

**LUNA COMMUNITY COLLEGE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2009**



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

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**BOARD OF TRUSTEES**

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| <b>Name</b>           | <b>Title</b>  |
|-----------------------|---------------|
| Ambrose M. Castellano | Chairman      |
| Tony Valdez           | Vice Chairman |
| Thomas Jerry Maestas  | Secretary     |
| Frank E. Tenorio      | Member        |
| Abelino Montoya Jr.   | Member        |
| David Guterrez        | Member        |
| Levi Alcon Jr.        | Member        |

**ADMINISTRATIVE OFFICIALS**

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| <b>Name</b>  | <b>Title</b>                                   |
|--------------|--|
| Pete Campos  | President                                      |
| Donna Flores | Vice President for<br>Finance & Administration |

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

## **INDEPENDENT AUDITORS' REPORT**

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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, 2009, 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 supplementary information as of and for the year ended June 30, 2009, 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, 2009, 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, 2009, 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 28, 2009 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 12 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 and the 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, the Schedule of Pledged Collateral, the Schedule of Expenditures of State Awards, and the Schedule of Expenditures of Private Assistance 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 28, 2009

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## INTRODUCTION

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The management of Luna Community College (College or LCC) herewith presents its financial statements and required supplementary information for the year ended June 30, 2009. 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.

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**REPORTING ENTITY**

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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, 2009

|                                | <u>08-09</u>         | <u>07-08</u>         |
|--------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                  |                      |                      |
| Current assets                 | \$ 3,811,914         | \$ 4,249,558         |
| Capital assets, net            | 14,782,746           | 15,315,076           |
| Total Assets                   | <u>\$ 18,594,660</u> | <u>\$ 19,564,634</u> |
| <b>LIABILITIES</b>             |                      |                      |
| Current liabilities            | \$ 1,019,908         | \$ 1,089,781         |
| Noncurrent liabilities         | 86,036               | 94,382               |
| Total Liabilities              | <u>\$ 1,105,944</u>  | <u>\$ 1,184,163</u>  |
| <b>Net Assets</b>              |                      |                      |
| Invested in capital assets net | \$ 14,782,746        | \$ 15,315,076        |
| Restricted                     | 467,605              | 626,350              |
| Unrestricted                   | 2,238,365            | 2,439,045            |
| <b>Total Net Assets</b>        | <u>\$ 17,488,716</u> | <u>\$ 18,380,471</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 \$3,811,914.

Current liabilities are amounts due within one year and included accounts payable of \$1,019,908 and non-current liabilities, accrued compensated absences of \$86,036.

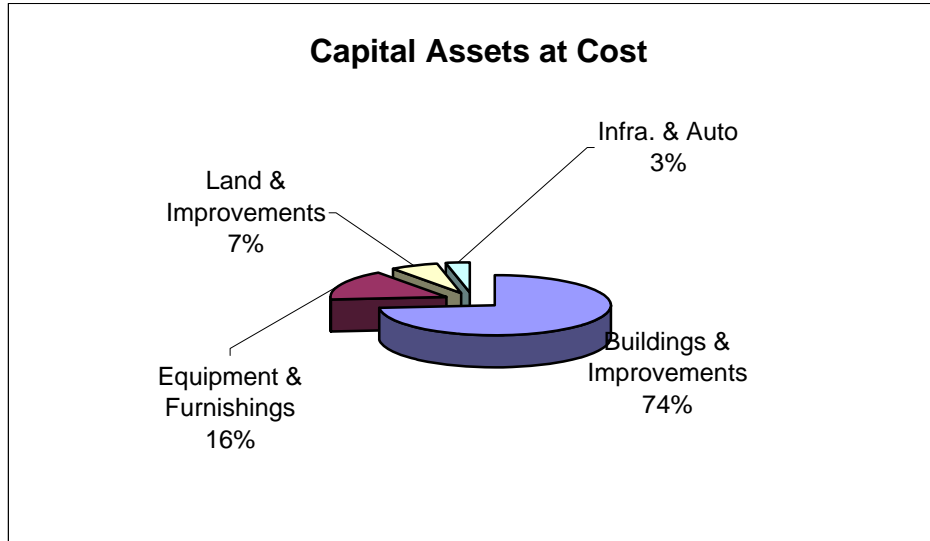
At June 30, 2009, the College's current ratio was nearly 4:1 comparing the amount of current assets, \$3,811,914 available to cover current liabilities, \$1,019,908. The largest category of non-current assets is capital assets, net of accumulated depreciation of \$14,782,746.

**Significant change** between 07-08 and 08-09 in Current Assets is due to increased expenditure levels.

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**REPORTING ENTITY (Continued)**



Luna Community College  
 Condensed Summary of Revenue, Expenses and Changes in Net Assets  
 June 30, 2009

|   | <u>08-09</u>      | <u>07-08</u>      |
|---|-------------------|-------------------|
| <b>OPERATING REVENUES BY MAJOR SOURCE</b>   |                   |                   |
| Tuition                                     | \$ 585,129        | \$ 292,023        |
| Contracts and Grants                        | 1,882,275         | 2,877,892         |
| Sales and Services of Auxiliary Enterprises | 569,467           | 558,264           |
| Local Government                            | 1,428,148         | 1,358,379         |
| Other                                       | 550,643           | 989,044           |
|   | <u>5,015,662</u>  | <u>6,075,602</u>  |
| <b>OPERATING EXPENSE BY MAJOR FUNCTION</b>  |                   |                   |
| Instruction                                 | 5,193,231         | 6,083,104         |
| Public Service                              | 443,197           | 484,732           |
| Academic Support                            | 1,318,486         | 1,203,342         |
| Student services                            | 1,438,349         | 1,799,950         |
| Institutional support                       | 2,415,410         | 2,269,432         |
| Operation of Plant                          | 2,871,307         | 1,643,059         |
| Student Aid                                 | 1,695,884         | 1,037,871         |
| Auxiliaries                                 | 675,066           | 595,349           |
|   | <u>16,050,930</u> | <u>15,116,839</u> |

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**REPORTING ENTITY (Continued)**

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| <b>NONOPERATING REVENUE (EXPENSE)</b>            | <u>08-09</u>                | <u>07-08</u>                |
|--|-----------------------------|-----------------------------|
| Appropriations                                   | 9,957,296                   | 9,753,875                   |
| Other  | 1,442,315                   | 136,214                     |
| Depreciation                                     | <u>(1,256,098)</u>          | <u>(1,186,589)</u>          |
|  | <u>10,143,513</u>           | <u>8,703,500</u>            |
| <br>   |                             |                             |
| Income (loss) before other revenues and expenses | (891,755)                   | (337,737)                   |
| Capital gifts, grants and appropriations         | <u>-</u>                    | <u>(649,615)</u>            |
| Total increase in net assets                     | <u>(891,755)</u>            | <u>(987,352)</u>            |
| <br>   |                             |                             |
| Net assets-beginning of year                     | <u>18,380,471</u>           | <u>19,367,823</u>           |
| <b>Net assets-end of year</b>                    | <u><u>\$ 17,488,716</u></u> | <u><u>\$ 18,380,471</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.

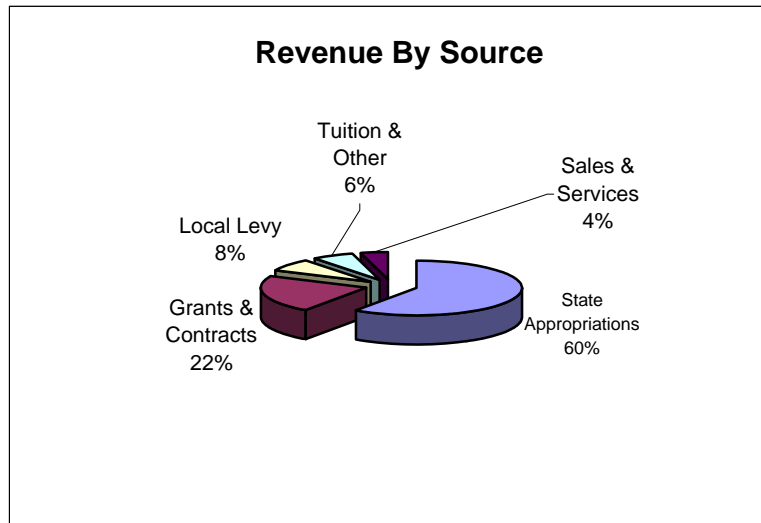
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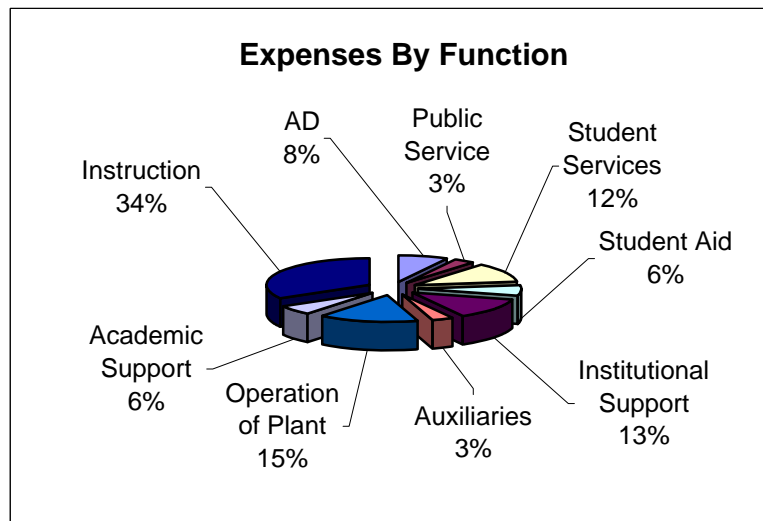
**REPORTING ENTITY (Continued)**

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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 \$891,755 for 2009.

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**REPORTING ENTITY (Continued)**

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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 | <u>08-09</u> | <u>07-08</u> | <u>Change</u> |
|--|--------------|--------------|---------------|
| Change in Net Assets                           | \$ (891,755) | \$ (987,352) | \$ 95,597     |
| Restricted Expendable                          | 467,605      | 626,350      | (158,745)     |
| Capital Net                                    | 14,782,746   | 15,315,076   | (532,330)     |
| Unrestricted                                   | 2,238,365    | 2,439,045    | (200,680)     |

**An analysis of financial position** shows an adequate balance in unrestricted net assets, after realizing a decrease of \$891,755. There was no significant variance as both year's change in net assets was a five percent decrease.

Luna Community College  
Condensed Summary of Cash Flows  
June 30, 2009

|   | <u>08-09</u>               | <u>07-08</u>               |
|---|----------------------------|----------------------------|
| Cash Flows Used By Operating Activities                     | \$(10,779,428)             | \$ (9,192,996)             |
| Cash Flows Provided From Noncapital Financing Activities    | 9,957,296                  | 9,753,875                  |
| Cash Flows Provided From Investment Activities              | 76,818                     | 136,214                    |
| Cash Flows Used By Capital and Related Financing Activities | <u>(723,768)</u>           | <u>(948,356)</u>           |
| Net Increase (Decrease) in Cash and Cash Equivalents        | (1,469,082)                | (251,263)                  |
| Cash and Cash Equivalents, Beginning of Year                | <u>3,124,769</u>           | <u>3,376,032</u>           |
| <b>Cash and Cash Equivalents, End of Year</b>               | <u><u>\$ 1,655,687</u></u> | <u><u>\$ 3,124,769</u></u> |

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## REPORTING ENTITY (Continued)

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**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 \$8,943,200, 76% (\$7,337,464) of which was from the Education Center Project which did not see groundbreaking in 08-09 due to budgetary and design issues as of June 30, 2009. Three significant variances totaling \$671,527 in the restricted funds were from the Dental Hygiene Program, which has moved to a slower paced, calculated manner as many components and partnerships are being put in place; the BCS Grant which had a late start and the Summer Student Advancement Institute which is utilizing the funds in a conservative manner annually as the funding has ceased. The variances in these programs were equivalent in the revenue and expenditure sides.

The balances of the funds and accounts varied in immaterial amounts.

### **Capital Asset Activity**

Overall, Luna's Capital Asset balance changed only 7% decreasing by \$863,750 as a net result of \$723,768 in Additions and \$ 1,256,098 in Depreciation.

### **Long Term Debt**

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

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## FACTORS IMPACTING FUTURE PERIODS

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### **Academics**

Increased rigor, enhanced technology, advanced certification; those are amongst the efforts towards making Luna Community College the Premier Rural Community College.

### **Access to Academic Support Materials**

The Samuel F. Vigil Learning Resource Center is now providing 24/7 access to students and staff both on the main campus, off-site satellites and distance education students through subscriptions to E-Books and E-Audio Books, the variety of databases available through our membership in various consortiums, and through the many services available through the State Library. Even though a student may not be able to come to the LRC, they have a wealth of information via the Internet. In addition, the new recording studio will provide our distance education students with high quality recordings of our curricular classes.

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## **FACTORS IMPACTING FUTURE PERIODS (continued)**

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### **Certification of Occupation Specific Skills and Credentialing**

Employers often require certification of skills and knowledge based on industry standards for hiring or promoting employees. Luna Community College is accomplishing goals in national certification in the following areas of study:

- ASE - Automotive
- AWS - American Welders Society
- ACF - American Culinary Federation
- AGC - Associated General Contractors
- CDL - Commercial Drivers Licensing
- NM State Board of Barbers and Cosmetologist

Skills certification testing is used for performance assessment and credentialing by Luna Community College. Skills certification is also an industry and business requirement for recruiting qualified employment candidates. Procedures used for credentialing can include the administration of a written or computerized examination, functional skill assessments and performance based activities. These skilled level certifications provided through Luna Community College will help produce better qualified candidates to meet the trades and vocational needs of business and industries.

### **Distance Learning**

Fifty Title V students successfully completed online registration for the first time. Surveys showed 49 out of 50 students would use online registration in the future. A Recording Studio is in place and instructors are ready to record lectures for online instruction. This will begin Spring 2010. WIMBA (audio instruction) collaboration time with Title V instructors is ongoing, addressing concerns and brainstorming ways for improvement. Instructors from Arizona, Albuquerque, Springer, Las Vegas areas are online with the Instructional Designer talking to everyone and sharing experiences with their online classes. Additional training continues for LCC staff and faculty on Blackboard and WIMBA in the Faculty Studio.

The Humanities Department is the main participant in the Title V effort to increase access and provide training for implementation of on-line teaching resources. The first year resulted in a 96% increase in on-line credit hours with year two showing an additional 7% increase. Year three looks to see a 5-10% increase in total, however, the offerings are being expanded and student success efforts are significant.

### **New Programs**

Amongst our newest offerings are Equine Science and Mass Media Communications. Partnerships and collaborative efforts are in place and expanding; recruitment efforts are encouraging and LCC is seeking additional funding opportunities to supplement the programs.

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## ECONOMIC OUTLOOK

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Like the rest of the nation, budget cuts loom on the horizon. In response to the economic down turn, LCC is revising its strategy for sustainability coupled with cost saving measures yet balancing the need to offer high quality instruction. The 1011 budget indicates flat funding as our enrollment did not fluctuate outside the enrollment "band". Luna Community College is diligent in its efforts to apply for grants and other funding opportunities whether from the federal stimulus pool or state, local and private sources. The request of \$500,000 would provide money needed to complete our new trades building which will primarily house our most popular trade program, collision repair. The facility will house newly purchased state-of-the-art equipment ready to move forward with credentialing. Four million dollars would complete Phase II of our Media Education 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](http://www.luna.edu)  
Phone: (505) 454-5328

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**Assets**

**June 30, 2009**

|  | Luna<br>Community<br>College | Component Unit<br>Luna<br>Foundation |
|--|------------------------------|--------------------------------------|
| <b>Current Assets:</b>                                     |                              |                                      |
| Cash and cash equivalents, Note B                          | \$ 3,021,185                 | \$ 231,572                           |
| Student accounts receivable, net of allowance of \$440,525 | 70,973                       | -                                    |
| Grants receivables   | 496,564                      | -                                    |
| Other receivables  | 51,359                       | 4,263                                |
| Inventories  | 171,833                      | -                                    |
|  | <u>3,811,914</u>             | <u>235,835</u>                       |
| <b>Noncurrent Assets:</b>                                  |                              |                                      |
| Capital assets, net of accumulated depreciation, Note C    | <u>14,782,746</u>            | <u>-</u>                             |
| <b>Total Assets</b>  | <u><u>\$ 18,594,660</u></u>  | <u><u>\$ 235,835</u></u>             |



**Net Assets and Liabilities**

**June 30, 2009**

|   | Luna<br>Community<br>College | Component Unit<br>Luna<br>Foundation |
|---|------------------------------|--------------------------------------|
| <b>Current Liabilities:</b>                   |                              |                                      |
| Accounts payable                              | \$ 155,973                   | \$ -                                 |
| Accrued compensated absences, Note D          | 210,000                      | -                                    |
| Deferred revenues                             | 653,935                      | -                                    |
|   | <u>1,019,908</u>             | <u>-</u>                             |
| <b>Noncurrent Liabilities:</b>                |                              |                                      |
| Accrued compensated absences, Note D          | 86,036                       | -                                    |
|   | <u>1,105,944</u>             | <u>-</u>                             |
| <b>Total Liabilities</b>                      |                              |                                      |
|   | <u>1,105,944</u>             | <u>-</u>                             |
| <b>Net Assets:</b>                            |                              |                                      |
| Invested in capital assets                    | 14,782,746                   | -                                    |
| Restricted for expendable capital projects    | 467,605                      | -                                    |
| Restricted for scholarships (Title V), Note L | -                            | 51,000                               |
| Restricted for scholarships                   | -                            | 180,959                              |
| Unrestricted                                  | 2,238,365                    | 3,876                                |
| <b>Total Net Assets</b>                       | <u>17,488,716</u>            | <u>235,835</u>                       |
| <b>Total Net Assets and Liabilities</b>       | <u>\$ 18,594,660</u>         | <u>\$ 235,835</u>                    |

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

**For the Year Ended June 30, 2009**

|   | Luna<br>Community<br>College | Component Unit<br>Luna<br>Foundation |
|---|------------------------------|--------------------------------------|
| Operating Revenues                          |                              |                                      |
| Tuition and fees                            | \$ 1,103,676                 | \$ -                                 |
| Tuition discounts and allowances            | (518,547)                    | -                                    |
|   | <u>585,129</u>               | <u>-</u>                             |
| Federal grants and contracts, Note L        | 1,003,158                    | 25,000                               |
| State and local grants and contracts        | 809,973                      | -                                    |
| Private gifts and grants, Note L            | 69,144                       | 7,443                                |
| Sales and services of auxiliary enterprises | 569,467                      | -                                    |
| Local Government appropriations             | 1,428,148                    | -                                    |
| Other                                       | 550,643                      | 20,382                               |
| Total operating revenue                     | <u>5,015,662</u>             | <u>52,825</u>                        |
| Expenses                                    |                              |                                      |
| Instruction and general                     |                              |                                      |
| Instruction                                 | 5,193,231                    | -                                    |
| Academic support                            | 1,318,486                    | -                                    |
| Student services                            | 1,438,349                    | -                                    |
| Institutional support                       | 2,415,410                    | -                                    |
| Operating and maintenance support           | 2,871,307                    | 11,142                               |
|   | <u>13,236,783</u>            | <u>11,142</u>                        |
| Public service                              | 443,197                      | -                                    |
| Student aid grants and stipends             | 2,214,431                    | 16,503                               |
| Tuition discounts and allowances            | (518,547)                    | -                                    |
| Auxiliary enterprises                       | 675,066                      | -                                    |
| Depreciation                                | 1,256,098                    | -                                    |
| Total operating expenses                    | <u>17,307,028</u>            | <u>27,645</u>                        |
| Operating income or (loss)                  | <u>(12,291,366)</u>          | <u>25,180</u>                        |
| Non-operating Revenues                      |                              |                                      |
| State appropriations                        | 9,957,296                    | -                                    |
| Federal pell grant                          | 1,365,498                    | -                                    |
| Interest and Investment income              | 76,817                       | 10,771                               |
| Total non-operating revenues                | <u>11,399,611</u>            | <u>10,771</u>                        |
| Increase or (decrease) in net assets        | (891,755)                    | 35,951                               |
| Net assets-beginning of year                | <u>18,380,471</u>            | <u>199,884</u>                       |
| Net assets-end of year                      | <u>\$ 17,488,716</u>         | <u>\$ 235,835</u>                    |

The Accompanying Notes Are An Integral Part Of These Financial Statements

**For the Year Ended June 30, 2009**

|  | Luna<br>Community<br>College | Component Unit<br>Luna<br>Foundation |
|--|------------------------------|--------------------------------------|
| <b>Cash Flows From Operating Activities:</b>                     |                              |                                      |
| Tuition and fees   | \$ 630,046                   | \$ (1,645)                           |
| Grants and contracts   | 2,130,124                    | 32,442                               |
| Sales and services of educational activities                     | 569,467                      | -                                    |
| Other operating receipts   | 550,643                      | 20,382                               |
| Local appropriations   | 1,428,148                    | -                                    |
| Payments to employees and suppliers                              | <u>(16,087,856)</u>          | <u>(27,645)</u>                      |
|  | <u>(10,779,428)</u>          | <u>23,534</u>                        |
| <b>Cash Flows From Investing Activities:</b>                     |                              |                                      |
| Interest received on investments                                 | <u>76,818</u>                | <u>10,771</u>                        |
| <b>Cash Flows From Noncapital Financing Activities:</b>          |                              |                                      |
| Federal pell grant   | 1,365,498                    | -                                    |
| State appropriations   | <u>9,957,296</u>             | <u>-</u>                             |
|  | <u>11,322,794</u>            | <u>-</u>                             |
| <b>Cash Flows From Capital and Related Financing Activities:</b> |                              |                                      |
| Cash paid for capital assets                                     | <u>(723,768)</u>             | <u>-</u>                             |
| <b>Cash and Cash Equivalents:</b>                                |                              |                                      |
| Net Increase (Decrease) During the Year                          | (103,584)                    | 34,305                               |
| Balance, Beginning of Year                                       | 3,124,769                    | 197,267                              |
| Balance, End of Year   | <u>\$ 3,021,185</u>          | <u>\$ 231,572</u>                    |

**For the Year Ended June 30, 2009**

|   | Luna<br>Community<br>College  | Component Unit<br>Luna<br>Foundation |
|---|-------------------------------|--------------------------------------|
| <b>Net Cash From Operating Activities:</b>  |                               |                                      |
| Operating loss  | \$ (12,291,366)               | \$ 25,180                            |
| <b>Adjustments to Reconcile Operating Loss to Net Cash<br/>Provided (used) by Operating Activities:</b> |                               |                                      |
| Depreciation  | 1,256,098                     | -                                    |
| Loss on disposal of capital assets  |                               |                                      |
| <b>Changes in Assets - (increase) decrease:</b>   |                               |                                      |
| Receivables   | 333,174                       | (1,646)                              |
| Inventories   | 887                           | -                                    |
| <b>Changes in Liabilities - increase (decrease):</b>  |                               |                                      |
| Accounts payable and accrued expenses   | (84,467)                      | -                                    |
| Accrued/deferred grant revenue  | (40,408)                      | -                                    |
| Compensated absences  | 46,654                        | -                                    |
| <b>Net Cash Used by Operating Activities</b>  | <b><u>\$ (10,779,428)</u></b> | <b><u>\$ 23,534</u></b>              |

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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*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.

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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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 (discretely presented component unit) 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.

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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*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, 2009 (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.

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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*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 three months or less.

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

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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*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. The College reviewed GASB 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries and determined that impairment for assets did not need to be recognized.

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.

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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*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. Unexpended state appropriations do not revert to the state of New Mexico at the end of the fiscal year and are available to the College in subsequent years, pursuant to the General Appropriations Act of 2008.

*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 \$88,282 for their Nursing program of which \$50,181 was spent during the year.

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**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, 2009, \$2,157,284 of the College's bank balance of \$3,443,997 was subject to custodial credit risk because it was uninsured and uncollateralized. The Foundation had none of its cash balance of \$231,572 that was subject to custodial credit risk because it was FDIC insured.

**NOTE C - PROPERTY, PLANT, AND EQUIPMENT**

Following are the changes in capital assets for the year ended June 30, 2009:

|   | Balance<br>06/30/2008 | Additions           | Transfers   | Retirements | Balance<br>06/30/2009 |
|---|-----------------------|---------------------|-------------|-------------|-----------------------|
| <b>Capital assets not<br/>being depreciated</b> |                       |                     |             |             |                       |
| Land  | \$ 2,322,078          | \$ -                | \$ -        | \$ -        | \$ 2,322,078          |
| Construction in Progress                        | 671,487               | 331,420             | -           | -           | 1,002,907             |
|   | <u>\$ 2,993,565</u>   | <u>\$ 331,420</u>   | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,324,985</u>   |
| <b>Other capital assets</b>                     |                       |                     |             |             |                       |
| Buildings                                       | \$ 22,912,497         | \$ -                | \$ -        | \$ -        | \$ 22,912,497         |
| Building Improvements                           | 4,336,649             | -                   | -           | -           | 4,336,649             |
| Infrastructure                                  | 737,625               | -                   | -           | -           | 737,625               |
| Automobiles                                     | 494,239               | 69,814              | -           | -           | 564,053               |
| Equipment and Furniture                         | 5,425,596             | 322,534             | -           | -           | 5,748,130             |
|   | <u>33,906,606</u>     | <u>392,348</u>      | <u>-</u>    | <u>-</u>    | <u>34,298,954</u>     |
| <b>Less accumulated<br/>depreciation for</b>    |                       |                     |             |             |                       |
| Buildings                                       | 14,139,594            | 738,478             | -           | -           | 14,878,072            |
| Building Improvements                           | 1,774,368             | 249,832             | -           | -           | 2,024,200             |
| Infrastructure                                  | -                     | -                   | -           | -           | -                     |
| Automobiles                                     | 375,451               | 63,074              | -           | -           | 438,525               |
| Equipment and Furniture                         | 5,295,682             | 204,714             | -           | -           | 5,500,396             |
|   | <u>21,585,095</u>     | <u>1,256,098</u>    | <u>-</u>    | <u>-</u>    | <u>22,841,193</u>     |
| <b>Other capital<br/>assets, net</b>            | <u>\$ 12,321,511</u>  | <u>\$ (863,750)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 11,457,761</u>  |

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

|                                      | Balance<br>06/30/2008 | Additions           | Transfers   | Retirements | Balance<br>06/30/2009 |
|--------------------------------------|-----------------------|---------------------|-------------|-------------|-----------------------|
| <b>Capital assets summary</b>        |                       |                     |             |             |                       |
| Capital assets not being depreciated | \$ 2,993,565          | \$ 331,420          | \$ -        | \$ -        | \$ 3,324,985          |
| Other capital assets at cost         | 33,906,606            | 392,348             | -           | -           | 34,298,954            |
|                                      | <u>36,900,171</u>     | <u>723,768</u>      | <u>-</u>    | <u>-</u>    | <u>37,623,939</u>     |
| Less accumulated depreciation        | 21,585,095            | 1,256,098           | -           | -           | 22,841,193            |
| Capital assets, net                  | <u>\$ 15,315,076</u>  | <u>\$ (532,330)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,782,746</u>  |

**NOTE D - LONG-TERM LIABILITIES**

Long-term liability activity for the College for the year ended June 30, 2009, is as follows:

|                              | Balance<br>06/30/08 | Additions  | Deletions    | Balance<br>06/30/09 | Due Within<br>One Year |
|------------------------------|---------------------|------------|--------------|---------------------|------------------------|
| Accrued compensated absences | \$ 249,382          | \$ 252,133 | \$ (205,479) | \$ 296,036          | \$ 210,000             |

**NOTE E - ERA 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 (ERA) 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 and cost-of-living adjustments to plan members and beneficiaries. ERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing ERA, P.O. Box 26129, Santa Fe, New Mexico 87502.

**NOTE E - ERA PENSION PLAN (continued)**

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**Funding Policy.** Plan members are required to contribute 7.90% of their gross salary. The Luna Community College is required to contribute 11.65% of the gross covered salary. Effective July 1, 2008, 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 ERA for the fiscal years ending June 30, 2009, 2008, and 2007, were \$1,231,462, \$1,233,325, and \$995,205 respectively, which equal the amount of the required contribution for each year.

**NOTE F - POST EMPLOYMENT BENEFITS**

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**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.

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**NOTE F - POST EMPLOYMENT BENEFITS (continued)**

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*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](http://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, 2009, 2008, and 2007, were \$124,344, \$131,126, and \$104,326 respectively, which equal the required contributions for each year.

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**NOTE G - SURETY BOND/INSURANCE**

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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.

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**NOTE H - COMMITMENTS AND CONTINGENCIES**

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There were no construction obligations remaining at June 30, 2009.

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.

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**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 | \$ (16,933,821)        | \$ 17,293,245        |
| Capital expenditures               | -                      | (723,768)            |
| Depreciation                       | -                      | 1,256,098            |
| Scholarship allowance              | 518,547                | (518,547)            |
| GAAP Basis (Revenue) / Expense     | <u>\$ (16,415,274)</u> | <u>\$ 17,307,028</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<br/>Insured</u> | <u>Collateralized</u> | <u>Total<br/>Depository<br/>Balances</u> | <u>Amount<br/>Over (Under)<br/>Collateralized</u> |
|-----------------|------------------------------|-----------------------|--|---|
| Demand deposits | <u>\$ 250,000</u>            | <u>\$ -</u>           | <u>\$ 231,572</u>                        | <u>\$ 18,428</u>                                  |

**NOTE L - FOUNDATION TITLE V RESTRICTED FUNDS**

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During the year the College elected to choose the endowment option within the Title V grant in fiscal year 08/09 in accordance with EDGAR Part 628 APPLICABLE ENDOWMENT CHALLENGE GRANT PROGRAM REGULATIONS FOR TITLE III, PART AND TITLE V, HSI. The Title V grant of \$25,000 was matched in a like amount by the Foundation. In addition, a private donor contributed \$1,000 to be used to satisfy the Title V Endowment match requirement.

The provisions of the grant require that the endowment corpus along with at least 50% of the income be invested for 20 years after which time the entire amount may be expended for the restricted purpose. Up to 50% of that income can be expended annually in accordance with the above noted provisions.

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

For the Year Ended June 30, 2009

|   | Original<br>Budget | Final Budget        | Actual              | Actual<br>Over (Under)<br>Budget |
|---|--------------------|---------------------|---------------------|----------------------------------|
| Beginning Fund Balance                            | \$ 1,396,805       | \$ 2,404,682        | \$ 2,404,683        | \$ 1                             |
| <b>Revenues</b>                                   |                    |                     |                     |                                  |
| State general fund appropriations                 | 13,958,200         | 17,959,705          | 9,957,296           | (8,002,409)                      |
| Federal revenue sources                           | 2,332,053          | 3,066,583           | 2,368,656           | (697,927)                        |
| Tuition and fees                                  | 1,221,326          | 1,231,049           | 1,103,676           | (127,373)                        |
| Endowment, land, and<br>permanent fund            | -                  | -                   | -                   | -                                |
| Private gifts, grants & contracts                 | 206,787            | 340,787             | 69,144              | (271,643)                        |
| Other   | 3,184,604          | 3,279,395           | 3,435,049           | 155,654                          |
| <b>Total Revenues</b>                             | <u>20,902,970</u>  | <u>25,877,519</u>   | <u>16,933,821</u>   | <u>(8,943,698)</u>               |
| <b>Total Unrestricted Revenues</b>                | <u>22,299,775</u>  | <u>28,282,201</u>   | <u>19,338,504</u>   | <u>(8,943,697)</u>               |
| <b>Expenditures</b>                               |                    |                     |                     |                                  |
| Instruction and general                           | 14,551,028         | 13,729,011          | 12,322,338          | (1,406,673)                      |
| Student social and cultural                       | 20,000             | 25,212              | 24,695              | (517)                            |
| Research  | -                  | -                   | -                   | -                                |
| Public service                                    | 555,691            | 631,823             | 443,197             | (188,626)                        |
| Student aid                                       | 2,082,851          | 2,364,974           | 1,930,772           | (434,202)                        |
| Auxiliary enterprises                             | 727,066            | 732,243             | 675,066             | (57,177)                         |
| Intercollegiate athletics                         | 250,000            | 306,149             | 258,964             | (47,185)                         |
| Capital outlay                                    | 3,230,752          | 8,543,459           | 1,187,749           | (7,355,710)                      |
| Renewal and replacements                          | 271,884            | 635,975             | 450,464             | (185,511)                        |
| Retirement of indebtedness                        | -                  | -                   | -                   | -                                |
| <b>Total expenditures</b>                         | <u>21,689,272</u>  | <u>26,968,846</u>   | <u>17,293,245</u>   | <u>(9,675,601)</u>               |
| <b>Change in net assets -<br/>budgetary basis</b> | <u>(786,302)</u>   | <u>(1,091,327)</u>  | <u>(359,424)</u>    | <u>731,903</u>                   |
| <b>Ending Fund Balance</b>                        | <u>\$ 610,503</u>  | <u>\$ 1,313,355</u> | <u>\$ 2,045,259</u> | <u>\$ 731,904</u>                |

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

**For the Year Ended June 30, 2009**

|   | Original<br>Budget | Final Budget        | Actual              | Actual<br>Over (Under)<br>Budget |
|---|--------------------|---------------------|---------------------|----------------------------------|
| Beginning Fund Balance                        | \$ 1,396,805       | \$ 2,404,682        | \$ 2,404,683        | \$ 1                             |
| <b>Revenues</b>                               |                    |                     |                     |                                  |
| Tuition and fees                              | 1,221,326          | 1,231,049           | 1,103,676           | (127,373)                        |
| Government appropriations - federal           | -                  | -                   | -                   | -                                |
| Government appropriations - state             | 12,044,352         | 17,250,184          | 9,912,720           | (7,337,464)                      |
| Government appropriations - local             | 1,404,797          | 1,404,797           | 1,428,148           | 23,351                           |
| Grants & contracts - federal                  | 3,675              | 4,200               | 6,718               | 2,518                            |
| Grants & contracts - state                    | 228,228            | 158,342             | 25,036              | (133,306)                        |
| Grants & contracts - local                    | 20,000             | 20,000              | -                   | (20,000)                         |
| Gifts, grants & contracts - private           | 20,250             | 11,250              | 5,127               | (6,123)                          |
| Endowments, land, and permanent fund          | -                  | -                   | -                   | -                                |
| Sales & service                               | 760,015            | 766,792             | 626,709             | (140,083)                        |
| Other sources                                 | 194,069            | 225,904             | 555,283             | 329,379                          |
| <b>Total Revenues</b>                         | <u>15,896,712</u>  | <u>21,072,518</u>   | <u>13,663,417</u>   | <u>(7,409,101)</u>               |
| <b>Total Unrestricted Revenues</b>            | <u>17,293,517</u>  | <u>23,477,200</u>   | <u>16,068,100</u>   | <u>(7,409,100)</u>               |
| <b>Expenditures</b>                           |                    |                     |                     |                                  |
| Instruction and general                       | 11,893,986         | 11,596,626          | 11,237,702          | (358,924)                        |
| Student social and cultural                   | 20,000             | 25,212              | 24,695              | (517)                            |
| Research                                      | -                  | -                   | -                   | -                                |
| Public service                                | 159,976            | 204,199             | 98,574              | (105,625)                        |
| Student aid                                   | 129,350            | 119,982             | 89,627              | (30,355)                         |
| Auxiliary enterprises                         | 727,066            | 732,243             | 675,066             | (57,177)                         |
| Intercollegiate athletics                     | 250,000            | 306,149             | 258,964             | (47,185)                         |
| Capital outlay                                | 3,230,752          | 8,543,459           | 1,187,749           | (7,355,710)                      |
| Renewal and replacements                      | 271,884            | 635,975             | 450,464             | (185,511)                        |
| Retirement of indebtedness                    | -                  | -                   | -                   | -                                |
| <b>Total expenditures</b>                     | <u>16,683,014</u>  | <u>22,163,845</u>   | <u>14,022,841</u>   | <u>(8,141,004)</u>               |
| <b>Change in net assets - budgetary basis</b> | <u>(786,302)</u>   | <u>(1,091,327)</u>  | <u>(359,424)</u>    | <u>731,903</u>                   |
| <b>Ending Fund Balance</b>                    | <u>\$ 610,503</u>  | <u>\$ 1,313,355</u> | <u>\$ 2,045,259</u> | <u>\$ 731,904</u>                |

SUMMARY OF INSTRUCTION AND GENERAL REVENUES AND EXPENDITURES BUDGET COMPARISONS

For the Year Ended June 30, 2009

|   | Original<br>Budget | Final Budget        | Actual              | Actual<br>Over (Under)<br>Budget |
|---|--------------------|---------------------|---------------------|----------------------------------|
| Beginning Fund Balance                        | \$ 962,809         | \$ 2,099,748        | \$ 2,099,748        | \$ -                             |
| <b>Revenues</b>                               |                    |                     |                     |                                  |
| Tuition and fees                              | 1,201,326          | 1,205,837           | 1,076,065           | (129,772)                        |
| Government appropriations - federal           | -                  | -                   | -                   | -                                |
| Government appropriations - state             | 8,688,600          | 8,471,400           | 8,537,487           | 66,087                           |
| Government appropriations - local             | 1,404,797          | 1,404,797           | 1,428,148           | 23,351                           |
| Grants & contracts - federal                  | 3,675              | 4,200               | 6,718               | 2,518                            |
| Grants & contracts - state                    | 102,100            | 90,382              | 1,910               | (88,472)                         |
| Grants & contracts - local                    | 20,000             | 20,000              | -                   | (20,000)                         |
| Gifts, grants & contracts - private           | 5,250              | 6,250               | 1,200               | (5,050)                          |
| Endowments, land, and permanent fund          | -                  | -                   | -                   | -                                |
| Sales & service                               | -                  | -                   | -                   | -                                |
| Other sources                                 | 182,751            | 181,963             | 118,672             | (63,291)                         |
| <b>Total Revenues</b>                         | <u>11,608,499</u>  | <u>11,384,829</u>   | <u>11,170,200</u>   | <u>(214,629)</u>                 |
| <b>Total Unrestricted Revenues</b>            | <u>12,571,308</u>  | <u>13,484,577</u>   | <u>13,269,948</u>   | <u>(214,629)</u>                 |
| <b>Expenditures</b>                           |                    |                     |                     |                                  |
| Instruction                                   | 4,695,093          | 4,775,256           | 4,688,383           | (86,873)                         |
| Academic support                              | 929,843            | 811,839             | 774,816             | (37,023)                         |
| Student services                              | 1,469,113          | 1,502,437           | 1,402,231           | (100,206)                        |
| Institutional support                         | 2,613,935          | 2,418,992           | 2,415,410           | (3,582)                          |
| Operation and maintenance of plant            | 2,186,002          | 2,088,102           | 1,956,862           | (131,240)                        |
| <b>Total expenditures</b>                     | <u>11,893,986</u>  | <u>11,596,626</u>   | <u>11,237,702</u>   | <u>(358,924)</u>                 |
| <b>Change in net assets - budgetary basis</b> | <u>(285,487)</u>   | <u>(211,797)</u>    | <u>(67,502)</u>     | <u>144,295</u>                   |
| <b>Ending Fund Balance</b>                    | <u>\$ 677,322</u>  | <u>\$ 1,887,951</u> | <u>\$ 2,032,246</u> | <u>\$ 144,295</u>                |

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

**For the Year Ended June 30, 2009**

|   | Original<br>Budget | Final Budget     | Actual           | Actual<br>Over (Under)<br>Budget |
|---|--------------------|------------------|------------------|----------------------------------|
| <b>Revenues</b>                               |                    |                  |                  |                                  |
| Tuition and fees                              | \$ -               | \$ -             | \$ -             | \$ -                             |
| Government appropriations - federal           | -                  | -                | -                | -                                |
| Government appropriations - state             | 1,913,848          | 709,521          | 44,576           | (664,945)                        |
| Government appropriations - local             | -                  | -                | -                | -                                |
| Grants & contracts - federal                  | 2,328,378          | 3,062,383        | 2,361,938        | (700,445)                        |
| Grants & contracts - state                    | 577,495            | 703,560          | 784,936          | 81,376                           |
| Grants & contracts - local                    | -                  | -                | -                | -                                |
| Gifts, grants & contracts - private           | 186,537            | 329,537          | 64,017           | (265,520)                        |
| Endowments, land, and permanent fund          | -                  | -                | -                | -                                |
| Sales & service                               | -                  | -                | 2,374            | 2,374                            |
| Other sources                                 | -                  | -                | 12,563           | 12,563                           |
|   | <u>5,006,258</u>   | <u>4,805,001</u> | <u>3,270,404</u> | <u>(1,534,597)</u>               |
| Cash balance budgeted                         | -                  | -                | -                | -                                |
| Total revenues and cash balance budgeted      | <u>5,006,258</u>   | <u>4,805,001</u> | <u>3,270,404</u> | <u>(1,534,597)</u>               |
| <b>Expenditures</b>                           |                    |                  |                  |                                  |
| Instruction and general                       | 2,657,042          | 2,132,385        | 1,084,636        | (1,047,749)                      |
| Student social and cultural                   | -                  | -                | -                | -                                |
| Research                                      | -                  | -                | -                | -                                |
| Public service                                | 395,715            | 427,624          | 344,623          | (83,001)                         |
| Internal service departments                  | -                  | -                | -                | -                                |
| Student aid                                   | 1,953,501          | 2,244,992        | 1,841,145        | (403,847)                        |
| Auxiliary enterprises                         | -                  | -                | -                | -                                |
| Intercollegiate athletics                     | -                  | -                | -                | -                                |
| Capital outlay                                | -                  | -                | -                | -                                |
| Renewal and replacements                      | -                  | -                | -                | -                                |
| Retirement of indebtedness                    | -                  | -                | -                | -                                |
|   | <u>5,006,258</u>   | <u>4,805,001</u> | <u>3,270,404</u> | <u>(1,534,597)</u>               |
| <b>Change in net assets - budgetary basis</b> | <u>\$ -</u>        | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>                      |

SUMMARY OF INSTRUCTION AND GENERAL REVENUES AND EXPENDITURES BUDGET COMPARISONS

**For the Year Ended June 30, 2009**

|   | Original<br>Budget | Final Budget     | Actual           | Actual<br>Over (Under)<br>Budget |
|---|--------------------|------------------|------------------|----------------------------------|
| <b>Revenues</b>                               |                    |                  |                  |                                  |
| Tuition and fees                              | \$ -               | \$ -             | \$ -             | \$ -                             |
| Government appropriations - federal           | -                  | -                | -                | -                                |
| Government appropriations - state             | 1,700,566          | 529,089          | 44,576           | (484,513)                        |
| Government appropriations - local             | -                  | -                | -                | -                                |
| Grants & contracts - federal                  | 707,698            | 1,217,403        | 807,590          | (409,813)                        |
| Grants & contracts - state                    | 248,491            | 342,606          | 224,711          | (117,895)                        |
| Grants & contracts - local                    | -                  | -                | -                | -                                |
| Gifts, grants & contracts - private           | 287                | 43,287           | 5,385            | (37,902)                         |
| Endowments, land, and permanent fund          | -                  | -                | -                | -                                |
| Sales & service                               | -                  | -                | 2,374            | 2,374                            |
| Other sources                                 | -                  | -                | -                | -                                |
|   | <u>2,657,042</u>   | <u>2,132,385</u> | <u>1,084,636</u> | <u>(1,047,749)</u>               |
| Cash balance budgeted                         | -                  | -                | -                | -                                |
| Total revenues and cash balance budgeted      | <u>2,657,042</u>   | <u>2,132,385</u> | <u>1,084,636</u> | <u>(1,047,749)</u>               |
| <b>Expenditures</b>                           |                    |                  |                  |                                  |
| Instruction                                   | 1,910,549          | 1,019,089        | 504,848          | (514,241)                        |
| Academic support                              | 600,387            | 791,143          | 543,669          | (247,474)                        |
| Student services                              | 146,106            | 322,153          | 36,119           | (286,034)                        |
| Public Service                                | -                  | -                | -                | -                                |
| Operation and maintenance of plant            | -                  | -                | -                | -                                |
| Student aid                                   | -                  | -                | -                | -                                |
|   | <u>2,657,042</u>   | <u>2,132,385</u> | <u>1,084,636</u> | <u>(1,047,749)</u>               |
| <b>Change in net assets - budgetary basis</b> | <u>\$ -</u>        | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>                      |

**For the Year Ended June 30, 2009**

| Bank/Account Name            | Type                   | Balance Per<br>Bank<br>Statement | Reconciled<br>Balance Per<br>Books |
|------------------------------|------------------------|----------------------------------|------------------------------------|
| <b>Wells Fargo</b>           |                        |                                  |                                    |
| Santa Rosa Account           | Checking               | \$ 4,257                         | \$ 4,383                           |
| Springer Account             | Checking               | 3,746                            | 3,746                              |
|                              |                        | 8,003                            | 8,129                              |
| <b>The Bank of Las Vegas</b> |                        |                                  |                                    |
| General Disbursement         | Checking               | 2,039,281                        | 1,797,960                          |
| Payroll                      | Checking               | 354,715                          | 172,861                            |
| Student Activity             | Checking               | 41,997                           | 42,235                             |
|                              |                        | 2,435,993                        | 2,013,056                          |
| <b>The Bank of Las Vegas</b> |                        |                                  |                                    |
| Time Certificate of Deposit  | Certificate of Deposit | 500,000                          | 500,000                            |
| Time Certificate of Deposit  | Certificate of Deposit | 500,000                          | 500,000                            |
|                              |                        | 1,000,000                        | 1,000,000                          |
|                              |                        | \$ 3,443,996                     | \$ 3,021,185                       |

**For the Year Ended June 30, 2009**

|   | Wells<br>Fargo | The Bank of<br>Las Vegas |
|---|----------------|--------------------------|
| Total amount on deposit at bank in checking accounts          | \$ 8,003       | \$ 2,435,994             |
| Total amount on deposit at bank in certificate of deposits    | -              | 1,000,000                |
| Less FDIC Insurance   | (8,003)        | (250,000)                |
| Total uninsured public funds                                  | -              | 3,185,994                |
| <br>50% Collateral Requirement<br>(Section 6-10-17 NMSA 1978) | <br>-          | <br>1,592,997            |
|   | Cusip          |                          |
| Security  | Number         | Location                 |
| Date  |                |                          |
| US Treasury   | 912828DR8      | Home Loan Bnk/ Dallas    |
|   |                | 04/15/2010               |
|   | -              | 1,028,710                |
|   | -              | 1,028,710                |
| Amount over (under) collateralized                            | \$ -           | \$ (564,287)             |

**For the Year Ended June 30, 2009**

| <b>Grantor/Program Title</b>                                    | <b>Contract No.</b>           | <b>CFDA No.</b> | <b>Expenditures</b>        |
|---|-------------------------------|-----------------|----------------------------|
| <b>United States Department of Agriculture</b>                  |                               |                 |                            |
| Future In Algae Project (RBOG)                                  | 2008 RBOG-NM                  | 10.773          | \$ 3,365                   |
| NMHU/LCC Science & Agri. Summer SASE                            | (07-08)                       | 10.223          | 23,480                     |
| Child Food Program  | No. 246 04-05                 | 10.558          | 8,127                      |
|   |                               |                 | <u>34,972</u>              |
| <b>National Science Foundation</b>                              |                               |                 |                            |
| Passed through New Mexico State University                      |                               |                 |                            |
| NM Alliance for Minority Participation                          | Q00890                        | 47.076          | -                          |
| <b>United States Treasury</b>                                   |                               |                 |                            |
| National Service Award (AmeriCorps)                             |                               | 94.006          | <u>2,950</u>               |
| <b>US Small Business Administration</b>                         |                               |                 |                            |
| Passed through the New Mexico Small Business Development Center | 4-603001-Z-0032-16            | 59.037          | <u>17,729</u>              |
| <b>United States Department of Education</b>                    |                               |                 |                            |
| SEOG  | 04--05                        | 84.007          | 50,252                     |
| Title V   | P031S990069-03                | 84.031          | 543,669                    |
| MSEIP   | P120A030049                   | 84.120A         |                            |
| College Work-Study  | 04--05                        | 84.033          | 36,297                     |
| PELL Grant  | 04--05                        | 84.063          | 1,388,770                  |
| Academic Competitiveness  | P375A063271                   | 84.375          | 2,025                      |
| Passed through the State of New Mexico Department of Education  |                               |                 |                            |
| Adult Basic Education   | 689888                        | 84.022          | 33,336                     |
| NMHU/LCC Bridging Careers for Success                           | P031C080040                   | 84.031C         | 147,383                    |
| NMHU/LCC Science & Agri. Summer Carl Perkins                    | 004.1.0.1.855                 | 84.048          | 56,356                     |
|   |                               |                 | <u>2,258,088</u>           |
| <b>United States Department of Health and Human Services</b>    |                               |                 |                            |
| Passed through the University of New Mexico AHEC                | 4-30611-7820/<br>4-30612-7820 | 93.107          | <u>60,761</u>              |
| <b>Total Federal Expenditures</b>                               |                               |                 | <u><u>\$ 2,374,500</u></u> |



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**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 College 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.

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

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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**

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Single Audit testing procedures were performed for program transactions occurring during fiscal year June 30, 2009.

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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*Basis of Presentation.* The accompanying schedule of Expenditures of Federal Awards includes all federal assistance to the College that had activity during 2009 or accrued revenue at June 30, 2009. 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**

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The College administrators the Federal Family Education Loan Program. During the fiscal year ended June 30, 2009, the College processed \$321,516 of new loans under the Federal Family Education Loan Program.

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**For the Year Ended June 30, 2009**

| Grantor/Program Title                            | <u>Expenditures</u> |
|--|---------------------|
| <b>INSTRUCTION &amp; GENERAL FUND-RESTRICTED</b> |                     |
| State Department of Education                    |                     |
| Adult Basic Education                            | \$ 103,883          |
| Instructional Materials                          | 5,841               |
| Legislative Appropriations                       |                     |
| NYSP   | -                   |
| Severance Tax Bond HB622                         |                     |
| Mariachi   | -                   |
| NM Higher Education Department                   |                     |
| Behavioral Health Svc. Div. Flow thru:           | -                   |
| Value Options NM (Sub. Abuse Program)            | 64,003              |
| NM Higher Education Department                   |                     |
| Student Gov. Leadership Dev Approp               | 12,607              |
| Summer Stu. Adv. HED Appropriation               | 23,510              |
| Baseball   | -                   |
| Softball   | -                   |
| Dental Hygiene                                   | 61,816              |
| GOB Library Acquisitions/Publications            | -                   |
|  | <u>271,660</u>      |
| <b>PLANT FUNDS-RESTRICTED</b>                    |                     |
| Severance & GOB Tax Bonds                        |                     |
| Building Trades                                  | -                   |
| Baseball Equipment                               | 3,124               |
| Field Construction                               | 1,110               |
| LCC Softball Equipment                           | 9,819               |
| Mora Land Purchase                               | -                   |
| Nick Salazar Day Care Renovation                 | -                   |
| Raton Equipment                                  | 549,886             |
| Santa Rosa Building/Equipment                    | 255,234             |
| Community Use Auditorium                         | 225,912             |
| Satellite Construction                           | 59,303              |
| Vehicle Purchase                                 | 30,638              |
| Wellness Center Equipment                        | 5,000               |
| King Stadium                                     | 29,998              |
|  | <u>1,170,024</u>    |

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**For the Year Ended June 30, 2009**

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| Grantor/Program Title  | <u>Expenditures</u>            |
|--|--------------------------------|
| <b>PUBLIC SERVICE FUND-RESTRICTED</b>                                  |                                |
| US Small Business Administration<br>Passed through NM SBDC Lead Center | 187,509                        |
| University of New Mexico<br>AHEC                                       | 70,498                         |
| Commission on Higher Education<br>Youth College                        | -                              |
|  | <u>258,007</u>                 |
| <b>STUDENT AID FUND-RESTRICTED</b>                                     |                                |
| Commission on Higher Education<br>College Affordability                | 39,043                         |
| Education Trust Board Scholarships                                     | 500                            |
| College Work Study   | 56,924                         |
| Legislative Endowment Merit Scholarship                                | 2,000                          |
| Lottery Scholarship Program  | 35,100                         |
| Nursing Loans  | 44,500                         |
| SSIG   | 123,435                        |
| Vietnam Veterans Scholarship   | 716                            |
|  | <u>302,218</u>                 |
| <br>Total State Expenditures   | <br><u><u>\$ 2,001,909</u></u> |

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**For the Year Ended June 30, 2009**

| Grantor/Program Title                            | <u>Expenditures</u>     |
|--|-------------------------|
| <b>INSTRUCTION AND GENERAL FUND - RESTRICTED</b> |                         |
| Northeast Regional Ed Coop                       | \$ 4,400                |
| First Nat'l Bank/ABE                             | 985                     |
|  | <u>5,385</u>            |
| <b>PUBLIC SERVICE FUND - RESTRICTED</b>          |                         |
| Youth College                                    | <u>-</u>                |
| <b>STUDENT AID FUND-RESTRICTED</b>               |                         |
| Acumen Fiscal Agent                              | 1,000                   |
| Central NMCC Tax Help Stu Scholarship            | 400                     |
| Construction Financial Mgmt                      | 550                     |
| ENMR   | 1,000                   |
| Fraternal Order of Eagles                        | 2,952                   |
| La Jicarita Rural Telephone                      | 800                     |
| Luna Community College Foundation                | 14,103                  |
| Navajo Nation                                    | 10,128                  |
| NMCU Education Foundation                        | 600                     |
| PSE Local 407                                    | 850                     |
| Scholarship America                              | 1,000                   |
| Scholarship Program Admin. Inc.                  | 1,000                   |
| SER Jobs for Progress                            | 1,000                   |
| Socorro Electric Coop. Scholarship               | 500                     |
| The GEO Group Inc/GCCF Scholarship               | 1,200                   |
| The Sloat-Prince Foundation                      | 3,000                   |
| Viles Foundation Scholarship                     | 17,800                  |
| West Las Vegas Sch. Scholarships                 | 750                     |
|  | <u>58,633</u>           |
| <b>Total Private Expenditures</b>                | <u><u>\$ 64,018</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***

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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, 2009, and have issued our report thereon dated October 28, 2009. 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 09-01, 09-02, and 09-03.

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 are described in the accompanying schedule of findings and questioned costs as findings 05-01, 07-01, 09-04, 09-05 and 09-06.

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 management, the finance committee, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Kardas, Abeyta & Weimer, P.C.

October 28, 2009



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

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

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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 U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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, 2009.



### **Internal Control Over Compliance**

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

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

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

This report is intended solely for the information and use of management, the finance committee, 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 & Weimer, P.C.

October 28, 2009

| Finding                                      | Status               |
|--|----------------------|
| 05-01 Payroll                                | Repeated and updated |
| 07-01 Inventory                              | Repeated and updated |
| 08-01 Fixed Assets                           | Resolved             |
| 08-02 Information Technology                 | Resolved             |
| 08-03 Cash Receipts                          | Resolved             |
| 08-04 Accounts Receivable - Daycare Facility | Resolved             |

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## **Section 1 - Summary of Auditors' Results**

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### **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? | No          |

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**Section 1 - Summary of Auditors' Results (continued)**

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Identification of Major Programs:

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

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

\$300,000

Auditee qualified as a low-risk auditee?

Yes

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## **Section 2 - Financial Statement Findings**

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### **09-01 – Information Technology**

#### ***CONDITION***

In developing an understanding of internal controls related to Information Technology, it was noted that some of Luna's IT staff have the ability to initiate transactions without oversight from the appropriate personnel.

#### ***CRITERIA***

IT personnel should be prohibited from both initiating and authorizing transactions.

#### ***CAUSE***

User access rights were not properly reviewed by IT and management for instances where someone would have the ability to both initiate and authorize a transaction without oversight from the appropriate personnel.

#### ***EFFECT***

The College is susceptible to unauthorized transactions which could lead to a material misstatement in the financial statements.

#### ***RECOMMENDATION***

Although it may be necessary for IT personnel to have access rights to initiate or authorize transactions in trouble-shooting scenarios, there should be someone within IT without transaction access rights that reviews all transactions initiated or authorized within the IT department.

#### ***MANAGEMENT RESPONSE***

The Information Technology Department has changed the access to the schools database information. Currently, the database administrator and lead programmer have access. The Director of I.T. is now only a reviewer of transactions and does not have access to the schools database.

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## **Section 2 - Financial Statement Findings**

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### **09-02 - Fixed Assets / Disbursements**

#### ***CONDITION***

During our testing of year-end fixed assets we found one instance where we could not locate the item selected for testing (ten tested). Upon further review, it was determined that the item was paid for in June of 2009, but not delivered to the College until October 2009.

#### ***CRITERIA***

Individuals responsible for receiving goods need to verify that all items on the invoice are received prior to approval for payment.

#### ***CAUSE***

The acting director responsible for approval did not thoroughly review that all items on the invoice were actually received.

#### ***EFFECT***

The missing item caused an overstatement of fixed assets on the financial statement of Luna Community College and a misuse of current year funds.

#### ***RECOMMENDATION***

The College needs to reiterate to all persons responsible for receiving goods and services that proper review and approval of invoices is necessary for payment.

#### ***MANAGEMENT RESPONSE***

Shipping and Receiving will work more closely with Accounts Payable to ensure items have been received by the College. The College will continue to reiterate to Department Directors the importance of having the goods on hand before payment may be made.

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## **Section 2 - Financial Statement Findings**

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### **09-03 - Foundation Bank Reconciliations**

#### ***CONDITION***

During our test of cash for the Foundation, it was noted that bank reconciliations were not performed in a timely manner nor reviewed by a responsible party.

#### ***CRITERIA***

Bank reconciliations need to be performed monthly and reviewed by appropriate personnel in a timely fashion.

#### ***CAUSE***

The acting director did not prepare bank reconciliations in a timely manner.

#### ***EFFECT***

Due to the lack of timely bank reconciliations there is greater potential for misstatements in financial reporting.

#### ***RECOMMENDATION***

The Foundation needs to assign a responsible party to ensure that reconciliations are performed and reviewed.

#### ***MANAGEMENT RESPONSE***

LCC, in conjunction with the Foundation Board, will endeavor to hire a Director who will perform the reconciliation and reporting duties as recommended. In addition, copies of such reconciliations and other fiscal reports shall be provided to the LCC CFO on a monthly basis and within 45 days of a major fundraising event.

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

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##### **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 sixty five:

- Six employees did not have an I9 fully complete
- One employee had an expired employment authorization card used for their I9
- Fourteen employees where either one or all of the required forms (Drug Free, Computer Use Policy, and Acceptance of System Password forms) were missing
- Four employees where the Drug Free or Acceptance of System Password forms were incomplete
- One employee's W-4 did not match the status in the system
- One employee worked more hours than their approval card allowed
- One employee was terminated and did not complete the "Employee Clearance Form" and turn in their keys and ID card

###### ***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.

If we extrapolate our findings to the overall population, it is probable that 25 employees will have an incomplete I9 on file, 58 employees will not have atleast one of the required forms on file, 17 employees will have one of the required forms incomplete on file, four employees will have a W-4 on file which does not match the system, three employees may have worked more hours than their approval cards allowed, and terminated employees will not have completed the "Employee Clearance Form" nor turned in their keys and ID card.

###### ***RECOMMENDATION***

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

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

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**05-01 - Payroll (continued)**

***MANAGEMENT RESPONSE***

The Human Resource's staff has met and discussed the conditions of the audit and the effect it has on the payroll policies and procedures. The conditions that are being addressed in the audit are as follows:

- I-9s are complete and current
- W-4s
- Drug Free Policy and Computer Usage Policy signed annually

The Human Resource's department will conduct an audit each year as part of establishing a baseline. Our current hiring process has addressed current I-9 and W-4 concerns. However, an internal audit will be conducted each year to ensure that all compliance requirements are being met. Drug Free and Computer Usage Policies are being drafted to limit the requirements for signatures on these two documents to once at the point of hire or the change in policy. The requirement for signature and reducing one signature per policy will ensure compliance to payroll policy and procedures.

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

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**07-01 – Inventory**

***CONDITION***

During our count of year-end bookstore inventory we found eight instances where the count of inventory was not done correctly resulting in an understatement of \$973 and one instance where the count for the supply tested per Ron's list did not match the physical amount on the rack resulting in an understatement of \$1 (30 items tested).

***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***

For the inventory taking process we would recommend that a separate individual 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***

A separate individual besides the bookstore manager will perform a separate count on each item and the differences will be reconciled for the 6/30/2010 inventory. This will ensure a more reliable count.

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

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**09-04 - Disbursements**

***CONDITION***

During our test work of internal controls over cash disbursements, we noted the following instance of non-compliance from our sample of 65 out of a population of 5,667 cash disbursements:

- One instance in which three informal quotes were not obtained prior to the disbursement. The blanket purchase order was in the amount of \$2,000.

***CRITERIA***

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

***CAUSE***

Due to clerical errors and lack of controls over review of purchase orders, certain supporting documentation (informal quotes) was missing.

***EFFECT***

The College was not in compliance with cash disbursement policies and procedures. If we extrapolate our finding to the overall population, it is possible that less than 1% of cash disbursements are lacking informal quotes to support the procurement.

***RECOMMENDATION***

Personnel responsible for approving purchase orders should review relevant documentation to ensure that all informal quotes have been obtained prior to approving the purchase order.

***MANAGEMENT RESPONSE***

The Purchasing Director will ensure all documentation needed is in place before approving the Purchase Orders.

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

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**09-05 - Pledged Collateral**

***CONDITION***

During our confirmation of collateral requirements for cash, we noted that beginning in June of 2009, pledged collateral was valued below the 50% requirement. The amount undercollateralized was \$564,287.

***CRITERIA***

Pledged collateral for deposits in banks, savings and loan associations, or credit unions, in an aggregate amount must be equal to one half of the amount of public money in each account (Section 6-10-17 NMSA 1978). Individuals responsible for cash collateral requirements need to review collateral statements provided by the financial institutions.

***CAUSE***

A financial institution internally changed oversight of pledged collateral requirements and in the process, the cash balances at year end were under-collateralized.

***EFFECT***

The under-collateralized amount violated state law (Section 6-10-17 NMSA 1978). The under-collateralized amount could potentially be lost if the financial institution failed.

***RECOMMENDATION***

The College needs to emphasize to each financial institution the necessity for required pledged collateral.

***MANAGEMENT RESPONSE***

The undercollateralization was not known until July of 2009 and it was determined that bank personnel did not mark funds in CDs as public funds for an undetermined period of time. Records show that it was corrected the ensuing month. LCC staff will check collateralization amounts mid June to gain assurance of compliance.

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

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**09-06 - Late Audit Submitted**

***CONDITION***

The College submitted its June 30, 2009 audited financial statements after the required deadline of November 15, 2009.

***CRITERIA***

State Auditor Rule 2.2.2.9 A ( c ) states that Higher Education Institutions must submit their audit on or before November 15, 2009.

***CAUSE***

The original audit was submitted on November 13, 2009 but rejected by the State Auditor's Office for corrections noted in the State Auditor's Office review comments.

***EFFECT***

The second submission was after the November 15, 2009 deadline and violated State Auditor's Office Rule 2.2.2.9 A ( c ).

***RECOMMENDATION***

The College and its auditors need to review financial statements more thoroughly.

***MANAGEMENT RESPONSE***

The College concurs with the recommendation.

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**For the Year Ended June 30, 2009**

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An exit conference was held on October 28, 2009, with the following in attendance:

Luna Community College

Tony Valdez, Vice Chairman of the Board of Trustees  
Pete Campos, President  
Donna Flores, Vice President for Finance & Administration  
Mary Medina, Vice President for Planning & Development  
Elaine Luna, Area Health Education Director  
Georgia Baca, Specialist Projects Manager  
Francina Martinez, Accounts Receivable Manager  
Leticia Archuleta, Payroll Manager

Kardas, Abeyta & Weiner, P.C.

Gerald Kardas, Principal  
Jeremy Hamlin, Accountant

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

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