



Clovis
Community
College



Annual
FINANCIAL
Report

June 30, 2010



**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE**

**FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION
WITH ACCOMPANYING AUDITORS' REPORTS**

YEAR ENDED JUNE 30, 2010

INTRODUCTORY SECTION

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
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June 30, 2010

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STATE OF NEW MEXICO

Clovis Community College

Directory of Officials

June 30, 2010

<u>Name</u>	<u>Board</u>	<u>Title</u>
Arnold Martinez		Chair
Charles Guthals		Secretary
Gayla Brumfield		Member
Russell Muffley		Member
Terry Martin		Member
	<u>Officials</u>	
Theresa Fox		Vice President for Administration and Finance
Jayne Craig		Director of Business Affairs

FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

Independent Auditors' Report

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Board of Trustees
Clovis Community College
Clovis, New Mexico

We have audited the accompanying basic financial statements of the business-type activities and the discretely presented component unit of Clovis Community College (the College) as of and for the year ended June 30, 2010 as listed in the table of contents. We also have audited the budgetary comparisons presented as supplementary information in the accompanying Schedules I, II, III, IV, and V for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of Clovis Community 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 the discretely presented component units of Clovis Community College, as of June 30, 2010, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparisons referred to above present fairly, in all material respects, the budgetary comparisons of the College as of 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 11, 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 8 through 12 is not a required part of the basic financial statements but is 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 of the College, its discretely presented component units, 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 the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying financial information listed as supporting Schedules VII, VIII, and IX in the table of contents is presented for purposes of additional analysis and is 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
November 11, 2010

STATE OF NEW MEXICO
Clovis Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Clovis Community College (CCC or the College) for the year ended June 30, 2010. This discussion should be read along with the accompanying financial statements and footnotes included therein. Management assisted Accounting and Consulting Group, LLP in the preparation of the basic financial statements and related note disclosures and has prepared this discussion and analysis. The basic financial statements, notes, and this discussion, are the responsibility of CCC management.

This management's discussion and analysis (MD&A) includes comparative financial information for fiscal years 2009 and 2010.

Using the Basic Financial Statements

The Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of fiscal year 2010. It is a point-in-time financial statement, the purpose of which is to give the readers a fiscal snapshot of the financial condition of CCC. The statement presents end-of-year data concerning current and non-current assets, current and non-current liabilities, and net assets.

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenue, Expenses, and Changes in Net Assets (SRECNA). The purpose of the SRECNA is to present the revenue received by the College as well as expenses, gains, and losses received or incurred by the College.

The Statement of Cash Flows presents the inflows and outflows of cash, summarized by operating, capital, financing, and investing activities. The statement is prepared using the direct method of cash flows, presenting gross amounts for the year's activities.

Reporting Entity

This financial report presents the basic financial statements of the College and its component unit, the Clovis Community College Foundation (the Foundation). The College acts as the fiscal agent for the Foundation and is therefore considered financially accountable based on criteria set forth in GASB Statement 14, The Financial Reporting Entity.

STATE OF NEW MEXICO
Clovis Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

Net Assets and Revenue, Expenses, and Changes in Net Assets

Clovis Community College
Condensed Summary of Net Assets
For Fiscal Year Ended June 30, 2010
(with comparative totals for 2009)

	June 30, 2010	June 30, 2009
Assets		
Current Assets	7,317,402	6,776,032
Non-Current Assets	22,569,008	21,858,948
Total Assets	\$29,886,410	\$28,634,980
Liabilities		
Current Liabilities	1,373,555	908,742
Non-Current Liabilities	1,465,000	2,005,605
Total Liabilities	\$2,838,555	\$2,914,347
Net Assets	\$27,047,855	\$25,720,633
Net Assets		
Invested in Capital Assets, Net of Related Debt	20,273,222	20,198,948
Restricted	730,786	687,957
Unrestricted	6,043,847	4,833,728
Total Net Assets	\$27,047,855	\$25,720,633

Current assets include cash and other assets that are deemed to be consumed or convertible to cash within one year. The most significant current assets of the College at June 30, 2010 are the investment in the State General Fund Investment Pool of \$5,700,000, of which \$730,786 is restricted.

Non-current assets are capital assets, net of accumulated depreciation, of \$21,838,222 and restricted investments of \$730,786.

Current liabilities are generally defined as amounts due within one year, and include accounts payable, payroll accruals, and accrued annual leave.

Bonds payable is the largest non-current liability of the College, totaling \$1,465,000. Annual debt service for the bonds is approximately \$175,000 through the year 2022.

At June 30, 2010, the College's current ratio, the amount of current assets (\$7,317,402) available to cover current liabilities (\$1,373,555) was 5.33 to 1.

STATE OF NEW MEXICO
 Clovis Community College
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2010

Net Assets and Revenue, Expenses, and Changes in Net Assets
Clovis Community College
Condensed Summary of Revenues and Expenses
For Fiscal Year Ended June 30, 2010
(with comparative totals for 2009)

	June 30, 2010	June 30, 2009
Operating Revenues by Major Source		
Tuition and Fees	1,219,098	1,154,352
Grants and Contracts	11,462,058	7,663,840
Auxiliary Services	1,096,921	1,245,099
Other	92,584	159,488
Total Operating Revenues	\$13,870,661	\$10,222,779
Operating Expenses by Major Function		
Instruction	6,953,781	7,579,708
Academic Support	1,215,334	1,237,084
Student Services	1,774,366	1,799,957
Institutional Support	1,890,031	1,950,210
Internal Services	(20,032)	0
Student Social and Cultural	133,878	0
Operation and Maintenance of Plant	1,561,393	1,574,507
Depreciation	1,344,177	1,315,605
Public Service	3,184,565	2,600,409
Student Aid	3,543,514	2,074,543
Auxiliary Services	1,853,228	1,686,623
Other Operating Expenses	448,733	640,309
Total Operating Expenses	\$23,882,968	\$22,458,955
Non-Operating Revenues (Expenses)		
State Appropriation	10,053,713	13,380,473
Local Tax Levy	1,068,150	1,031,963
Investment Income	(2,141)	472
Private Gifts	3,338	2,011
Gain (Loss) on Disposal of Capital Assets	(4,227)	(83,203)
Interest on Capital Asset Related Debt	(79,468)	0
Other	0	(3,081)
Total Non-Operating Revenues Expenses)	\$11,039,365	\$14,328,635
Total Increase (Decrease) in Net Assets	\$1,027,058	\$2,092,459

STATE OF NEW MEXICO
Clovis Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

Revenues in the reporting model are shown by source of funding. Operating revenues are generally defined as exchange transactions that are produced in the primary business functions of the College, including instruction, public service, and auxiliary services. Non-operating revenues are generally defined as non-exchange transactions and include state appropriations, local tax levy, gifts, and interest income. While classified as non-operating revenue, state appropriations account for a vast majority of the College's revenues and provide much-needed support for the operation of the College.

Operating expenses for the College are presented in a functional format showing the major functions of the College, with expenditures for instruction and for the support of instruction representing a majority of operating expenses.

Total net assets (assets minus liabilities) are classified by the College's ability to use those assets to meet operating needs. Net assets that are restricted as to their use by sponsoring agencies or donors are classified as non-expendable (for example, permanent endowments) or expendable (contract or grant net assets). Unrestricted net assets may be used to meet all operating needs of the College.

General Budgetary Highlights

During Fiscal Year 2010, the Board of Trustees and the New Mexico Higher Education Department approved budget adjustments to reflect final audited balances forward, and changes in additional revenue and expenditures.

Unrestricted Instruction and General actual revenues were 100% of budgeted expectations and expenditures were 94% of budgeted expectations, resulting in a net increase of \$82,011 in Fund Balance on a budgetary basis. Actual revenues were above budgeted revenues in the amount of \$11,513 and actual expenditures were below budgeted expenditures in the amount of \$734,444.

The College has been awarded five multi-year federal grants since 2005. The primary purposes of these grants are: 1) to prepare and transition high school students into college and 2) to better serve students registered at Clovis Community College.

Analysis of Overall Financial Position

The overall financial position of the College is stable. The College's current ratio, the amount of current assets available to cover current liabilities, is 5.33 to 1. The actual increase in net assets, as stated in the Statement of Revenues, Expenses and Changes in Fund Net Assets, is \$1,027,058. This amount of increase is due primarily to: an increase in non-operating revenues from a generous private donor, an increase in restricted grants, and a conservative approach to Instruction and General Expenditures.

Expenditures have been conservative due to continued projected State of New Mexico revenue shortfalls which will continue to adversely impact state funding for higher education. The actual increase in operating expenditures is \$1,424,013, which amounts to a 6.3% increase due to increases in federal funding, which includes recurring and non-recurring grant funds particularly Pell and SEOG Grant awards.

STATE OF NEW MEXICO
Clovis Community College
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

Factors Impacting Future Periods

Clovis Community College experienced a significant increase in enrollment for FY 2010, which increased by 18.5%. The College anticipates there will be continued enrollment growth of 2% for FY 2011. A factor contributing to enrollment growth is the changes in federal regulations allowing financial assistance to spouses of military personnel. Cannon Air Force Base is a key contributor to the increase in the college's enrollment growth. Of major concern is the continued projected shortfall in the State of New Mexico revenues and the ability of the legislature to fund work load growth as specified in the appropriation formula for institutions of higher education in the state. It is important to note that the formula for funding higher education in New Mexico is under review.

Construction of the new Allied Health Science Building was completed in August and opened to nursing students at the beginning of the FY 2010 fall semester. This new building has greatly enhanced the ability of the College to admit more students to the nursing program. Funding for Phase II of this project was approved in November 2008 as part of the 2008 State of New Mexico General Obligation Bond issue for \$4,000,000 and Private Funding of \$1,700,000. Phase II will provide additional classrooms, lab space and faculty offices. This \$5,700,000 project is underway in FY 2010 and construction is anticipated to be completed in summer 2012. A LEED Certification level of "Silver" will be pursued for the technologically advanced sustainable facility.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
 Statements of Net Assets
 June 30, 2010

ASSETS	Primary Institution	Component Unit CCC Foundation
Current:		
Cash and Cash Equivalents	\$ 213,846	\$ 101,747
Investments	4,969,214	-
Accounts Receivable, net	1,586,017	6,706
Inventories	355,204	-
Prepaid Expenses and Deferred Charges	266,898	-
Total Current Assets	<u>7,391,179</u>	<u>108,453</u>
Noncurrent:		
Restricted Cash	-	1,324,580
Restricted Investments	730,786	160,000
Capital Assets, Net	21,838,222	73,165
Other Assets	-	3,845
Total Noncurrent Assets	<u>22,569,008</u>	<u>1,561,590</u>
Total Assets	<u>\$ 29,960,187</u>	<u>\$ 1,670,043</u>
LIABILITIES		
Current:		
Accounts Payable and Accrued Liabilities	\$ 449,975	\$ -
Deferred Revenue	350,908	-
Compensated Absences Payable	472,672	-
Current Portion of Long-Term Obligations	100,000	-
Total Current Liabilities	<u>1,373,555</u>	<u>-</u>
Noncurrent:		
Accrued Compensated Absences	-	-
Noncurrent Portion of Long-Term Obligations	1,465,000	-
Total Noncurrent Liabilities	<u>1,465,000</u>	<u>-</u>
Total Liabilities	<u>2,838,555</u>	<u>-</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	20,273,222	73,165
Restricted:		
Nonexpendable:		
Scholarships	730,786	1,484,580
Expendable:		
Other	-	-
Unrestricted	6,117,624	112,298
Total Net Assets	<u>27,121,632</u>	<u>1,670,043</u>
Total Liabilities and Net Assets	<u>\$ 29,960,187</u>	<u>\$ 1,670,043</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
 Statements of Revenues, Expenses and Changes in Net Assets
 For the Year Ended June 30, 2010

	<u>Primary Institution</u>	<u>Component Unit CCC Foundation</u>
Operating Revenues:		
Student Tuition and Fees (net of discounts and allowances of \$1,318,621)	\$ 1,219,098	\$ -
Federal Grants and Contracts	8,037,158	-
State Grants and Contracts	1,507,412	-
Private Grants and Contracts	1,917,488	-
Sales and Services (net of discounts and allowances of \$639,415)	1,096,921	-
Other Operating Revenues	92,584	-
Total Operating Revenues	<u>13,870,661</u>	<u>-</u>
Operating Expenses:		
Education and General		
Instruction	6,953,781	-
Public Service	3,184,565	-
Academic Support	1,215,334	-
Student Services	1,774,366	-
Institutional Support	1,890,031	-
Student Social and Cultural	133,878	-
Internal Services	(20,032)	-
Operation and Maintenance of Plant	1,561,393	-
Depreciation & Amortization	1,344,177	2,165
Student Aid	3,543,514	-
Auxiliary Enterprises	1,853,228	-
Other Operating Expenses	448,733	1,584,788
Total Operating Expenses	<u>23,882,968</u>	<u>1,586,953</u>
Operating Income/(Loss)	<u>(10,012,307)</u>	<u>(1,586,953)</u>
Non-operating Revenue (Expenses)		
Ad Valorem Taxes	1,141,927	-
State Appropriations	10,053,713	-
Private Gifts	3,338	1,999,657
Investment Income (Loss) - Net of Expenses	(2,141)	18,174
Interest on Capital Asset Related Debt	(79,468)	-
Loss on Disposal of Capital Assets	(4,227)	-
Other Non-Operating Revenues	-	4,770
Other Non-Operating Expenses	-	(8,779)
Total Non-Operating Revenues/(Expenses)	<u>11,113,142</u>	<u>2,013,822</u>
Increase in Net Assets	1,100,835	426,869
Net Transfers	-	-
Beginning Net Assets - As Previously Stated	25,720,633	1,243,174
Restatement - Note 17	300,164	-
Beginning Net Assets - As Restated	<u>26,020,797</u>	<u>1,243,174</u>
Net Assets, End of Year	<u>\$ 27,121,632</u>	<u>\$ 1,670,043</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
 Statements of Cash Flows
 For the Year Ended June 30, 2010

	Primary Institution	Component Unit CCC Foundation
Cash Flows from Operating Activities		
Receipts from Student Tuition and Fees	\$ 1,371,288	\$ -
Receipts from Grants and Contracts	11,367,713	-
Other Receipts	1,209,537	-
Payments to or on Behalf of Employees	(12,951,017)	-
Payment to Suppliers for Goods and Services	(3,998,363)	(1,747)
Payments for Scholarships	(3,543,514)	(1,584,788)
Payments for Institutional Support	(1,890,031)	(209)
Net Cash Provided/(Used) by Operating Activities	<u>(8,434,387)</u>	<u>(1,586,744)</u>
Cash Flows from Non-Capital Financing Activities		
Ad Valorem Tax Revenues	1,068,150	-
State Appropriations	10,053,713	-
Gifts and Grants Received for Non-Capital Purposes	3,338	1,999,657
Net Cash Provided/(Used) by Non-Capital Financing Activities	<u>11,125,201</u>	<u>1,999,657</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(1,327,678)	-
Capital Assets Abandoned	4,227	-
Payments on Capital Debt	(174,468)	-
Net Cash Provided/(Used) by Capital and Related Financing	<u>(1,497,919)</u>	<u>-</u>
Cash Flows from Investing Activities		
Investment Earnings	(6,368)	18,174
Investment in Local Government Investment Pool	(1,760,000)	-
Other Non-Operating Income Net of Related Expenses	-	(4,009)
Net Cash Provided/(Used) by Investing Activities	<u>(1,766,368)</u>	<u>14,165</u>
Increase (Decrease) in Cash and Cash Equivalents	(573,473)	427,078
Beginning Cash and Cash Equivalents - As Previously Stated	4,727,319	1,159,249
Reclassification - Note 17	(3,940,000)	(160,000)
Beginning Cash and Cash Equivalents - As Restated	<u>787,319</u>	<u>999,249</u>
Cash and Cash Equivalents - End of Year	<u>\$ 213,846</u>	<u>\$ 1,426,327</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
 Statements of Cash Flows
 For the Year Ended June 30, 2010

	<u>Primary Institution</u>	<u>Component Unit CCC Foundation</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used by Operations		
Operating Income/(Loss)	\$ (10,012,307)	\$ (1,586,953)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operations:		
Depreciation and Amortization	1,344,177	2,165
Change in Assets and Liabilities:		
Receivables	(94,345)	(1,747)
Inventories	34,096	-
Other Assets	(25,380)	(209)
Accounts Payable & Deferred Liabilities	156,439	-
Compensated Absences	10,743	-
Deferred Revenue	152,190	-
Net Cash Provided/(Used) by Operating Activities	<u>\$ (8,434,387)</u>	<u>\$ (1,586,744)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

ASSETS

Cash and Cash Equivalents	\$ 38,658
	<u>38,658</u>
Total Assets	<u>\$ 38,658</u>

LIABILITIES

Due to Student Organizations	\$ 38,658
	.
Total Liabilities	<u>\$ 38,658</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 1. NATURE OF ACTIVITIES

Clovis Community College was created by majority vote of the Curry County electorate on September 18th, 1990. Formerly a branch campus of Eastern New Mexico University, Clovis Community College (the College) was reorganized under the state “Junior College Act” (i.e. Section 21-13-1 through 21-13-25 New Mexico Statutes Annotate, 1978 compilation, as amended). The purpose of the Junior College Act is to provide for the creation of local junior colleges and to extend the privilege of a basic vocational technological or higher education to all persons who are qualified to pursue the courses of study offered. The College is funded through appropriations from the State of New Mexico, local mil tax levy, and tuition and fees.

The College is governed by a Board of Trustees consisting of five members elected from single member districts within Curry County. The Board’s authority is established by state statute, specifically the 1985 Community college Act as amended. The Board employs a President and Vice President for Finance and Administration who are responsible for the management of the day-to-day control of the institution including the hiring of administrative officers, faculty, and staff.

The mission of the College is to improve the quality of life of the citizens its serves by meeting the educational and human needs of the entire community in concert with other community agencies, business, industries, and other groups.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

As of July 1, 2002, Clovis Community College and its component unit were required to implement Governmental Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statements and management's discussion and Analysis for State and Local Governments*; GASB Statement No. 35 - *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; GASB Statement No. 37 ~ *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*; GASB Statement No. 38 *Certain Financial Statement Note Disclosures*. This financial report provides an entity-wide perspective of the College's assets, liabilities, and net assets, revenues, expenses and changes in net assets, and cash flows. Presentation under GASB Statement Nos. 34, 35, 37, and 38 replaces the fund-group accounting perspective that was previously required.

Clovis Community College Foundation is a legally separate, tax-exempt component unit of Clovis Community College (College). The Foundation acts primarily as a fund raising organization to supplement the resources that are available to the College in support of its programs. The twenty-one member board of the foundation consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can be used by or for the benefit of the College only, the foundation is considered a component unit of the College and is discretely presented in the College’s financial statements.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant intra-entity 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 after the applicable date

C. Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with original maturities of three months or less.

D. Inventories

Inventories, consisting mainly of bookstore, and cosmetology items held for resale, valued at the lower of cost or market on a first-in, first-out (FIFO) basis.

E. Budgetary Process

Operating budgets are submitted for approval to the Board of Trustees, the State of New Mexico Higher Education Department (HED), and the State Budget Division of the Department of Finance and Administration (DFA) and are prepared on a modified accrual basis, including capital outlay and retirement of indebtedness. Similarly, separate legislative budget requests are submitted to the Board of Trustees, HED and the DFA for inclusion in the State of New Mexico Executive Budget for consideration of appropriations by the state legislature.

Total expenditures or transfers in each of these items of budgetary control may not exceed the amount shown in the approved budget - A. unrestricted expenditures and restricted expenditures are considered separately; B. instruction and general; C. each budget function in current funds other than instruction and general; D. within the plant funds budget: major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service; and E. each individual item of transfer between funds and/or functions.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ significantly from those estimates.

G. Capital Assets

Capital assets are recorded at original cost, or fair value if donated. The College's capitalization policy for moveable equipment includes all items with a unit cost of \$5,000 or more and an estimated useful life 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. Information Technology Equipment, including software, is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9C(5). Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is calculated using the straight line method over the estimated useful lives of the assets, as follows:

Life in Years

Buildings and improvements	40
Land improvements	20
Library books	10
Equipment	5-12

H. Net Assets

Invested in capital assets, net of related debt represents the College's total investment in capital assets net of outstanding debt 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 component of invested in capital assets, net of related debt.

Restricted net assets represent those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. Restricted expendable net assets are resources that the College is legally or contractually obligated to spend in accordance with imposed restrictions by third parties. Restricted, non-expendable net assets consist of endowment and similar funds in which third parties have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income. The income generated from the principal may be expended or added to principal. The amount of net appreciation for the College and the Foundation are \$1,352 and \$18,174, respectively.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Net Assets (continued)

Unrestricted net assets consist of those operating funds over which the governing board retains full control to use in achieving any of its authorized use.

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 toward restricted resources, and then toward unrestricted resources.

I. Revenues

The College's revenues are classified as operating or non-operating according to the following criteria:

Operating Revenues

Operating revenues include activities that have the characteristics of an exchange transaction, such as a) student tuition and fees, net of scholarship discounts and allowances; b) sales and services; and c) non-exchange transactions such as contracts and grants.

Non-operating Revenues

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as a) appropriations; b) taxes; and c) investment income.

Student tuition and fee revenue and auxiliary enterprises revenue from students are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain government grants, such as Pell grants, and other federal, state or non-governmental programs, are recorded as operating or non-operating revenue in the College's financial statements. To the extent that revenue from such programs are used to satisfy tuition and fees, other student charges, and auxiliary enterprise charges the College has recorded a scholarship allowance.

In accordance with House Bill 2, in general, 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.

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

J. Expenses

The College's expenses are classified as operating or non-operating according to the following criteria:

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Expenses (continued)

Operating expenses include activities that have the characteristics of an exchange transaction, such as a) employee salaries, benefits, and related expenses; b) scholarships and fellowships, net of scholarship discounts and allowances; c) utilities, supplies, and other services; d) professional fees; and e) depreciation expenses related to College property, plant, and equipment.

Non-operating expense include activities that have the characteristics of non-exchange transactions, such as interest on capital-related debt and bond expenses that are defined as non--operating expenses by GASB Statement No.9 - *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34.

K. Tax Status

The income generated by the college is excluded from Federal income taxes under Section 115(a) of the Internal Revenue Code. The College is exempt under Section 501 (a) of the Internal Revenue Code as an organization described in Section 501 (c) (3). See Note 12 for the discretely presented component unit: Clovis Community College Foundation.

L. Receivables and Payables

The College records student accounts receivable at the time a student registers for classes. Provisions for uncollectible student accounts are recorded to maintain adequate allowance for anticipated losses. See Note 4 for segregation of accounts receivable.

Accounts payable and accrued liabilities consist of \$22,966 in payroll and related tax liabilities and \$427,009 in accounts payable to vendors.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 3. DEPOSITS AND INVESTMENTS

State statutes authorize the investment of funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts and United States Government obligations. Management of the College is not aware of any investments that did not properly follow State investment requirements as of June 30, 2010.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the College. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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

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

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2010, \$768,140 of the College's bank balances of \$855,805 was exposed to custodial credit risk. \$768,140 was uninsured and collateralized by securities held by the pledging financial institution's trust department or agent, but not in the College's name and \$0 was uninsured and uncollateralized.

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. However, on October 14, 2008, the FDIC announced a new Transaction Account Guarantee (TAG) Program, that provide depositors' with unlimited coverage through December 31, 2010, for insured depository institutions (IDIs) currently participating in the TAG program, with the possibility of an additional extension of up to 12 months without additional rulemaking, upon a determination by the FDIC's Board of Directors that continuing economic difficulties warrant further extension. With regards to this Transaction Guarantee Program, noninterest-bearing checking accounts include Demand Deposit Accounts (DDA's) and any other transaction accounts that has unlimited withdrawals and that cannot earn interest. Also included in this program, are low-interest NOW accounts that cannot earn more than 0.5% interest.

Section 6-10-17, NMSA 1978, requires that all depositories provide collateral equal to at least one-half of the amount of public monies on deposit. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. All depositories had collateral exceeding the amount required by law as shown in Schedule VI.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

The sources of the component unit cash do not meet the definition of public monies. Therefore, the component units are not required to follow State Statutes and no collateralization is required. As of June 30, 2010, \$0 of the component unit's bank balance of \$1,454,143 was exposed to uncollateralized and uninsured amounts.

Investments

At June 30, 2010, investments of the University are summarized as follows:

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
<i>New MexiGROW</i> LGIP	AAAm	5,677,079	50 days
Reserve Contingency Fund	Unrated	22,921	Does not earn interest
		<u>\$ 5,700,000</u>	

The *New MexiGrow* Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per section 6-10-10(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. As of June 30, 2010, the University's investment in the State Treasurer Local Government Investment Pool was rated AAAm by Standard & Poor's.

Interest Rate Risk. The College and its component units do not have a formal investment policy that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The College has an investment policy that requires an allocation percentage of 75% of the funds will be invested in equities and 25% in fixed income securities.

Concentration of Credit Risk. The College places no limit on the amount it may invest in any one issuer.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 4. RECEIVABLES, NET

Receivables, net at June 30, 2010 for the College, consists of the following:

	<u>Primary Institution</u>	<u>Component Unit</u>
Tuition and fees	\$ 580,619	\$ -
Contracts and grants	1,231,201	-
Interactive accounts	524,575	-
Accrued interest receivables	845	4,195
Property taxes	73,777	
Other	-	2,511
	<u>2,411,017</u>	<u>6,706</u>
Less: Allowanc for doubtful accounts	<u>(825,000)</u>	-
Net Total Receivables	<u>\$ 1,586,017</u>	<u>\$ 6,706</u>

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, is summarized as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 286,400	\$ -	\$ -	\$ 286,400
Fine art	745,165	222,200	-	967,365
Construction in progress	3,592,654	5,677	3,592,654	5,677
Total capital assets not being depreciated	<u>4,624,219</u>	<u>227,877</u>	<u>3,592,654</u>	<u>1,259,442</u>
Capital assets being depreciated:				
Buildings and improvements	24,439,963	4,220,892	-	28,660,855
Equipment	7,077,270	410,837	17,106	7,471,001
Library books	1,865,368	60,726	11,589	1,914,505
Land improvements	1,836,373	-	-	1,836,373
Total other capital assets, at cost	<u>35,218,974</u>	<u>4,692,455</u>	<u>28,695</u>	<u>39,882,734</u>
Less accumulated depreciation:				
Buildings and improvements	10,613,594	721,696	-	11,335,290
Land improvements	1,183,246	57,851	-	1,241,097
Equipment	4,529,260	513,976	12,879	5,030,357
Library books	1,658,145	50,654	11,589	1,697,210
Total accumulated depreciation	<u>17,984,245</u>	<u>1,344,177</u>	<u>24,468</u>	<u>19,303,954</u>
Other capital assets, net	<u>\$ 21,858,948</u>	<u>\$ 3,576,155</u>	<u>\$ 3,596,881</u>	<u>\$ 21,838,222</u>
Capital asset summary				
Capital assets not being depreciated	\$ 4,624,219	\$ 227,877	\$ 3,592,654	\$ 1,259,442
Other capital assets, at cost	35,218,974	4,692,455	28,695	39,882,734
Total cost of capital assets	39,843,193	4,920,332	3,621,349	41,142,176
Less accumulated depreciation	17,984,245	1,344,177	24,468	19,303,954
Capital assets, net	<u>\$ 21,858,948</u>	<u>\$ 3,576,155</u>	<u>\$ 3,596,881</u>	<u>\$ 21,838,222</u>
Component unit - net capital assets	<u>\$ 75,330</u>	<u>\$ (2,165)</u>	<u>\$ -</u>	<u>\$ 73,165</u>

NOTE 6. BONDS PAYABLE

On August 1, 2001, the College issued System Revenue Bonds in the principal amount of \$2,290,000. The Bonds were issued for the purpose of constructing, improving, remodeling, furnishing and equipping the College's Library and Technology Center. Aggregate principal outstanding at June 30, 2010 is \$1,465,000 with interest ranging from 4.0% to 4.75%. The bonds are secured by pledged revenues from the College's revenue producing facilities, gross proceeds or student tuition and fees, and certain other revenues devised from sources other than ad valorem taxation or appropriations. The reserve requirement for the bonds is equal to the lesser of the maximum annual debt service requirement, 125% of the average annual debt service, or 10% of the principal amount of the bonds. The remaining principal and interest to be paid on the bonds total \$2,107,070. During the current year, pledged revenue was \$2,408,603 compared to the annual debt requirements of \$174,468.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 6. BONDS PAYABLE (continued)

Clovis Community College maintains at least \$177,860 in the debt service fund in compliance with this agreement.

	June 30, 2009	Additions	Deletions	June 30, 2010	Due Within One Year
System Revenue Series 8/11/01	\$ 1,660,000	\$ -	\$ 95,000	\$ 1,565,000	\$ 100,000

The annual requirements to amortize the August 1, 2001 Series general obligation bonds outstanding as of June 30, 2010 including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service Service
2011	\$ 100,000	\$ 75,430	\$ 175,430
2012	105,000	71,080	176,080
2013	110,000	66,408	176,408
2014	115,000	61,403	176,403
2015	120,000	56,055	176,055
2016-2020	690,000	187,195	877,195
2021-2022	325,000	24,500	349,500
	\$ 1,565,000	\$ 542,070	\$ 2,107,070

NOTE 7. DEFERRED REVENUE

Deferred revenue consists of summer tuition revenue in the amount of \$350,908 at June 30, 2010.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 8. ACCRUED COMPENSATED ABSENCES

College employees earn annual leave at various rates based upon type of employment and such leave may be accumulated to a maximum of 352 hours.

Employees also earn sick leave at various rates based upon type of employment to a maximum accumulation of 1,040 hours. Sick leave is not payable to the employee and is lost upon termination; therefore, no accrual is made for sick leave in the financial statements. The summary of changes in compensated absences is as follows:

	Balance June 30, 2009	Increase	(Decrease)	Balance June 30, 2010	Amount Due Within One Year
Compensated Absences					
Absences Payable	\$ 461,929	\$ 490,116	\$ (479,373)	\$ 472,672	\$ 472,672

NOTE 9. PENSION PLAN - EDUCATION RETIREMENT BOARD

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

Funding Policy. 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. The 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 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. The College's contributions to ERB for the years ending June 30, 2010, 2009, and 2008 were \$936,120, \$974,075 and \$878,051, respectively, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 10. CONTINGENT LIABILITIES

The College participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the College may be required to reimburse the grantor government. As of June 30, 2010, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the College.

NOTE 11. SUBSEQUENT EVENTS

The New Mexico State Treasurer's Office invested a portion of the LGIP in the Reserve Primary Fund ("the Fund"), a money market fund, in fiscal years 2006, 2007, 2008, and 2009. On September 15, 2008, the balanced of the LGIP's investment in the Fund was \$381.7 million. On September 16, 2008, the Reserve Primary Fund's net asset value fell below \$1.00 and holdings in the Fund were frozen.

On July 15, 2010, the Reserve announced that it will begin its seventh distribution to Primary Fund shareholders on or about July 16, 2010. The distribution, in the amount of approximately \$215 million, represents approximately 67% of the Fund's remaining asset value of \$323 million as of the close of business on July 9, 2010. Including this seventh distribution, \$50.7 billion of Fund assets as of the close of business on September 15, 2008, will have been returned to investors. There is \$108 million still remaining with the Reserve at this time and the State Treasurer's Office has no information about timing nor amounts of potential future distributions. As a result, the State Treasurer's Office cannot anticipate what the actual loss to the LGIP from the Reserve Primary Fund may be or when the actual loss may be realized. No actual loss has been realized to date.

NOTE 12. DISCRETE COMPONENT UNIT - CLOVIS COMMUNITY COLLEGE FOUNDATION

Clovis Community College Foundation (the "Foundation") is a New Mexico non-profit corporation formed in 1997 to encourage, solicit, receive and administer gifts and bequests of property for the advancement of Clovis Community College. The Foundation is accounted for separately in the Basic Financial Statements of the College, and has a June 30 fiscal year end.

The Foundation is a non-profit corporation operating under 501 (c) (3) of the Internal Revenue Code, and is generally exempted from Federal income taxes. Accordingly, no provision for income taxes is included in the financial statements.

NOTE 13. JOINT POWERS AGREEMENT

The College is a member of a purchasing cooperative formed with the approval of the New Mexico Department of Finance and Administration. All public education institutions in the state of New Mexico are eligible to be members of the cooperative. The College has no equity or other financial interest in the cooperative except to the extent it makes purchases through the cooperative.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 13. JOINT POWERS AGREEMENT (continued)

Participants	All School Districts, Clovis Community College, Luna Vocational Technical Institute, San Juan College
Party Responsible for operations	N/A
Description	To make purchases through the coop at a discount.
Beginning and Ending Dates	12/18/84 -
Total Estimated Cost	N/A
Amount Contributed in the Current Year	None
Audit Responsibility	N/A
Fiscal agent	N/A
Agency where the entity reports	N/A

NOTE 14. MEMORANDUM OF UNDERSTANDING

The College entered into the following memorandums of understanding:

Participants	Clovis Community College and Eastern Area Workforce Development Board
Party Responsible for operations	Clovis Comprehensive Workforce Center Partners
Description	To occupy and maintain property for TANF program..
Beginning and Ending Dates	8/07/08 - Until Terminated
Total Estimated Cost	Unknown
Amount Contributed in the Current Year	None
Audit Responsibility	Clovis Community College
Fiscal agent	N/A
Agency where the entity reports	Clovis Community College

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 14. MEMORANDUM OF UNDERSTANDING (continued)

Participants	Clovis Community College and Cannon Air Force Base
Party Responsible for operations	Clovis Community College
Description	To establish ITV site on base.
Beginning and Ending Dates	7/13/09 - 7/13/10
Total Estimated Cost	None
Amount Contributed in the Current Year	None
Audit Responsibility	Clovis Community College
Fiscal agent	N/A
Agency where the entity reports	Clovis Community College
Participants	Clovis Community College and Cimarron Municipal Schools
Party Responsible for operations	Clovis Community College
Description	To provide dual credit program..
Beginning and Ending Dates	07/01/08 - 06/30/12
Total Estimated Cost	None
Amount Contributed in the Current Year	None
Audit Responsibility	Clovis Community College
Fiscal agent	N/A
Agency where the entity reports	Clovis Community College

NOTE 15. TAX-DEFERRED ANNUITY PLAN

The College provides a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan is available to employees who normally work 20 hours or more per week. The College does not contribute to the plan. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code.

NOTE 16. RELATED PARTY TRANSACTIONS

On July 1, 2009, the College entered into a contract for basic insurance for the College. The husband of an employee of the College has a minority ownership in the insurance company. As of June 30, 2010, \$213,980 has been paid to the insurance company.

NOTE 17. PRIOR PERIOD ADJUSTMENT AND RECLASSIFICATIONS

Restatements:

During the period, it was determined that accrued payroll at June 30, 2009 was duplicated in the statement of Revenues, Expenses, and Changes in Net Assets by \$300,164. The following schedule recaps the changes to the beginning net assets:

Net assets, as originally stated	\$ 25,720,633
Adjustments:	
Duplicate payroll accrual	<u>300,164</u>
Net assets, as restated	<u><u>\$ 26,020,797</u></u>

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 17. PRIOR PERIOD ADJUSTMENT AND RECLASSIFICATIONS (continued)

It was determined that the Schedules of Budgeted and Actual Revenues and Expenditures for unrestricted instruction and general and the unrestricted non-instruction and general had a formula listed incorrectly on the transfers line. The \$584,219 was actually a transfer to unrestricted non-instruction and general from unrestricted instruction and general. The following schedule recaps the changes to the beginning fund balances for Schedule of Budgeted and Actual Revenues and Expenditures for Unrestricted Instruction and General:

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)
Beginning fund balance, as originally stated	\$ 2,423,664	\$ 1,882,881	\$ 2,702,480
Adjustments:			
Correction of formula	<u>(1,168,438)</u>	<u>(1,168,438)</u>	<u>(1,168,438)</u>
Beginning fund balance, as rested	<u>\$ 1,255,226</u>	<u>\$ 714,443</u>	<u>\$ 1,534,042</u>

The following schedule recaps the changes to the beginning fund balances for Schedule of Budgeted and Actual Revenues and Expenditures for Unrestricted Non-Instruction and General:

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)
Beginning fund balance, as originally stated	\$ (53,193)	\$ 368,508	\$ 2,301,116
Adjustments:			
Correction of formula	<u>1,168,438</u>	<u>1,168,438</u>	<u>1,168,438</u>
Beginning fund balance, as rested	<u>\$ 1,115,245</u>	<u>\$ 1,536,946</u>	<u>\$ 3,469,554</u>

Reclassification:

The end of year cash and cash equivalents on the schedule of cash flows at June 30, 2009 included investments. Therefore, the following adjustment is necessary to the beginning of year cash to remove the investments:

Cash and cash equivalents – June 30, 2009	\$ 4,727,319	\$ 1,159,249
Less investments	<u>(3,940,000)</u>	<u>(160,000)</u>
Cash and cash equivalents – as reclassified at June 30, 2009	<u>\$ 787,319</u>	<u>\$ 999,249</u>

NOTE 18. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2010, expenditures exceed appropriations as follows:

	Original Budget	Final Budget	Actual Expenditures	Variance
Restricted Non-Instructional and General Student Aid, Grants and Stipends	\$5,323,000	\$5,377,600	\$5,626,106	(\$248,506)

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Schedule of Budgeted and Actual Revenues and Expenditures
Unrestricted and Restricted
All Operations
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Net Assets Balance	\$ 2,644,469	\$ 3,228,039	\$ 5,511,838	
Unrestricted and Restricted Revenues:				
State Government Appropriations	13,801,000	10,216,534	10,053,708	(162,826)
Federal Revenue Sources	8,797,489	9,685,825	7,994,614	(1,691,211)
Tuition and Fees	2,000,000	2,113,214	2,146,956	33,742
Endowments and Private Gifts	162,000	1,917,583	1,917,488	(95)
Other	4,952,550	5,195,167	4,795,245	(399,922)
Total Unrestricted and Restricted Revenues	29,713,039	29,128,323	26,908,011	(2,220,312)
Unrestricted and Restricted Expenditures:				
Instruction	9,076,332	9,126,190	7,588,053	1,538,137
Academic Support	1,290,000	1,215,700	1,215,334	366
Student Services	1,570,200	1,571,580	1,483,943	87,637
Institutional Support	2,256,000	2,322,400	2,296,195	26,205
Operation and Maintenance of Plant	1,760,000	1,681,100	1,561,393	119,707
Student Social and Cultural Activities	100,000	149,237	133,878	15,359
Public Service	2,209,636	2,977,309	2,150,809	826,500
Internal Services	(18,000)	-	(20,032)	20,032
Student Aid, Grants and Stipends	5,404,828	5,459,428	5,707,934	(248,506)
Auxiliary Services	1,942,400	1,977,400	1,853,312	124,088
Capital Outlay	4,537,000	1,719,247	1,267,367	451,880
Building Renewal and Replacement	400,000	577,034	509,044	67,990
Retirement of Indebtedness	175,000	176,072	174,468	1,604
Total Unrestricted and Restricted Expenditures	30,703,396	28,952,697	25,921,698	3,030,999
Net Transfers	-	-	-	-
Change in Net Assets (Budgetary Basis)	(990,357)	175,626	986,313	\$ (5,251,311)
Ending Net Assets	\$ 1,654,112	\$ 3,403,665	\$ 6,498,151	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Schedule of Budgeted and Actual Revenues and Expenditures
Unrestricted
Non-Instructional and General
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Net Assets as Previously Stated	\$ (53,193)	\$ 368,508	\$ 2,301,116	
Restatement - Note 17	1,168,438	1,168,438	1,168,438	
Beginning Net Assets - as Restated	<u>1,115,245</u>	<u>1,536,946</u>	<u>3,469,554</u>	
Unrestricted Revenues:				
Miscellaneous Fees	320,001	377,001	388,588	\$ 11,587
State Government Appropriations	4,000,000	809,334	643,746	(165,588)
Private Gifts	-	1,760,000	1,760,000	-
Sales and Services	1,939,000	2,002,000	1,617,711	(384,289)
Other	137,000	134,368	134,748	380
Total Unrestricted Revenues	<u>6,396,001</u>	<u>5,082,703</u>	<u>4,544,793</u>	<u>(537,910)</u>
Unrestricted Expenditures:				
Student Social and Cultural Activities	100,000	149,237	133,878	15,359
Public Service	14,647	16,647	9,559	7,088
Internal Services	(18,000)	-	(20,032)	20,032
Student Aid, Grants and Stipends	81,828	81,828	81,828	-
Auxiliary Services	1,942,400	1,977,400	1,853,312	124,088
Capital Outlay	4,537,000	1,719,247	1,267,367	451,880
Building Renewal and Replacement	400,000	577,034	509,044	67,990
Retirement of Indebtedness	175,000	176,072	174,468	1,604
Total Unrestricted Expenditures	<u>7,232,875</u>	<u>4,697,465</u>	<u>4,009,424</u>	<u>688,041</u>
Net Transfers	<u>177,262</u>	<u>377,262</u>	<u>384,262</u>	<u>(7,000)</u>
Change in (Budgetary Basis)	<u>(659,612)</u>	<u>762,500</u>	<u>919,631</u>	<u>\$ (1,232,951)</u>
Ending Net Assets	<u>\$ 455,633</u>	<u>\$ 2,299,446</u>	<u>\$ 4,389,185</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Schedule of Budgeted and Actual Revenues and Expenditures
Restricted
Non-Instructional and General
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Net Assets	\$ -	\$ 64,450	\$ (737,243)	
Restricted Revenues:				
Tuition	-	-	-	\$ -
Federal Government Contracts	6,857,489	6,916,916	6,414,855	(502,061)
State Government Contracts	1,225,500	1,248,835	1,179,571	(69,264)
Private Gifts	150,000	157,583	157,488	(95)
Other	10,000	10,000	3,055	(6,945)
Total Restricted Revenues	<u>8,242,989</u>	<u>8,333,334</u>	<u>7,754,969</u>	<u>(578,365)</u>
Restricted Expenditures:				
Public Service	2,194,989	2,960,662	2,141,250	819,412
Student Aid, Grants and Stipends	5,323,000	5,377,600	5,626,106	(248,506)
Total Restricted Expenditures	<u>7,517,989</u>	<u>8,338,262</u>	<u>7,767,356</u>	<u>570,906</u>
Net Transfers	-	-	-	-
Change in Net Assets (Budgetary Basis)	<u>725,000</u>	<u>(4,928)</u>	<u>(12,387)</u>	<u>\$ (1,149,271)</u>
Ending Net Assets	<u>\$ 725,000</u>	<u>\$ 59,522</u>	<u>\$ (749,630)</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Schedule of Budgeted and Actual Revenues and Expenditures
Unrestricted
Instructional and General
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Net Assets - as previously stated	\$ 2,423,664	\$ 1,882,881	\$ 2,702,480	
Restatement - Note 17	(1,168,438)	(1,168,438)	(1,168,438)	
Beginning Net Assets - as restated	\$ 1,255,226	\$ 714,443	\$ 1,534,042	
Unrestricted Revenues:				
Tuition	2,000,000	2,113,214	2,146,956	\$ 33,742
State Government Appropriations	9,801,000	9,407,200	9,409,962	2,762
Local Government Appropriations	1,030,000	1,055,000	1,068,150	13,150
Federal Government Contracts and Grants	105,000	199,920	112,698	(87,222)
State Government Contracts and Grants	163,049	151,641	151,641	-
Other	116,000	26,500	75,581	49,081
Total Unrestricted Revenues	13,215,049	12,953,475	12,964,988	11,513
Unrestricted Expenditures:				
Instruction	6,492,332	6,442,379	5,941,850	500,529
Academic Support	1,290,000	1,215,700	1,215,334	366
Student Services	1,570,200	1,571,580	1,483,943	87,637
Institutional Support	2,256,000	2,322,400	2,296,195	26,205
Operation and Maintenance of Plant	1,760,000	1,681,100	1,561,393	119,707
Total Unrestricted Expenditures	13,368,532	13,233,159	12,498,715	734,444
Net Transfers	(177,262)	(377,262)	(384,262)	7,000
Change in Net Assets (Budgetary Basis)	(330,745)	(656,946)	82,011	\$ (715,931)
Ending Net Assets	\$ 924,481	\$ 57,497	\$ 1,616,053	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Schedule of Budgeted and Actual Revenues and Expenditures
Restricted
Instructional and General
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Net Assets	\$ -	\$ -	\$ 863,247	
Restricted Revenues:				
Federal Contracts and Grants	1,835,000	2,568,989	1,467,061	\$ (1,101,928)
State Contracts and Grants	12,000	189,822	176,200	(13,622)
Private Grants	12,000	-	-	-
Total Restricted Revenues	<u>1,859,000</u>	<u>2,758,811</u>	<u>1,643,261</u>	<u>(1,115,550)</u>
Restricted Expenditures:				
Instruction	2,584,000	2,683,811	1,646,203	1,037,608
Total Restricted Expenditures	<u>2,584,000</u>	<u>2,683,811</u>	<u>1,646,203</u>	<u>1,037,608</u>
Net Transfers	-	-	-	-
Change in Net Assets (Budgetary Basis)	<u>(725,000)</u>	<u>75,000</u>	<u>(2,942)</u>	<u>\$ (2,153,158)</u>
Ending Net Assets	<u>\$ (725,000)</u>	<u>\$ 75,000</u>	<u>\$ 860,305</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
 Reconciliation of Changes in Net Assets
 GAAP Basis to Budgetary Basis
 For the Year Ended June 30, 2010

Reconciliation of Change in Net Assets on GAAP Basis to Budgetary Basis

Change in Net Assets (GAAP Basis)		\$ 1,100,835
Add: Depreciation Expense		1,344,177
Loss on Disposal of Assets		4,227
Accounts Payable		8,999
Compensated Absences		10,743
Other		11,719
Less: Capital Outlay Amounts		(1,325,610)
Payment of Principal on Debt		(95,000)
		(95,000)
Change in Net Assets (Budgetary Basis)		<u><u>\$ 1,060,090</u></u>

The accompanying notes are an integral part of these financial statements.

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
 Schedule of Deposit and Investment Accounts
 June 30, 2010

Account Name	Account Type	NM Bank and Trust	Penn Security Bank	NM State Treasurer	Total
Deposits					
General Account	Checking	\$ 9,050	\$ -	\$ -	\$ 9,050
Accounts Payable	Checking	-	-	-	-
Payroll	Checking	-	-	-	-
Repurchase agreement	Repurchase Agreement	768,140	-	-	768,140
Auxiliary	Checking	64,666	-	-	64,666
Business Office Credit Card	Checking	-	9,776	-	9,776
Bookstore Credit Card	Money market	-	4,173	-	4,173
Total amount of deposits in bank		841,856	13,949	-	855,805
Less: Insured/Non-public funds		-	-	-	-
Less: FDIC coverage		73,716	13,949	-	87,665
Total uninsured public funds		768,140	-	-	768,140
50% collateral requirements		-	-	-	-
102% collateral requirements		783,503	-	-	783,503
Pledged securities		4,533,040	-	-	4,533,040
Over/(Under) Collateralized		3,749,537	-	-	3,749,537
Bank balance		841,856	13,949	-	855,805
Outstanding items		(23,135,765)	3,003	-	(23,132,762)
Deposits in transit		22,520,961	-	-	22,520,961
Book balance		<u>\$ 227,052</u>	<u>\$ 16,952</u>	<u>\$ -</u>	<u>\$ 244,004</u>
Investments					
New MexicGrow	External Investment Pool	\$ -	\$ -	\$ 5,677,079	\$ 5,677,079
Reserve Contingency Fund	External Investment Pool	-	-	22,921	22,921
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,700,000</u>	<u>\$ 5,700,000</u>
	Petty Cash				8,500
	Less: Agency Cash				(38,658)
	Deposits and investments per schedule VII				<u>\$ 5,913,846</u>
	Cash and restricted cash				213,846
	Investments				5,700,000
	Deposits and investments per Statement of Net Assets				<u>\$ 5,913,846</u>

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
 Schedule of Deposit and Investment Accounts-Component Unit
 For the Year Ended June 30, 2010

Name of Bank/Broker	Account Type	Balance per Statement	Reconciled Balance per Books
Deposit Accounts			
New Mexico Bank and Trust	Checking	\$ 453,888	\$ 426,072
American Heritage Bank	Certificate of Deposit	200,000	200,000
Bank of Clovis	Certificate of Deposit	200,255	200,255
First Community Bank	Certificate of Deposit	200,000	200,000
Western Bank	Certificate of Deposit	200,000	200,000
Citizens Bank	Certificate of Deposit	200,000	200,000
		<u>\$ 1,454,143</u>	<u>\$ 1,426,327</u>
Investment Accounts			
New MexicGrow	External Investment Pool	\$ 160,000	\$ 160,000
		<u>\$ 160,000</u>	<u>\$ 160,000</u>

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
 Schedule of Pledged Collateral
 For the Year Ended June 30, 2010

Name of Depository	Description	Maturity	CUSIP Number	Fair Market Value	Name and Location of Safe Keeper
New Mexico Bank and Trust	NM State University RGTS IMPT Rev Bonds	04/01/19	647421BE5	\$ 103,040	Commerce Bank, St. Louis, MO
New Mexico Bank and Trust	Federal National Mort Assn. Non- callable	10/15/15	31359MZC0	<u>4,430,000</u>	Commerce Bank, St. Louis, MO
Total Collateral Pledged				<u>\$ 4,533,040</u>	

Schedule IX

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
 Schedule of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 Year Ended June 30, 2010

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS				
Cash and cash equivalents	\$ 30,093	\$ 19,633	\$ 12,050	\$ 37,676
Total assets	<u>\$ 30,093</u>	<u>\$ 19,633</u>	<u>\$ 12,050</u>	<u>\$ 37,676</u>
LIABILITIES				
Accrued expenses	\$ 239	\$ -	\$ 239	\$ -
Due to other taxing units	<u>29,854</u>	<u>19,633</u>	<u>11,811</u>	<u>37,676</u>
Total liabilities	<u>\$ 30,093</u>	<u>\$ 19,633</u>	<u>\$ 12,050</u>	<u>\$ 37,676</u>

The accompanying notes are an integral part of these financial statements.

COMPLIANCE SECTION

internal control over financial reporting as items 2010-02, 2010-03, and 2010-04. 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 Clovis Community 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 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 2009-01, 2010-01, and 2010-08.

Clovis Community 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 Clovis Community College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Regents, others within Clovis Community College, the audit committee, the State Auditor, the Higher Education Department, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these parties.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
November 11, 2010



Accounting & Consulting Group, LLP
Certified Public Accountants

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

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Board of Trustees
Clovis Community College
Clovis, New Mexico

We have audited the financial statements of the business-type activities and the discretely presented component unit of Clovis Community College (the College), as of and for the year ended June 30, 2010. We have also audited the budgetary comparisons presented as supplementary information in the accompanying Schedules I, II, III, IV, and V for the year ended June 30, 2010, and have issued our report thereon dated November 11, 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 Clovis Community 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 Clovis Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clovis Community 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

FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Board of Trustees
Clovis Community College
Clovis, New Mexico

Compliance

We have audited the compliance of Clovis Community College, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Clovis Community 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 Clovis Community College's management. Our responsibility is to express an opinion on Clovis Community 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 Clovis Community 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 Clovis Community College's compliance with those requirements.

In our opinion, Clovis Community 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

The management of Clovis Community 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 Clovis Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clovis Community College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in 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 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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-05 and 2010-06 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, or a combination of deficiencies, in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2009-02 and 2010-07 to be significant deficiencies.

Clovis Community 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 Clovis Community College's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Regents, others within Clovis Community College, the audit committee, the State Auditor, the Higher Education Department, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
November 11, 2010

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2010

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Education			
Direct Programs:			
Pell Grant Program	N/A	84.063	\$ 4,755,251
College Work Study Program	N/A	84.033	78,685
SEOG Program	N/A	84.077	47,052
Trio (1)	N/A	84.042	260,045
Upward Bound	N/A	84-047	231,804
Title V (1)	N/A	84.031	1,577,306
Gear Up (1)	N/A	84.334	448,421
Pass-through Programs:			
Commission of Higher Education			
Adult Basic Education	Award Letter	84.002	85,021
NM Department of Education			
Carl Perkins	002-04-03-01-855	84.048	130,105
Total U.S. Department of Education			<u>7,613,690</u>
U.S. Department of Labor			
Community Based Job Training Grant	N/A	17.269	210,924
Total U.S. Department of Labor			<u>210,924</u>
U.S. Department of Health and Human Service			
Pass-through EAWDB			
TANF/Food Stamps (1)	TC09-10-CCC	93.558	365,213
WIA	OSC09/10-CCC	17.258	119,433
Total U.S. Department of Health and Human Services			<u>484,646</u>
U.S. Small Business Administration			
Direct Program:			
Small Business Development	N/A	59.037	21,689
National Endowment for the Arts			
Pass Through - New Mexico Department of Cultural Affairs			
New Mexico Arts Program - ARRA	AJG3C10-182	45.025	7,500
Total Expenditures of Federal Awards			<u>\$ 8,338,449</u>

(1) Audited as major program

The Schedule of Expenditures of Federal Awards includes the federal grant activities of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
 Schedule of Findings and Questioned Costs
 June 30, 2010

A. SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditors' report issued | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|-------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2. Type of auditor's report issued on compliance for major programs | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes |

4. Identification of major programs:

CFDA Number	Federal Program
84.042	TRIO
84.031	Title V
84.334	GEAR - UP
93.558	TANF

- | | |
|--|-----------|
| 5. Dollar threshold to distinguish between Type A and Type B programs: | \$300,000 |
| 6. Auditee qualified as low-risk auditee? | Yes |

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
 Schedule of Findings and Questioned Costs
 June 30, 2010

B. FINDINGS – FINANCIAL STATEMENT AUDIT2009-01 Over Spending of Certain Budget Line Items - Repeat

Condition: During our examination we noted that lines item in the following functions had expenditures in excess of budgeted amounts for expenditures:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Restricted Non-Instructional and General Student Aid, Grants and Stipends	\$5,323,000	\$5,377,600	\$5,626,106	(\$248,506)

Criteria: State budgeting requirement 6.20.2.9 NMSA 1978 sets forth budget preparation standards and states that budgetary control shall be at the function level and that over-expenditure of a function shall not be allowed.

Cause: No budget line item transfers for the overages were proposed or approved by the governing body.

Effect: The effect of this condition is that certain expenditures exceeded budget line items.

Recommendation: We recommend that a responsible party perform a periodic review of the budget. Any anticipated budgetary transfers can be isolated and authorization can be obtained before the overspending of line item expenditures.

Agency's Response: Concur. This over expenditure occurred due to an increase in Pell and SEOG federal funding. In late March 2010, President Obama signed into legislation to expand college access for millions of young Americans by revamping the federal student loan program, which directly impacted the availability of Pell and SEOG funding for Clovis Community College students.

All federal reimbursements or grants in aid to a state are committed to specific purposes, and the governor and legislature have little discretion over the use of most federal funds.

The point to be made about the items listed is that it is practically impossible for revenues and expenditures to get out of balance, since expenditures are controlled by available funds.

There was sufficient revenue to support the expenditures, however, the over expenditure was created as a variance to budget. This variance occurred after the deadline for submitting a Budget Adjustment Request to the state for approval. This issue transpired during the change of Vice President for Finance and Administration in which the process was overlooked to re-evaluate new legislation that could impact current budget status. The Vice President for Finance and Administration will review potential legislative ramifications that could impact federal funding and related expenditures to ensure that authorization is obtained to avert overspending of line item expenditures in the future.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
 Schedule of Findings and Questioned Costs
 June 30, 2010

B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2010-01 Disposition of Property

Condition: The College did not notify the Office of the State Auditor prior to the disposition 5 of the 7 asset deletions tested.

Criteria: Section 2.2.2.10.V(1), NMAC, of the State Audit Rule states that an government agency must notify the Office of the State Auditor at least 30 days prior to the disposition of property on the agency inventory.

Effect: The College is in violation of Section 2.2.2.10.V (1), NMAC, of the State Audit Rule. In addition, the College may have disposed of property that was unallowable.

Cause: College personnel did not properly follow established guidelines for disposition of assets.

Recommendation: We recommend that the College implement procedures with regards to disposition of capital assets and ensure that proper notifications are issued prior to the disposals.

Agency's Response: The Business Affairs Office will communicate the disposition of asset procedures on a quarterly basis to ensure compliance with Section 2.2.2.10 V(1)

2010-02 Board Approval for Disposition of Property

Condition: The College did not seek board approval prior to the disposition of 4 of the 7 asset deletions tested.

Criteria: Section 13-6-1 B(1) of NMAC requires the governing authority to approve and oversee the disposition of assets.

Effect: The College is in violation of section 13-6-1 B(1) of NMAC. In addition, the College may have disposed of property that was unallowable.

Cause: College personnel did not properly follow established guidelines for disposition of assets.

Recommendation: We recommend that the College implement procedures with regards to disposition of capital assets and ensure that dispositions are property approved prior to dispositions.

Agency's Response: The Business Affairs Office will communicate the disposition of asset procedures on a quarterly basis to ensure compliance with Section 13.6.1 B(1)

2010-03 Depreciation

Condition: During the inspection of new additions, it was observed that the College was depreciating assets that had not been placed in service.

Criteria: Depreciation of capital assets should begin when the asset is placed in service. Accordingly, depreciation is stopped when the cost has been fully recovered or when the asset is retired from service, whichever happens first.

Effect: Depreciation expense is overstated.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
 Schedule of Findings and Questioned Costs
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B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2010-03 Depreciation (continued)

Cause: The College was unaware that the assets had not been placed in service and were under the impression that depreciation should start as soon as the warranty period begins.

Recommendation: We recommend that the College implement controls to ensure that depreciation does not start until the capital assets are placed in service.

Agency's Response: The College has updated its processes to include this recommendation for future placement of depreciable assets.

2010-04 Internal Control Design

Condition: During our audit testwork, we observed the following deficiencies in internal control:

Control Environment

During the review of the minutes of the Board of Trustees no discussion of internal control and financial reporting policies and procedures between senior management and those charged with governance was noted.

Risk Assessment

The College does not document their communication with those charged with governance regarding the identification, assessment and monitoring of risk.

Criteria: Effectively designed systems of internal control assist an organization to accurately and efficiently record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. SAS AU 325.02

Effect: The Board of Trustees is ultimately responsible for the internal controls at the College. Lack of knowledge about the control environment could adversely affect the control and financial reporting processes. Without documentation of the communication regarding the identification, assessment and monitoring of risk the College's response to and decision on how to address any identified risks cannot be effectively communicated.

Cause: Due to the size of the College it is difficult for a five member Board of Trustees to have much influence over the day-to-day control environment and risk assessment procedures. The College Board of Trustees relies on management to appropriately manage the internal control environment and to notice any risks as they occur.

Recommendation: We recommend that the College Board of Trustees become actively involved in the College's control environment and financial reporting by setting aside time in the Board meetings to specifically address the current control environment at the College and any possible changes in financial reporting requirements.

Agency's Response: During the FY 10 audit, the auditors communicated the new requirements in the control environment as clarified by SAS115. Clovis Community College welcomes the auditor's recommendation as an opportunity to enhance the culture of accountability and openness that has characterized, and continues to characterize, its operations. The College plans to work with the auditors to familiarize administrators, faculty, and staff, as well as the Board of Trustees, with the provisions of the new requirements and to educate all its stake-holders about the benefits of proactive risk management. In applying the new requirements for internal controls, the College will renew and re-emphasize its unequivocal commitment to a "tone at the top" that consistently reinforces complete, open, and accurate financial reporting.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
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B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2010-08 Late Audit Report

Condition: The College's June 30, 2010 audit report was submitted to the Office of the State Auditor by the due date of November 15, 2010. However, it was not accepted by the Office of the State Auditor as originally submitted.

Criteria: New Mexico State Auditor Rule 2.2.2 NMAC Section 2.2.2.9 (A) (g) requires that the audit report be filed no later than 5 months after fiscal year-end.

Effect: Additional state and federal reporting requirements could be delayed until the report is approved by the Office of the State Auditor.

Cause: Due to differences in interpreting reporting requirements between the auditor and the Office of the State Auditor, the report was considered not timely filed.

Recommendation: The auditors will submit the report sooner so that disagreements can be resolved prior to the deadline.

Agency's Response: The College has made every effort to ensure the auditor has all of the appropriate information to enable the auditor to submit the audit report to the Office of the State Auditor on a timely basis and will continue to do so in the future.

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CLOVIS COMMUNITY COLLEGE
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C. FINDINGS – FEDERAL AWARDS

2009-2 Procurement, Suspension, and Debarment - Repeat

Condition: During our audit of the GEAR-UP Program, CFDA No. 84.334, in accordance with OMB A-133, we found the grant administrator was not familiar with the requirements for suspension and debarment.

Questioned Costs: None

Criteria: According to the OMB A-133 Compliance Supplement, when a non-federal agency enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System* (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. A “covered transaction” includes those procurement contracts for goods and services awarded under a nonprocurement transaction that is expected to equal or exceed \$25,000 or meet certain other specified criteria.

Effect: The effect of not verifying vendors were not suspended or debarred could result in the College’s non-compliance with federal guidelines.

Cause: The Business Office has procedures in place to ensure that the College does not conduct business with a vendor that has been suspended or debarred. However, the grant administrator for the GEAR-UP program was not aware of the College’s procedures.

Recommendation: We recommend that the College use the *Excluded Parties List System* to verify that an entity is not suspended or debarred before entering into a covered transaction, and keep documentation showing that the verification was performed. In addition, grant administrators should attend trainings to become more familiar with grant requirements.

Agency’s Response: Partially Concur. The College does use the Excluded Parties List System to verify that an entity is not suspended or debarred before entering into a covered transaction, and does keep documentation on file showing that the verification was performed.

Grant administrators should attend trainings, provide learning outcomes from the training attended, and follow established guidelines. Consequences need to be assigned to address continued performance issues with grant administrators.

2010-05 OMB Circular A-133 Compliance Supplement

Condition: During the interview of grant administrators for the TRIO Student Support Services Program, CFDA No. 84.031, Temporary Assistance for Needy Family Program, CFDA No. 93.558, and Higher Education Institutional Aid Program, CFDA No. 84.031, they were not familiar with the OMB Circular A-133 Compliance Supplement. In addition, they were not aware of where to find a copy of the compliance supplement on the internet.

Questioned Costs: None

Criteria: OMB Circular A-133 Subpart C.300 (c) requires the auditee to comply with laws, regulations, and the provisions of the contracts or grant agreements related to each of its Federal programs.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
 Schedule of Findings and Questioned Costs
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C. FINDINGS – FEDERAL AWARDS (continued)

Effect: The College may be liable for expenditures of the grant that were not in compliance with the A-133 compliance supplement.

Cause: Without knowledge of the A-133 compliance supplement, internal controls were not in place to ensure that all applicable areas of the supplement were monitored by the grant administrator. In addition, grant administrators were not properly trained to better understand the requirements of the grants.

Recommendation: We recommend that the College implement procedures to train current and new grant administrators on Circular A-133 compliance requirements.

Agency's Response: Concur. The college is committed to ensuring the accurate and timely financial reporting and to ensuring all required compliance requirements are monitored by the grant administrators. The college is also committed to continuing to work collaboratively with the grant administrators to enhance the process for understanding grant compliance requirements.

Grant administrators should attend training, provide learning outcomes from the training attended, and follow established guidelines. Consequences need to be assigned to address continued performance issues with grant administrators.

2010-06 Eligibility

Condition: During testwork over eligibility of Clovis Community College's TRIO Program, CFDA No. 84.042, there was 1 out of 40 students tested that did not have the necessary grade point average and 2 out of the 40 students tested that did not participate in the required number of activities.

Questioned Costs: None

Criteria: Students must maintain a grade point average of 2.5 or higher and participate in 15 hours of student support services per semester to be eligible for stipends.

Cause: The transaction was approved in the absence of the grant administrator.

Effect: Without proper monitoring, ineligible students could receive stipends. As a result, the College would be liable for the repayment of those stipends to the federal awarding agency.

Recommendation: The TRIO professionals should review the student files throughout the year and put documentation that the student has been contacted and an improvement plan is in place.

Agency's Response: Concur. TRIO professionals will follow audit recommendation.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
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C. FINDINGS – FEDERAL AWARDS (continued)2010-07 Cash Management

Condition: During our audit of the TRIO Program, CFDA No. 84.031, in accordance with OMB A-133, we found the grant administrator was not familiar with cash management controls. The grant administrator did not know that it was operating on a reimbursement basis.

Questioned Costs: None

Criteria: According to the OMB A-133 Compliance Supplement, grant administrators should be able to provide reasonable assurance that the (1) drawdown of Federal cash is only for immediate needs, (2) reimbursement is requested only after cost have been incurred, (3) States comply with applicable Treasury agreements, and (4) recipients limit payments to subrecipients to immediate cash needs.

Cause: The grant administrator was not familiar with the grant agreement.

Effect: The effect of not monitoring the reimbursement process could result in the College being liable for repayment of disallowed federal expenditures.

Recommendation: We recommend that the College ensure that grant administrators are informed of the processes for reimbursements and receive the proper training regarding grant compliance.

Agency's Response: Concur. The college is committed to ensuring the accurate and timely financial reporting and to ensuring all required compliance requirements are monitored by the grant administrators. The college is also committed to continuing to work collaboratively with the grant administrators to enhance the process for understanding grant compliance requirements.

Grant administrators should attend training, provide learning outcomes from the training attended, and follow established guidelines. Consequences need to be assigned to address continued performance issues with grant administrators.

D. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

2009-1 Over Spending of Certain Budget Line Items	Revised and Repeated
2009-2 Suspension and Debarment	Revised and Repeated
2009-3 Reporting – Failure to Submit Report Timely	Resolved and Not Repeated
2009-4 Matching	Resolved and Not Repeated
2009-5 Supervisor Approval	Resolved and Not Repeated
2009-6 Eligibility – Title V	Resolved and Not Repeated

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
Other Disclosures
June 30, 2010

A. AUDITOR PREPARED FINANCIAL STATEMENTS

The financial statements of Clovis Community College were prepared by Accounting & Consulting Group, LLP from original books and records provided by management.

B. The contents of this report were discussed at an exit conference held on November 11, 2010. The following individuals were in attendance.

College Officials

Dr. John Neibling, President
Becky Rowley, Executive Vice President
Theresa Fox, Vice President of Business and Administration
Jayne Craig, Director of Business Affairs
Russell Muffley, Trustee
Charles Guthal, Trustee
Clay Bracken, Vice President - Foundation

Auditors

Jeff McWhorter, Partner