



**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE**

FINANCIAL STATEMENTS

JUNE 30, 2013

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE**

Directory of Officials

June 30, 2013

BOARD

Name	Title
Terry Martin	Chair
Arnold Martinez	Member
Russell Muffley	Member
Donald Sharer	Member
Nola Pawol	Member

OFFICIALS

Name	Title
Dr. Becky Rowley	President
Debbie Zurzolo	Chief Financial Officer
Jayne Craig	Director of Business Affairs

Report of Independent Auditors

To the Board of Trustees
Clovis Community College
and
Mr. Hector H. Balderas
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, discretely presented component unit and the aggregate remaining fund information of Clovis Community College (the "College") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

To the Board of Trustees
Clovis Community College
and
Mr. Hector H. Balderas
New Mexico State Auditor

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Trustees
Clovis Community College
and
Mr. Hector H. Balderas
New Mexico State Auditor

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements and the Budget Comparisons. The accompanying Schedule of Deposit and Investment Accounts, Schedule of Pledged Collateral, Schedule of Joint Powers Agreements and Memorandums of Understanding, and Schedule of Changes in Fiduciary Net Position – Agency Fund as required by the New Mexico State Audit Rule and the Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Deposit and Investment Accounts, Schedule of Pledged Collateral, Schedule of Joint Powers Agreements and Memorandums of Understanding, Schedule of Changes in Fiduciary Net Position – Agency Fund, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Deposit and Investment Accounts, Schedule of Pledged Collateral, Schedule of Joint Powers Agreements and Memorandums of Understanding, Schedule of Changes in Fiduciary Net Position – Agency Fund, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
November 4, 2013

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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, 2013. This discussion should be read along with the accompanying financial statements and footnotes included therein. Management has prepared the basic financial statements and related note disclosures along with 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 2012 and 2013.

Overview of Financial Statements

For financial reporting purposes, Clovis Community College is considered a special-purpose government engaged only in business-type activities. The College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Included in the report is the Clovis Community College Foundation as a component unit for fiscal year 2013.

Using the Basic Financial Statements

The Statement of Net Position presents the assets, liabilities, and net position of the College as of the end of fiscal year 2013. 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 position.

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenue, Expenses, and Changes in Net Position (SRECNP). The purpose of the SRECNP 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 and GASB 61, The Financial Reporting Entity.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Condensed Financial Information

**Condensed Summary of Net Position
as of June 30:**

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets	\$ 9,122,600	\$ 7,272,839
Other non-current assets	448,000	1,050,000
Capital Assets, net	<u>24,858,264</u>	<u>25,808,218</u>
Total Assets	<u>34,428,864</u>	<u>34,131,057</u>
Liabilities		
Current Liabilities	1,928,703	1,579,966
Non-Current Liabilities	<u>1,070,000</u>	<u>1,215,000</u>
Total Liabilities	<u>2,998,703</u>	<u>2,794,966</u>
Net Position	<u>\$ 31,430,161</u>	<u>\$ 31,336,091</u>
Net Position		
Net investment in Capital Assets	\$ 23,643,264	\$ 24,518,218
Restricted	453,826	1,056,113
Unrestricted	<u>7,333,071</u>	<u>5,761,760</u>
Total Net Position	<u>\$ 31,430,161</u>	<u>\$ 31,336,091</u>

Current assets include cash and other assets that are deemed to be consumed or convertible to cash within one year. The most significant current asset of the College at June 30, 2013 is the investment in the State General Fund Investment Pool of \$5,038,025.

Non-current assets are capital assets, net of accumulated depreciation, of \$24,858,264 and restricted investments of \$448,000.

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

New Mexico Finance Authority loan payable is the largest non-current liability of the College, totaling \$1,070,000. Annual debt service for the loan is \$145,000 to \$165,000 through the year 2021.

Net position may serve as a useful indicator of the College's financial position. For the College, assets exceeded liabilities by \$31,430,161 at the close of June 30, 2013, as compared to the \$31,336,091 as of June 30, 2012.

At June 30, 2013, the College's current ratio, the amount of current assets \$9,122,600 available to cover current liabilities \$1,928,703 was 4.73 to 1.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

**Condensed Summary of Revenues and Expenses
For Fiscal Years Ended June 30:**

	<u>2013</u>	<u>2012</u>
Operating Revenues by Major Source		
Tuition and Fees	\$ 1,926,150	\$ 1,799,259
Grants and Contracts	8,565,155	8,410,351
Auxiliary Services	131,117	825,234
Other	217,596	174,171
Total Operating Revenues	<u>10,840,018</u>	<u>11,209,015</u>
Operating Expenses by Major Function		
Instruction	6,786,065	6,021,543
Academic Support	1,124,005	1,107,557
Student Services	1,355,953	1,272,718
Institutional Support	2,187,166	1,987,900
Student Social & Cultural	84,318	114,937
Operation and Maintenance of Plant	1,564,400	1,512,608
Depreciation	1,277,449	1,205,267
Public Service	1,082,138	1,783,533
Student Aid	4,669,042	4,085,035
Auxiliary Services	33,133	1,350,381
Other Operating Expenses	385,239	388,606
Total Operating Expenses	<u>20,548,908</u>	<u>20,830,085</u>
Non-Operating Revenues (Expenses)		
State Appropriation	8,753,083	8,429,762
Local Tax Levy	1,298,703	1,201,446
Investment Loss Net of Expense	(140,614)	(226,447)
Private Gifts	-	5,336
Loss on Disposal of Capital Assets	(99,629)	(4,639)
Interest on Capital Asset Related Debt	(27,622)	(32,397)
Total Non-Operating Revenues	<u>9,783,921</u>	<u>9,373,061</u>
Other		
Capital appropriations	<u>19,039</u>	<u>2,293,638</u>
Total Increase in Net Position	<u>\$ 94,070</u>	<u>\$ 2,045,629</u>

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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

General Budgetary Highlights

During Fiscal Year 2013, 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. The Change in Net Position (budgetary basis) was \$1,571,310.

Budgeted revenues were down from the previous year due to the completion of the Allied Health Center in June 2012. Budgeted expenditures were also down due to the completion of the above mentioned capital outlay project.

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 4.73 to 1. The actual increase in net position, as stated in the Statement of Revenues, Expenses and Changes in Fund Net Position, is \$94,070. This amount of increase is due primarily to an increase to the state appropriation, student fees, and a conservative approach to Instruction and General Expenditures.

The College is dependent upon ongoing financial and political support from state government. In FY 2013, The New Mexico Higher Education appropriation increased by \$323,321. Capital appropriations for FY 2013 decreased by \$2,274,599 primarily due to the completion of the Allied Health project.

Expenditures have been conservative due to unknown State of New Mexico revenue due to the economy and the significant impact from the current economic state of the Nation's economy.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Factors Impacting Future Periods

Clovis Community College experienced no significant change in enrollment for FY 2013 and we are projecting flat enrollment for FY 2014.

Of major concern is the projected revenue in the State of New Mexico and the ability of the legislature to fund the appropriation formula for institutions of higher education in the state. It is also important to note that the formula for funding higher education in New Mexico is being revised and the impact to institutions is not known at this time. As a result of this, the College has been and will continue to be conservative in its fiscal management.

Phase II of the Allied Health project was completed in June 2012. This project was funded by the 2008 State of New Mexico General Obligation Bond issue for \$4,000,000 and Private Funding of \$1,700,000. Phase II has provided additional classrooms, lab space and faculty offices. This new facility has enabled the College to start an "inclusive" program for nursing students. This program admitted the first cohort of students in the fall of 2012. The program was successful and the increased demand meant the necessity of the admission of a second cohort in the fall of 2013. The benefit of the program directly impacts the STEM-H initiatives in the state of New Mexico.

The College was awarded a three year federal grant that began October 1, 2012. The Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant program is to develop high-quality programs to meet rural New Mexico's growing health care industry. The College was the only institution in New Mexico to be awarded this grant. The College will receive \$2.5 million over a three year period. The College is using the funding for its Allied Health Expansion project to develop accredited Nursing and Physical Therapist Assistant programs. The voter approval of the GO Bond in November 2012 will contribute \$800,000 to remodel Phase VI to accommodate this program. The College has 30 students enrolled for the fall 2014 semester.

Component Unit

Clovis Community College Foundation is included as a component unit and is discretely presented in the College's financial statements. CCC Foundation was established in 1997 to act primarily as a fund raising organization to supplement the resources that are available to the College. The component unit does not issue separate financial statements.

Requests for Information

Questions concerning any of the financial information provided in this report or requests for additional information should be addressed to Debbie Zurzolo, Chief Financial Officer or Tom Drake, Vice President for Administration, Clovis Community College.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
STATEMENT OF NET POSITION
June 30, 2013**

	Primary Institution	Component Unit CCC Foundation
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,579,569	441,251
Investments	5,038,025	1,683,978
Receivables, net	1,247,740	4,461
Inventories	23,522	-
Prepaid expenses and deferred charges	233,744	-
Total current assets	9,122,600	2,129,690
Noncurrent Assets		
Restricted investments	448,000	-
Capital assets, net	24,858,264	54,767
Other assets	-	4,357
Total noncurrent assets	25,306,264	59,124
Total assets	\$ 34,428,864	2,188,814
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 589,760	-
Unearned revenue	820,308	-
Compensated absences payable	373,635	-
Current portion of note payable	145,000	-
Total current liabilities	1,928,703	-
Noncurrent Liabilities		
Non-current portion of note payable	1,070,000	-
Total noncurrent liabilities	1,070,000	-
Total liabilities	2,998,703	-
NET POSITION		
Net investment in capital assets	23,643,264	54,767
Restricted		
Nonexpendable		
Scholarships	330,141	1,892,615
Expendable		
Scholarships	123,685	235,724
Unrestricted	7,333,071	5,708
Total net position	31,430,161	2,188,814
Total liabilities and net position	\$ 34,428,864	2,188,814

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Year Ended June 30, 2013**

	Primary Institution	Component Unit CCC Foundation
Operating Revenues		
Student tuition and fees (net of discounts and allowances of \$1,792,279)	\$ 1,926,150	-
Federal grants and contracts	7,167,077	-
State grants and contracts	922,660	-
Private grants and contracts	475,418	-
Sales and services	131,117	-
Other operating revenues	217,596	-
Total operating revenues	<u>10,840,018</u>	<u>-</u>
Operating Expenses		
Education and general		
Instruction	6,786,065	-
Public service	1,082,138	-
Academic support	1,124,005	-
Student services	1,355,953	-
Institutional support	2,187,166	-
Student social and cultural	84,318	-
Operation and maintenance of plant	1,564,400	-
Depreciation and amortization	1,277,449	4,532
Student aid	4,669,042	-
Auxiliary enterprises	33,133	-
Other operating expenses	385,239	48,688
Total operating expenses	<u>20,548,908</u>	<u>53,220</u>
Operating loss	<u>(9,708,890)</u>	<u>(53,220)</u>
Non-operating revenues (expenses)		
Local tax levy	1,298,703	-
State appropriations	8,753,083	-
Private gifts		148,809
Investment income (loss) - net of expenses	(140,614)	2,768
Interest on capital asset related debt	(27,622)	-
Loss on disposal of capital assets	(99,629)	(12,627)
Total non-operating revenues/(expenses)	<u>9,783,921</u>	<u>138,950</u>
Other		
Capital appropriations	19,039	-
Increase in net position	75,031	85,730
Net position, beginning of year	<u>31,336,091</u>	<u>2,103,084</u>
Net position, end of year	<u>\$ 31,411,122</u>	<u>2,188,814</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
Year Ended June 30, 2013**

	Primary Institution
Cash Flows From Operating Activities	
Tuition and fees	\$ 2,018,225
Grants and Contracts	8,374,120
Payments to suppliers, employees, and others	(14,229,283)
Payments for educational activities	(4,669,042)
Auxiliary enterprise charges	57,512
Net cash used by operating activities	<u>(8,448,468)</u>
Cash Flows From Noncapital Financing Activities	
Local tax levy revenues	1,293,191
State appropriations	8,753,083
Net cash provided by noncapital financing activities	<u>10,046,274</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	(427,124)
Payments on capital debt	(102,622)
Capital appropriations	19,039
Net cash used by capital and related financing activities	<u>(510,707)</u>
Cash Flows From Investing Activities	
Investment loss, net of expenses	(140,614)
Net cash used by investing activities	<u>(140,614)</u>
Net increase in cash and cash equivalents	946,485
Cash and cash equivalents, beginning of year	1,633,084
Cash and cash equivalents, end of year	<u>\$ 2,579,569</u>
 RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (9,708,890)
Adjustments to reconcile operating loss to net cash provided/used by operating activities	
Depreciation and amortization	1,277,449
Change in assets and liabilities	
Receivables	(382,369)
Inventories	(1,049)
Other assets	87,655
Accounts payable and deferred liabilities	(39,989)
Compensated absences	10,937
Unearned revenue	307,788
Net cash used by operating activities	<u>\$ (8,448,468)</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
Year Ended June 30, 2013**

ASSETS

Cash and cash equivalents	\$	28,668
Prepaid Expenses		50
Total assets	\$	28,718

LIABILITIES

Due to student organizations	\$	28,718
Total liabilities	\$	28,718

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1. NATURE OF ACTIVITIES

Clovis Community College was created by majority vote of the Curry County electorate on September 18, 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 mill 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, Executive Vice President, Vice President for Administration and Government Relations, Chief Financial Officer, and a Chief Information Officer 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 it 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

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 position, revenues, expenses and changes in net position and cash flows. Presentation under GASB Statement Nos. 34, 35, 37 and 38 replaces the fund-group accounting perspective that was previously required.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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

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

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.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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:

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

Net Position. Net investment in capital assets 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.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted net position 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 position is resources that the College is legally or contractually obligated to spend in accordance with imposed restrictions by third parties. Restricted, non-expendable net position 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 investment income for the College and the Foundation are \$11,001 and \$1,712, respectively.

Unrestricted net position consists 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.

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.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Position. 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.

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

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

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 nonoperating expenses by GASB Statement No. 9 - Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement No. 34.

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 11 for the discretely presented component unit: Clovis Community College Foundation.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$488,642 in payroll and related tax liabilities and \$101,118 in accounts payable to vendors.

NOTE 3. DEPOSITS AND INVESTMENTS

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

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the College. Deposits may be made to the extent that they are insured by an agency of the United States or 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, 2013, \$2,544,375 of the College's bank balances of \$2,804,281 was exposed to custodial credit risk. \$2,544,375 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.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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 of Pledged Collateral.

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. However, on June 30, 2013 the component unit's bank balance of \$197,644 was collateralized and insured.

Investments. All investment decisions are approved by the Board. As of June 30, 2013, the College had an investment balance totaling \$5,486,025. Through the approval of the Board of Directors for the College, the funds were invested in the New MexiGROW Local Government Investment Pool (LGIP), which is managed by the State Treasurer. These investments are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer New MexiGROW LGIP is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The LGIP

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary.

Interest Rate Risk. According to the State Treasurer's LGIP investment policy, the pool shall be invested in order to maintain a stable net asset value of \$1.00 per share. The weighted average maturity of (WAM) investments in the pool shall not exceed 60 days. At June 30, 2013, the LGIP WAM(R) is 59 days and WAM(F) is 90 days. To limit the possibility of loss of principal due to interest rate fluctuations, the State Treasurer will make reasonable efforts to match investments with anticipated cash requirements and give particular emphasis to the following factors: Relative Yield to Maturity, Marketability, and Inter-market yield Analysis.

Credit Rate Risk. Under Section 59A-9-6, NMSA 1978, an insurer shall not invest in bonds rated below BAA by Moody's Investment Service, Inc. or BBB by Standard & Poor's, Inc.; as of June 30, 2013, the State Treasurer LGIP was rated AAAM by Standard & Poor's, Inc.

Concentration Risk. The College places no limit on the amount the College may invest in any one issuer. At year end, 100% of the College's investments were held in the New MexiGrow LGIP.

Total investment income for the year ended June 30, 2013, is comprised of \$8,212 of interest and dividends.

Of the \$5,486,025 balance in the LGIP investment account, \$2,909 is in a reserve contingency fund created in late 2008 when the LGIP portfolio experienced a negative impact due to volatility of the stock market. The original balance in the reserve contingency fund was \$203,644. In June 2012, the College received notice from the LGIP that a pro-rata amount of the contingency balance was being written off. The balance in the reserve fund at the time of the write off was \$17,364. The amount of the write off was \$14,455 leaving a balance of \$2,909.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 4. RECEIVABLES, NET

Receivables, net at June 30, 2013 for the College, consist of the following:

Tuition and fees	\$ 993,090
Contracts and grants	632,406
Inactive accounts	696,883
Accrued interest receivables	486
Property tax levy	31,068
Due from vendor	13,924
Due from the New Mexico Higher Education Department	<u>1,808</u>
	2,369,665
Allowance for doubtful accounts	<u>(1,121,925)</u>
Net total receivables	<u>\$ 1,247,740</u>

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is summarized as follows:

	Balance June 30, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
Capital assets not being depreciated:					
Land	\$ 286,400	13,930	-	-	300,330
Fine art	969,365	-	(2,500)	-	966,865
Construction in progress	32,797	1,808	-	(3,813)	30,792
Total capital assets not being depreciated	1,288,562	15,738	(2,500)	(3,813)	1,297,987
Capital assets being depreciated:					
Buildings and improvements	34,212,266	128,386	(57,627)	3,813	34,286,838
Equipment	7,107,078	256,746	(1,088,856)	-	6,274,968
Library books	1,937,555	14,456	(41,204)	-	1,910,807
Land improvements	2,209,858	14,298	-	-	2,224,156
Total other capital assets, at cost	45,466,757	413,886	(1,187,687)	3,813	44,696,769
Less accumulated depreciation:					
Buildings and improvements	(12,811,133)	(856,599)	9,563	-	(13,658,169)
Land improvements	(1,393,172)	(76,878)	-	-	(1,470,050)
Equipment	(4,979,903)	(302,043)	1,037,291	-	(4,244,655)
Library books	(1,762,893)	(41,929)	41,204	-	(1,763,618)
Total accumulated depreciation	(20,947,101)	(1,277,449)	1,088,058	-	(21,136,492)
Other capital assets, net	\$ 25,808,218	(847,825)	(102,129)	-	24,858,264
Capital asset summary					
Capital assets not being depreciated	\$ 1,288,562	15,738	(2,500)	(3,813)	1,297,987
Other capital assets, at cost	45,466,757	413,886	(1,187,686)	3,813	44,696,770
Total cost of capital assets	46,755,319	429,624	(1,190,186)	-	45,994,757
Less accumulated depreciation	(20,947,101)	(1,277,449)	1,088,057	-	(21,136,493)
Capital assets, net	\$ 25,808,218	(847,825)	(102,129)	-	24,858,264
Component unit – net capital assets	\$ 68,835	4,532	-	(18,600)	54,767

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 6. NOTE 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.

On July 8, 2011, the College refinanced the System Refunding Revenue Bonds through a note agreement with the New Mexico Finance Authority. The note is payable solely 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. As of June 30, 2013, the principal and interest to be paid on the note total \$1,359,102. The net effective interest rate on the note is 3.311%.

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Note payable to New Mexico Finance Authority	<u>\$1,290,000</u>	-	75,000	<u>1,215,000</u>	<u>145,000</u>

The annual requirements to amortize the note payable outstanding as of June 30 including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	145,000	27,066	172,066
2015	145,000	25,486	170,486
2016	145,000	23,384	168,384
2017	145,000	20,875	165,875
2018	155,000	17,874	172,874
2019-2021	<u>480,000</u>	<u>29,417</u>	<u>509,417</u>
	<u>\$ 1,215,000</u>	<u>144,102</u>	<u>1,359,102</u>

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 7. UNEARNED REVENUE

Unearned revenue consists of summer and fall tuition revenue in the amount of \$803,676 and advanced grant revenue of \$16,631 at June 30, 2013.

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, 2012	Increase	(Decrease)	Balance June 30, 2013	Amount Due Within One Year
Compensated Absences Payable	\$ 362,698	330,605	(319,668)	373,635	373,635

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. Covered employees are required by New Mexico Statute to contribute 9.40% of their gross salary if annual wages are over \$20,000 and 7.90% of their gross salary if annual wages are under \$20,000. Clovis Community College is required by New Mexico Statute to contribute 10.90% if annual wages are over \$20,000 and 12.40% if annual wages are under \$20,000.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 9. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

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, 2013, 2012 and 2011 were \$756,843, \$667,709 and \$887,748, respectively, which equal the amount of the required contributions for each fiscal year.

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, 2013, 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. 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.

The Foundation does not issue separate financial statements.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 12. 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 13. RELATED-PARTY TRANSACTIONS

On July 1, 2011, 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, 2013, \$220,391 has been paid to the insurance company.

SUPPLEMENTAL 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, 2013**

	Original Budget	Final Budget	Actual	Actual (Over) Under Budget
Beginning fund balance	\$ 4,873,543	5,972,268	5,972,268	-
Revenues:				
State government appropriations	8,769,900	8,843,053	8,772,122	70,931
Federal revenue sources	9,402,185	11,025,733	7,158,167	3,867,566
Tuition and fees	3,252,516	3,389,437	3,378,546	10,891
Endowments and private gifts	700,000	564,460	472,125	92,335
Other	2,845,275	2,940,525	2,932,204	8,321
Total revenues	24,969,876	26,763,208	22,713,164	4,050,044
Expenditures:				
Instruction	7,198,491	8,555,414	6,778,444	1,776,970
Academic support	1,215,541	1,248,675	1,124,005	124,670
Student services	1,443,662	1,473,462	1,355,953	117,509
Institutional support	2,350,303	2,468,681	2,187,166	281,515
Operation and maintenance of plant	1,730,528	1,838,110	1,564,400	273,710
Total instruction and general	13,938,525	15,584,342	13,009,968	2,574,374
Student social and cultural activities	107,238	107,238	84,318	22,920
Public service	1,140,517	1,505,335	1,089,760	415,575
Student aid, grants and stipends	9,013,116	9,070,201	6,461,320	2,608,881
Auxiliary services	40,000	50,000	33,133	16,867
Capital outlay	864,001	937,232	573,091	364,141
Building renewal and replacement	302,434	352,434	239,273	113,161
Retirement of indebtedness and refunding expense	102,622	105,122	102,622	2,500
Total expenditures	25,508,453	27,711,904	21,593,485	6,118,419
Net transfers	-	451,631	451,631	-
Change in fund balance (budgetary basis)	(538,577)	(497,065)	1,571,310	(2,068,375)
Ending fund balance	\$ 4,334,966	5,475,203	7,543,578	(2,068,375)

Under Title 5 of the New Mexico Administrative Code, Chapter 3, Part 4, Paragraph 10 - Items of Budgetary Control: The total expenditures in each of the following budgetary functions will be used as items of budgetary control. Total expenditures or transfers in each of the following items of budgetary control may not exceed the amounts shown in the approved budget: A. Unrestricted expenditures and restricted expenditures. B. Instruction and general. C. Each budget function in current funds other than instruction and general. D. Within the plant funds budget: major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service. E. Each individual item of transfer between funds and/or functions.

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, 2013

	Original Budget	Final Budget	Actual	Actual (Over) Under Budget
Beginning net assets	\$ 573,959	60,470	2,079,561	(2,019,091)
Revenues:				
Tuition	3,227,891	3,369,121	3,358,088	11,033
State government appropriations	8,750,900	8,750,822	8,753,083	(2,261)
Local government appropriations	1,156,900	1,258,195	1,298,702	(40,507)
Federal government contracts and grants	6,100	6,100	12,779	(6,679)
Other	171,500	148,167	221,512	(73,345)
Total revenues	<u>13,313,291</u>	<u>13,532,405</u>	<u>13,644,164</u>	<u>(111,759)</u>
Expenditures:				
Instruction	6,414,877	6,450,702	5,785,181	665,521
Academic support	1,206,041	1,239,175	1,117,718	121,457
Student services	1,453,162	1,482,962	1,362,241	120,721
Institutional support	2,350,303	2,468,681	2,187,166	281,515
Operation and maintenance of plant	1,730,528	1,838,110	1,564,400	273,710
Total expenditures	<u>13,154,911</u>	<u>13,479,630</u>	<u>12,016,706</u>	<u>1,462,924</u>
Net transfers	-	-	848,825	(848,825)
Change in fund balance - budgetary basis	<u>158,380</u>	<u>52,775</u>	<u>2,476,283</u>	<u>(2,423,508)</u>
Ending fund balance	<u>\$ 732,339</u>	<u>113,245</u>	<u>4,555,844</u>	<u>(4,442,599)</u>

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, 2013

	Original Budget	Final Budget	Actual	Actual (Over) Under Budget
Beginning net assets	\$ -	-	23,206	(23,206)
Revenues:				
Federal contracts and grants	402,215	1,609,723	597,133	1,012,590
State contracts and grants	132,000	212,536	155,471	57,065
Total revenues	<u>534,215</u>	<u>1,822,259</u>	<u>752,604</u>	<u>1,069,655</u>
Expenditures:				
Instruction	534,215	1,822,259	771,300	1,050,959
Total expenditures	<u>534,215</u>	<u>1,822,259</u>	<u>771,300</u>	<u>1,050,959</u>
Net transfers	-	-	-	-
Change in fund balance - budgetary basis	-	-	(18,696)	18,696
Ending fund balance	<u>\$ -</u>	<u>-</u>	<u>4,510</u>	<u>(4,510)</u>

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
RECONCILIATION OF CHANGES IN FUND BALANCE/NET POSITION
BUDGET BASIS TO GAAP BASIS
For the Year Ended June 30, 2013

	<u>Revenues</u>	<u>Expense</u>
Budget basis (revenues) expense	\$ (22,713,164)	21,593,485
Capital expenditures	-	(427,123)
Depreciation	-	1,277,449
Scholarship allowance	1,792,279	(1,792,279)
Loss on disposal of assets	-	99,629
Payment of principal on debt	-	(75,000)
Discounts and allowances on sales and services	-	-
Other	150,655	-
	<hr/>	<hr/>
GAAP basis (revenue) expense	<u>\$ (20,770,230)</u>	<u>20,676,161</u>

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
Year Ended June 30, 2013

College:

Account Name	Type of Account	NM Bank and Trust	Penn Security Bank	NM State Treasurer	Total
Deposits					
General account	Checking	\$ 465	-	-	465
Accounts payable	Checking	-	-	-	-
Payroll	Checking	-	-	-	-
Repurchase agreement	Repurchase agreement	2,544,375	-	-	2,544,375
Auxiliary	Checking	69,831	-	-	69,831
Credit card account	Money market	-	189,610	-	189,610
Total amount of deposits in bank		2,614,671	189,610	-	2,804,281
Less: insured/non-public funds		-	-	-	-
Less: FDIC coverage		(70,296)	(189,610)	-	(259,906)
Total uninsured public funds		2,544,375	-	-	2,544,375
50% collateral requirements					
102% collateral requirements		2,595,263	-	-	2,595,263
Pledged securities		2,706,270	-	-	2,706,270
(Over)/under collateralized		(111,007)	-	-	(111,007)
Bank balance		2,614,671	189,610	-	2,804,281
Outstanding items		(230,008)	(150,000)	-	(380,008)
Deposits in transit		160,221	15,158	-	175,379
Book balance		\$ 2,544,884	54,768	-	2,599,652
Investments					
New MexiGrow	External investment pool	\$ -	-	5,483,116	5,483,116
Reserve contingency fund	External investment pool	-	-	2,909	2,909
		\$ -	-	5,486,025	5,486,025
					Petty Cash 8,500
					Cashier Over/Short 85
					Less: Agency Cash (28,668)
					Deposits and investments per schedule \$ 8,065,594
					Cash \$ 2,579,569
					Investments and restricted investments 5,486,025
					Deposits and investments per Statement of Net Assets \$ 8,065,594

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)
Year Ended June 30, 2013**

Foundation:

Account Name	Type of Account	Balance Per Statement	Reconciled Balance Per Books
Deposit Accounts			
New Mexico Bank and Trust	Checking	\$ 197,644	188,782
Charles Schwab	Money Market	251,116	252,469
Charles Schwab	Long Term Investments	713,978	713,978
Western Bank	Certificate of Deposit	245,000	245,000
Citizens Bank-CDARS	Certificate of Deposit	300,000	300,000
Citizens Bank-CDARS	Certificate of Deposit	425,000	425,000
Outstanding items		(8,861)	-
Deposits in transit		1,352	-
	Total	\$ 2,125,229	2,125,229
 Per Financial Statements			
Cash and cash equivalents			\$ 441,251
Restricted investments			1,683,978
			\$ 2,125,229

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2013**

Name of Depository	Description	Maturity	CUSIP Number	Fair Market Value	Name and Location of Safe Keeper
New Mexico Bank and Trust	Albuquerque, NM Municipal School District Building Series A	8/1/2021	013595QQ9	\$ 130,562	Commerce Bank St. Louis, MO
New Mexico Bank and Trust	GNMA Pool 658185	6/15/2040	36294SF28	27,201	Commerce Bank St. Louis, MO
New Mexico Bank and Trust	GNR 2004-26 ZA	1/20/2035	38374KM75	377,368	Commerce Bank St. Louis, MO
New Mexico Bank and Trust	GNR 2009-38 Z	5/16/2039	38374TVL5	<u>2,171,139</u>	Commerce Bank St. Louis, MO
Total collateral pledged				<u>\$ 2,706,270</u>	

**CLOVIS COMMUNITY COLLEGE
 SCHEDULE OF JOINT POWERS AGREEMENT AND MEMORANDUMS OF UNDERSTANDING
 Year Ended June 30, 2013**

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.

Participants	All school districts, Clovis Community College, Luna Community College San Juan College
Party responsible for operations	N/A
Description	To make purchases through the cooperative 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

MEMORANDUMS OF UNDERSTANDING

The College entered into the following memorandums of understanding:

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	10/20/2010 to 10/20/2013
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 University of New Mexico
Party responsible for operations	Clovis Community College
Description	To provide curriculum for EMT course
Beginning and ending dates	08/22/2012 to 08/21/2013
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

CLOVIS COMMUNITY COLLEGE
SCHEDULE OF JOINT POWERS AGREEMENT AND MEMORANDUMS OF UNDERSTANDING
Year Ended June 30, 2013

Participants Clovis Community College and Clovis Municipal Schools
Party responsible for operations Clovis Community College
Description Upward Bound program
Beginning and ending dates 06/03/2013 to 06/03/2014
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 Clovis Municipal Schools
Party responsible for operations Clovis Community College
Description Enlace Program
Beginning and ending dates 09/2012 to 06/2013
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 Skill Up Networks (SUN) Online
Party responsible for operations Clovis Community College
Description Distance learning instruction
Beginning and ending dates 07/01/2012 to 06/30/2013
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 Ramona Munsell & Associates Consulting, Inc.
Party responsible for operations Clovis Community College
Description Develop Title V application
Beginning and ending dates 12/20/12 to 12/20/13
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

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
Year Ended June 30, 2013**

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
ASSETS				
Cash and cash equivalents	\$ 25,114	22,725	(19,171)	28,668
Prepaid Expenses	-	50	-	50
Total assets	<u>\$ 25,114</u>	<u>22,775</u>	<u>(19,171)</u>	<u>28,718</u>
LIABILITIES				
Due to other taxing units	<u>\$ 25,114</u>	<u>22,775</u>	<u>(19,171)</u>	<u>28,718</u>
Total liabilities	<u>\$ 25,114</u>	<u>22,775</u>	<u>(19,171)</u>	<u>28,718</u>

SINGLE AUDIT SECTION

REPORT OF INDEPENDENT AUDITORS 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*

To the Board of Trustees
 Clovis Community College
 and
 Mr. Hector H. Balderas
 New Mexico State Auditor

We have audited, in accordance with the 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, the financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of Clovis Community College (the "College") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and the budgetary comparison of the College, presented as supplemental information, and have issued our report thereon dated November 4, 2013.

Internal Control Over Financial Reporting

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

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Trustees
Clovis Community College
and
Mr. Hector H. Balderas
New Mexico State Auditor

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-01.

College's Response to the Finding

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Mess Adams LLP

Albuquerque, New Mexico
November 4, 2013

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees
Clovis Community College
and
Mr. Hector H. Balderas
New Mexico State Auditor

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

To the Board of Trustees
Clovis Community College
and
Mr. Hector H. Balderas
New Mexico State Auditor

Opinion on Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

To the Board of Trustees
Clovis Community College
and
Mr. Hector H. Balderas
New Mexico State Auditor

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

Mess Adams LLP

Albuquerque, New Mexico
November 4, 2013

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Subaward Number	Federal Expenditures
United States Department of Education			
Direct Programs:			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ 49,200
Federal Work-Study Program	84.033	N/A	51,229
Federal Pell Grant Program	84.063	N/A	4,324,300
Federal Direct Student Loans	84.268	N/A	<u>1,429,339</u>
			<u>5,854,068</u>
TRIO Cluster			
Student Support Services	84.042	N/A	237,664
Upward Bound	84.047	N/A	<u>218,718</u>
			<u>456,382</u>
Higher Education Institutional Aid - Title V	84.031	N/A	439,332
Pass-through Programs:			
NM Higher Education Department			
Adult Basic Education	84.002	Award Letter	74,205
NM Department of Education			
Career and Technical Education - Carl Perkins	84.048	002-04-03-01-855	<u>69,348</u>
Total United States Department of Education			<u>6,893,335</u>
United States Department of Labor			
Trade Adjustment Assistance	17.245	TC-23749-12-60-A-35	<u>252,053</u>
United States Small Business Administration			
Direct Program:			
Small Business Development Centers	59.037	N/A	<u>21,689</u>
Total Federal Expenditures			<u><u>\$ 7,167,077</u></u>

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal Awards (the schedule) includes the federal grant activity of the College under programs of the Federal Government for the year ended June 30, 2013. The information in this schedule is presented in accordance with OMB circular A-133, *Audits of states, local governments, and non-profit organizations*. Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This schedule has been prepared on the accrual basis of accounting. Revenues are recorded for financial reporting purposes when the College has met the qualifications for the respective program.

NOTE 3. STUDENT FINANCIAL ASSISTANCE

The College administers the Federal Direct Student Loan Program. During the fiscal year ended June 30, 2013, the College processed \$1,429,339 of new loans under the Federal Direct Student Loan Program.

NOTE 4. OTHER DISCLOSURES

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

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2013**

Finding 2011-02	Student Financial Aid – Enrollment Reporting	Resolved
Finding 2012-01	Student Financial Aid – Borrower Data Transmission and Reconciliations	Resolved
Finding 2012-02	Budgetary Comparisons	Resolved

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____yes X none reported

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

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

Identification of major program:

CFDA Number(s)

Name of Federal Program or Cluster

Various

Student Financial Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ yes X no

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2013**

Section II - Financial Statement Findings

None reported

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2013**

Section III - Federal Award Findings and Questioned Costs

None reported

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2013**

Section IV – Other Matters

**2013-01 IMPROVE GENERAL CONTROLS OVER INFORMATION TECHNOLOGY (IT)
(OTHER MATTER)**

CONDITION

During our review of surrounding IT general controls that are relevant to financial reporting, we noted the following:

- (a) There is no formal written Disaster Recovery Plan covering significant financial systems.
- (b) There is no formal written Incident Response Plan that will provide guidance in responding to different kinds of incidents or threats that are applicable to the College.
- (c) Our review of password policies in the domain system revealed that minimum password length is currently set at 8 characters with no other complexity.

CRITERIA

In accordance with ISACA's Control Objectives for Information and related Technology (COBIT) 4.1, framework (DS4, Ensure Continuous Service), a Disaster Recovery Plan should cover all critical applications and systems to reduce impact of a major disruption on key business functions and processes.

Framework DS5 (Ensure System Security) provides that the need to maintain integrity of information and protect IT assets requires a security management process. This process includes establishing and maintain IT security and roles and responsibilities, policies, standards, and procedures. Effective security management protects all IT assets to minimize the business/financial impact of security vulnerabilities and incidents.

EFFECT

The absence of a Disaster Recovery Plan for the accounting system may pose question as to the College's ability to respond and recover its accounting data in the event of an unforeseen disaster.

Unsophisticated password security and lack of an incident response plan decreases overall system security which makes the infrastructure vulnerable to attack and unauthorized data access or modification.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2013

Section IV – Other Matters (Continued)

2013-01 IMPROVE GENERAL CONTROLS OVER INFORMATION TECHNOLOGY (IT)
(OTHER MATTER) (CONTINUED)

CAUSE

Although IT management considered these risks as part of their daily IT processes, a formal written plan has never been adopted.

RECOMMENDATION

We recommend the following:

- (a) Develop a formal Disaster Recovery Plan for the accounting system that should be comprehensive in scope covering staff roles and responsibilities, system recovery steps, data restoration procedures, and how to maintain business operations. It would be prudent for the College to test the Disaster Recovery Plan to ensure the viability of the plan and the timeliness of its execution.
- (b) Develop a formal Incident Response Plan that will cover procedures and responsibilities involved in case of identified security incident. This will ensure incident will be address on a consistent and timely manner.
- (c) Improve password policies in the network and all applications. Minimum characters of 8 and complexity should be adopted consistent with industry best practices.

MANAGEMENT RESPONSE

In response to item A – “There is no formal written Disaster Recovery Plan covering significant financial systems”.

While not documented, all electronic data such as student, finance, human resources, financial aid as well as desktop documents are backed up nightly and sent to a remote bank vault. While this does not insure a prompt recovery of data, we are assured that all data is safely stored off site.

The College will develop a formal Disaster Recovery Plan for the accounting system that should be comprehensive in scope covering staff roles and responsibilities, system recovery steps, data restoration procedures, and how to maintain business operations. It would be prudent for the College to test the Disaster Recovery Plan to ensure the viability of the plan and the timeliness of its execution.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2013

Section IV – Other Matters (Continued)

**2013-01 IMPROVE GENERAL CONTROLS OVER INFORMATION TECHNOLOGY (IT)
(OTHER MATTER) (CONTINUED)**

We are currently in the process of researching other institutions of our same demographics to have a working template to build from.

In response to item B – “There is no formal written Incident Response Plan that will provide guidance in responding to different kinds of incidents or threats that are applicable to the College”.

The IT department has multiple avenues currently in place to respond to a technology incident. Annual contracts with vendors are in place to help our team with issues that arise in our networking department as well as the Banner system that holds student, finance and HR data. The IT department also works with security to ensure the safety of our equipment. When it comes to equipment such as laptops that leave the campus, equipment release forms as well as recovery software (installed on laptops) are used for recovery if the equipment is not returned.

The College will develop a formal Incident Response Plan that will cover procedures and responsibilities involved in case of identified security incident. This will ensure an incident will be addressed on a consistent and timely manner. This plan will continue to be monitored and updated.

In response to item C – “Our review of password policies in the domain system revealed that minimum password length is currently set at 8 characters with no other complexity.” Since the inception of this audit, CCC has implemented the use of complex passwords to all users of the CCC network as recommended.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
EXIT CONFERENCE
June 30, 2013**

The contents of this report were discussed in an exit conference held on October 29, 2013, with the following in attendance:

Representing Clovis Community College:

Dr. Becky Rowley, President
Norman Kia – Chief Information Officer
Tom Drake – Vice President of Administration and Government Affairs
Debbie Zurzolo – Chief Financial Officer
Jayne Craig – Director of Business Affairs
Terry Martin – President, CCC Board of Trustees

Representing Clovis Community College Foundation:

Clay Bracken – President, CCC Foundation
Jim Sours – Vice President, CCC Foundation
Debbie Zurzolo – Chief Financial Officer of the College
Dr. Becky Rowley, President of the College

Representing Moss Adams LLP:

Scott Eliason, Partner
Samantha Simms, Senior

Management of Clovis Community College prepared these financial statements.