Cash Flows Used By Capital and Related Financing Activities	(948,356)	(2,503,341)
Net increase (decrease) in cash and cash equivalents	(251,263)	(846,302)
Cash and cash equivalents, beginning of year	3,376,032	4,222,334
Cash and cash equivalents, end of the year	\$ 3,124,769	\$ 3,376,032

REPORTING ENTITY (Continued)

Changes in Cash Flow are not significant in that the change from the beginning balance was less than 10%.

Budget and Results

The Combined Revenue variance was \$4,924,729. An analysis of changes for Original and Final Budget in the Restricted Funds showed less than a 10% change, however the actual revenue was under by \$1,312,653 due in large part to anticipation of MTEP funding that did not materialize and lower utilization of Pell Grants. Variation of the Unrestricted Funds from Original to Final Budget is the inclusion of additional capital funding. The total variance for Unrestricted Final to Actual was \$3,598,232 of which \$2.5M for our Multi-Purpose Education Center was not spent nor drawn down. The balance was from other grant funds carried over to 08-09.

Capital Asset Activity

Overall, Luna's Capital Asset balance changed only 4% decreasing by \$649,615 as a net result of \$948,356 in Additions, \$1,186,589 in Depreciation and \$411,383 in Retirements.

Long Term Debt

Luna Community College does not have any long-term debt.

FACTORS IMPACTING FUTURE PERIODS

On the education front, LCC is in year two of a \$2.5M Title V grant with much success and progress in year one. This grant will greatly enhance our distance education delivery to underserved rural areas. In keeping with our mission, expanding access, LCC has partnered with the City of Raton, NM and obtained the ARMEX building which will headquarter our educational offerings beginning with Welding and Homeland security. Linked to this is a reauthorization of \$500,000 to Luna for equipment for the Raton initiative. Part of our financial strategy, under the leadership of President, Dr. Pete Campos, is to aggressively delve into varied opportunities for revenue generation from increasing the mil levy rate to a local bond issuance to tapping into diverse sources for private donations. Additionally, Luna has the opportunity to obtain \$346,000 in matching funds over the next five years, which when invested, will yield a substantial revenue source.

Roughrider Baseball was joined by Softball in Fall of 2008.

ECONOMIC OUTLOOK

For the 2008-2009 fiscal year, Luna Community College faces a shortfall in General Fund Appropriations of approximately \$619,000. There is a proposal to soften the effect of decreased enrollment to 2.5% which would convert the loss to approximately \$160,000. The outlook for the 2009 - 2010 year is positive as fall of 2008 yielded a 10% increase in student credit hours.

The State Legislature will be petitioned for needed funding for various capital projects including \$6.5M for a Multi-Purpose Educational Center.

For more detail and explanations, the reader should refer to the notes and other required supplementary information contained in this document.

Contact Information

The reader is encouraged to contact the College with any questions or comments:

Luna Community College
Finance and Administration
366 Luna Drive
Las Vegas, NM 87701
www.luna.edu
Phone: (505) 454-5328

Assets

June 30, 2008

	Luna Community College	Component Unit Luna Foundation
Current Assets:		
Cash and cash equivalents, Note B	\$ 3,124,769	\$ 197,268
Student accounts receivable, net of allowance of \$407,063	105,855	-
Grants receivables	784,821	-
Other receivables	61,394	2,616
Inventories	172,719	-
	<u>4,249,558</u>	<u>199,884</u>
Noncurrent Assets:		
Capital assets, net of accumulated depreciation, Note C	<u>15,315,076</u>	<u>-</u>
Total Assets	<u><u>\$ 19,564,634</u></u>	<u><u>\$ 199,884</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

Net Assets and Liabilities

June 30, 2008

	Luna Community College	Component Unit Luna Foundation
Current Liabilities:		
Accounts payable	\$ 240,438	\$ -
Accrued Compensated absences, Note D	155,000	-
Deferred revenues	694,343	-
	<u>1,089,781</u>	<u>-</u>
Noncurrent Liabilities:		
Accrued compensated absences, Note D	94,382	-
	<u>1,184,163</u>	<u>-</u>
Total Liabilities		
	<u>1,184,163</u>	<u>-</u>
Net Assets:		
Invested in capital assets	15,315,076	-
Restricted for expendable capital projects	626,350	-
Restricted for scholarships	-	207,558
Unrestricted	2,439,045	(7,674)
Total Net Assets	<u>18,380,471</u>	<u>199,884</u>
 Total Net Assets and Liabilities	 <u>\$ 19,564,634</u>	 <u>\$ 199,884</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

LUNA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2008

	Luna Community College	Component Unit Luna Foundation
Operating Revenues		
Tuition and fees	\$ 1,106,967	\$ -
Tuition discounts and allowances	(814,944)	-
	<u>292,023</u>	<u>-</u>
Federal grants and contracts	2,040,775	-
State and local grants and contracts	684,559	-
Private gifts and grants	152,558	11,859
Sales and services of auxiliary enterprises	558,264	-
Local Government appropriations	1,358,379	-
Other	989,044	36,515
Total operating revenue	<u>6,075,602</u>	<u>48,374</u>
Expenses		
Instruction and general		
Instruction	6,083,104	-
Academic support	1,203,342	-
Student services	1,799,950	-
Institutional support	2,269,432	-
Operating and maintenance support	1,643,059	8,532
	<u>12,998,887</u>	<u>8,532</u>
Public service	484,732	-
Student aid grants and stipends	1,852,815	65,171
Tuition discounts and allowances	(814,944)	-
Auxiliary enterprises	595,349	-
Depreciation	1,186,589	-
Total operating expenses	<u>16,303,428</u>	<u>73,703</u>
Operating (loss)	<u>(10,227,826)</u>	<u>(25,329)</u>
Non-operating Revenues		
State appropriations	9,753,875	-
Interest and Investment income	136,214	8,721
Total non-operating revenues	<u>9,890,089</u>	<u>8,721</u>
Income (loss) before other revenues, expenses, gains, losses	<u>(337,737)</u>	<u>(16,608)</u>
Other		
Capital gains (losses) and gifts, net	<u>(649,615)</u>	<u>-</u>
Change in net assets	<u>(987,352)</u>	<u>(16,608)</u>
Net assets-beginning of year	19,367,823	216,492
Net assets-end of year	<u>\$ 18,380,471</u>	<u>\$ 199,884</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

For the Year Ended June 30, 2008

	Luna Community College	Component Unit Luna Foundation
Cash Flows From Operating Activities:		
Tuition and fees	\$ 231,705	\$ -
Grants and contracts	3,034,399	11,859
Sales and services of educational activities	558,264	-
Other operating receipts	989,042	36,515
Local appropriations	1,358,379	-
Payments to employees and suppliers	<u>(15,364,785)</u>	<u>(73,703)</u>
	<u>(9,192,996)</u>	<u>(25,329)</u>
Cash Flows From Investing Activities:		
Interest received on investments	<u>136,214</u>	<u>8,721</u>
Cash Flows From Noncapital Financing Activities:		
State appropriations	<u>9,753,875</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:		
Cash paid for capital assets	<u>(948,356)</u>	<u>-</u>
Cash and Cash Equivalents:		
Net Increase (Decrease) During the Year	(251,263)	(16,608)
Balance, Beginning of Year	3,376,032	213,875
Balance, End of Year	<u>\$ 3,124,769</u>	<u>\$ 197,267</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

For the Year Ended June 30, 2008

	Luna Community College	Component Unit Luna Foundation
Net Cash From Operating Activities:		
Operating loss	\$ (10,227,826)	\$ (25,329)
Adjustments to Reconcile Operating Loss to Net Cash Provided (used) by Operating Activities:		
Depreciation	1,186,588	-
Loss on disposal of capital assets	(238,233)	-
Changes in Assets - (increase) decrease:		
Receivables	(58,638)	-
Inventories	33,032	-
Changes in Liabilities - increase (decrease):		
Accounts payable and accrued expenses	(67,724)	-
Accrued/deferred grant revenue	156,507	-
Compensated absences	23,298	-
Net Cash Used by Operating Activities	<u>\$ (9,192,996)</u>	<u>\$ (25,329)</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. Luna Vocational Technical Institute was established with provision of 1967 Laws, Chapter 177 (Section 21-17-1 through 21-17-17, New Mexico Area Vocational School Act of 1978). In December of 2000, the College changed its name to Luna Community College to reflect the change from a vocational school to a community college.

The Luna Community College was created to provide vocational and technical education for the residents of its service area and the State of New Mexico to prepare them for the world of work. It is largely a post-secondary institution with some provisions to include high school students upon deliberate (concurrent enrollment) agreements with the secondary schools of the area.

The College maintains the general goal of providing educational and training programs designed to prepare its students in the area of marketable skills, for careers in technical and vocational fields, as well as to teach them how to best utilize skills in earning a living while also participating and contributing as productive citizens.

Therefore, the College is dedicated to: (1) the pursuit of excellence in its educational programs, (2) the simulation of actual occupational environments in its training systems, (3) the simulation of student interest and aptitude, (4) the administration of sound guidance and counseling service, (5) the provisions of administrative management and leadership in all its services and responsibilities, and (6) the facilitation of occupational placement for its students.

Instruction at the College is offered in six areas:

- a. Adult Basic Education
- b. Business Education Studies
- c. Health Occupations
- d. Technologies
- e. Trade and Industrial Occupations
- f. Associate of Applied Sciences, Associates of Arts, Associates of Science Degrees

The College is governed by an elected Board of Trustees, made up of seven representatives serving at large from the seven participating school districts served by the College. The seven school districts, within five counties, are East Las Vegas, West Las Vegas, Maxwell, Mora, Santa Rosa, Springer and Wagon Mound. The College president is the chief executive officer of the College responsible for the implementation and maintenance of board policies and administration to carry out the goals of the College within statutory and constitutional provisions. The President serves the College under the direction of the Board and reports directly to the Board.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The College is primarily funded by state appropriation with additional funding coming from federal and local sources. Each school district imposes a three-mill ad valorem tax to support the College. Additional resources include sales and service revenues, interest income, private gifts, grants, and contracts.

On July 1, 1988, Luna Community College became an institution of higher education under the jurisdiction of the Commission on Higher Education. Prior to this, the College had been under the jurisdiction of the State Department of Education.

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. This was followed in December 1999 by GASB Statement No. 35, Basic Financial Statements and management's Discussion and Analysis for Public Colleges and Universities. The financial statement presentation required by GASB No. 34 and 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required.

This statement provides for a significant change in financial reporting and is scheduled for a phased implementation. It has since been updated by GASB Statements 37 and 38. The Administration implemented all of these statements effective July 1, 2004.

Luna Community College Foundation, Inc. (Foundation)

The Foundation was organized as a non-for-profit New Mexico corporation under 501 (c)(3) of the Internal Revenue Code. The Foundation receives support from contributions and earnings on investments.

Basis of Accounting. For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity. In May 2002, Governmental Accounting Standards Board issued statement No. 39. The statement established standards for identifying a component unit through evaluation of the reporting entity and significance of certain related party transactions, defined as potential component units. In evaluating how to define the College for financial reporting purposes, management has evaluated the College's potential component units. The basic, but not the only, criterion for including a potential component unit as part of the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability of responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of the criterion involves considering whether the activity benefits the College.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the College is able to exercise oversight responsibilities. Based on the application of these criteria, the following is a brief review of each potential component unit addressed in defining the College's reporting entity.

In the financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the College. The decision to include a potential component unit in the College's reporting entity is based upon several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following discretely presented component unit is included in these financial statements.

Basis of Budgetary Presentation. The accompanying Schedule of Budget and Actual - Current and Plant Funds, for the year ended June 30, 2008 (the "schedule") is prepared on the basis of accounting prescribed by the State of New Mexico, Higher Education Department (HED). The Department requires budgets for current restricted, current unrestricted and plant fund revenues and expenditures on a basis consistent with the financial reporting model used by the College prior to implementation of GASB statements No.34 and 35. Additions to capital assets is reported as expenditures on the budget basis, but not on the basis required by generally accepted accounting principles (GAAP). Depreciation expense, scholarship allowances, and uncompensated absence balances are GAAP requirements not included in the budget basis submitted to the HED.

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budget. The College follows the requirements established by the Higher Education Department (HED) in formulating its budgets and in exercising the budgetary control. It is through the HED's policy that, when the appropriation has been made to the College, its Board of Trustees can, in general, adopt an operating budget within the limits of available income.

Procedures for Approval of Operating Budgets:

1. The institution will then submit an original typed copy that has been approved by the Board of Trustees to the HED's office by May 1.
2. The HED meets in June and acts on approval of the budgets.
3. The budgets, as approved by the HED, are transmitted to the Budget Division of the Department of Finance and Administration for official approval prior to July 1.
4. During the year revisions to the budget are prepared and sent to HED for approval. A final budget revision is due on May 1.

Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year and are available for appropriation by the College in subsequent years, per the General Appropriation Act of 2003, Chapter 76, Laws of 2003.

Budgetary Control. Total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary control are as follows: (1) unrestricted and restricted expenditures are considered separately; (2) total expenditures in instruction and general; (3) total expenditures of each budget function in current funds other than instruction and general; and (4) within the plant funds budget, the items of budgetary control are major projects, minor capital outlay, and renewals and replacements. Budget revisions must be approved by the executive secretary of the HED and then by the Budget Division of the Department of Finance and Administration.

Cash and Cash Equivalents. For purposes of the statement of cash flows, cash and cash equivalents include demand, savings, and money market accounts with an original maturity of 3 months or less.

Inventories. Inventories are recorded at first-in, first-out (FIFO) and are valued at the lower of cost or market.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes. The College, as an instrumentality of the State of New Mexico, is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Contributions to the College are deductible by donors as provided under Section 170 of the Internal Revenue Code and consistent with the provisions under Section 501 (c)(3) of the Internal Revenue Code.

Student Accounts Receivable. The College records student tuition and fees and student accounts receivable at rates established at the time a student registers for classes. In addition, bookstore, daycare, and cafeteria charges are recorded when incurred. Provision for uncollectible student accounts is recorded to maintain an adequate allowance for anticipated losses. Grants receivables consist of unreimbursed expenditures on federal, state, and private grants.

Deferred Income. Revenue includes amounts received from grant and contract sponsors that have not been earned.

Capital Assets. Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. For equipment, 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. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The College does not capitalize historical treasures, works of art or library books.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 30 years for buildings, infrastructure and land improvements, and 5 to 12 years for equipment (including software).

Compensated Absences. The College accounts for the accumulated vacation leave on the accrual basis in accordance with GASB 16. Accrued vacation up to 240 hours is recorded at 100% of the employee hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA).

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Net Assets - Expendable. Expendable restricted net assets are resources that the College is legally or contractually obligated to spend in accordance with imposed restrictions by third parties.

Unrestricted Net Assets. Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, 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 students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted, and then toward restricted resources.

Classification of Revenues. The College has classified its revenues either as operating or nonoperating revenues 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) most Federal, state, and local grants and contracts and Federal appropriations, and (3) interest on institutional student loans.

Nonoperating Revenues. Nonoperating revenue 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 No. 9 Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting and GASB No. 34, such as state appropriations.

Significant Concentration of Credit Risk. The College is dependent on state funding, local levy, and tuition payments from students for its operating budget. In addition, the College receives the majority of its restricted revenues from federal sources. Its student population is derived primarily from Northeastern New Mexico Communities.

Special Appropriation. The College receives special appropriations during the year. When an expense is incurred that can be paid using either unrestricted or special appropriation resources, the College's policy is to first apply the expense toward the special appropriation. The special appropriation funds are non-reverting, and the College received permission to carryover the funds for another year. The College received \$100,000 for their Nursing program of which \$99,999 was spent during the year.

NOTE B - CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to them. The College does not have its own deposit policy for credit risk, but follows New Mexico Statute Section 6-10-17, requiring collateral equal to at least one-half of the amount of uninsured public monies on deposit. As of June 30, 2008, \$627,339 of the College's bank balance of \$3,792,787 was subject to custodial credit risk because it was uninsured and uncollateralized. In addition, the Foundation had \$97,268 of its cash balance of \$197,268 that was subject to custodial credit risk because it was uninsured and uncollateralized.

NOTE C - PROPERTY, PLANT, AND EQUIPMENT

Following are the changes in capital assets for the year ended June 30, 2008:

	Balance 6/30/2007	Additions	Transfers	Retirements	Balance 6/30/2008
Capital assets not being depreciated					
Land	\$ 2,322,078	\$ -	\$ -	\$ -	\$ 2,322,078
Construction in Progress	1,732,845	715,400	(1,776,758)	-	671,487
	<u>\$ 4,054,923</u>	<u>\$ 715,400</u>	<u>\$ (1,776,758)</u>	<u>\$ -</u>	<u>\$ 2,993,565</u>
Other capital assets					
Buildings	\$ 22,912,497	\$ -	\$ -	\$ -	\$ 22,912,497
Building Improvements	2,559,891	-	1,776,758	-	4,336,649
Infrastructure	737,625	-	-	-	737,625
Automobiles	428,462	65,777	-	-	494,239
Equipment and Furniture	5,669,799	167,180	-	(411,383)	5,425,596
	<u>32,308,274</u>	<u>232,957</u>	<u>1,776,758</u>	<u>(411,383)</u>	<u>33,906,606</u>
Less accumulated depreciation for					
Buildings	13,401,114	738,480	-	-	14,139,594
Building Improvements	1,544,674	229,694	-	-	1,774,368
Infrastructure	-	-	-	-	-
Automobiles	335,388	40,063	-	-	375,451
Equipment and Furniture	5,117,330	178,352	-	-	5,295,682
	<u>20,398,506</u>	<u>1,186,589</u>	<u>-</u>	<u>-</u>	<u>21,585,095</u>
Other capital assets, net	<u>\$ 11,909,768</u>	<u>\$ (953,632)</u>	<u>\$ 1,776,758</u>	<u>\$ (411,383)</u>	<u>\$ 12,321,511</u>

NOTE C - PROPERTY, PLANT, AND EQUIPMENT (continued)

	Balance 6/30/2007	Additions	Transfers	Retirements	Balance 6/30/2008
Capital assets summary					
Capital assets not being depreciated	\$ 4,054,923	\$ 715,400	\$ (1,776,758)	\$ -	\$ 2,993,565
Other capital assets at cost	32,308,274	232,957	1,776,758	(411,383)	33,906,606
	<u>36,363,197</u>	<u>948,357</u>	<u>-</u>	<u>(411,383)</u>	<u>36,900,171</u>
Less accumulated depreciation	20,398,506	1,186,589	-	-	21,585,095
Capital assets, net	<u>\$ 15,964,691</u>	<u>\$ (238,232)</u>	<u>\$ -</u>	<u>\$ (411,383)</u>	<u>\$ 15,315,076</u>

NOTE D - LONG-TERM LIABILITIES

Long-term liability activity for the College for the year ended June 30, 2008, is as follows:

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08	Due Within One Year
Accrued compensated absences	\$ 226,084	\$ 176,801	\$ (153,503)	\$ 249,382	\$ 155,000

NOTE E - ERB PENSION PLAN

Plan description. Substantially all of the Luna College full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing ERB, P.O. Box 26129, Santa Fe, New Mexico 87502.

NOTE E - ERB PENSION PLAN (continued)

Funding Policy. Plan members are required to contribute 7.825% of their gross salary. The Luna Community College is required to contribute 10.90% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and the Luna Community College are established in Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Luna Community College's contributions to ERB for the fiscal years ending June 30, 2008, 2007, and 2006, were \$1,233,325, \$995,205, and \$899,153 respectively, which equal the amount of the required contribution for each year.

NOTE F - POST EMPLOYMENT BENEFITS

Plan Description. Luna Community College contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment 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 Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the time period of 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 legislatures who served at least two years
- (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 post-employment 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.

NOTE F - POST EMPLOYMENT BENEFITS (continued)

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

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

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

Luna Community College's contributions to the RHCA for the years ended June 30, 2008, 2007, and 2006, were \$131,126, \$104,326, and \$104,428 respectively, which equal the required contributions for each year.

NOTE G - SURETY BOND/INSURANCE

The College is covered by the New Mexico Public Schools Insurance Authority (NMPSIA) as required by statute. Additional insurance, beyond that required by statute, has also been acquired to guard against risks.

NOTE H - COMMITMENTS AND CONTINGENCIES

There were construction obligations remaining at June 30, 2008 in the amount of \$ 66,620.

The College is liable or contingently liable in connection with certain claims, which arise in the normal courses 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.

NOTE H - COMMITMENTS AND CONTINGENCIES (continued)

The College receives governmental grants, which may be refundable in the event that all terms of the grants are not complied with. In the opinion of management, no material refunds will occur.

NOTE I - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each year on July 1 on the taxable valuation of property located in the College as of the preceding January 1. The taxable valuations for the various classes of property are determined by the San Miguel, Guadalupe, Mora and Colfax County Assessors. The rate of taxes for operating purposes for all taxing jurisdictions is limited by the State Constitution to 5 mills (\$5 per \$1,000 assessed valuation). Taxes are payable in two equal installments due on November 10 and April 10 and become delinquent after 30 days. The College cannot reasonably estimate the amount of property taxes receivable due to lack of information. Property taxes are not accrued for in the accompanying financial statements beyond what was received with the first sixty days of the fiscal year. However, the College estimates the net receivable amount to be immaterial to the financial statements.

NOTE J - RECONCILIATION OF BUDGET BASIS TO GAAP - REVENUES AND EXPENSES

	<u>Revenues</u>	<u>Expenses</u>
Budget basis expenditures/revenues	\$ (16,780,635)	\$ 16,880,140
Capital expenditures	-	(948,357)
Depreciation	-	1,186,589
Scholarship allowance	814,944	(814,944)
GAAP Basis (Revenue) / Expense	<u>\$ (15,965,691)</u>	<u>\$ 16,303,428</u>

NOTE K - FOUNDATION CASH AND CASH EQUIVALENTS

In accordance with GASB Statement No. 3, the following table provides information concerning the level of risk assumed by the College at year-end. Actual bank balances are shown because they reflect the current relationship between the deposits and corresponding collateral.

	<u>Federally Insured</u>	<u>Insured and Collateralized</u>	<u>Uninsured and Un- Collateralized</u>	<u>Total Depository Balances</u>
Demand deposits	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 97,268</u>	<u>\$ 197,268</u>

LUNA COMMUNITY COLLEGE
 COMBINED REVENUES AND EXPENDITURES BUDGET COMPARISONS
 UNRESTRICTED AND RESTRICTED - ALL OPERATIONS

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 2,572,104	\$ 3,223,131	\$ 3,223,131	\$ -
Revenues				
State general fund appropriations	\$ 10,944,038	\$ 14,330,765	\$ 10,612,340	\$ (3,718,425)
Federal revenue sources	2,829,792	2,805,613	2,040,775	(764,838)
Tuition and fees	1,153,025	1,153,415	1,106,967	(46,448)
Endowment, land, and permanent fund	-	-	-	-
Private gifts, grants & contracts	154,514	199,963	152,558	(47,405)
Other	3,211,483	3,215,998	2,867,995	(348,003)
Total Revenues	<u>18,292,852</u>	<u>21,705,754</u>	<u>16,780,635</u>	<u>(4,925,119)</u>
Total Unrestricted Revenues	<u>20,864,956</u>	<u>24,928,885</u>	<u>20,003,766</u>	<u>(4,925,119)</u>
Expenditures				
Instruction and general	13,279,940	15,108,481	13,266,995	(1,841,486)
Student social and cultural	20,000	20,000	16,566	(3,434)
Research	-	-	-	-
Public service	490,906	526,471	484,731	(41,740)
Student aid	2,329,715	2,368,385	1,836,247	(532,138)
Auxiliary enterprises	689,379	752,379	595,353	(157,026)
Intercollegiate athletics	-	-	-	-
Capital outlay	1,738,113	5,226,126	680,248	(4,545,878)
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
Total expenditures	<u>18,548,053</u>	<u>24,001,842</u>	<u>16,880,140</u>	<u>(7,121,702)</u>
Change in net assets - budgetary basis	<u>(255,201)</u>	<u>(2,296,088)</u>	<u>(99,505)</u>	<u>2,196,583</u>
Ending Fund Balance	<u>\$ 2,316,903</u>	<u>\$ 927,043</u>	<u>\$ 3,123,626</u>	<u>\$ 2,196,583</u>

LUNA COMMUNITY COLLEGE
UNRESTRICTED CURRENT FUNDS -
REVENUES AND EXPENDITURES BUDGET COMPARISONS

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 2,572,104	\$ 3,223,131	\$ 3,223,131	\$ -
Revenues				
Tuition and fees	1,153,025	1,153,025	1,106,967	(46,058)
Government appropriations - federal	-	-	-	-
Government appropriations - state	10,413,100	13,807,537	10,313,359	(3,494,178)
Government appropriations - local	1,132,392	1,132,392	1,358,379	225,987
Grants & contracts - federal	12,000	12,000	3,544	(8,456)
Grants & contracts - state	10,000	77,328	32,455	(44,873)
Grants & contracts - local	1,000	1,000	-	(1,000)
Gifts, grants & contracts - private	22,296	77,296	15,425	(61,871)
Endowments, land, and permanent fund	-	-	-	-
Sales & service	766,000	823,750	558,265	(265,485)
Other sources	706,571	185,458	268,926	83,468
Total Revenues	<u>14,216,384</u>	<u>17,269,786</u>	<u>13,657,320</u>	<u>(3,612,466)</u>
Total Unrestricted Revenues	<u>16,788,488</u>	<u>20,492,917</u>	<u>16,880,451</u>	<u>(3,612,466)</u>
Expenditures				
Instruction and general	11,808,073	13,308,666	12,268,541	(1,040,125)
Student social and cultural	20,000	20,000	16,566	(3,434)
Research	-	-	-	-
Public service	121,603	129,353	106,232	(23,121)
Student aid	91,057	129,350	85,388	(43,962)
Auxiliary enterprises	689,379	752,379	595,353	(157,026)
Intercollegiate athletics	-	-	-	-
Capital outlay	1,738,113	5,226,126	680,248	(4,545,878)
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
Total expenditures	<u>14,468,225</u>	<u>19,565,874</u>	<u>13,752,328</u>	<u>(5,813,546)</u>
Change in net assets - budgetary basis	<u>(251,841)</u>	<u>(2,296,088)</u>	<u>(95,008)</u>	<u>2,201,080</u>
Ending Fund Balance	<u>\$ 2,320,263</u>	<u>\$ 927,043</u>	<u>\$ 3,128,123</u>	<u>\$ 2,201,080</u>

SUMMARY OF INSTRUCTION AND GENERAL REVENUES AND EXPENDITURES BUDGET COMPARISONS

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 2,116,866	\$ 2,680,949	\$ 2,680,949	\$ -
Revenues				
Tuition and fees	1,133,025	1,133,025	1,081,572	(51,453)
Government appropriations - federal	-	-	-	-
Government appropriations - state	9,198,100	9,230,029	8,910,315	(319,714)
Government appropriations - local	1,132,392	1,132,392	1,358,379	225,987
Grants & contracts - federal	12,000	12,000	3,544	(8,456)
Grants & contracts - state	-	5,000	3,464	(1,536)
Grants & contracts - local	1,000	1,000	-	(1,000)
Gifts, grants & contracts - private	6,000	6,000	3,598	(2,402)
Endowments, land, and permanent fund	-	-	-	-
Sales & service	-	-	-	-
Other sources	139,000	139,000	220,099	81,099
Total Revenues	<u>11,621,517</u>	<u>11,658,446</u>	<u>11,580,971</u>	<u>(77,475)</u>
Total Unrestricted Revenues	<u>13,738,383</u>	<u>14,339,395</u>	<u>14,261,920</u>	<u>(77,475)</u>
Expenditures				
Instruction	5,299,943	6,138,878	5,594,695	(544,183)
Academic support	1,009,452	981,599	804,734	(176,865)
Student services	1,559,553	1,579,401	1,540,554	(38,847)
Institutional support	1,976,248	2,464,877	2,417,393	(47,484)
Operation and maintenance of plant	1,962,877	2,143,911	1,911,165	(232,746)
Total expenditures	<u>11,808,073</u>	<u>13,308,666</u>	<u>12,268,541</u>	<u>(1,040,125)</u>
Change in net assets - budgetary basis	<u>(186,556)</u>	<u>(1,650,220)</u>	<u>(687,570)</u>	<u>962,650</u>
Ending Fund Balance	<u>\$ 1,930,310</u>	<u>\$ 1,030,729</u>	<u>\$ 1,993,379</u>	<u>\$ 962,650</u>

LUNA COMMUNITY COLLEGE
 RESTRICTED CURRENT FUNDS -
 REVENUES AND EXPENDITURES BUDGET COMPARISONS

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues				
Tuition and fees	\$ -	\$ 390	\$ -	\$ (390)
Government appropriations - federal	-	-	-	-
Government appropriations - state	529,938	522,228	298,981	(223,247)
Government appropriations - local	8,475	-	-	-
Grants & contracts - federal	2,817,792	2,793,613	2,037,231	(756,382)
Grants & contracts - state	568,045	984,427	652,104	(332,323)
Grants & contracts - local	-	-	-	-
Gifts, grants & contracts - private	132,218	122,667	137,133	14,466
Endowments, land, and permanent fund	-	-	-	-
Sales & service	-	-	(2,134)	(2,134)
Other sources	20,000	12,643	-	(12,643)
	<u>4,076,468</u>	<u>4,435,968</u>	<u>3,123,315</u>	<u>(1,312,653)</u>
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	<u>4,076,468</u>	<u>4,435,968</u>	<u>3,123,315</u>	<u>(1,312,653)</u>
Expenditures				
Instruction and general	1,471,867	1,799,815	998,454	(801,361)
Student social and cultural	-	-	-	-
Research	-	-	-	-
Public service	369,303	397,118	378,499	(18,619)
Internal service departments	-	-	-	-
Student aid	2,238,658	2,239,035	1,750,859	(488,176)
Auxiliary enterprises	-	-	-	-
Intercollegiate athletics	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
	<u>4,079,828</u>	<u>4,435,968</u>	<u>3,127,812</u>	<u>(1,308,156)</u>
Change in net assets - budgetary basis	<u>\$ (3,360)</u>	<u>\$ -</u>	<u>\$ (4,497)</u>	<u>\$ (4,497)</u>

SUMMARY OF INSTRUCTION AND GENERAL REVENUES AND EXPENDITURES BUDGET COMPARISONS

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Government appropriations - federal	-	-	-	-
Government appropriations - state	337,099	522,228	266,652	(255,576)
Government appropriations - local	-	-	-	-
Grants & contracts - federal	909,311	853,743	574,141	(279,602)
Grants & contracts - state	224,489	388,427	157,309	(231,118)
Grants & contracts - local	-	-	-	-
Gifts, grants & contracts - private	968	35,417	287	(35,130)
Endowments, land, and permanent fund	-	-	-	-
Sales & service	-	-	(2,134)	(2,134)
Other sources	-	-	-	-
	<u>1,471,867</u>	<u>1,799,815</u>	<u>996,255</u>	<u>(803,560)</u>
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	<u>1,471,867</u>	<u>1,799,815</u>	<u>996,255</u>	<u>(803,560)</u>
Expenditures				
Instruction	484,641	675,418	378,906	(296,512)
Academic support	690,126	689,571	398,401	(291,170)
Student services	297,100	430,664	221,147	(209,517)
Public Service	-	4,162	-	(4,162)
Operation and maintenance of plant	-	-	-	-
Student aid	-	-	-	-
	<u>1,471,867</u>	<u>1,799,815</u>	<u>998,454</u>	<u>(801,361)</u>
Change in net assets - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,199)</u>	<u>\$ (2,199)</u>

**LUNA COMMUNITY COLLEGE
SCHEDULE OF CASH AND CASH EQUIVALENTS**

For the Year Ended June 30, 2008

<u>Bank/Account Name</u>	<u>Type</u>	<u>Balance Per Bank Statement</u>	<u>Reconciled Balance Per Books</u>
Wells Fargo			
Santa Rosa Account	Checking	\$ 5,102	\$ 5,124
Springer Account	Checking	3,786	3,786
		<u>8,888</u>	<u>8,910</u>
The Bank of Las Vegas			
General Disbursement	Checking	3,383,778	2,917,115
Payroll	Checking	364,185	164,382
Student Activity	Checking	35,936	34,362
		<u>3,783,899</u>	<u>3,115,859</u>
		<u><u>\$ 3,792,787</u></u>	<u><u>\$ 3,124,769</u></u>

For the Year Ended June 30, 2008

	Wells Fargo	The Bank of Las Vegas			
Total amount on deposit at bank	\$ 8,888	\$ 3,783,899			
Less FDIC Insurance	8,888	100,000			
Total uninsured public funds	-	3,683,899			
 50% Collateral Requirement (Section 6-10-17 NMSA 1978)	 -	 1,841,949			
 <u>Security</u>	<u>Cusip Number</u>	<u>Location</u>	<u>Date</u>		
US Treasury	912828DR8	Home Loan Bnk/ Dallas	4/15/2010	-	1,020,940
US Treasury	3133XKW27	Home Loan Bnk/ Dallas	5/22/2012	-	2,035,620
				-	3,056,560
Amount over collateralized	\$ -	\$ (1,214,611)			

LUNA COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2008

Grantor/Program Title	Contract No.	CFDA No.	Expenditures
United States Department of Agriculture			
Future In Algae Project (RBOG)	2008 RBOG-NM	10.773	\$ 47,582
NMHU/LCC Science & Agri. Summer SASE	(07-08)	10.223	31,231
Child Food Program	No. 246 04-05	10.558	7,713
			<u>86,526</u>
National Science Foundation			
Passed through New Mexico State University			
NM Alliance for Minority Participation	Q00890	47.076	5,999
United States Treasury			
National Service Award (Americorps)			<u>4,000</u>
US Small Business Administration			
Passed through the New Mexico Small Business Development Center	4-603001-Z-0032-16	59.037	<u>17,729</u>
United States Department of Education			
SEOG	04--05	84.007	49,315
Title V	P031S990069-03	84.031	383,688
MSEIP	P120A030049	84.120A	
College Work-Study	04--05	84.033	34,159
PELL Grant	04--05	84.063	1,232,241
Academic Competitiveness	P375A063271	84.375	2,425
Passed through the State of New Mexico Department of Education			
Adult Basic Education	689888	84.022	37,802
NMHU/LCC Science & Agri. Summer Carl Perkins	004.1.0.1.855	84.048	73,925
			<u>1,813,555</u>
United States Department of Health and Human Services			
Passed through the University of New Mexico			
AHEC	4-30611-7820/ 4-30612-7820	93.107	<u>69,998</u>
Total Federal Expenditures			<u>\$ 1,997,807</u>

Note 1. Basis of Accounting

The above schedule of expenditures of federal awards was prepared on the accrual basis of accounting.

Note 2. Other Disclosures

The Institute did not receive any non-cash assistance, there was no insurance in effect during the year, and no federal loan guarantees outstanding at year-end.

NOTE A - SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

The federal financial assistance of the College is included in the scope of the Single Audit, which was performed in accordance with the provisions of the Office of Management and Budget's Circular A-133, *Compliance Supplement for Audits of Institutions of Higher Learning and Other Not-for-Profit Institutions* (Compliance Supplement). Compliance testing of all specific requirements was performed, as described in the Compliance Supplement (April 2004).

NOTE B - FISCAL PERIOD AUDITED

Single Audit testing procedures were performed for program transactions occurring during fiscal year June 30, 2008.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The accompanying schedule of Expenditures of Federal Awards includes all federal assistance to the College that had activity during 2008 or accrued revenue at June 30, 2008. This schedule has been prepared on the accrual basis of accounting. Revenues are recorded for financial reporting purposes when the Institute has met the qualifications for the respective program.

NOTE D - STUDENT FINANCIAL ASSISTANCE

The College administrators the Federal Family Education Loan Program. During the fiscal year ended June 30, 2008, the College processed \$236,555 of new loans under the Federal Family Education Loan Program.

For the Year Ended June 30, 2008

Grantor/Program Title	<u>Expenditures</u>
INSTRUCTION & GENERAL FUND-RESTRICTED	
State Department of Education	
Adult Basic Education	\$ 124,418
Instructional Materials	5,222
Legislative Appropriations	
NYSP	1,397
Severance Tax Bond HB622	
Mariachi	10,510
NM Higher Education Department	
Behavioral Health Svc. Div. Flow thru:	
Value Options NM (Sub. Abuse Program)	17,159
NM Higher Education Department	
Student Gov. Leadership Dev Approp	125,988
Summer Stu. Adv. HED Appropriation	683
Baseball	61,054
Softball	22,911
Dental Hygiene	39,168
GOB Library Acquisitions/Publications	14,713
	<u>423,223</u>
PLANT FUNDS-RESTRICTED	
Instruction	
Instruction Mora	84,684
Severance & GOB Tax Bonds	
Building Trades	53,815
Baseball Equipment	22,679
Field Construction	15,449
LCC Softball Equipment	12,633
Mora Land Purchase	4,538
Nick Salazar Day Care Renovation	3,879
Santa Rosa Building/Equipment	114,650
Community Use Auditorium	144,850
Springer Forrester Renovate	11,647
Vehicle Purchase	69,362
King Stadium	18,723
	<u>556,909</u>

For the Year Ended June 30, 2008

Grantor/Program Title	<u>Expenditures</u>
PUBLIC SERVICE FUND-RESTRICTED	
US Small Business Administration Passed through NM SBDC Lead Center University of New Mexico AHEC	181,409
Commission on Higher Education Youth College	70,498
	<u>20,000</u>
	<u>271,907</u>
STUDENT AID FUND-RESTRICTED	
Commission on Higher Education College Affordability	38,839
College Work Study	73,442
Legislative Endowment Merit Scholarship	2,000
Nursing Loans	37,000
SSIG	143,753
Other State Aid CYFD	434
New Mexico State University CHE P-16 Expansion Grant	2,644
	<u>298,112</u>
Total State Expenditures	<u><u>\$ 1,550,151</u></u>

**LUNA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF PRIVATE ASSISTANCE**

For the Year Ended June 30, 2008

Grantor/Program Title	<u>Expenditures</u>
INSTRUCTION AND GENERAL FUND - RESTRICTED	
First Nat'l Bank/ABE	<u>\$ 287</u>
PUBLIC SERVICE FUND - RESTRICTED	
Youth College	<u>8,854</u>
STUDENT AID FUND-RESTRICTED	
Luna Community College Foundation	63,695
Acumen Fiscal Agent	612
Central NMCC Tax Help Stu Scholarship	900
Construction Financial Mgmt	125
International Dyslexia Assoc. SW	1,000
ENMR	1,000
The GEO Group Inc/GCCF Scholarship	600
Horatio Alger Assoc.	1,000
Lujan, Lilly-Yol-Orl Scholarship	500
Navajo Nation	9,950
LCC Gen Disb./Stu Act Fund	28,710
Mora Independ School Dist Act Fund	1,500
Mora San Miguel Elec. Coop. Scholarship	500
Organ Transplant	1,000
Reece Properties Scholarship	250
Socorro Electric Coop. Scholarship	300
Viles Foundation Scholarship	9,600
Veterans of Foreign Wars	500
West Las Vegas Sch. Scholarships	6,250
	<u>127,992</u>
Total Private Expenditures	<u><u>\$ 137,133</u></u>



KARDAS • ABEYTA • WEINER P.C.
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***

Board of Trustees
Luna Community College
Las Vegas, New Mexico

We have audited the financial statements of the business-type activities and discretely presented component unit of the State of New Mexico, Luna Community College (the "College") and the College's budget comparisons as of and for the year ended June 30, 2008, and have issued our report thereon dated October 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 08-01 and 08-02.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

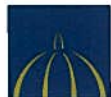
We noted certain matters that are required to be reported under *Government Auditing Standards* January 2007 revision paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as finding 05-01, 07-01, 08-03 and 08-04.

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

This report is intended solely for the information and use of the audit committee, management, the State Auditor, the New Mexico Legislature and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kardas, Abeyta & Weiner, P.C.

October 24, 2008



KARDAS • ABEYTA • WEINER P.C.
Certified Public Accountants

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

Board of Trustees
Luna Community College
Las Vegas, New Mexico

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

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

Internal Control Over Compliance

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

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

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

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

This report is intended solely for the information and use of the audit committee, management, New Mexico State Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kardas, Abeyta & Weiner, P.C.

October 24, 2008

For the Year Ended June 30, 2008

Finding	Status
05-01 Payroll	Repeated and updated
07-01 Inventory	Repeated and updated
07-02 Purchasing	Resolved
07-03 Budget Overspending	Resolved

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified? No

• Significant deficiencies identified not considered
to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? No

• Significant deficiencies identified not considered
to be material weaknesses? No

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

Any audit findings disclosed that are required to be reported
in accordance with Section 510(a) of Circular A-133? None Reported

Section 1 - Summary of Auditors' Results (continued)

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Cluster	Student Financial Assistance
84.007	SEOG
84.033	Federal Workstudy
84.063	Pell Grant
84.375	ACG
84.031	Title V

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

\$300,000

Auditee qualified as a low-risk auditee?

Yes

Section 2 - Financial Statement Findings

08-01 – Fixed Assets

CONDITION

During our testing of year-end fixed assets we found five instances where we could not locate the item selected for testing (twenty tested).

CRITERIA

A fixed assets listing should be kept of all fixed assets for Luna Community College. This list should include the current location of all items. In the case of an item being moved or disposed, the necessary updates should be performed on the list.

CAUSE

Prior personnel did not keep an accurate list of fixed assets and the list was not updated when items were moved or disposed.

EFFECT

The missing items could lead to an misstatement of fixed assets on the financial statement of Luna Community College.

RECOMMENDATION

Luna Community College should perform a reconciliation of fixed assets and update the fixed asset list accordingly.

MANAGEMENT RESPONSE

A reconciliation of campus-wide inventory is currently underway. The computerized system for asset tracking is being updated as the reconciliation is being performed. When the reconciliation is complete, items not accounted for will be reported appropriately and removed from LCC inventory. The importance of adhering to the policy for movement of assets has been communicated to LCC staff and is being closely monitored to assure compliance. Training related to the computerized asset system has been requested.

Section 2 - Financial Statement Findings

08-02 - Information Technology

CONDITION

In developing an understanding of internal controls related to Information Technology, it was noted that in the event of a disaster, Luna Community College would be shut down for a period of 20-30 days before continuation of activities.

CRITERIA

Luna Community College should have the ability to continue day-to-day activities in case the server is destroyed through a natural disaster or some other unforeseen circumstances.

CAUSE

Luna Community College has only one server from which to run their daily operations. If this server goes down Information Technology estimates that it would take 20-30 days to obtain a new server and bring it online.

EFFECT

Luna Community College will not be able to function for an extended period of time which could affect their ability to produce accurate records.

RECOMMENDATION

Access to another compatible server is needed if the current server goes down. This will ensure the continuation of the day-to-day operations of Luna Community College in the event of a disaster.

MANAGEMENT RESPONSE

The Information Technology department working with the Chief Finance Officer has submitted a request for additional money to be added to the I.T. budget for the purchasing of two HP servers. The quotes and coordination with all departments has been completed. I.T. is ordering two new HP Itanium Servers to be used for primary database information and for backup of the primary database information. These two servers will be located in two separate areas on campus. The primary server will be in the main server room (Student Services Building) and the backup server will be located in the computer room (Technologies Building). This will give us the ability to continue daily operations with no or very limited interruption.

Section 3 - Federal Awards Findings

No federal awards findings

Section 4 - Other Matters as required by New Mexico State Statute 12-6-5, NMSA 1978

05-01 - Payroll

CONDITION

During our test work of internal controls over payroll disbursements, we noted the following instances of non-compliance from our sample of forty:

- Four employees did not sign the drug free workplace agreement
- Two of the W-4's on file do not match the withholding allowances in the system
- One of the employees did not have the proper amount deducted for vision and dental
- Two of the employees did not sign the computer usage authorization forms
- One of the employees did not sign the employee clearance form after termination

CRITERIA

The College has established policies and procedures to be adhered to regarding payroll.

CAUSE

Due to clerical errors, all of the proper forms were not completed and authorization was not affixed.

EFFECT

The College was not in compliance with payroll policies and procedures.

RECOMMENDATION

Personnel responsible for the employee files should review relevant documentation to ensure that all forms are properly completed.

Section 4 - Other Matters as required by New Mexico State Statute 12-6-5, NMSA 1978

05-01 - Payroll (continued)

MANAGEMENT RESPONSE

The drug free workplace agreement issue is being addressed at contract generation and is requiring that all drug free workplace documentation be reviewed, read and signed by all new employees. In addition internal audits are being conducted to ensure compliance.

W-4 changes are not being accepted verbally. All changes must be submitted in writing at time of request, which is being enforced by the Payroll Manager. In addition an internal audit will be conducted to ensure compliance.

HR Department has established verification system for benefits for each employee, the Benefit Manager will prepare the form via orientation for benefits, the HR Assistant will verify the benefit form and return the form to the Benefit Manager who will submit the form to the Payroll Manager who will verify accuracy. This will ensure that all amounts for dental vision and other benefits are accurate. Same process will take place for changes in benefit coverage. Also the HR Assistant will verify data after it has been entered into CARS system using a deduction report and pre-check register. She will initial if the date entered is accurate. This will act as the verification process after the entry before the check is processed.

Information technology access will not be provided until all usage forms have been signed and placed in the employees file. An audit of each file is being conducted to ensure policy compliance.

If an employee refuses to sign the clearance form or abandons the job, the supervisor will sign the clearance form and a memorandum for record will be placed in the file to document that every avenue to achieve a signature was conducted by HR staff.

Summary: The HR Department has very good processes and procedures in place, the key to achieving 100% compliance is to conduct internal reviews and audits to ensure procedure compliance. Training and reviewing policy will be conducted.

Section 4 - Other Matters as required by New Mexico State Statute 12-6-5, NMSA 1978

07-01 – Inventory

CONDITION

During our count of year-end bookstore inventory, we found four instances out of forty tested where the count was incorrect.

CRITERIA

An inventory count should be done with procedures in place to ensure a reliable count of the inventory items of the institution. Written procedures should indicate the responsibilities of each individual and the procedures to be followed during the inventory count.

CAUSE

The personnel charged with performing the inventory did not make accurate counts.

EFFECT

Miscount of inventory could lead to misstatement of inventory value on the financial statements.

RECOMMENDATION

We recommend that two individuals perform a separate count on each item and that any differences are reconciled. This would ensure a more reliable count since the count will be confirmed by a second individual.

MANAGEMENT RESPONSE

Two individuals will be used and each will perform a separate count. Any differences between the two counts will be reconciled to the correct count. This will ensure that counts are done correctly.

Section 4 - Other Matters as required by New Mexico State Statute 12-6-5, NMSA 1978

08-03 - Cash receipts

CONDITION

Management determined that cash collected for tuition and book sales at the Luna Community College Springer location were not always properly recorded and deposited.

CRITERIA

Cash receipt functions must have controls including written procedures and oversight (reconciliations) by a management representative.

CAUSE

Luna Community College policy allowed written receipts for cash collected when the computer link between the satellite office and the main campus was inoperable. No controls were initiated or kept by Luna Community College - Springer management to ensure that all receipts were properly deposited and recorded.

EFFECT

Cash collected for tuition and book sales were not deposited and applied against student accounts.

RECOMMENDATION

Computer generated or manual prenumbered receipt forms should be used for all cash collections and a reconciliation of all cash transactions should be performed daily. In addition a reconciliation of book inventory transfers from Luna Community College main campus to any satellite location should be performed each semester.

MANAGEMENT RESPONSE

Computer generated numbered receipts are being utilized at the Springer Satellite when collecting all student fees. Any voided receipts are approved and initialed by the satellite director. At the end of every day, all cash receipts are deposited at Wells Fargo Bank in Springer. All documents are stored in a secure file cabinet for internal and external audit purposes. Oversight will be done by the Satellite Director to ensure that all transactions are properly complied with. A inventory will be maintained of all textbooks received from the main campus. A reconciliation of all returned books will be completed as per LCC main campus policy. All books not sold will be returned to the bookstore as soon as possible after the close of the registration period. The individual responsible for the non-deposited funds has tendered her resignation and has made restitution to the College.

Section 4 - Other Matters as required by New Mexico State Statute 12-6-5, NMSA 1978

08-04 - Accounts receivable - Daycare facility

CONDITION

During the year it was noted that billings for services at the Daycare facility were not being monitored and in one instance a balance exceeding six thousand dollars existed and services were still extended.

CRITERIA

The College has a policy which requires prompt payment of outstanding invoices for services rendered. Individuals not paying the outstanding balance should be refused service until outstanding balance is settled.

CAUSE

Workers at the day care center did not enforce the policy, nor deny services in cases of non-payment.

EFFECT

Daycare services provided without fees being collected from service recipients will lead to a shortage of funds for the daycare center.

RECOMMENDATION

A list of outstanding balances should be sent to management on a monthly basis. Management should follow up and ensure that individuals with outstanding balances bring their accounts current or be denied service.

MANAGEMENT RESPONSE

Monthly billing statements will be submitted to Fiscal Office for account oversight. A statement will be added to the Parent Handbook informing responsible parties that payment in full is due each month. Outstanding accounts will result in disenrollment from the program. All cash payments will be made at the Fiscal Office and payments made by check received at the Education Department will continue to be deposited daily at the Fiscal Office. For record keeping purposes, the Fiscal Office will provide access to monthly collection reports to the Department of Education. A policy will be established to address LCC employees who have a balance due. LCC preschool will be included on the student graduation clearance form. Staff has completed reviewing all accounts from Fall 04 to the present and collection efforts of outstanding balances are underway. The account with the largest outstanding balance continues to remain in active payment status and shows payment as recent as October 2008. The parents voluntarily disenrolled their children on August 18, 2008. Plans for repayment contracts are being worked on as the contract is made with each responsible party.

For the Year Ended June 30, 2008

An exit conference was held on November 10, 2008, with the following in attendance:

Luna Community College

Pete Campos, President

Tony Valdez, Vice Chairman

Donna Flores-Medina, Vice President for Finance & Administration

Mary Ward, Vice-President for Research and Planning

Terri Mares, Controller

Theresa Vigil, Foundation Director

Kardas, Abeyta & Weiner, P.C.

Gerald Kardas, Principal

Divan Coetzee, Accountant

The financial statements were prepared by Luna Community College staff but compiled and printed by Kardas, Abeyta & Weiner, P.C.
