

**NORTHERN NEW MEXICO COLLEGE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2013**

NORTHERN NEW MEXICO COLLEGE

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NORTHERN NEW MEXICO COLLEGE

Official Roster

June 30, 2013

Ex Officio Members:

The Honorable Suzanna Martinez
Hanna Skandera
Dr. Jose Garcia

Governor of the State of New Mexico
Cabinet Secretary, Public Education
Cabinet Secretary, Higher Education Department

Board of Regents

Appointed Members:

Michael Branch
Feliberto Martinez
Cecille Martinez-Wechsler
Alfred Herrera
Rosario (Chayo) Garcia

Chair
Vice Chair
Secretary
Treasurer
Member

Principal Administrative Officials

Nancy "Rusty" Barcelo
Domingo Sanchez III

President
Vice-President for Finance and Administration

REPORT OF INDEPENDENT AUDITORS

The Board of Regents
Northern New Mexico College
and
Mr. Hector Balderas, New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Northern New Mexico 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.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

The Board of Regents
Northern New Mexico College
and
Mr. Hector Balderas, New Mexico State Auditor

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.

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 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.

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 10 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.

The Board of Regents
Northern New Mexico College
and
Mr. Hector 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. The accompanying Schedule of Deposits, Schedule of Pledged Collateral, and Schedule of Collaborative Partnerships, 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 Deposits Accounts, Schedule of Pledged Collateral, Schedule of Collaborative Partnerships 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 Accounts, Schedule of Pledged Collateral, Schedule of Collaborative Partnerships 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 15, 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 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTHERN NEW MEXICO COLLEGE
Management's Discussion and Analysis
For The Year Ended June 30, 2013

Overview of the Financial Statements

For financial reporting purposes, Northern New Mexico College (the College) is considered a special-purpose, government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

This report consists of Management's Discussion and Analysis, the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements provide both long-term and short-term financial information for the College and its component unit, the Northern New Mexico College Foundation (the Foundation). This Management's Discussion and Analysis (MD&A) focuses on the College and not the Foundation.

An agreement between the Foundation and the College was entered into on March 12, 1997. This agreement formalizes the relationship between the Foundation and the College and establishes the sole purpose of the Foundation as raising supplementary funds for the College.

The Management's Discussion and Analysis of the College's financial statements provides an overview of its financial activities as of and for the year ended June 30, 2013.

Financial Highlights

The College's assets exceeded its liabilities at the close of the June 30, 2013 fiscal year by \$34,663,952 (net position).

Due to slightly higher institutional costs and a pronounced decrease from projections in revenue for tuition and fees and government contracts, the College's net position decreased during the year by \$1,159,218 from the previous year.

The Foundation's cash and investments reflect \$3,361,139 at June 30, 2013, some of which are with local banking institutions.

The College's cash and cash equivalents reflect an overdraft of \$50,234 at June 30, 2013 all of which are with local banking institutions.

NORTHERN NEW MEXICO COLLEGE
Management's Discussion and Analysis
For The Year Ended June 30, 2013

The Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position report the College's net position and how it has changed. Net position, the difference between assets and liabilities, is one way to measure the College's financial health or position. Over time, increases or decreases in the College's net position are an indicator of whether its financial health is improving or deteriorating. Non-financial factors are also important to consider, including student enrollment and the condition of campus facilities. These statements include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting method used by private-sector institutions. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following table summarizes the College's assets, liabilities, and net position as of June 30:

	<u>2013</u>	<u>2012</u>
Assets		
Current assets	\$ 2,078,272	\$ 3,950,650
Capital assets	32,888,544	32,414,902
Other non-current assets	<u>2,593,380</u>	<u>2,329,215</u>
Total Assets	<u>\$ 37,560,196</u>	<u>\$ 38,694,767</u>
Liabilities		
Current liabilities	<u>\$ 2,896,244</u>	<u>\$ 2,871,597</u>
Total Liabilities	<u>2,896,244</u>	<u>2,871,597</u>
Net Position		
Net investment in capital assets	32,888,544	32,414,902
Restricted	3,027,567	3,783,982
Unrestricted (deficit)	<u>(1,252,159)</u>	<u>(375,714)</u>
Total Net Position	<u>34,663,952</u>	<u>35,823,170</u>
Total Liabilities and Net Position	<u>\$ 37,560,196</u>	<u>\$ 38,694,767</u>

NORTHERN NEW MEXICO COLLEGE
Management's Discussion and Analysis
For The Year Ended June 30, 2013

Analysis of Net Position

As noted earlier, the net position may serve as a useful indicator of the College's financial position. For the College, assets exceeded liabilities by \$34,663,952 at the close of the fiscal year. The net position consists of 95% capital assets (e.g. land, buildings, and equipment) or \$32,888,544. The College uses these capital assets in its mission to provide postsecondary educational services to the College's service area; consequently, these assets are not available for future spending.

The following table summarizes the College's revenues, expenses, and changes in net position for the years ended June 30:

Revenues, Expenses and Changes in Net Position

	<u>2013</u>	<u>2012</u>
Operating Revenues	\$ 14,149,919	\$ 13,769,314
Operating Expenses	27,173,365	25,652,458
Operating Loss	(13,023,446)	(11,883,144)
Non-Operating Revenues	10,798,912	10,206,364
Other Non-Operating Revenues	1,065,316	4,116,169
Increase (Decrease) in Net Position	<u>\$ (1,159,218)</u>	<u>\$ 2,439,389</u>

Analysis of Changes in Net Position

The College's net position decreased by \$1,159,218 from fiscal year 2012 to fiscal year 2013 due to a general decrease in state and federal funding across the industry as a whole.

NORTHERN NEW MEXICO COLLEGE
Management's Discussion and Analysis
For The Year Ended June 30, 2013

Operating Revenues

The following table summarizes the College's operating revenues for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Student tuition and fees	\$ 4,043,930	\$ 4,057,996
Tuition discounts and allowance	(3,060,100)	(3,278,898)
Federal grants and contracts	9,213,308	9,920,736
State grants and contracts	775,640	932,205
Other grants and contracts	284,840	111,857
Scholarships and scholarship contributions	581,230	530,910
State land and permanent fund income	138,659	208,321
Sales and service of auxiliary enterprises	1,183,542	1,127,696
Other operating revenues	988,870	158,491
Total Operating Revenues	<u>\$ 14,149,919</u>	<u>\$ 13,769,314</u>

Operating Expenses

The following table summarizes the College's operating expenses for the years ended June 30. There were no unexpected changes in operating expenses.

	<u>2013</u>	<u>2012</u>
Instruction	\$ 8,427,315	\$ 7,322,310
Academic support	824,844	712,570
Student services	2,322,205	2,520,831
Institutional support	4,835,478	4,926,941
Scholarships	640,540	758,398
Public service	1,118,999	962,145
Student aid grants and stipends	2,160,816	2,495,841
Plant	217,411	225,328
Operations and maintenance support	1,942,125	1,975,376
Research	117,906	99,046
Internal service	1,146,354	660,278
Student activities	55,158	33,889
Auxiliary enterprises	1,363,210	1,350,146
Athletics	609,589	343,051
Depreciation	1,391,415	1,266,308
Total Operating Expenses	<u>\$ 27,173,365</u>	<u>\$ 25,652,458</u>

NORTHERN NEW MEXICO COLLEGE
Management's Discussion and Analysis
For The Year Ended June 30, 2013

Non-Operating Revenues and Expenses

The following table summarizes the College's non-operating revenues and expenses for the years ended June 30:

	<u>2013</u>	<u>2012</u>
State appropriations	\$ 10,525,900	\$ 10,239,240
Investment income (loss)	273,012	(32,876)
Total Non-Operating Revenues	<u>\$ 10,798,912</u>	<u>\$ 10,206,364</u>

Other Non-Operating Revenues

The following table summarizes the College's other non-operating revenues for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Capital appropriations	\$ 1,065,316	\$ 4,116,169
Total Other Non-Operating Revenues	<u>\$ 1,065,316</u>	<u>\$ 4,116,169</u>

Capital Assets

At June 30, 2013 and 2012, the College had the following amounts invested in capital assets net of accumulated depreciation:

	<u>2013</u>	<u>2012</u>
Paintings	\$ 13,500	\$ 13,500
Construction in progress	-	5,571,193
Land and improvements	6,880,864	6,807,340
Automobiles	203,730	97,364
Buildings	49,893,701	43,015,195
Furniture, fixtures and equipment	8,059,929	7,699,735
Library books	3,094,501	3,076,841
	<u>68,146,225</u>	<u>66,281,168</u>
Accumulated depreciation	<u>(35,257,681)</u>	<u>(33,866,266)</u>
Total Capital Assets, Net	<u>\$ 32,888,544</u>	<u>\$ 32,414,902</u>

Major capital expenditures during the year ended June 30, 2013 include additions to the Ben Lujan Library Resource Center.

NORTHERN NEW MEXICO COLLEGE
Management's Discussion and Analysis
For The Year Ended June 30, 2013

Budgetary Highlights

There were no significant variances between the original and final budgeted revenues and expenses.

Economic Outlook

The College is largely dependent on state appropriations and federal and state grants for its operating funds. The state economic outlook is expected to remain flat with state appropriations seeing little change.

Contacting Northern New Mexico College's Financial Management

The financial report is designed to provide a general overview of Northern New Mexico College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Domingo Sanchez III
Vice-President for Finance and Administration
Northern New Mexico College
921 Paseo De Oate
Española, NM 87532

BASIC FINANCIAL STATEMENTS

NORTHERN NEW MEXICO COLLEGE
Statement of Net Position
As of June 30, 2013

	Primary Institution	Component Unit
Assets		
Current Assets		
Cash and Cash Equivalents	\$ -	\$ 374,502
Grants and contracts receivable	1,199,801	-
Student accounts receivable, net of allowance for doubtful receivables of \$977,699	248,554	-
Pledges receivable	9,594	12,517
Loan receivables	228,619	-
Other receivables	132,485	-
Due from component unit	33,236	-
Inventories	225,983	-
Total Current Assets	2,078,272	387,019
Non-Current Assets		
Endowment investments	2,593,380	2,986,637
Capital assets, net	32,888,544	-
Total Non-Current Assets	35,481,924	2,986,637
Total Assets	\$ 37,560,196	\$ 3,373,656
Liabilities		
Current Liabilities		
Cash overdraft	\$ 50,234	\$ -
Accounts payable	1,134,981	2,973
Accrued salaries and other benefits	1,144,834	-
Accrued compensated absences	393,004	-
Due to primary institution	-	33,236
Unearned revenue	172,781	-
Deposits held in trust for others	410	-
Total Current Liabilities	2,896,244	36,209
Net Position		
Net investment in capital assets	32,888,544	-
Restricted		
Nonexpendable		
Endowments	2,593,380	2,986,637
Expendable		
Federal student loans	228,619	
Scholarships, research, instruction and other	205,568	350,810
Unrestricted (deficit)	(1,252,159)	-
Total Net Position	34,663,952	3,337,447
Total Liabilities and Net Position	\$ 37,560,196	\$ 3,373,656

See Notes to Financial Statements

NORTHERN NEW MEXICO COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

	Primary Institution	Component Unit
Operating Revenues		
Tuition and fees, less tuition discounts and allowances of \$3,060,100	\$ 983,830	\$ -
Federal grants and contracts	9,213,308	-
State and local grants and contracts	775,640	-
Other grants and contracts	284,840	-
Scholarship and scholarship contributions	581,230	2,046
State land and permanent fund income	138,659	-
Sales and services of auxiliary enterprises	1,183,542	-
Other	988,870	182,165
Total Operating Revenues	14,149,919	184,211
Operating Expenses		
Instruction	8,427,315	-
Academic support	824,844	-
Student services	2,322,205	-
Institutional support	4,835,478	223,423
Scholarships	640,540	107,491
Public service	1,118,999	-
Student aid grants and stipends	2,160,816	-
Plant	217,411	-
Operations and maintenance support	1,942,125	-
Research	117,906	-
Internal service	1,146,354	-
Student activities	55,158	-
Auxiliary enterprises	1,363,210	-
Athletics	609,589	-
Depreciation	1,391,415	-
Total Operating Expenses	27,173,365	330,914
Operating Loss	(13,023,446)	(146,703)
Non-Operating Revenues		
State appropriations	10,525,900	-
Investment income	273,012	61,539
Net Non-Operating Revenues	10,798,912	61,539
Other Non-Operating Revenues		
Capital appropriations	1,065,316	-
Net Other Non-Operating Revenues	1,065,316	-
Decrease in Net Position	(1,159,218)	(85,164)
Net Position, Beginning of Year	35,823,170	3,422,611
Net Position, End of Year	\$ 34,663,952	\$ 3,337,447

See Notes to Financial Statements

NORTHERN NEW MEXICO COLLEGE
Statement of Cash Flows
For The Year Ended June 30, 2013

	Primary Institution
Cash Flows From Operating Activities	
Tuition and fees	\$ 838,157
Grants and contracts	10,096,634
Sales and services of educational activities	1,183,542
Other operating receipts	1,122,609
Payments to employees for salaries and benefits	(11,086,195)
Payments to suppliers	(11,757,505)
Scholarships	(59,310)
Loans and grants issued to students and employees	(2,160,816)
Net Cash Used by Operating Activities	<u>(11,822,884)</u>
Cash Flows From Non-Capital Financing Activities	
State appropriations - non-capital	10,525,900
Investment income	8,847
Net Cash Provided by Non-Capital Financing Activities	<u>10,534,747</u>
Cash Flows From Capital and Related Financing Activities	
State appropriations - capital	1,065,316
Purchases of capital assets	(1,865,056)
Net Cash Used by Capital and Related Financial Activities	<u>(799,740)</u>
Net Decrease in Cash and Cash Equivalents	(2,087,877)
Cash and Cash Equivalents, Beginning of Year	<u>2,037,643</u>
Cash and Cash Equivalents, End of Year (Overdraft)	<u>\$ (50,234)</u>
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ (13,023,446)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,391,415
Changes in assets and liabilities:	
Grants and contracts receivable	(177,380)
Student accounts receivable	(139,582)
Pledges receivable	(7,141)
Loan receivables	1,050
Other receivables	226
Due from component unit	187,906
Inventories	(30,344)
Accounts payable	117,019
Accrued salaries and other benefits	94,990
Accrued compensated absences	(44,771)
Unearned revenue	(177,512)
Deposits held in trust for others	(15,314)
Net Cash Used by Operating Activities	<u>\$ (11,822,884)</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

NORTHERN NEW MEXICO COLLEGE
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northern New Mexico College (the College) was created under Section 21-8-1 New Mexico Statutes Annotated (NMSA), Article XII, Section 11 of the New Mexico State Constitution. Under Article XII, Section 13 of the New Mexico Constitution, the College is governed by a five-member Board of Regents appointed by the Governor, with the advice and consent of the Senate, for six-year terms.

The College was originally founded in 1909 by the New Mexico Territorial Legislature. The original mission of the College was to teach English to Spanish speaking teachers in the area. Technical-vocational programs were instituted during the 1960's. In 1969, the College became a full-time post secondary technical-vocational school. In 1977 the New Mexico Legislature passed enabling legislation to merge the College and the Northern Branch of the University of New Mexico. In 2005, the College changed its name because it began offering four-year degree programs.

The College is a two-year and four-year degree granting institution of higher learning. The College offers degrees in biology, business administration, elementary education, engineering, environmental science, information technology, and integrative health studies. The College's main campus is located in Española, New Mexico, and its branch campus is located in El Rito, New Mexico.

Basis of Presentation. The College and the Foundation present their financial statements in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). The statement presentation required by GASB 35, *Basic Financial Statements--and Management's Discussion and Analysis--for Public Colleges and Universities--an amendment of GASB 34*, provides a comprehensive entity-wide perspective of the College's assets, liabilities, and net position; revenues, expenses and changes in net position; and cash flows.

Recently Issued and Adopted Accounting Pronouncements. In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements 14 and 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. The adoption of GASB 61 does not have any impact on the College's current financial statements.

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 does not have any impact on the College's financial statements.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In June 2011, The GASB issued Statement 63, *Financial Reporting of the Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a Statement of Net Position and related disclosures. The Statement of Net Assets is renamed the Statement of Net Position and includes five components: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The provisions of this Statement are effective for financial statements for period beginning after December 15, 2011.

The College is part of the primary government of the State of New Mexico; however, these basic financial statements are intended to present the net position, changes in net position and cash flows, where applicable, of only that portion of the State of New Mexico that is attributable to the transactions of the College and its discretely presented component unit. They do not purport to and do not, present fairly the net position of the State of New Mexico as of June 30, 2013, and the changes in net position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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. All significant intra-entity transactions have been eliminated.

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 of 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.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and all highly-liquid investments with original maturities of six months or less. For purposes of the Statement of Cash Flows, cash and cash equivalents include demand deposits and money market accounts with an original maturity of three months or less.

Investments. The College accounts for its investments at fair value. Changes in the unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. The College's investment policy requires that endowment and similar funds only be invested with either the State of New Mexico's Investment Council, the State Treasurer's Local Government Investment Pool, or with government-insured financial institutions with offices in New Mexico. The Foundation does have a specific investment policy, but its investments are not regulated by the State of New Mexico.

NORTHERN NEW MEXICO COLLEGE
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Foundation originally records marketable securities purchased at cost. Marketable securities received by gift are recorded at estimated fair value at the date of donation. Marketable securities are carried by the Foundation at fair value. Third-party investment managers administer substantially all marketable securities of the Foundation. Gains and losses resulting from securities transactions are recorded in investment income.

The income derived from the College's undivided interest in the Land Grant Permanent Fund under the control of the State of New Mexico Commissioner of Public Lands is distributed monthly to the College.

Donor restricted endowment disbursements of the net appreciation of investments are permitted in accordance with the Uniform Management of Institutional Funds Act (46-9-1 to 46-9-12 NMSA), except where a donor has specified otherwise.

Contracts and Grants Receivable. Contracts and grants receivable are amounts due from the federal government, state and local governments or private resources in connection with reimbursement of allowable expenditures made pursuant to the College's grant awards. Contract and grant receivables are recorded net of estimated uncollectible amounts.

Student Accounts Receivable. The College records student accounts receivable at the time a student registers for classes. Provisions for uncollectible student accounts are recorded to maintain an adequate allowance for probable losses.

Loan Receivables. Loan receivables are amounts due from Perkins loans made by the College to students. Loan receivables are recorded net of estimated uncollectible amounts.

Inventories. Inventories are generally stated at the lower of cost (average cost) or market. Cost is determined by using the retail method for bookstore items and the average cost method for other items. Inventories consist of items which are available for resale to individuals and other College departments. Departmental inventories comprised of such items as classroom and laboratory supplies, teaching materials and office supply items, which are consumed in the teaching and administrative process, are expensed when purchased.

Capital Assets. Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Pursuant to the College's capitalization policy, capital assets with a unit cost of \$5,000 or greater are capitalized. The College includes software purchased with a piece of equipment in the cost of capitalization. Software purchased for internal use is capitalized and depreciated. Renovations to buildings, infrastructure, or land improvements that significantly increase the value, increase the productivity, or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The College does not currently capitalize historical treasures or works of art.

Depreciation for the College is computed using the straight-line method over the estimated useful lives of the assets. Generally, buildings are depreciated over 40 to 50 years; infrastructure and land improvements are depreciated over 20 to 25 years; library books are depreciated over 10 years; and equipment is depreciated over 5 to 7 years. Land is not depreciated.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences. Accumulated annual leave is reported as a liability in the current unrestricted and restricted funds. Annual leave earned is immediately vested unless the employee is in a six month probationary period, but only 192 hours of annual leave are available for carryover at year end.

Unearned Revenue. Revenue for each academic session is reported within the fiscal year during which the session is completed. Receipts for the summer session beginning in May, and amounts charged to the accounts of students pre-registering for fall semester, are reported as unearned revenue in the accompanying financial statements.

Net Position. The College's net position is classified as follows:

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

Restricted Net Position – Nonexpendable. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources 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, which may either be expended or added to principal.

Restricted Net Position – Expendable. Restricted expendable net position consists of resources that the College is legally or contractually obligated to spend in accordance with imposed restrictions by third parties.

Unrestricted Net Position. Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

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

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

NORTHERN NEW MEXICO COLLEGE
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-operating Revenues. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Fund and Governmental Entities That use Proprietary Fund Accounting*, and GASB 34.

State Appropriations. Unexpended appropriations generally do not revert to the State of New Mexico at the end of the year and are available to the College in subsequent years.

Tuition and Fees. Student tuition and fees are recorded as revenue during the fiscal year in which the session is completed. The Board of Regents determines the rates to be charged to students.

Grant and Contract Revenue. Grant and contract revenues are recognized at the time the expenditure is incurred, if the expenditure of funds is the prime factor for determining eligibility for reimbursement.

Tax Status. As a post-secondary College, the College's income is exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code to the extent the income is derived from essential governmental functions.

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation had no material unrelated business income during the year ended June 30, 2013; therefore, no provision for income taxes has been included in the financial statements.

Reclassifications. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in current year financial statements.

NORTHERN NEW MEXICO COLLEGE
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 2. CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2013 is as follows:

The College

Cash and Cash Equivalents:

Cash on hand	\$ 4,417
Deposits with financial institutions (overdraft)	(54,651)
	<u>(50,234)</u>

Investments:

Interest in State Land Grant Permanent Fund	2,593,380
Total Cash and Cash Equivalents and Investments	<u><u>\$ 2,543,146</u></u>

The Foundation

Cash and Cash Equivalents:

Deposits with financial institutions	\$ 374,502
--------------------------------------	------------

Investments:

Mutual funds	2,808,462
Real Estate Investment Trust	178,175
	<u>2,986,637</u>
Total Cash and Cash Equivalents and Investments	<u><u>\$ 3,361,139</u></u>

Investment Policy. The College utilizes certificates of deposit to invest its excess funds. The College could also invest in the short-term investment pool held by the New Mexico State Treasurer, but it has not utilized this option. The College automatically has an undivided interest in the State of New Mexico Land Grant Permanent Fund (Note 7). The Foundation's investment policy authorizes monies to be invested in equity and debt securities of United States institutions, corporate and government securities.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the College or the Foundation. The College did not have any investments at June 30, 2013, other than its undivided interest in the State of New Mexico Land Grant Permanent Fund. The credit risk for this interest was not available. Credit ratings were not available from the investments held by the Foundation.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The College and the Foundation do not have formal investment policies that limit investment maturities as a means of managing its exposure to changing interest rates. The College did not have any investments at June 30, 2013, other than its interest in the State of New Mexico Land Grant Permanent Fund. The interest rate risk for its interest in the State of New Mexico Land Grant Permanent Fund was not available.

NORTHERN NEW MEXICO COLLEGE
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 2. CASH AND INVESTMENTS (continued)

The Foundation's investments were not interest-bearing obligations, so they were not subject to interest rate risk at June 30, 2013.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the College's or the Foundation's investment in a single type of security. The College and the Foundation do not have a formal policy to address concentration of credit risk. The College did not have any investments at June 30, 2013, so it was not subject to any concentration of credit risk. The following represents the concentration of credit risk regarding the investments of the Foundation at June 30, 2013:

TCA, 46079	\$ 921,871	30.88%
Transamerica Funds, 06500149742	738,114	24.71%
Transamerica Funds, 06500149741	337,714	11.31%
TCA, 46072	274,581	9.19%
Transamerica Funds, 06500149740	226,111	7.57%
Griffin Capital, 91018287	102,800	3.44%
Griffin Capital, 91018283	102,800	3.44%
Columbia Property Trust, 01000970676	73,300	2.45%
Griffin Capital, 910187960	71,960	2.41%
Columbia Property Trust, 01001219079	58,640	1.96%
KBS Real Estate Investment Trust, 00000027412	46,235	1.55%
Sunamerica Asset Mgmt, 00009329277	32,511	1.09%
Total Foundation Investments	\$ 2,986,637	100.00%

Custodial Credit Risk. The custodial credit risk for deposits is the risk that, in the event of a depository institution failure, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party.

All deposits, investments and investments in commercial banks and savings and loan associations are collateralized as required by Section 6-10-16 to Section 6-10-17 NMSA 1978. All deposits of the College are either insured or collateralized. All deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the College's agent in the College's name. The College has no policy regarding custodial credit risk for deposits.

At June 30, 2013, the College's deposits had carrying amounts of (\$54,651) (overdraft) and bank balances of \$92,486. Of the bank balances, \$92,486 was covered by federal depository insurance at June 30, 2013, and the rest of the deposits were collateralized with securities held by the financial institution in the College's name.

NORTHERN NEW MEXICO COLLEGE
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 2. CASH AND INVESTMENTS (continued)

Of the investments in federal agency and corporate obligations and marketable securities, the Foundation had custodial credit risk exposure at June 30, 2013, because the related securities are held by the Foundation's brokerage firm, which is also the counterparty for these securities.

At June 30, 2013, the Foundation's deposits had carrying amounts of \$374,502 and bank balances of \$376,411. The entire amount was either covered by federal depository insurance or collateralized by securities pledged by the financial institution and also held by the financial institution.

NOTE 3. RECEIVABLES

Grants and Contracts Receivable. Amounts due from state and local agencies, as well as amounts due from the federal government represent expenditures to be reimbursed under various cost-sharing agreements. The balance at June 30, 2013 is \$1,199,801. It is the opinion of management that no allowance for doubtful accounts was needed at June 30, 2013.

Student Accounts Receivable. Amounts due from students are for tuition and fees not covered by financial aid. The total due was \$1,226,253 and the College has provided an allowance for doubtful receivables of \$977,699, for a net reported balance of \$248,554 at June 30, 2013. It is the opinion of management that this allowance is adequate.

Pledges Receivable. Amounts shown as pledges receivable represent private gifts and other receivables received subsequent to the Statement of Net Position date, but which were due on or before June 30. The Foundation had pledges of \$12,517 and the College had pledges of \$9,594 as of June 30, 2013. It is the opinion of management that no allowance for doubtful pledges receivable was needed at June 30, 2013.

Loans Receivable. Loans receivable consist of \$228,619 in Federal Perkins loans.

Other Receivables. Other receivables consist of \$63,466 in capital grants and \$69,019 in miscellaneous receivables.

NOTE 4. INVENTORIES

Inventory at June 30, 2013 was as follows:

Bookstore inventory	\$	215,454
Central supply inventory		8,920
Cafeteria inventory		1,609
	\$	<u>225,983</u>

NORTHERN NEW MEXICO COLLEGE
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 5. CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2013 as follows:

	Balance June 30, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
Capital Assets Not Being Depreciated:					
Paintings	\$ 13,500	\$ -	\$ -	\$ -	\$ 13,500
Construction in progress	5,571,193	1,020,222	-	(6,591,415)	-
Land and improvements	6,807,340	73,524	-	-	6,880,864
Total Capital Assets not Being Depreciated	12,392,033	1,093,746	-	(6,591,415)	6,894,364
Capital Assets Being Depreciated:					
Automobiles	97,364	106,366	-	-	203,730
Building and improvements	43,015,195	287,091	-	6,591,415	49,893,701
Furniture, fixtures and equipment	7,699,735	360,194	-	-	8,059,929
Library materials	3,076,841	17,660	-	-	3,094,501
Total Capital Assets Being Depreciated	53,889,135	771,311	-	6,591,415	61,251,861
Total Capital Assets	66,281,168	1,865,057	-	-	68,146,225
Less accumulated depreciation for:					
Automobiles	40,572	18,751	-	-	59,323
Building and improvements	24,913,567	924,558	-	-	25,838,125
Furniture, fixtures and equipment	6,766,843	271,156	-	-	7,037,999
Library materials	2,145,284	176,950	-	-	2,322,234
Total Accumulated Depreciated	33,866,266	1,391,415	-	-	35,257,681
Total Capital Assets Being Depreciated, Net	20,022,869	(620,104)	-	6,591,415	25,994,180
Total Capital Assets, Net	\$ 32,414,902	\$ 473,642	\$ -	\$ -	\$ 32,888,544

The College does not capitalize interest expense because its additions are not financed by any debt of the College.

NORTHERN NEW MEXICO COLLEGE
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 6. COMPENSATED ABSENCES

A summary of changes in compensated absences for the year ended June 30, 2013 follows:

	Balance June 30, 2012	Increase	Decrease	Balance June 30, 2013	Amount Due Within One Year
Compensated absences	\$ 437,775	\$ 647,426	\$ (692,197)	\$ 393,004	\$ 393,004

NOTE 7. INTEREST IN STATE LAND GRANT PERMANENT FUND

State Investment Council. The College has an undivided interest in assets of the State of New Mexico Land Grant Permanent Fund (Permanent Fund) managed by the State Investment Council. At June 30, 2013, the cost and fair market value of such interest is \$1,653,769 and \$2,593,380, respectively. These investments are not categorized by custodial risk.

The College's undivided interest in the Permanent Fund was .021368% at June 30, 2013. The College's undivided interest in the Permanent Fund increased by \$264,165.

NOTE 8. OPERATING LEASES

The College leases certain office space and office equipment under lease agreements with terms ranging from one year to five years. Expenditures for operating leases for the year ended June 30, 2013 were \$113,221. Future minimum lease payments under these operating leases are as follows:

2014	\$ 123,494
2015	110,063
2016	110,063
2017	110,063
2018	110,063
	<u>\$ 563,746</u>

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Certain College full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA 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 PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us. The College no longer has any participants in the plan as of June 30, 2013.

Funding Policy. Plan members are required to contribute 10.67% (ranges from 3.83% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The College is required to contribute 13.34% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the College are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The College's contributions to PERA for the fiscal years ended June 30, 2013, 2012 and 2011 were \$0, \$3,194, and \$6,664, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 10. PENSION PLAN – EDUCATIONAL 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 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirements 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:

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 9.40% of their gross salary in fiscal year 2013; 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (continued)

Employer Contributions

In fiscal year 2013, the College was required to contribute 12.4% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than \$20,000. In the future, the College will contribute the following percentages of gross covered salary of employees: 13.15% of gross covered salary in fiscal year 2014; and 13.9% of gross covered salary in fiscal 2015.

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 fiscal years ending June 30, 2013, 2012, and 2011, were \$1,115,276, \$870,294, and \$1,031,827, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 11. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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

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

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

NOTE 11. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of Legislature following July, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure that actuarial soundness of the benefits provided under the Retiree Health Care Act.

The College's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$196,188, \$167,830, and \$151,826, respectively, which equal the required contributions for each year.

NOTE 12. INSURANCE COVERAGE

New Mexico Statutes (Section 15-7-2 NMSA 1978) require Risk Management Division (RMD) to be responsible "for the acquisition and administration of all insurance purchased by the State." Various statutes allow RMD to insure, self-insure and use a combination of both for all risks administered by it. RMD operates under the supervision of the Secretary of New Mexico, General Services Department.

The College is exposed to various risks of loss related to general, automobile and aircraft liabilities, including those relating to civil rights (torts); theft of, damage to and destruction of state property assets; errors and omissions; injuries to employees; group insurance; and natural disasters, all of which are insured against by participation in the public entity risk pool described above, subject to limits of coverage set by RMD. All employees of the College are covered by a blanket fidelity bond up to \$5,000,000, with a \$1,000 deductible per occurrence, by the State of New Mexico for the period July 1, 2012 through June 30, 2013.

NORTHERN NEW MEXICO COLLEGE
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 13. DISCRETELY PRESENTED COMPONENT UNIT

The Northern New Mexico College Foundation (the Foundation) is a not-for-profit corporation established to acquire and manage charitable gifts, including endowed funds, to be used solely for the benefit of the College. The Foundation owed the College \$33,236 at June 30, 2013 for reimbursement of scholarship funds. The Foundation does not issue separate financial statements.

NOTE 14. COMMITMENTS AND CONTINGENCIES

The various federal and state grants and programs are subject to audit by governmental agencies. These audits may result in disallowance of claimed reimbursable expenditures under rules and regulations of the various grants and programs. Management believes that the amounts of potential disallowances, if any, will not be material to the financial statements.

OTHER SUPPLEMENTARY INFORMATION

NORTHERN NEW MEXICO COLLEGE
Schedule of Deposit Accounts
As of June 30, 2013

Depository/Account Name	Type of Account	Cash per Bank June 30, 2013	Add Deposits in Transit	Less Outstanding Checks	Other Reconciling Items	Adjusted Cash (Deficit) Balance June 30, 2013
COLLEGE						
Valley National Bank						
General	Checking	\$ 40,460	\$ -	\$ (619,434)	\$ 485,683	\$ (93,291)
Payroll	Checking	10,208	105	(14,792)	(1,088)	(5,567)
Student	Checking	817	-	-	-	817
Savings	Savings	999	-	-	-	999
Bank of America						
Payroll	Checking	-	-	-	-	-
Perkins	Checking	31,267	38	-	-	31,305
Luis Bustos	Checking	6,672	-	-	-	6,672
Federal	Checking	993	-	-	-	993
Community Bank						
General	Checking	1,070	2,351	-	-	3,421
Cash in Bank		92,486	2,494	(634,226)	484,595	(54,651)
Petty Cash and Cash Drawers		4,417	-	-	-	4,417
Total College Cash and Cash Equivalents		\$ 96,903	\$ 2,494	\$ (634,226)	\$ 484,595	\$ (50,234)
FOUNDATION						
Valley National Bank						
Operating	Checking	\$ 6,129	\$ 100	\$ (2,299)	\$ 58	\$ 3,988
Marketing	Checking	47,722	-	-	-	47,722
On-line Giving	Checking	322,560	-	-	232	322,792
Total Foundation Cash and Cash Equivalents		\$ 376,411	\$ 100	\$ (2,299)	\$ 290	\$ 374,502

See Report of Independent Auditors

NORTHERN NEW MEXICO COLLEGE
Schedule of Pledged Collateral
As of June 30, 2013

COLLEGE:

<u>Pledged Collateral</u>		<u>Valley</u>			<u>Total</u>
<u>Safekeeping</u>	<u>Type of</u>	<u>National Bank</u>	<u>Community Bank</u>	<u>Bank of America</u>	
<u>Location</u>	<u>Security</u>				
Funds on Deposit					
Demand deposits		\$ 52,484	\$ 1,070	\$ 38,932	\$ 92,486
FDIC Insurance					
Demand deposits		(52,484)	(1,070)	(38,932)	(92,486)
Total Uninsured Public Funds		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fifty Percent Collateral					
Requirement Per Section					
6-10-17 NMSA					
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pledged Collateral					
Valley National Bank		-	-	-	-
Bank of America					
	CUSIP #31419AQ83	-	-	361,462	361,462
		-	-	361,462	361,462
Deficiency / (Excess) of Pledged Collateral		<u>\$ -</u>	<u>\$ -</u>	<u>\$ (361,462)</u>	<u>\$ (361,462)</u>

FOUNDATION:

The Foundation is not required to have pledged collateral on excess cash balances.

See Report of Independent Auditors

NORTHERN NEW MEXICO COLLEGE
Schedule of Collaborative Partnerships
As of June 30, 2013

Collaborative Partnerships	Signed/Entered	Amounts	Contact	Note
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Memorandum of Understanding

MOU between NNMC and NNMC Foundation	October 16, 2008 Succeeds Sept 11, 2008 MOA	\$ 41,968	N/A	Sets up financial and strategic arrangement between entities.
MOU between NNMC and the Espanola Farmers Market Board	May 14, 2007	\$ 4,400	Gene Lopez, President	Allows for collaboration between the College and the EF market.
MOU between NNMC and ENIPC, Inc.	August, 2006	\$ 32,000	N/A	Formalize the relationship between NNMC and Eight Northern Indian Pueblos.

Memorandum of Agreement

MOA between NNMC and the El Rito Regional Water and Wastewater Association	July 15, 2010	\$ 6,000	N/A	Use of existing space at the El Rito Campus for the ERRW&WA.
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See Report of Independent Auditors

NORTHERN NEW MEXICO COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Agency/ Pass-Through Agency/ Name of Program	Pass- Through Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>U.S. Department of Education Programs</i>			
Direct Student Financial Assistance Cluster			
Supplemental Education Opportunity Grant (SEOG)		84.007	\$ 90,179
Federal Work Study		84.033	111,515
Federal Pell Grant		84.063	3,494,306
Federal Direct Loans Subsidized		84.268	619,452
Federal Direct Loans Unsubsidized		84.268	323,967
Federal Perkins Loans		84.038	35,750
Teach		84.379	4,000
Total Student Financial Assistance Cluster			<u>4,679,169</u>
Direct TRIO			
Educational Opportunity Center		84.066	<u>502,588</u>
Direct Higher Education Institutional Aid			
Title III			
Northern Rio Grande STEM Collaborative		84.031C	1,068,654
Title V			
Title V - Coop		84.031	57,553
Title V - Exito		84.031S	757,220
Title V - Avance		84.031M	583,253
Subtotal Higher Education Institutional Aid			<u>2,466,680</u>
Direct Migrant Education			
High School Equivalency Program		84.141	<u>432,352</u>
Direct College Assistance			
College Assistance Migrant Program		84.149A	<u>376,729</u>
Direct Bilingual Education			
The Esperanza Project		84.195N	<u>34,973</u>
<i>U.S. Department of Education Pass-through Programs</i>			
Pass-through New Mexico State University			
Perkins - Career and Technical Training	V046A1100031	84.048	66,273
Adult Basic Education	V002A110032	84.002	76,858
College Access Challenge Grants	P378A110052	84.378	14,282
Subtotal Pass-through New Mexico State University (non-ARRA)			<u>157,413</u>
State Fiscal Stabilization Fund - Education - ARRA - Solar Panels	21-R1DOE00001	84.394A	4,799
Subtotal Pass-through State of NM (ARRA)			<u>4,799</u>
Subtotal Pass-through State of NM (all)			<u>162,212</u>
TOTAL U.S. DEPARTMENT OF EDUCATION PROGRAMS			<u>8,654,703</u>

NORTHERN NEW MEXICO COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Agency/ Pass-Through Agency/ Name of Program	Pass- Through Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF ENERGY			
<i>Pass-through Program</i>			
Environmental Remediation and Waste Processing Disposal	E-EM00001367	81.104	58,834
TOTAL U.S. DEPARTMENT OF ENERGY			58,834
DEPARTMENT OF COMMERCE			
EDA-University Center	08-66-04631.01	11.306	111,755
TOTAL DEPARTMENT OF COMMERCE			111,755
NATIONAL SCIENCE FOUNDATION			
<i>Research and Development</i>			
<i>Direct Program</i>			
Education and Human Resources-CRI		47.076	21,006
Total Direct Research and Development			21,006
<i>Non-Research and Development</i>			
<i>Direct Programs</i>			
Education and Human Resources-NOYCE		47.076	89,320
Education and Human Resources-ASPIRE		47.076	86,818
Education and Human Resources-STEM		47.076	129,329
Subtotal Direct - Non-Research and Development			305,467
<i>Pass-through Programs</i>			
Pass-through New Mexico State University			
Education and Human Resources-NM Alliance for Minority Participation	HRD-0803171	47.076	329
Pass-through Missouri State University:			
Education and Human Resources-VESTA National Center of Excellence	DUE-1104205	47.076	4,121
Pass-through University of New Mexico			
Education and Human Resources - DUE	DUE-1044922	47.076	11,432
Subtotal Pass-through - Non-Research and Development			15,882
Subtotal Education and Human Resources			342,355
Pass-through University of New Mexico			
ARRA - Trans-NSF Recovery Act Research Support	63019	47.082	43,620
Subtotal Trans-NSF Recovery Act			43,620
TOTAL NSF PROGRAMS			385,975
DEPARTMENT OF INTERIOR			
National Heritage Area Federal Financial Assistance		15.939	37,791
TOTAL DEPARTMENT OF INTERIOR			37,791
TOTAL FEDERAL PROGRAMS			\$ 9,249,058

NORTHERN NEW MEXICO COLLEGE
Notes To Schedule of Expenditures of Federal Awards
For the 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 state, 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

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Education Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

NOTE 4. STUDENT FINANCIAL ASSISTANCE

The College administers the Perkins Loan Program. The Schedule of Expenditures of Federal Awards includes an amount, which represents administrative costs and new loans processed during the year ended June 30, 2013. Perkins Loans awarded for the year ended June 30, 2013 totaled \$35,750. As of June 30, 2013, the outstanding student loan balance under the federal Perkins Loan Program was \$228,619.

NOTE 5. SUB-RECIPIENTS

The following presents the funds passed to sub-recipients during the year ended June 30, 2013:

<u>Sub-recipients</u>	<u>FY 13 Expenses</u>
Title V - Coop:	
University of New Mexico - Taos	\$ 2,733
New Mexico Highlands University	3,954
	<u>6,687</u>
Title III - Northern Rio Grande STEM Collaborative:	
Santa Fe Community College	239,202
University of New Mexico - Taos	299,658
University of New Mexico - Los Alamos	259,208
	<u>798,068</u>
Total	<u>\$ 804,755</u>

SINGLE AUDIT

**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**

Board of Regents
Northern New Mexico College
and
Hector H. Balderas, New Mexico State Auditor

We have audited, 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, the financial statements of the business-type activities, and the discretely presented component unit of Northern New Mexico 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 have issued our report thereon dated November 15, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Board of Regents
Northern New Mexico College
and
Hector H. Balderas, New Mexico State Auditor

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-22, 2013-01 and 2013-02 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-03 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-22, 2013-06, 2013-07, 2013-08, and 2013-09.

College's Responses to the Findings

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Board of Regents
Northern New Mexico College
and
Hector H. Balderas, New Mexico State Auditor

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 15, 2013

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

Board of Regents
Northern New Mexico College
and
Mr. Hector H. Balderas, New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited Northern New Mexico 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 each of the College's major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 each of the College's major federal programs 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 the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Board of Regents
Northern New Mexico College
and
Mr. Hector H. Balderas, New Mexico State Auditor

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

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-04 and 2013-05. Our opinion on each major federal program is not modified with respect to these matters.

The College's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Board of Regents
Northern New Mexico College
and
Mr. Hector H. Balderas, New Mexico State Auditor

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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-04 and 2013-05 that we consider to be significant deficiencies.

The College's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 15, 2013

NORTHERN NEW MEXICO COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

2005-01	Timely Reconciliations of Subsidiary Ledgers	Resolved
2009-01	Segregation of Duties - Payroll	Resolved
2009-02	Improper Internal Controls over Journal Entries	Resolved
2009-03	Review of Bank Reconciliations	Updated and Included in Finding 2013-01
2009-06	Capital Assets – Lack of Adequate Policies	Resolved
2010-01	Financial Close and Reporting	Resolved
2010-02	Improper Accounting for Capital Assets	Resolved
2010-08	Timely Reconciliations of Subsidiary Ledgers – Foundation	Resolved
2010-09	Financial Close and Reporting – Foundation	Resolved
2009-14	Allowability – Time and Effort Reports	Resolved
2010-11	Davis-Bacon Act	Resolved
2010-17	Equipment – Lack of Adequate Policies	Resolved
2011-01	Student Financial Aid Programs – NSLDS Reporting	Resolved
2011-03	Procurement – Suspension and Debarment	Resolved
2009-22	Budgetary Comparisons	Repeat & Modify

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

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(s) identified? X Yes None reported

Non-compliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(s) identified? X Yes 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?

 X Yes No

Identification of Major Program

CFDA Number	Name of Federal Program or Cluster
84.141	High School Equivalency Program
84.031, 84.031C, 84.031M, 84.031S	Higher Education Institutional Aid
Various	Student Financial Assistance Cluster
84.066	TRIO – Educational Opportunity Center
47.076	Education and Human Resources
84.149A	College Assistance Migrant Program

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

\$ 300,000

Auditee qualified as low-risk auditee?

 Yes X No

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

B. FINANCIAL STATEMENT FINDINGS

2009-22 Budgetary Comparisons (Material Weakness/Compliance)

CONDITION

During the year ended June 30, 2013, we noted that the College overspent its approved budget in the combined revenues and expenditures budget in the following expenditure categories:

Institutional support	\$	534,294
Public service	\$	630,995
Auxiliary services	\$	206,171
Intercollegiate athletics	\$	261,154
Research	\$	117,906
Capital outlay	\$	265,328
Renewal and replacement	\$	233,638

The College has overspent its budget for five consecutive years. This overspending has contributed to a deficit position in unrestricted net assets, cash overdraft, and a current ratio of less than 1.0 at June 30, 2013. Additionally, due to insufficient cash, there was \$454,483 in held checks at June 30, 2013.

CRITERIA

Per statute 5.3.4.10 NMAC, total expenditures may not exceed amounts shown in the approved budgets. Adequate internal controls to minimize budget overspending should ensure that budgets are not exceeded by any amount. The point in the disbursement cycle in which the transaction should be cancelled if budget is not available is at the beginning with the purchase request.

EFFECT

The College has not complied with budgetary compliance requirements as set out in the New Mexico Administrative Code which may impact future funding. Additionally, overspending the last several years has contributed to the College's weakened fiscal condition which has resulted in the College's inability to pay its bills timely at and during the year ended June 30, 2013.

CAUSE

The College did not have a strong process in place to monitor budgets to ensure spending is in accordance with the budget approved by the Board.

RECOMMENDATION

We recommend that College budget controls and processes be strengthened to ensure that budgeted amounts are not overspent and budget adjustment requests are completed on a timely basis. Additionally, we recommend the College put into place a formal medium to long range plan to strengthen its overall financial condition.

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

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2009-22 Budgetary Comparisons (Material Weakness/Compliance) (Continued)

MANAGEMENT RESPONSE

The College has established and implemented a formal institutional budgeting process involving hearings with all major departments to more accurately determine staffing and operational expenditure requirements for the upcoming fiscal year. In addition, the College also implemented controls and processes for all departments to ensure that budget is available or, if necessary, adjusted within line items prior to the approval of any requisitions and purchase orders. This process was formally initiated on July 1, 2013, at the beginning of fiscal year 2014. The College is also monitoring, preparing and securing monthly budget authorization and approval from the Board of Regents for any increases or decreases in budgeted expenditures and for any transfers of budget expenditures between departments. The College will also be preparing interim budget adjustment requests for New Mexico Higher Education Department review and approval as required.

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

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-01 Bank Reconciliations - Timeliness - College (Material Weakness)

CONDITION

Certain Bank reconciliations were not performed over 2013 cash accounts until October/November 2013.

CRITERIA

Appropriate internal controls over cash require timely reconciliation of institutional accounts to the general ledger in order to ensure adequate control over cash receipts and disbursements.

EFFECT

Not reconciling cash accounts on a monthly basis creates the opportunity for errors or inappropriate transactions to occur undetected.

CAUSE

During the year, the College changed its bank charges to be charged on a per transaction thus causing a significant number of reconciling items. These reconciling items were not dealt with on a timely basis.

RECOMMENDATION

We suggest that the College prioritize the reconciliation process and implement policies and procedures to ensure that all cash accounts are reconciled and reviewed monthly.

MANAGEMENT RESPONSE

The College recognizes the importance of this control. Although there were many factors that impacted the timeliness of completing the reconciliations, steps should have been taken earlier in the fiscal year to address the factors that increased the time required to complete these tasks. In FY13 the Business Office was responsible for completing bank reconciliations for 13 bank accounts. Nine of the 13 accounts were completed in a timely manner. The College will continue to work to ensure timely reconciliations of all accounts and will fully implement the review process during this fiscal year.

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

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-02 Bank Reconciliations - Timeliness - Foundation (Material Weakness)

CONDITION

Bank reconciliations were not performed over 2013 cash accounts until October/November 2013.

CRITERIA

Appropriate internal controls over cash require timely reconciliation of institutional accounts to the general ledger in order to ensure adequate control over cash receipts and disbursements.

EFFECT

Not reconciling cash accounts on a monthly basis creates the opportunity for errors or inappropriate transactions to occur undetected.

CAUSE

During the year, the College changed its bank charges to be charged on a per transaction thus causing a significant number of reconciling items. These reconciling items were not dealt with on a timely basis.

RECOMMENDATION

We recommend the Foundation prioritize the reconciliation process and implement policies and procedures to ensure that all cash accounts are reconciled and reviewed monthly.

MANAGEMENT RESPONSE

The College recognizes the importance of this control. Although there were many factors that impacted the timeliness of completing the reconciliations, steps should have been taken earlier in the fiscal year to address the factors that increased the time required to complete these tasks. In FY13 the Business Office was responsible for completing bank reconciliations for 13 bank accounts. Nine of the 13 accounts were completed in a timely manner. The College will continue to work to ensure timely reconciliations of all accounts and will fully implement the review process during this fiscal year.

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

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-03 Capital Assets - Physical Inventory Not Reconciled to the General Ledger (Significant Deficiency)

CONDITION

The annual physical inventory of equipment was not reconciled to the general ledger.

CRITERIA

Sound accounting practices require that the capital assets subledger be adjusted to the physical inventory observation.

EFFECT

The College is at risk that capital assets, capital expenditures and depreciation expense could be materially misstated on the financial statements.

CAUSE

The College's inventory process was incomplete at year end due to the fact the equipment was counted and not reconciled to the equipment module in Banner and the equipment depreciation excel spreadsheet schedules.

RECOMMENDATION

We recommend the College review and track their expenditures for capital assets on a monthly basis for all transactions including acquisitions, depreciation, and dispositions, and for items that need to be capitalized. Additionally, an annual physical inventory should be reconciled to the capital assets module.

MANAGEMENT REPOSENSE

This is a work in process. In FY13, the College hired a Fixed Assets Accountant to oversee the completion of a formal inventory of all equipment as well as to implement the formal process of disposition of equipment in compliance with state regulations. During the year the employee accepted a job with another employer so the College is faced with having to replace this position in order to continue making improvement in this area and full comply with the audit recommendation.

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

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-06 Controls over Payroll (Non-Compliance in Accordance with the New Mexico State Audit Rule)

CONDITION

During our testing over the payroll controls for Single Audit; we noted an employee did not receive their June 2013 deferred payroll payment of \$2,705.

CRITERIA

Strong internal controls include procedures to ensure payroll distributions are complete and lead to accurately and timely distributions.

EFFECT

The College's employees may not receive all of their payroll distributions they are required to receive during the fiscal year.

CAUSE

A lack of policies and control processes surrounding deferred payroll distributions resulted in the missed payroll distribution.

RECOMMENDATION

We recommend the College implement a policy and control processes regarding payroll distributions to their employees.

MANAGEMENT RESPONSE

This matter has been resolved and we have implemented a process to ensure that there will be no reoccurrences in the future. All transactions where an employee may have more than one position within the College will be manually reviewed by the Payroll Manager and reviewed and approved by the Director of Human Resources. This will ensure that the correct calculations are performed and that the employee(s) are paid correctly.

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

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-07: Disaster Recovery Plan and Password Policies (Non-Compliance in Accordance with the New Mexico State Audit Rule)

CONDITION

During our review of general IT controls 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) There is no password policy in the domain system as well as the Accounting system that requires a mandatory and frequent password change by the user.

CONDITION

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 decreases overall system security which makes the infrastructure vulnerable to attack and unauthorized data access or modification.

CAUSE

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

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

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-07: Disaster Recovery Plan and Password Policies (Non-Compliance in Accordance with the New Mexico State Audit Rule) (Continued)

RECOMMENDATION

We recommend the following:

- (a) Developing 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 the incident will be addressed in a consistent and timely manner.
- (c) Improve password policies in the network and all applications by requiring all users to frequently change their passwords

MANAGEMENT RESPONSE

NNMC IT has begun to develop and document a disaster recovery plan for all critical systems. The development of this plan has been hindered by the lack of documented IT procedures and required infrastructure. With the FY13 additional infrastructure funding NNMC administration has begun to put into place industry standards for backup and recovery. NNMC IT plans to have a disaster recovery plan documented, tested and approved by the NNMC administration by April of 2014. This plan will include a formal incident response plan that will provide roles and responsibilities in the event of a disaster.

NNMC IT is also in the process of implementing a password policy on all systems based on industry standards. This implementation has had to begin with the proper implementation and usage of the Microsoft Active Directory protocol. NNMC IT will have a strict industry standard password policy for all systems full implemented and tested by spring of 2014.

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

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-08: Cash Management: Policies and Procedures (Non-Compliance in Accordance with the New Mexico State Audit Rule)

CONDITION

During our review of the controls over cash; it was noted there is no policy in place to change the access code to get into the cash vault.

CRITERIA

Sound accounting practices require proper segregation of duties over handling and processing cash.

EFFECT

There is an increased risk of fraudulent activity when access codes are not changed periodically.

CAUSE

Management has not changed the cash vault code in several years which increases the possibility that the code to the cash vault could become available to an unauthorized user.

RECOMMENDATION

We recommend a policy be implemented over the access code to the cash vault. Changing the vault code on a frequent basis will reduce the risk of an unauthorized person gaining access.

MANAGEMENT REPOSENSE

Only a limited number of staff has access to the vault combination. The vault is also located in a locked room and only the Cashier and Finance Manager have a key assigned to the vault room. The College will implement a policy over the access to the cash vault and will ensure the vault code is changed on a frequent basis and definitely when an employee who has vault access terminates or is assigned to another function.

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

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-09 Compliance with State Audit Rule: Governmental Conduct Act (Non-Compliance in Accordance with the New Mexico State Audit Rule)

CONDITION

During our testwork over compliance with the New Mexico State Audit Rule, we noted the College does not have a code of conduct for their Faculty, Part-Time and Staff employees.

CRITERIA

Per the Governmental Conduct Act (10-16-1 to 10-16-18 NMSA 1987), the entity's code of conduct shall be reviewed once every four years.

EFFECT

Employees do not have a formal guidance over prohibited behavior and appropriate business decisions.

CAUSE

Management was not aware this was a requirement.

RECOMMENDATION

We recommend the College implement and provide a code of conduct accessible to all employees.

MANAGEMENT RESPONSE

The College has already been discussing the need for a code of conduct addressing acceptable professional and ethical behavior and will be bring a policy forward to the Board of Regents for consideration and approval before the end of the current fiscal year.

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

C. MAJOR FEDERAL AWARD PROGRAM

2013-04 Student Financial Aid - Return of Title IV Funds (Significant Deficiency/Non-Compliance)

Federal program information:

Funding agency: U.S. Department of Education
Title: Student Financial Assistance Cluster
CFDA Numbers: 84.007, 84.063 and 84.268

CONDITION

As part of our sample selection process over the compliance testwork for Return of Title IV Funds (R2T4), we noted all students who received failing grades and had one or more "W's" (Withdrawals) for the Fall 2012 semester were not calculated as whether funds were to be returned.

CRITERIA

Per 34 CFR section 668.22(a)(1), when a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance that the student earned as of the student's withdrawal date.

Per 34 CRD section 668.22(c), *Withdrawal date for a student who withdraws from an institution that is not required to take attendance.* (1) For purposes of this section, for a student who ceases attendance at an institution that is not required to take attendance, the student's withdrawal date is—

- (i) The date, as determined by the institution, that the student began the withdrawal process prescribed by the institution;
- (ii) The date, as determined by the institution, that the student otherwise provided official notification to the institution, in writing or orally, of his or her intent to withdraw;
- (iii) If the student ceases attendance without providing official notification to the institution of his or her withdrawal in accordance with paragraph (c)(1)(i) or (c)(1)(ii) of this section, the mid-point of the payment period (or period of enrollment, if applicable);
- (iv) If the institution determines that a student did not begin the institution's withdrawal process or otherwise provide official notification (including notice from an individual acting on the student's behalf) to the institution of his or her intent to withdraw because of illness, accident, grievous personal loss, or other such circumstances beyond the student's control, the date that the institution determines is related to that circumstance;
- (v) If a student does not return from an approved leave of absence as defined in paragraph (d) of this section, the date that the institution determines the student began the leave of absence; or
- (vi) If a student takes a leave of absence that does not meet the requirements of paragraph (d) of this section, the date that the student began the leave of absence.

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

C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)

2013-04 Student Financial Aid - Return of Title IV Funds (Significant Deficiency/Non-Compliance) (Continued)

QUESTIONED COSTS

Total amount not calculated for R2T4; \$11,654.

EFFECT

Failure to complete the R2T4 calculation over the students who received failing grades and one or more "W's" during the Fall 2012 semester.

CAUSE

The Financial Aid Officer who was present during the Fall 2012 semester was not aware that the R2T4 calculation needed to be completed over students with failing grades and one or more "W's".

RECOMMENDATION

We recommend the College evaluate all the students with failing grades and one or more "W's" at the end of each semester for the R2T4 calculation.

MANAGEMENT RESPONSE

The Financial Aid Officer responsible for processing R2T4 identified and recalculated the students who received failing grades and had also withdrawn ("W") from one or more course for the fall 2012 term. As a result of the recalculation, it was determined that Northern owed the US Department of Education a refund in the amount of \$11,654. The adjustments were made in the COD system and submitted to the US Department of Education. Northern processed a refund in the amount of \$11,654 to the US Department of Education. The spring 2013 and summer 2013 terms were correctly calculated.

The FAO responsible for processing R2T4 reviews and calculates all students who appear on the BANNER generated report for unofficial withdrawals. This report includes those students who received failing grades and had also withdrawn ("W") from one or more course for the term.

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

C. MAJOR FEDERAL AWARD PROGRAM (CONTINUED)

2013-05 High School Equivalency Program (HEP) Ineligible Students (Significant Deficiency & Non-compliance)

Federal program information:

Funding agency: U.S. Department of Education
Title: Migrant Education - High School Equivalency Program
CFDA Number: 84.141

CONDITION

During our testing over eligibility for the High School Equivalency Program (HEP); we noted 4 out of 26 students tested were accepted into the HEP when they scored less than the minimum required grade of the placement exam which classifies the student as ineligible to be accepted into the program.

QUESTIONED COST

Unknown

CRITERIA

Per the HEP award for project services to meet the needs of migrant and seasonal farm worker student; the assessment states; "Each potential student must score a minimum grade level of 7.0 in reading to be eligible for Northern HEP. The instructor at each site will: 1) administer the TABE test to each applicant; 2) review test results with student; 3) develop an Individualized Learning Plan to meet each student's academic needs; 3) refer students who do not meet 7.0 reading level to the Adult Basic Education Program at the College; 4) submit completed application and assessment results to the HEP Director; and 5) Director will review application and assessment results, verify farm work eligibility and approve each application.

EFFECT

Students are accepted into HEP and receive the benefits of HEP when they are not eligible.

CAUSE

The College did not properly review the eligibility requirements for students accepted into HEP.

RECOMMENDATION

We recommend the College implement consist controls over HEP for the acceptance of eligible students.

MANAGEMENT RESPONSE

In August 2012, the HEP Director determined that the program's placement exam was not accurately assessing the academic level of eligible students. It was this determination that prompted the interim deviation from the approved placement strategy. Eligibility for the four students referenced in the finding was determined by a comprehensive review of a writing sample and writing, reading, and math sores. In September 2012, the Office of Migrant Education approved the change in the placement exams. The existing exam better reflects student academic preparation. An admissions cut score for the new exam has been determined. HEP eligibility requires that students fulfill both placement and academic eligibility.

**NORTHERN NEW MEXICO COLLEGE
EXIT CONFERENCE
Year Ended June 30, 2013**

The contents of this report were discussed in a closed meeting exit conference held on November 12, 2013 at Northern New Mexico College, with the following in attendance:

Representing Northern New Mexico College:

Dr. Nancy Barcelo - President
Domingo Sanchez III - Vice President for Finance and Administration
Ricky Serna - Vice President for Advancement
Henrietta Trujillo - Director of Business Operations
Jacob Pacheco - Director of Financial Aid
Connie Manzanares - Financial Aid Assistant Director
Alex Williams - Sr. Financial Analysis
Frank Orona - Dean of Students
Alfred Herrera - Board of Regents of College
Michael Branch - Board of Regents of College
Filberto Martinez - Board of Regents of College

Representing Northern New Mexico College Foundation:

Dr. Nancy Barcelo - President (College) and Board Member of Foundation
Domingo Sanchez III - Vice President for Finance and Administration (College)
Ricky Serna - Vice President for Advancement (College)

Representing Moss Adams LLP:

Scott Eliason - Partner

Representing the New Mexico Higher Education Department:

Scott Eccles - HED Auditor

BUDGETARY COMPARISONS - BUDGETARY BASIS

Report of Independent Auditors on the Schedule of Budgetary Comparisons – Budgetary Basis

To the Board of Regents
Northern New Mexico College
and
Mr. Hector H. Balderas
New Mexico State Auditor

Report on the Financial Statement

We have audited the accompanying schedule of budgetary comparisons – budgetary basis of Northern New Mexico College, for the year ended June 30, 2013, and the related notes.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this schedule of budgetary comparisons – budgetary basis in accordance with the budgetary basis of accounting prescribed by the New Mexico Administrative Code as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule of budgetary comparisons – budgetary basis that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedule of budgetary comparisons – budgetary basis 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 schedule of budgetary comparisons – budgetary basis is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of budgetary comparisons – budgetary basis. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of budgetary comparisons – budgetary basis, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of budgetary comparisons – budgetary basis 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 entity'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 schedule of budgetary comparisons – budgetary basis.

To the Board of Regents
Northern New Mexico 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 opinion.

Opinion

In our opinion, the schedule of budgetary comparisons – budgetary basis referred to above presents fairly, in all material respects, the budgetary comparison of Northern New Mexico College for the year ended June 30, 2013, in accordance with the budgetary basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 to the schedule of budgetary comparisons – budgetary basis, which describes the basis of accounting. The schedule of budgetary comparisons – budgetary basis is prepared on the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Mess Adams LLP

Albuquerque, New Mexico
November 15, 2013

NORTHERN NEW MEXICO COLLEGE
Schedule of Budgetary Comparisons - Budgetary Basis
Statement of Revenues, Expenditures and Changes in Fund Balance (Budgetary Basis)
Restricted and Unrestricted - All Operations
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Favorable (Unfavorable)
Beginning, Fund Balance (Budgetary Basis)	\$ 4,458,896	\$ 4,458,896	\$ 4,975,718	\$ 516,822
Revenues				
State government appropriations	10,525,900	10,525,900	11,591,216	1,065,316
Federal government contracts and grants	10,447,178	10,447,178	9,213,308	(1,233,870)
State government contracts and grants	2,593,937	2,593,937	1,306,341	(1,287,596)
Local government contracts and grants	131,000	131,000	50,528	(80,472)
Private gifts, grants, and contracts	122,600	122,600	284,840	162,240
Tuition and miscellaneous fees	4,825,326	4,825,326	4,236,731	(588,595)
Land and permanent fund	200,000	200,000	138,659	(61,341)
Sales and services	824,764	824,764	1,183,542	358,778
Other	536,360	536,360	589,703	53,343
Total Revenues	30,207,065	30,207,065	28,594,868	(1,612,197)
Expenditures				
Instruction	9,711,655	9,711,655	8,427,315	1,284,340
Student social and cultural activities	39,100	39,100	55,158	(16,058)
Academic support	828,452	828,452	824,844	3,608
Student services	2,105,220	2,105,220	2,322,205	(216,985)
Institutional support	4,301,184	4,301,184	4,835,478	(534,294)
Operation and maintenance of plant	2,024,600	2,024,600	1,942,125	82,475
Research	-	-	117,906	(117,906)
Public service	488,004	488,004	1,118,999	(630,995)
Internal service	1,170,983	1,170,983	1,146,354	24,629
Auxiliary enterprises	1,157,039	1,157,039	1,363,210	(206,171)
Capital outlay	1,158,453	1,158,453	1,423,831	(265,378)
Renewal and replacement	425,000	425,000	658,638	(233,638)
Student aid, grants stipends and independent operations	6,818,045	6,818,045	5,861,456	956,589
Intercollegiate athletics	348,435	348,435	609,589	(261,154)
Total Expenditures	30,576,170	30,576,170	30,707,108	(130,938)
Net Transfers - In (Out)	-	-	-	-
Change in Fund Balance (Budgetary Basis)	(369,105)	(369,105)	(2,112,240)	(1,743,135)
Ending, Fund Balance (Budgetary Basis)	\$ 4,089,791	\$ 4,089,791	\$ 2,863,478	\$ (1,226,313)

The College submitted its fiscal year 2013 budget to HED; however, HED never approved the College's 2013 budget.

See Report of Independent Auditors

NORTHERN NEW MEXICO COLLEGE
Schedule of Budgetary Comparisons - Budgetary Basis
Statement of Revenues, Expenditures and Changes in Fund Balance (Budgetary Basis)
Restricted - Instruction and General
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Favorable (Unfavorable)
Beginning, Fund Balance (Budgetary Basis)	\$ -	\$ -	\$ 782,744	\$ 782,744
Revenues				
State government appropriations	-	-	-	-
Federal government contracts and grants	4,278,684	4,278,684	3,578,606	(700,078)
State government contracts and grants	270,286	270,286	187,176	(83,110)
Local government contracts and grants	-	-	-	-
Private gifts, grants, and contracts	122,600	122,600	143,136	20,536
Tuition and miscellaneous fees	-	-	-	-
Land and permanent fund	-	-	-	-
Sales and services	-	-	-	-
Other	-	-	(83,104)	(83,104)
Total Revenues	4,671,570	4,671,570	3,825,814	(845,756)
Expenditures				
Instruction	3,512,125	3,512,125	2,186,211	1,325,914
Student social and cultural activities	-	-	-	-
Academic support	161,457	161,457	94,083	67,374
Student services	922,276	922,276	1,091,539	(169,263)
Institutional support	75,712	75,712	288,223	(212,511)
Operation and maintenance of plant	-	-	-	-
Research	-	-	-	-
Public service	-	-	-	-
Internal service	-	-	-	-
Auxiliary enterprises	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacement	-	-	-	-
Student aid, grants stipends and independent operations	-	-	-	-
Intercollegiate athletics	-	-	-	-
Total Expenditures	4,671,570	4,671,570	3,660,056	1,011,514
Net Transfers - In (Out)	-	-	(846,215)	(846,215)
Change in Fund Balance (Budgetary Basis)	-	-	(680,457)	(680,457)
Ending, Fund Balance (Budgetary Basis)	\$ -	\$ -	\$ 102,287	\$ 102,287

The College submitted its fiscal year 2013 budget to HED; however, HED never approved the College's 2013 budget.

See Report of Independent Auditor

NORTHERN NEW MEXICO COLLEGE
Schedule of Budgetary Comparisons - Budget Basis
Statement of Revenues, Expenditures and Changes in Fund Balance (Budgetary Basis)
Unrestricted - Instruction and General
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Favorable (Unfavorable)
Beginning, Fund Balance (Budgetary Basis)	\$ 1,252,755	\$ 1,252,755	\$ 460,755	\$ (792,000)
Revenues				
State government appropriations	10,328,500	10,328,500	10,328,500	-
Federal government contracts and grants	120,000	120,000	-	(120,000)
State government contracts and grants	25,352	25,352	-	(25,352)
Local government contracts and grants	8,000	8,000	-	(8,000)
Private gifts, grants, and contracts	-	-	-	-
Tuition and miscellaneous fees	4,639,625	4,639,625	3,970,888	(668,737)
Land and permanent fund	200,000	200,000	138,659	(61,341)
Sales and services	4,000	4,000	-	(4,000)
Other	20,000	20,000	58,171	38,171
Total Revenues	15,345,477	15,345,477	14,496,218	(849,259)
Expenditures				
Instruction	6,199,530	6,199,530	6,241,104	(41,574)
Student social and cultural activities	-	-	-	-
Academic support	666,995	666,995	730,761	(63,766)
Student services	1,182,944	1,182,944	1,230,666	(47,722)
Institutional support	4,225,472	4,225,472	4,547,255	(321,783)
Operation and maintenance of plant	2,024,600	2,024,600	1,942,125	82,475
Research	-	-	-	-
Public service	-	-	-	-
Internal service	-	-	-	-
Auxiliary enterprises	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacement	-	-	-	-
Student aid, grants stipends and independent operations	-	-	-	-
Intercollegiate athletics	-	-	-	-
Total Expenditures	14,299,541	14,299,541	14,691,911	(392,370)
Net Transfers - In (Out)	(1,728,671)	(1,728,671)	(1,252,217)	476,454
Change in Fund Balance (Budgetary Basis)	(682,735)	(682,735)	(1,447,910)	(765,175)
Ending, Fund Balance (Budgetary Basis)	\$ 570,020	\$ 570,020	\$ (987,155)	\$ (1,557,175)

The College submitted its fiscal year 2013 budget to HED; however, HED never approved the College's 2013 budget.

See Report of Independent Auditor

NORTHERN NEW MEXICO COLLEGE
Schedule of Budgetary Comparisons - Budget Basis
Reconciliation of Budgetary Basis to Financial Statement Basis - Restricted and Unrestricted -
All Operations
For the Year Ended June 30, 2013

Total Restricted and Unrestricted Revenues:

Budgetary Basis	\$ 28,594,868
Reconciling items:	
Scholarship allowance (not in budgetary basis)	(3,060,100)
Other revenue (not in budgetary basis)	479,379
Total reconciling items	<u>(2,580,721)</u>
GAAP Basis	<u>\$ 26,014,147</u>

Basic Financial Statements

Operating revenues	\$ 14,149,919
Non-operating revenues	11,864,228
Total Restricted and Unrestricted Revenues Per Financial Statements	<u>\$ 26,014,147</u>

Total Restricted and Unrestricted Expenditures:

Budgetary Basis	\$ 30,707,108
Reconciling items:	
Scholarship allowance (not in budgetary basis)	(3,060,100)
Capital outlay (not in financial statements)	(1,865,058)
Depreciation expense (not in budgetary basis)	1,391,415
Total reconciling items	<u>(3,533,743)</u>
GAAP Basis	<u>\$ 27,173,365</u>

Basic Financial Statements

Operating expenditures	\$ 27,173,365
Non-operating expenditures	-
Total Restricted and Unrestricted Expenditures Per Financial Statements	<u>\$ 27,173,365</u>

NORTHERN NEW MEXICO COLLEGE
NOTES TO SCHEDULE OF BUDGETARY COMPARISONS – BUDGETARY BASIS
June 30, 2013

NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budget. The College follows the requirements established by the State of New Mexico Higher Education Department (HED) in formulating its budgets and in exercising budgetary control. It is through HED's policy that, when the appropriation has been made to the College, its Board of Regents can, in general, adopt an operating budget within the limits of available income. Additions to capital assets are reported as expenditures on the budget basis, but not on a basis required by generally accepted accounting principles (GAAP). Depreciation expense and scholarship allowance are GAAP requirements not included on the budget basis submitted to HED.

Procedures for Approval of Operating Budgets

- 1) The College will submit an original typed copy that has been approved by the College's regents to the HED's office by May 1st.
- 2) The HED meets in June and acts on approval of the budgets.
- 3) The budgets, as approved by the HED, are transmitted to the Budget Division of the Department of Finance and Administration for official approval prior to July 1st.

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 for appropriation by the College in subsequent years.

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