

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE**

FINANCIAL STATEMENTS

JUNE 30, 2010



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

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BOARD OF TRUSTEES

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

ADMINISTRATIVE OFFICIALS

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



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

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Luna Community College
Las Vegas, New Mexico

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the State of New Mexico, Luna Community College (the "College"), as of and for the year ended June 30, 2010, which collectively comprise the College's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons presented as supplementary information as of and for the year ended June 30, 2010, 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, 2010, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons of the College for the year ended June 30, 2010, 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 November 12, 2010 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements 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 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.

Kardao, Abeyta & Wesmer, P.C.

November 12, 2010

INTRODUCTION

The management of Luna Community College (College or LCC) herewith presents its financial statements and required supplementary information for the year ended June 30, 2010. The following discussion and analysis provides an overview of the financial position and activities of the College and is intended to be user-friendly information for all readers.

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

THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

REPORTING ENTITY

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

Luna Community College
Condensed Summary of Net Assets
June 30, 2010

	<u>09-10</u>	<u>08-09</u>
Assets		
Current assets	\$ 4,005,754	\$ 3,811,914
Capital assets, net of accumulated depreciation	14,955,049	14,782,746
Total Assets	<u>\$ 18,960,803</u>	<u>\$ 18,594,660</u>
Liabilities		
Current liabilities	\$ 1,053,351	\$ 1,019,908
Noncurrent liabilities	59,234	86,036
Total Liabilities	<u>\$ 1,112,585</u>	<u>\$ 1,105,944</u>
Net Assets		
Invested in capital assets, net of accumulated depreciation	\$ 14,955,049	\$ 14,782,746
Restricted for expendable capital projects	297,318	467,605
Unrestricted	2,595,851	2,238,365
Total Net Assets	<u>\$ 17,848,218</u>	<u>\$ 17,488,716</u>

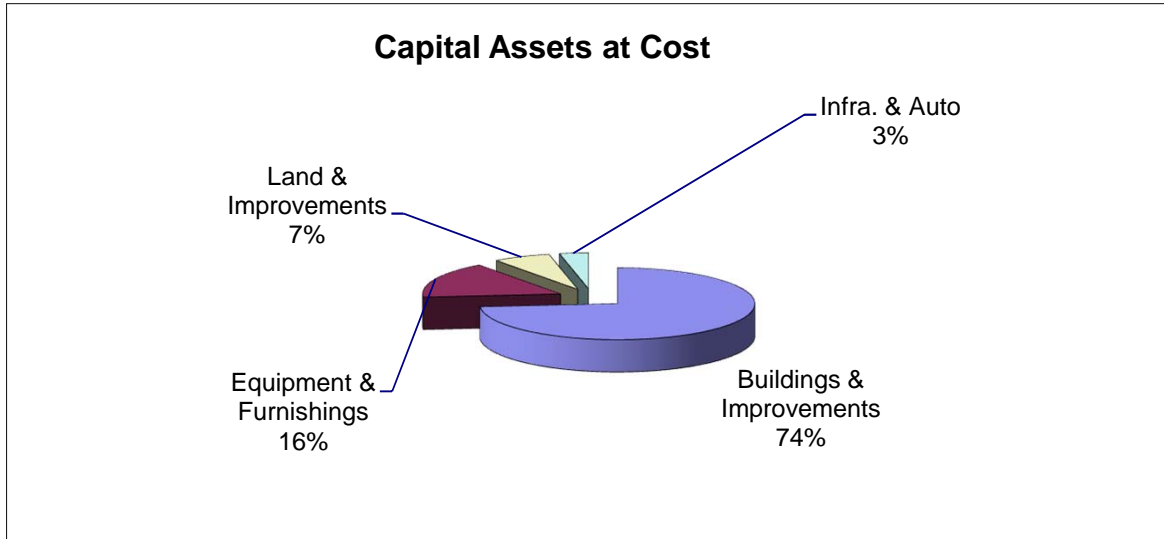
The College's current assets consist primarily of cash and other assets deemed to be consumed or convertible to cash within one year in the amount of \$4,005,754.

Current liabilities are amounts due within one year of \$1,053,351 and non-current liabilities, accrued compensated absences of \$59,234.

At June 30, 2010, the College's current ratio was nearly 4:1 comparing the amount of current assets, \$4,005,754 available to cover current liabilities, \$1,053,351. The largest category of non-current assets is capital assets, net of accumulated depreciation of \$14,955,049.

Significant change between 08-09 and 09-10 in Current Assets is due to decreased expenditure levels.

REPORTING ENTITY (Continued)



Luna Community College
Condensed Summary of Revenue, Expenses and Changes in Net Assets
June 30, 2010

	<u>09-10</u>	<u>08-09</u>
Operating Revenues By Major Source		
Tuition	\$ 583,279	\$ 585,129
Contracts and grants	2,144,699	1,882,275
Sales and services of auxiliary enterprises	688,954	569,467
Local government	-	1,428,148
Other	335,423	550,643
	<u>3,752,355</u>	<u>5,015,662</u>
Operating Expenses By Major Function		
Instruction	5,293,387	5,193,232
Academic support	1,134,499	1,318,486
Student services	1,354,740	1,438,349
Institutional support	2,377,840	2,415,410
Operating and maintenance support	1,995,979	2,871,307
Public service	609,756	443,197
Student aid	2,444,051	1,695,884
Auxiliaries	630,431	675,066
Depreciation	997,705	1,256,098
	<u>16,838,388</u>	<u>17,307,029</u>

REPORTING ENTITY (Continued)

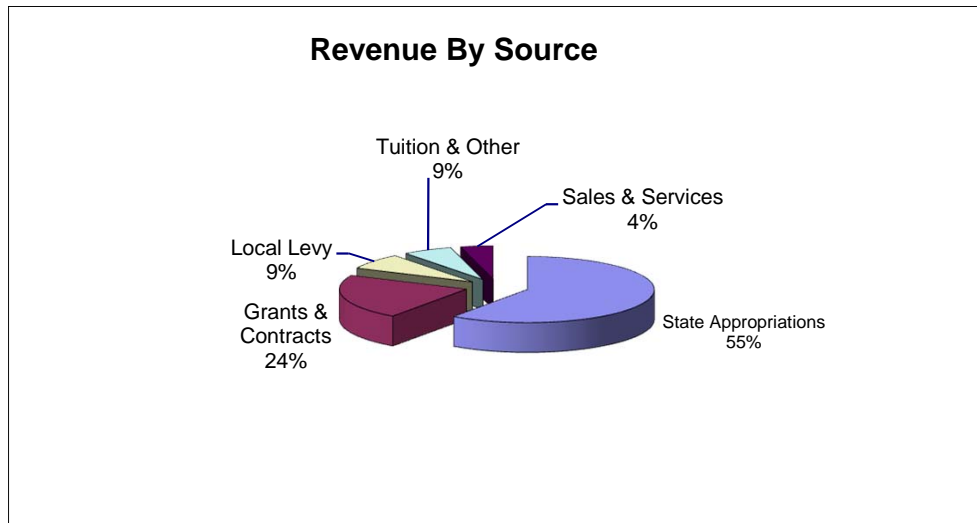
Nonoperating Revenue (Expense)	<u>09-10</u>	<u>08-09</u>
Appropriations	11,220,937	9,957,296
Other	2,224,598	1,442,316
	<u>13,445,535</u>	<u>11,399,612</u>
Income (loss) before other revenues and expenses	359,502	(891,755)
Capital gains (losses) and gifts, net	<u>-</u>	<u>-</u>
Total increase (decrease) in net assets	359,502	(891,755)
Net Assets, Beginning of Year	<u>17,488,716</u>	18,380,471
Net Assets, End of Year	<u><u>\$ 17,848,218</u></u>	<u><u>\$ 17,488,716</u></u>

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

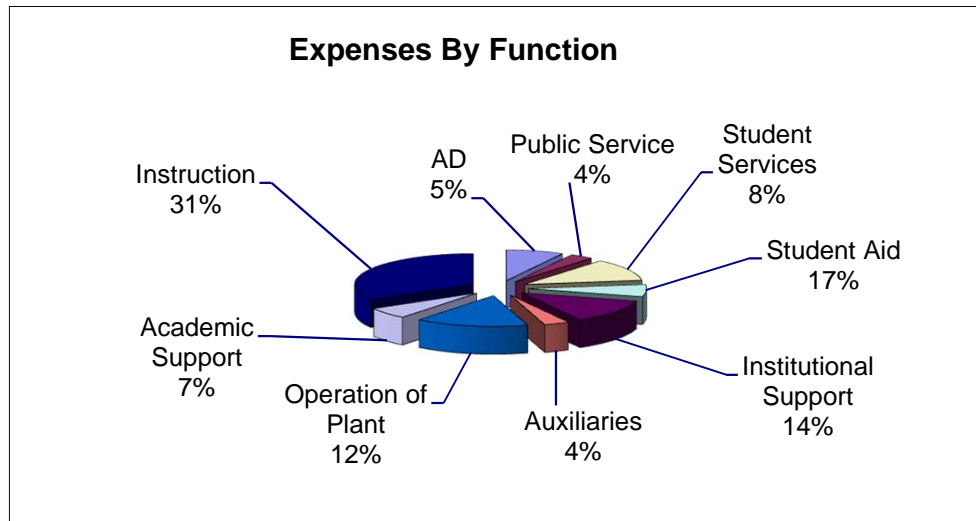
Significant changes are increases in contract revenue, and non-operating revenue more specifically appropriations and other flow through funding.

REPORTING ENTITY (Continued)

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



The College elected to present expenses 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 2010 net assets showed a change of \$359,502.

REPORTING ENTITY (Continued)

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

Prior Year Comparison of Changes in Net Assets

	<u>09-10</u>	<u>08-09</u>	<u>Change</u>
Change in Net Assets	\$ 359,502	\$ (891,755)	\$ 1,251,257
Restricted Expendable	297,318	467,605	(170,287)
Capital, net	14,955,049	14,782,746	172,303
Unrestricted	2,595,851	2,238,365	357,486

An analysis of financial position shows an adequate balance in unrestricted net assets, realizing an increase of \$359,502. There was variance primarily due to a decrease in expenditures.

Luna Community College
Condensed Summary of Cash Flows
June 30, 2010

	<u>09-10</u>	<u>08-09</u>
Cash Flows Used By Operating Activities	\$ (12,680,142)	\$ (10,779,428)
Cash Flows Provided From Noncapital Financing Activities	13,385,891	11,322,794
Cash Flows Provided From Investment Activities	59,644	76,818
Cash Flows Used By Capital and Related Financing Activities	<u>(1,170,008)</u>	<u>(723,768)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(404,615)	(103,584)
Cash and Cash Equivalents, Beginning of Year	<u>3,021,185</u>	<u>3,124,769</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,616,570</u></u>	<u><u>\$ 3,021,185</u></u>

REPORTING ENTITY (Continued)

Changes in Cash Flow are due primarily from a significant increase in Accounts Receivable.

Budget and Results

The Combined Revenue variance was \$9,449,853, 74% (7,014,436) of which was from the Education Center Project which was in the early construction phase of June 30, 2010. One other significant variance of \$1,931,308 in I&G from the restricted funds were from the Dental Hygiene Program, which is still in the development stage, as many components and partnerships are being put in place 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 revenues and expenditure sides. The variance on the Unrestricted side is a result of strategic savings.

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

Capital Asset Activity

Overall, the College's Capital Asset balance changed only 2% increasing by \$172,303 as result of \$1,170,008 in net additions and \$997,705 in depreciation.

Long Term Debt

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

FACTORS IMPACTING FUTURE PERIODS & ECONOMIC OUTLOOK

New Mexico's recovery will be slow at least through 2015 and the College remains in a fiscally cautious mode as further appropriation reductions are possible for the remainder of our current 2011 fiscal year. New program development will continue to attract new students and although LCC had a light increase in enrollment numbers, the increase was not sufficient to garner a FY11/12 appropriation increase in that it was less than the 3% trigger. The upcoming GOBond election in November may result in the College funding of \$5,000,000 for upgrade and renovation of four trades and Technology buildings.

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

Contact Information

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

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

Assets

June 30, 2010

	Luna Community College	Component Unit Luna Foundation
Current Assets:		
Cash and cash equivalents, Note B	\$ 2,616,570	\$ 275,680
Student accounts receivable, net of allowance of \$440,525	38,425	-
Grants receivables	1,183,539	-
Other receivables	-	15,903
Inventories	167,220	-
	<u>4,005,754</u>	<u>291,583</u>
Noncurrent Assets:		
Capital assets, net of accumulated depreciation, Note C	<u>14,955,049</u>	<u>-</u>
Total Assets	<u><u>\$ 18,960,803</u></u>	<u><u>\$ 291,583</u></u>

Net Assets and Liabilities

June 30, 2010

	Luna Community College	Component Unit Luna Foundation
Current Liabilities:		
Accounts payable	\$ 149,260	\$ -
Accrued compensated absences, Note D	260,615	-
Deferred revenues	643,476	-
	<u>1,053,351</u>	<u>-</u>
Noncurrent Liabilities:		
Accrued compensated absences, Note D	59,234	-
	<u>1,112,585</u>	<u>-</u>
Total Liabilities		
	<u>1,112,585</u>	<u>-</u>
Net Assets:		
Invested in capital assets, net of accumulated depreciation	14,955,049	-
Restricted for expendable capital projects	297,318	-
Permanently restricted (Title V)	-	110,000
Restricted for scholarships	-	168,196
Unrestricted	2,595,851	13,387
Total Net Assets	<u>17,848,218</u>	<u>291,583</u>
Total Net Assets and Liabilities	<u>\$ 18,960,803</u>	<u>\$ 291,583</u>

For the Year Ended June 30, 2010

	Luna Community College	Component Unit Luna Foundation
Operating Revenues		
Tuition and fees	\$ 1,137,785	\$ -
Tuition discounts and allowances	(554,506)	-
	<u>583,279</u>	<u>-</u>
Federal grants and contracts, Note L	1,132,304	30,000
State and local grants and contracts	954,950	-
Private gifts and grants	57,445	7,630
Sales and services of auxiliary enterprises	688,954	-
Other	335,423	42,395
Total Operating Revenue	<u>3,752,355</u>	<u>80,025</u>
Expenses		
Instruction and general		
Instruction	5,293,387	-
Academic support	1,134,499	-
Student services	1,354,740	-
Institutional support	2,377,840	-
Operating and maintenance support	1,995,979	18,758
	<u>12,156,445</u>	<u>18,758</u>
Public service	609,756	-
Student aid grants and stipends	2,998,557	10,478
Tuition discounts and allowances	(554,506)	-
Auxiliary enterprises	630,431	-
Depreciation	997,705	-
Total Operating Expenses	<u>16,838,388</u>	<u>29,236</u>
Operating Gain or (Loss)	<u>(13,086,033)</u>	<u>50,789</u>
Non-Operating Revenues		
State appropriations	9,697,732	-
Local government appropriations - property tax	1,523,205	-
Federal pell grant	2,164,954	-
Interest and investment income	59,644	4,959
Total Non-Operating Revenues	<u>13,445,535</u>	<u>4,959</u>
Income Before Other Revenues, Expenses, Gains	<u>359,502</u>	<u>55,748</u>
Other		
Capital gains (losses) and gifts, net	-	-
Increase (Decrease) In Net Assets	359,502	55,748
Net Assets, Beginning of Year	<u>17,488,716</u>	<u>235,835</u>
Net Assets, End of Year	<u>\$ 17,848,218</u>	<u>\$ 291,583</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

For the Year Ended June 30, 2010

	Luna Community College	Component Unit Luna Foundation
Cash Flows From Operating Activities:		
Tuition and fees	\$ 639,954	\$ 10,478
Grants and contracts	1,474,839	37,630
Sales and services of educational activities	688,954	-
Other operating receipts	335,428	18,758
Payments to employees and suppliers	<u>(15,819,317)</u>	<u>(27,717)</u>
	<u>(12,680,142)</u>	<u>39,149</u>
Cash Flows From Investing Activities:		
Interest received on investments	<u>59,644</u>	<u>4,959</u>
Cash Flows From Noncapital Financing Activities:		
Federal pell grant	2,164,954	-
State appropriations	9,697,732	-
Local appropriations	<u>1,523,205</u>	<u>-</u>
	13,385,891	-
Cash Flows From Capital and Related Financing Activities:		
Cash paid for capital assets	<u>(1,170,008)</u>	<u>-</u>
Cash and Cash Equivalents:		
Net Increase (Decrease) During the Year	(404,615)	44,108
Balance, Beginning of Year	3,021,185	231,572
Balance, End of Year	<u>\$ 2,616,570</u>	<u>\$ 275,680</u>

For the Year Ended June 30, 2010

	Luna Community College	Component Unit Luna Foundation
Net Cash From Operating Activities:		
Operating gain (loss)	\$ (13,086,033)	\$ 50,789
Adjustments to Reconcile Operating Loss to Net Cash Provided (used) by Operating Activities:		
Depreciation	997,705	-
Loss on disposal of capital assets	-	-
Changes in Assets - (increase) decrease:		
Receivables	(603,068)	(11,640)
Inventories	4,613	-
Changes in Liabilities - increase (decrease):		
Accounts payable	(6,713)	-
Deferred revenues	(10,459)	-
Accrued compensated absences	23,813	-
Net Cash Used by Operating Activities	<u><u>\$ (12,680,142)</u></u>	<u><u>\$ 39,149</u></u>

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Luna Community College (the 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 in 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's president is the chief executive officer of the College responsible for the implementation and maintenance of board policies and administration to carry out the goals of the College within statutory and constitutional provisions. The President serves the College under the direction of the Board and reports directly to the Board.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Luna Community College Foundation, Inc. (Foundation)

The Foundation was organized as a not-for-profit New Mexico corporation under 501 (c)(3) of the Internal Revenue Code. The Foundation receives support from contributions and earnings on investments.

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

In the financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the College. The decision to include a potential component unit in the College's reporting entity is based upon several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Luna Community College Foundation, Inc. is a discretely presented component unit and 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, 2010, 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 absences are GAAP requirements not included in the budget basis submitted to the HED.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Procedures for Approval of Operating Budgets:

1. The institution will then submit an original typed copy that has been approved by the Board of Trustees to the HED's office by May 1 of the preceeding fiscal year.
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 of the current fiscal year.

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Capital Assets. Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The College does not capitalize historical treasures, works of art or library books.

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Unrestricted Net Assets. Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose.

These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

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

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

Operating Revenues. Operating revenues include activities that have the characteristics of exchange transactions such as: (1) student tuition and fees, net of scholarship discounts and allowances, (2) most federal, state, and local grants and contracts and federal appropriations, and (3) interest on institutional student loans.

Nonoperating Revenues. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB No. 9 Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting and GASB No. 34, such as state appropriations.

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

Special Appropriation. The College receives special appropriations during the year. When an expense is incurred that can be paid using either unrestricted or special appropriation resources, the College's policy is to first apply the expense toward the special appropriation. The special appropriation funds are non-reverting, and the College received permission to carryover the funds for another year. The College received \$76,749 for their Nursing program of which \$76,749 was spent during the year.

NOTE B - CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to them. The College does not have its own deposit policy for credit risk, but follows New Mexico Statute Section 6-10-17, requiring collateral equal to at least one-half of the amount of uninsured public monies on deposit. As of June 30, 2010, \$532,516 of the College's bank balance of \$3,338,150 was subject to custodial credit risk because it was uninsured and uncollateralized. As of June 30, 2010, \$25,680 of the Foundation's bank balance of \$275,680 was subject to custodial credit risk because it was uninsured and uncollateralized.

NOTE C - PROPERTY, PLANT, AND EQUIPMENT

Following are the changes in capital assets for the year ended June 30, 2010:

	Balance 6/30/2009	Additions	Transfers	Retirement	Balance 6/30/2010
Capital Assets not Being Depreciated					
Land	\$ 2,322,078	\$ -	\$ -	\$ -	\$ 2,322,078
Construction in progress	1,002,907	959,594	(418,047)	-	1,544,454
	<u>\$ 3,324,985</u>	<u>\$ 959,594</u>	<u>\$ (418,047)</u>	<u>\$ -</u>	<u>\$ 3,866,532</u>
Other Capital Assets					
Buildings	\$ 22,912,497	\$ -	\$ -	\$ -	\$ 22,912,497
Building improvements	4,336,649	-	418,047	-	4,754,696
Infrastructure	737,625	-	-	-	737,625
Automobiles	564,053	24,645	-	-	588,698
Equipment and furniture	5,748,130	185,769	-	-	5,933,899
	<u>34,298,954</u>	<u>210,414</u>	<u>418,047</u>	<u>-</u>	<u>34,927,415</u>
Less Accumulated Depreciation for					
Buildings	14,878,072	631,475	-	-	15,509,547
Building improvements	2,024,200	240,551	-	-	2,264,751
Infrastructure	-	-	-	-	-
Automobiles	438,525	70,250	-	-	508,775
Equipment and furniture	5,500,396	55,429	-	-	5,555,825
	<u>22,841,193</u>	<u>997,705</u>	<u>-</u>	<u>-</u>	<u>23,838,898</u>
Other Capital Assets, net	<u>\$ 11,457,761</u>	<u>\$ (787,291)</u>	<u>\$ 418,047</u>	<u>\$ -</u>	<u>\$ 11,088,517</u>

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

	Balance 6/30/2009	Additions	Transfers	Retirement	Balance 6/30/2010
Capital Assets Summary					
Capital assets not being depreciated	\$ 3,324,985	\$ 959,594	\$ (418,047)	\$ -	\$ 3,866,532
Other capital assets at cost	34,298,954	210,414	418,047	-	34,927,415
	37,623,939	1,170,008	-	-	38,793,947
Less accumulated depreciation	22,841,193	997,705	-	-	23,838,898
Capital assets, net	<u>\$ 14,782,746</u>	<u>\$ 172,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,955,049</u>

NOTE D - LONG-TERM LIABILITIES

Long-term liability activity for the College for the year ended June 30, 2010, is as follows:

	Balance 06/30/09	Additions	Deletions	Balance 06/30/10	Due Within One Year
Accrued compensated absences	\$ 296,036	\$ 260,239	\$ (236,426)	\$ 319,849	\$ 260,615

NOTE E - PENSION PLAN - EDUCATIONAL RETIREMENT BOARD

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

NOTE E - PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (continued)

Funding Policy. Effective July 1, 2009, plan members were required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.4% of their gross salary. Luna Community College was required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The employer contribution is increasing by .75% each year until effective July 1, 2011, the employer contribution will be 13.9% of the gross covered salary. The contribution requirements of plan members and the College are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Luna Community College's contributions to ERB for the fiscal years ending June 30, 2010, 2009, and 2008, were \$1,299,720, \$1,231,462, and \$1,233,325, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE F - POST EMPLOYMENT BENEFITS

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

Eligible retirees are:

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

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

NOTE F - POST EMPLOYMENT BENEFITS (continued)

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

FY 11 Employer 1.666%, Employee .833%; FY 12 Employer 1.834%, Employee .917%; FY 13 Employer 2.000%, Employee 1.000%. Also employers joining the program after 1/1/98 are required to make surplus-amount contributions 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 the 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, 2010, 2009, and 2008, were \$125,003, \$124,344, and \$131,126, respectively, which equal the required contributions for each year.

NOTE G - SURETY BOND/INSURANCE

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

NOTE H - COMMITMENTS AND CONTINGENCIES

There were two construction obligations remaining at June 30, 2010, Franken Construction and ORR for \$5,949,780 and \$165,762, respectively.

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.

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 (revenues) / expenditures	\$ (17,710,942)	\$ 17,536,810
Agency funds	(41,454)	28,387
Capital expenditures	-	(1,170,008)
Depreciation	-	997,705
Scholarship allowance	554,506	(554,506)
GAAP basis (revenue) / expense	<u>\$ (17,197,890)</u>	<u>\$ 16,838,388</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.

	Federally Insured	Insured and Collateralized	Uninsured and Un- Collateralized	Total Depository Balances
Demand deposits	\$ 250,000	\$ -	\$ 25,680	\$ 275,680

NOTE L - FOUNDATION TITLE V RESTRICTED FUNDS

During the year the College elected the endowment option within the Title V grant in fiscal year 09/10 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 \$30,000 was matched in a like amount by the Foundation.

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.

NOTE M - CAPITAL OUTLAY APPROPRIATION

Contract Description	Appropriation Period	Award Amount	Expenditures To Date	Outstanding Balance
Community Use Auditorium 075901	7/1/07-6/30/11	\$ 750,000	\$ 750,000	\$ -
Community Use Auditorium 062380	7/1/06-6/30/10	2,000,000	396,264	1,603,736
Community Use Auditorium 084946	7/1/08-6/30/12	4,500,000	105,738	4,394,262
Playground Equipment 084711	7/1/08-6/30/12	30,000	30,000	-
Playground Equipment 093567	7/1/09-6/30/11	50,000	49,989	11
Satellite Construction 062134	7/1/06-6/30/10	40,000	40,000	-
Satellite Construction 083317	7/1/08-6/30/12	250,000	250,000	-

Appropriations 062380, 075901, 084946, and 083317 have the following amounts designated for Art in Public Places: \$20,000, \$7,500, \$45,000, and \$2,500, respectively. The College committed to a contract in place prior to the end of the fiscal year, and therefore appropriation number 062380 was extended until the total outstanding balance is expended.

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

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 2,740,814	\$ 2,989,662	\$ 2,989,662	\$ -
Revenues				
State general fund appropriations	9,707,119	16,784,863	9,697,732	(7,087,131)
Federal revenue sources	3,002,445	3,792,037	3,297,258	(494,779)
Tuition and fees	1,123,000	1,114,836	1,137,785	22,949
Endowment, land, and permanent fund	-	-	-	-
Private gifts, grants and contracts	307,537	191,737	57,300	(134,437)
Other	3,238,763	3,931,744	3,520,867	(410,877)
Total Revenues	<u>17,378,864</u>	<u>25,815,217</u>	<u>17,710,942</u>	<u>(8,104,275)</u>
Total Unrestricted Revenues	<u>20,119,678</u>	<u>28,804,879</u>	<u>20,700,604</u>	<u>(8,104,275)</u>
Expenditures				
Instruction and general	14,472,770	14,006,649	12,075,341	(1,931,308)
Student social and cultural	40,000	20,836	18,519	(2,317)
Research	-	-	-	-
Public service	586,405	753,150	581,368	(171,782)
Student aid	2,374,342	2,774,342	2,682,897	(91,445)
Auxiliary enterprises	692,871	702,871	630,431	(72,440)
Intercollegiate athletics	339,480	340,347	297,141	(43,206)
Capital outlay	200,000	7,741,623	999,490	(6,742,133)
Renewal and replacements	243,266	374,542	251,623	(122,919)
Retirement of indebtedness	-	-	-	-
Total Expenditures	<u>18,949,134</u>	<u>26,714,360</u>	<u>17,536,810</u>	<u>(9,177,550)</u>
Change in Net Assets - Budgetary Basis	<u>(1,570,270)</u>	<u>(899,143)</u>	<u>174,132</u>	<u>1,073,275</u>
Ending Fund Balance	<u>\$ 1,170,544</u>	<u>\$ 2,090,519</u>	<u>\$ 3,163,794</u>	<u>\$ 1,073,275</u>

LUNA COMMUNITY COLLEGE
UNRESTRICTED CURRENT FUNDS -
SUMMARY OF NON-INSTRUCTION AND GENERAL
REVENUES AND EXPENDITURES BUDGET COMPARISONS

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 852,863	\$ 956,930	\$ 956,930	\$ -
Revenues				
Tuition and fees	40,000	20,836	13,133	(7,703)
Government appropriations - federal	-	-	-	-
Government appropriations - state	234,500	7,803,323	1,211,192	(6,592,131)
Government appropriations - local	-	-	-	-
Grants and contracts - federal	-	-	-	-
Grants and contracts - state	127,993	130,993	264	(130,729)
Grants and contracts - local	-	-	-	-
Gifts, grants and contracts - private	18,000	3,000	1,100	(1,900)
Endowments, land, and permanent fund	-	-	-	-
Sales and service	776,714	786,714	688,954	(97,760)
Other sources	211,258	443,866	259,870	(183,996)
Total Revenues	<u>1,408,465</u>	<u>9,188,732</u>	<u>2,174,513</u>	<u>(7,014,219)</u>
Total Unrestricted Revenues	<u>2,261,328</u>	<u>10,145,662</u>	<u>3,131,443</u>	<u>(7,014,219)</u>
Expenditures				
Student social and cultural	40,000	20,836	18,519	(2,317)
Research	-	-	-	-
Public service	157,427	145,731	107,864	(37,867)
Student aid	129,350	129,350	49,516	(79,834)
Auxiliary enterprises	692,871	702,871	630,431	(72,440)
Intercollegiate athletics	339,480	340,347	297,141	(43,206)
Capital outlay	200,000	7,741,623	999,490	(6,742,133)
Renewal and replacements	243,266	374,542	251,623	(122,919)
Retirement of indebtedness	-	-	-	-
Total Expenditures	<u>1,802,394</u>	<u>9,455,300</u>	<u>2,354,584</u>	<u>(7,100,716)</u>
Change in Net Assets - Budgetary Basis	<u>(393,929)</u>	<u>(266,568)</u>	<u>(180,071)</u>	<u>86,497</u>
Ending Fund Balance	<u>\$ 458,934</u>	<u>\$ 690,362</u>	<u>\$ 776,859</u>	<u>\$ 86,497</u>

LUNA COMMUNITY COLLEGE
UNRESTRICTED CURRENT FUNDS -
SUMMARY OF INSTRUCTION AND GENERAL
REVENUES AND EXPENDITURES BUDGET COMPARISONS

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 1,887,951	\$ 2,032,732	\$ 2,032,732	\$ -
Revenues				
Tuition and fees	1,083,000	1,083,000	1,123,098	40,098
Government appropriations - federal	-	-	-	-
Government appropriations - state	8,770,800	8,427,813	8,411,499	(16,314)
Government appropriations - local	1,486,639	1,486,639	1,523,205	36,566
Grants and contracts - federal	500	5,500	9,981	4,481
Grants and contracts - state	-	76,749	114,830	38,081
Grants and contracts - local	-	2,000	-	(2,000)
Gifts, grants and contracts - private	2,000	1,200	2,000	800
Endowments, land, and permanent fund	-	-	-	-
Sales and service	-	-	-	-
Other sources	92,700	73,700	81,250	7,550
Total Revenues	<u>11,435,639</u>	<u>11,156,601</u>	<u>11,265,863</u>	<u>109,262</u>
Total Unrestricted Revenues	<u>13,323,590</u>	<u>13,189,333</u>	<u>13,298,595</u>	<u>109,262</u>
Expenditures				
Instruction	5,375,854	5,135,058	4,761,624	(373,434)
Academic support	807,978	702,068	614,604	(87,464)
Student services	1,456,661	1,356,406	1,290,555	(65,851)
Institutional support	2,673,421	2,603,117	2,377,840	(225,277)
Operation and maintenance of plant	2,298,066	1,992,527	1,867,037	(125,490)
Total Expenditures	<u>12,611,980</u>	<u>11,789,176</u>	<u>10,911,660</u>	<u>(877,516)</u>
Change in Net Assets - Budgetary Basis	<u>(1,176,341)</u>	<u>(632,575)</u>	<u>354,203</u>	<u>986,778</u>
Ending Fund Balance	<u>\$ 711,610</u>	<u>\$ 1,400,157</u>	<u>\$ 2,386,935</u>	<u>\$ 986,778</u>

LUNA COMMUNITY COLLEGE
 RESTRICTED CURRENT FUNDS -
 SUMMARY OF NON-INSTRUCTION AND GENERAL
 REVENUES AND EXPENDITURES BUDGET COMPARISONS

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Government appropriations - federal	-	-	-	-
Government appropriations - state	180,432	-	-	-
Government appropriations - local	-	-	-	-
Grants and contracts - federal	1,848,045	2,239,361	2,334,577	95,216
Grants and contracts - state	359,243	814,157	705,485	(108,672)
Grants and contracts - local	-	-	-	-
Gifts, grants and contracts - private	286,250	186,250	54,185	(132,065)
Endowments, land, and permanent fund	-	-	-	-
Sales and service	-	-	-	-
Other sources	-	12,643	12,638	(5)
	<u>2,673,970</u>	<u>3,252,411</u>	<u>3,106,885</u>	<u>(145,526)</u>
Cash Balance Budgeted	-	-	-	-
Total Revenues and Cash Balance Budgeted	<u>2,673,970</u>	<u>3,252,411</u>	<u>3,106,885</u>	<u>(145,526)</u>
Expenditures				
Student social and cultural	-	-	-	-
Research	-	-	-	-
Public service	428,978	607,419	473,504	(133,915)
Internal service departments	-	-	-	-
Student aid	2,244,992	2,644,992	2,633,381	(11,611)
Auxiliary enterprises	-	-	-	-
Intercollegiate athletics	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
Total Expenditures	<u>2,673,970</u>	<u>3,252,411</u>	<u>3,106,885</u>	<u>(145,526)</u>
Change in Net Assets - Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LUNA COMMUNITY COLLEGE
 RESTRICTED CURRENT FUNDS -
 SUMMARY OF INSTRUCTION AND GENERAL
 REVENUES AND EXPENDITURES BUDGET COMPARISONS

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues				
Tuition and fees	\$ -	\$ 11,000	\$ 1,554	\$ (9,446)
Government appropriations - federal	-	-	-	-
Government appropriations - state	521,387	553,727	75,041	(478,686)
Government appropriations - local	-	-	-	-
Grants and contracts - federal	1,153,900	1,547,176	952,700	(594,476)
Grants and contracts - state	184,216	104,283	134,371	30,088
Grants and contracts - local	-	-	-	-
Gifts, grants and contracts - private	1,287	1,287	15	(1,272)
Endowments, land, and permanent fund	-	-	-	-
Sales and service	-	-	-	-
Other sources	-	-	-	-
	<u>1,860,790</u>	<u>2,217,473</u>	<u>1,163,681</u>	<u>(1,053,792)</u>
Cash Balance Budgeted	-	-	-	-
Total Revenues and Cash Balance Budgeted	<u>1,860,790</u>	<u>2,217,473</u>	<u>1,163,681</u>	<u>(1,053,792)</u>
Expenditures				
Instruction	798,047	923,227	531,763	(391,464)
Academic support	741,356	813,958	519,895	(294,063)
Student services	321,387	321,388	64,185	(257,203)
Institutional Support	-	-	-	-
Operation and maintenance of plant	-	158,900	47,838	(111,062)
Student aid	-	-	-	-
Total Expenditures	<u>1,860,790</u>	<u>2,217,473</u>	<u>1,163,681</u>	<u>(1,053,792)</u>
Change in Net Assets - Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the Year Ended June 30, 2010

Bank/Account Name	Type	Balance Per Bank Statement	Reconciled Balance Per Books
Wells Fargo			
Santa Rosa Account	Checking	\$ 13,584	\$ 13,764
Springer Account	Checking	10,955	10,956
		24,539	24,720
The Bank of Las Vegas			
General Disbursement	Checking	1,823,170	1,342,413
Payroll	Checking	408,894	162,142
Student Activity	Checking	54,168	55,561
		2,286,232	1,560,116
The Bank of Las Vegas			
Time Certificate of Deposit	Certificate of Deposit	515,900	518,371
Time Certificate of Deposit	Certificate of Deposit	511,479	513,363
		1,027,379	1,031,734
		\$ 3,338,150	\$ 2,616,570

For the Year Ended June 30, 2010

	Wells Fargo	The Bank of Las Vegas
Total amount on deposit at bank in checking accounts	\$ 24,539	\$ 2,286,232
Total amount on deposit at bank in certificate of deposits	-	1,027,379
Less FDIC insurance	24,539	250,000
Total uninsured public funds	<u>\$ -</u>	<u>\$ 3,063,611</u>
 50% Collateral Requirement (Section 6-10-17 NMSA 1978)	 <u>\$ -</u>	 <u>\$ 1,531,806</u>
Cusip		
Security Number Location Date		
US Treasury 3133XWCV9 Home Loan Bnk/ Dallas 12/30/2011	-	1,002,810
US Treasury 3133XSWM6 Home Loan Bnk/ Dallas 1/23/2012	-	511,095
US Treasury 3133XVNT4 Home Loan Bnk/ Dallas 12/14/2012	-	1,017,190
	<u>-</u>	<u>2,531,095</u>
 Amount over (under) collateralized	 <u>\$ -</u>	 <u>\$ 999,290</u>

For the Year Ended June 30, 2010

Grantor/Program Title	Contract No.	CFDA No.	Expenditures
United States Department of Agriculture			
Future In Algae Project (RBOG)	2008 RBOG-NM	10.773	\$ -
NMHU/LCC Science & Agri. Summer SASE	(07-08)	10.223	-
Child Food Program	No. 246 08-09	10.558	264
			<u>264</u>
National Science Foundation			
Passed through New Mexico State University:			
NM Alliance for Minority Participation	Q00890	47.076	-
United States Treasury			
National Service Award (Americorps)		94.006	<u>5,725</u>
US Small Business Administration			
Passed through the New Mexico Small Business Development Center			
	4-603001-Z-0032-16	59.037	<u>21,689</u>
United States Department of Education			
Student Financial Assistance Programs:			
SEOG	04-05	84.007	50,550
College Work Study	04-05	84.033	33,519
PELL Grant	04-05	84.063	2,164,954
Academic Competitiveness	P375A063271	84.375	3,763
			<u>2,252,786</u>
Title V	P031S990069-03	84.031	509,038
MSEIP	P120A030049	84.120A	-
Passed through the State of New Mexico Higher Education Department NMORRA:			
ARRA	S394A090032 (A)	84.394A	47,838
Adult Basic Education	689888	84.022	35,481
Passed through New Mexico Highlands University:			
NMHU/LCC Bridging Careers for Success	P031C080040	84.031C	312,043
Carl Perkins	004.1.0.1.855	84.048	48,299
			<u>952,699</u>
United States Department of Health and Human Services			
Passed through the University of New Mexico:			
AHEC	4-30611-7820/ 4-30612-7820	93.107	<u>66,751</u>
Total Federal Expenditures			<u><u>\$ 3,299,914</u></u>

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

The federal financial assistance of the College is included in the scope of the Single Audit, which was performed in accordance with the provisions of the Office of Management and Budget's Circular A-133, *Compliance Supplement for Audits of Institutions of Higher Learning and Other Not-for-Profit Institutions* (Compliance Supplement). Compliance testing of all specific requirements was performed, as described in the Compliance Supplement (June 2010).

NOTE B - FISCAL PERIOD AUDITED

Single Audit testing procedures were performed for program transactions occurring during fiscal year June 30, 2010.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The accompanying schedule of Expenditures of Federal Awards includes all federal assistance to the College that had activity during 2010 or accrued revenue at June 30, 2010. This schedule has been prepared on the accrual basis of accounting. Revenues are recorded for financial reporting purposes when the Institute has met the qualifications for the respective program.

NOTE D - STUDENT FINANCIAL ASSISTANCE

The College administers the Federal Family Education Loan Program. During the fiscal year ended June 30, 2010, the College processed \$398,118 of new loans under the Federal Family Education Loan Program.

NOTE E - BASIS OF ACCOUNTING

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

NOTE F - OTHER DISCLOSURES

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

For the Year Ended June 30, 2010

Grantor/Program Title	<u>Expenditures</u>
Instruction and General Funds-Restricted	
State Department of Education	
Adult Basic Education	\$ 95,457
Instructional Materials	6,494
Legislative Appropriations	
NYSP	-
Severance Tax Bond HB622	
Mariachi	-
NM Higher Education Department	
Behavioral Health Svc. Div. Flow thru:	
Value Options NM (Sub. Abuse Program)	-
NM Higher Education Department	
Student Gov. Leadership Dev Approp	13,170
Summer Stu. Adv. HED Appropriation	51,015
Baseball	-
Softball	-
Dental Hygiene	32,420
GOB Library Acquisitions/Publications	10,856
	<u>209,412</u>
Plant Funds-Restricted	
Severance and GOB Tax Bonds	
Building Trades	6,549
Baseball Equipment	281
Field Construction	664
LCC Softball Equipment	-
Mora Land Construction (Equipment-reauth)	32,860
Mora Land Purchase	-
Nick Salazar Day Care Renovation	95,121
Nick Salazar Day Care Equipment	79,989
Raton Equipment	-
Santa Rosa Building/Equipment	-
Community Use Auditorium	600,850
Satellite Construction	183,177
Vehicle Purchase	-
Wellness Center Equipment	-
King Stadium	-
	<u>999,491</u>

For the Year Ended June 30, 2010

Grantor/Program Title	<u>Expenditures</u>
Public Service Funds-Restricted	
US Small Business Administration Passed through NM SBDC Lead Center	171,261
University of New Mexico AHEC	70,499
NM Department of Health TCA Prevention	84,580
TCA RRI	7,338
TCA Noches	51,123
	<u>384,801</u>
Student Aid Funds-Restricted	
Commission on Higher Education College Affordability	32,668
Education Trust Board Scholarships	350
College Work Study	68,566
Legislative Endowment Merit Scholarship	3,800
Lottery Scholarship Program	55,303
Nursing Loans	29,000
SSIG	130,090
Vietnam Veterans Scholarship	907
	<u>320,684</u>
 Total State Expenditures	 <u><u>\$ 1,914,388</u></u>

For the Year Ended June 30, 2010

Grantor/Program Title	<u>Expenditures</u>
Instruction and General Funds-Restricted	
CDL	\$ 1,554
Other Under \$1,000	15
	<u>1,569</u>
Public Service Funds-Restricted	
Youth College	<u>-</u>
Student Aid Funds-Restricted	
Dana Kono Scholarship	1,850
ENMR	1,000
Fraternal Order of Eagles	2,665
Las Vegas Women's Club	1,450
Luna Community College Foundation	9,978
Navajo Nation	10,292
Saddlebrooke Community Outreach	2,000
Viles	20,800
Other Agency Awards Under \$1,000	4,149
	<u>54,184</u>
Total Private Expenditures	<u><u>\$ 55,753</u></u>



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

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With *Government
Auditing Standards***

Board of Trustees
Luna Community College
Las Vegas, New Mexico

We have audited the financial statements of the business-type activities, the discretely presented component unit and the budgetary comparisons of the State of New Mexico, Luna Community College (the "College") as of and for the year ended June 30, 2010, and have issued our report thereon dated November 12, 2010. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting listed as findings 09-02, 09-03, and 10-02. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's 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 also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 05-01 and 10-01.

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

This report is intended solely for the information and use of management, the finance committee, others within the entity, 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.

November 12, 2010



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

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, 2010. 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, 2010.

Internal Control Over Compliance

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

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

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

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 the responses.

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.

Kardao, Abeyta & Weimer, P.C.

November 12, 2010

Finding	Status
05-01 Payroll	Repeated and Modified
07-01 Inventory	Resolved
09-01 Information Technology	Resolved
09-02 Fixed Assets / Disbursements	Repeated and Modified
09-03 Foundation Bank Reconciliations	Repeated and Modified
09-04 Disbursements	Resolved
09-05 Pledged Collateral	Resolved
09-06 Late Audit Submitted	Resolved

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiencies identified not considered to be material weaknesses? Yes
- Noncompliance material to financial statements noted? No

Federal Awards

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

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiencies identified not considered to be material weaknesses? No

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



Section 1 - Summary of Auditors' Results (continued)

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Cluster	Student Financial Assistance
84.007	SEOG
84.033	Federal Workstudy
84.063	Pell Grant
84.375	ACG
84.394A	ARRA State Fiscal Stabilization Fund - Education

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

\$300,000

Auditee qualified as a low-risk auditee?

Yes

Section 2 - Financial Statement Findings

09-02 - Fixed Assets / Disbursements

CONDITION

During our testing of year-end fixed assets we found one instance in which an invoice amount was incorrectly recorded twice in the fixed assets ledger.

CRITERIA

Individuals responsible for recording items to the fixed assets ledger need to reconcile the ledger with the general ledger and check items against invoices to ensure all the amounts recorded are correct.

CAUSE

Personnel responsible for compiling the fixed assets ledger did not thoroughly review all items on the invoice to ensure all recorded amounts were accurate. In addition, a reconciliation was not performed with the general ledger.

EFFECT

The lack of controls over monitoring the fixed assets ledger resulted in a duplication which caused an overstatement of fixed assets.

RECOMMENDATION

The College needs to reiterate to all personnel responsible for recording assets to the fixed asset ledger that proper review and approval of invoices is necessary to ensure all amounts recorded are accurate. In addition, a reconciliation must be performed between the fixed assets ledger and the general ledger.

MANAGEMENT RESPONSE

Personnel will review that the quantity and amounts are correct when entering asset information to the fixed asset ledger. Also, personnel will double check the reconciling to the general ledger at fiscal year end to ensure data is correct.

Section 2 - Financial Statement Findings

09-03 - Foundation Accounting Records

CONDITION

During our testwork for the Foundation, it was noted that the accounting records were not prepared, items were not posted to the general ledger, and bank reconciliations were not performed in a timely manner nor reviewed by a responsible party.

CRITERIA

Accounting records need to be updated in a timely fashion and bank reconciliations need to be performed monthly and reviewed by appropriate personnel in a timely manner.

CAUSE

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

EFFECT

Due to the lack of timely bank reconciliations and the delay in updating accounting records, there is greater potential for misstatements in financial reporting.

RECOMMENDATION

The Foundation needs to assign a responsible party to ensure that accounting records are updated and reconciliations are performed and reviewed in a timely manner.

MANAGEMENT RESPONSE

On behalf of The Luna Community College Foundation we have taken the steps to correct the June 30, 2010 Fiscal Year Findings. In the Audit, it is stated that the Foundation needs to assign a responsible party to ensure that reconciliations are performed and reviewed.

The Foundation has been in contact with the contracted accountant, Mr. William Tuttle, who has helped and guided the Foundation through this process. Mr. Tuttle has and will work with our Director, Sarah Flores, to complete and report the most accurate reconciliations in a timely manner. As stated in the audit, a monthly bank reconciliation will be performed and reviewed by the appropriate personnel in the future.

Section 2 - Financial Statement Findings

10-02 - Vacation / Sick Leave

CONDITION

During our testwork of internal controls over payroll disbursements, we noted the following instance of non-compliance from our sample of sixty five:

- Two employees where their vacation / sick leave pay did not match to what their hourly rate says they should have received.

CRITERIA

The College has established policies and procedures to be adhered to regarding vacation / sick leave.

CAUSE

Due to a lack of monitoring, the Jenzabar CARS system was incorrectly calculating vacation / sick leave pay for certain individuals and wasn't caught by payroll personnel.

EFFECT

The College was not in compliance with payroll policies. In addition, if we extrapolate our findings to the overall population, it is probable that nine employees will have vacation / sick pay that did not match what their hourly rate says they should have received.

RECOMMENDATION

A check needs to be done in the CARS system to find out why vacation / sick leave time is not being calculated correctly in all instances. Once the problem is identified, the Payroll Department needs to monitor and recalculate vacation / sick leave pay to verify that the proper amount is being applied.

MANAGEMENT RESPONSE

Sick Leave and Annual Leave pay matching hourly rates is a software issue and has been provided to IT Support for review. This issue has been submitted by IT to Jenzabar.

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

05-01 - Payroll

CONDITION

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

- One employee did not have a Form I-9 fully complete.
- Two employees where either one or all of the required forms (Drug Free, Computer Use Policy, and Acceptance of System Password forms) were missing.
- One employee where the Drug Free or Acceptance of System Password forms were incomplete.
- Three employee's W-4 Forms did not match the status in the system.
- One employee did not sign the E-Mail Acceptable Use form.
- One employee was paid for 10 hours of leave when they only requested 9 hours.
- Two employees where either one or all of the required signatures on the Pay Range Form were missing.

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 four employees will have an incomplete Form I-9 on file, 13 employees will not have at least one of the required forms on file, four employees will have one of the required forms incomplete on file, 13 employees will have a W-4 on file which does not match the system, four employees who were paid for more hours of leave than requested, and 29 employees will not have all required signatures on the Pay Range Form.

RECOMMENDATION

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

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

05-01 - Payroll (continued)

MANAGEMENT RESPONSE

I-9's and W-4's will be reviewed by staff to ensure that all documents are finalized. An annual audit of all files will be done to ensure accuracy.

E-mail and Drug Free policy forms are required to be signed only at employee orientation instead of annually. Files have been audited to ensure 100% compliance.

Pay range authorizations are audited by staff, payroll and benefit personnel. We will ensure that all signatures are in place to finalize employee processing.

Internal audit has been successful, identification of items has been effective to ensure all forms are complete, and continuing this process and staffing review will address these findings.

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

10-01 - Travel and Entertainment

CONDITION

During our test work of compliance over travel and entertainment disbursements, we noted the following instance of non-compliance from our sample of sixty five:

- One employee was reimbursed for a 25% tip on a meal when they should have only been reimbursed up to 15%.

CRITERIA

The College has established policies and procedures to be adhered to regarding travel and entertainment. Per the 2009-10 Travel and PDP Policy & Procedure Manual, gratuities are limited to 15% of the meal consumed by the employee within approved limits.

CAUSE

Due to clerical errors, reimbursement for a tip was overlooked and was given at 25% rather than just 15%.

EFFECT

The College was not in compliance with travel and entertainment policies and procedures.

If we extrapolate our findings, we could assume that 10 employees would have received reimbursement for a tip that was above the 15% limit.

RECOMMENDATION

Personnel responsible for reviewing travel and entertainment disbursements should recalculate all amounts to ensure proper amounts are reimbursed.

MANAGEMENT RESPONSE

The amount over reimbursed was due to an oversight. Staff that calculates and checks up to fifty items per travel request simply missed this one. The staff that signs and reviews after the calculation did not see the error. Staff will continue to diligently process paperwork in a proper manner in an effort to eliminate errors.

For the Year Ended June 30, 2010

An exit conference was held on October 27, 2010, with the following in attendance:

Luna Community College

Thomas Jerry Maestas, Chairman of the Board of Trustees

Tony Valdez, Vice Chairman of the Board of Trustees

Pete Campos, President

Donna Flores, Vice President for Finance & Administration

Francina Martinez, Controller

Georgia Baca, Specialist Projects Manager

Regina Madrid, Student Financial Aid Director

Miguel Martinez, Purchasing Director

Sarah Flores, Foundation Director

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.
